TAX

NEW ZEALAND TAXATION

This section summarises the key tax consequences applying to shareholders who are New Zealand residents for tax purposes. This summary is based on New Zealand income tax legislation and interpretation as at the date of this PDS. It is not intended to be an authoritative or complete statement of all the tax laws applicable to a company and its shareholders.

Tax can have significant consequences for investment. If you have queries relating to the tax consequences of this investment, you should obtain professional advice on those consequences. In particular, there may be different tax rules relating to you if you are a non-resident of New Zealand for tax purposes.

Taxation treatment under the portfolio investment entity regime

Issuer intends to register (but does not guarantee that it will register) as a portfolio investment entity ("PIE") and a multi-rate PIE as defined in the Income Tax Act 2007. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to Issuer's investments must be allocated to you in proportion to your unit holdings in Issuer, with tax payable at your prescribed investor rate ("PIR").

You need to tell us your PIR and IRD number

You must provide your IRD number, your applicable PIR and other details to Issuer when you subscribe for Shares. If you do not provide these details, your investment in Issuer will be subject to tax at the 28% PIR. Each year you will be asked to confirm your PIR.

Under the PIE tax legislation, Issuer will calculate and pay tax on the net income it allocates to you at the following rates (referred to as the prescribed investor rate or PIR).

If you're an individual

At the date of this PDS an individual Investor who is a New Zealand resident will have a PIR of 10.5%, 17.5% or 28%. To qualify for a 10.5% or 17.5% PIR, you must be a New Zealand resident for tax purposes, must supply Issuer with a valid IRD number and meet the following criteria in relation to either of the previous two income years*:

If your taxable income is:	And taxable income plus attributed PIE income^ is:	Then the PIR that applies is:
$0 - $14,000	$0 - $48,000	10.5%
$0 - $48,000	$0 - $70,000	17.5%#
$48,001 and over	$70,001 and over	28%#

**Income years generally commence on 1 April in any year and end on 31 March in the following year.*

^ *Attributed PIE income is the amount of income attributed to you by all PIEs (including Issuer) in an income year.*

#*As your PIR is based on your income levels in either of the previous two income years, in a particular year you may satisfy the criteria for two rates. If that is the case, your correct PIR will be the lower rate.*

Individual Investors who do not qualify for a 10.5% or 17.5% PIR will have a PIR of 28%.

If you're not an individual

Other Investors will have the following PIRs:

- 28% for all non-residents;

- 0% for all New Zealand residents that are not individuals, such as companies, unit trusts, superannuation schemes, and charities;
- New Zealand resident trustees (excluding trustees of unit trusts and charitable trusts) may elect a rate of 0%, 17.5% or 28%; and
- New Zealand resident trustees of testamentary trusts may elect a rate of 0%, 10.5%, 17.5% or 28%.

If you're subscribing jointly with another person

If you are subscribing for Shares jointly with another person, the investment is to be split and each partner/holder will have their share of attributable income taxed at their individual PIR. The individual IRD numbers for each partner/holder will need to be supplied.

How the Issuer will account for tax on your investments

The tax payable by the Issuer on the net income allocated to you for any given period will depend on the net income allocated to you for that period and your PIR. The Issuer will adjust the amount of a distribution to be paid to you to address the difference in PIRs between shareholders and to reflect the tax paid to the IRD on a shareholder's behalf. If there are excess tax credits for a period, the Issuer should be able to make additional cash distributions to you on account of that tax credit. Investors with a 0% PIR can claim their share of excess credits in their own tax return.

Taxable income is attributed annually to 31 March or at any time you dispose of your investment (or a part of your investment) in the Issuer. If you dispose of your Shares in full, any tax liability on Issuer's net income attributable to your investment will be deducted from any PIE income attributable to you. If you sell a portion of your Shares during the year, this results in tax being attributed to you in proportion to the amount you have sold.

The importance of providing Issuer with your correct PIR

For individuals

For individuals, if you have provided us with the correct PIR, the tax paid on income allocated to you by the Issuer will be a final tax. You will not need to include the income allocated to you in a tax return. There will also be no impact on student loan repayment obligations or child support payment obligations. However, income from the Issuer is included in the definition of family scheme income for social assistance programmes.

You must notify the Issuer if your PIR changes or if you cease to be a New Zealand resident. If you don't, you will be personally liable to pay any resulting tax shortfall and may be required to file a tax return. Additionally, if you have provided the Issuer with a PIR that is lower than your correct prescribed investor rate, you will be personally liable to pay any resulting tax shortfall and may be required to file a tax return.

If you have provided the Issuer with a PIR that is higher than your correct prescribed investor rate, you will not be able to receive a refund of the overpayment of tax from either the IRD or Issuer.

The IRD can instruct us to apply a different PIR to the one notified by you.

For trusts

A trust shareholder with a 0%, 10.5% or 17.5% PIR must include the allocated income in its own tax return and may claim a credit for any tax already paid by the Issuer. If a trust shareholder has a 28% PIR we will pay tax at the 28% rate and that is a final tax; the income does not need to be included in the trust's tax return.

For other non-individuals

Other non-individual Investors (e.g. a company, charity or unit trust) with a PIR of 0% must account for tax on their allocated income in their own tax return.

You will not be separately taxed under the PIE regime on distributions paid by the Issuer

Distributions paid to you will not be separately taxable, nor is there a tax liability under the PIE rules on the disposal of your Shares in Issuer, even where you receive an amount in excess of the original cost of your Shares (however a sale of your Shares potentially triggers an attribution of taxable income for the current year).

Taxation legislation and rates of tax change. You should always seek independent professional tax advice on your own personal circumstances.

For more information on PIRs please refer to the IRD website: www.ird.govt.nz.

You should note that the Issuer has broad powers to act at its discretion to ensure that Issuer remains eligible to be a PIE. This includes, for example, the ability to refuse investment or to compulsorily re-acquire all or part of your Shares in Issuer if your continued investment may prejudice Issuer's PIE eligibility.

Taxation treatment outside of the PIE regime

Taxation of distributions

If the Issuer is unable to satisfy the eligibility requirements in order to register, or maintain its registration, as a portfolio investment entity, distributions paid by the Issuer (other than on liquidation) will be taxable dividends. The Issuer may attach imputation credits to dividends up to a maximum allowable ratio of 28:72. Any imputation credits attached will be treated as part of the dividend for tax purposes and may be used to satisfy any New Zealand tax liability of a shareholder as discussed further below.

The Issuer will be required to withhold RWT at the rate of 33% from any dividend it pays. The amount of RWT which the Issuer must deduct will be reduced by any imputation credits attached to the dividend. This means that the RWT on a fully imputed dividend is equal to 5% of the total dividend including any imputation credits. The Issuer will not be required to withhold RWT on dividends paid to any Investor that has provided a current RWT exemption certificate.

An imputation credit is treated as income for New Zealand tax purposes and may be used to reduce your tax liability on the dividend or on income from other sources. You may also be eligible for a refund of any RWT withheld on a dividend.

Sale or disposal of Shares

Although New Zealand does not have a capital gains tax regime there are instances where you may be subject to New Zealand tax on gains made on the sale or disposal of the Shares. This will be determined by your individual circumstances. Generally you will be subject to tax on any gain arising from the sale or disposal of Shares if:

- you are in the business of dealing in shares;
- the Shares were acquired as part of a profit-making undertaking or scheme; or
- the Shares were acquired with the dominant purpose of resale.