APN Property Plus Portfolio investors (now renamed to Convenience Retail REIT No.1)

Tax Cost Base of Convenience Retail REIT securities for APN Property Plus Portfolio (PPP) investors who retain securities

If you were a PPP investor that retained all your securities and therefore now own Convenience Retail REIT securities, the establishment steps to create Convenience Retail REIT will mean that you are required to calculate a new tax cost base across each entity comprising Convenience Retail REIT.

Return of capital and subscription for new Convenience Retail REIT securities

PPP investors that retained all their securities received a Capital Return from PPP which was then compulsorily applied to subscribe for new units in Convenience Retail REIT No.2 and Convenience Retail REIT No.3.

Subsequently a unit consolidation occurred such that PPP investors received 0.5741 stapled securities (rounded) in Convenience Retail REIT for every PPP unit held. The details of these transactions are set out below:

Entity	**Capital Return from PPP (per security)**	**Compulsory acquisition of Convenience Retail REIT securities (per security)**	**Unit consolidation factor (per security)**	**Tax cost base (per security)**
		'A'	**'B'**	**'A' / 'B'**
PPP (renamed to Convenience Retail REIT No.1)	$1.1940			Refer below
Convenience Retail REIT No.2		$0.8452	0.5741	$1.4722
Convenience Retail REIT No.3		$0.3488	0.5741	$0.6076

As an example, if you owned 10,000 PPP units that were 'rolled over', you will have received 5,741 Convenience Retail REIT stapled securities.

Tax cost base of Convenience Retail REIT securities

In respect of your investment in PPP units, at the completion of the above stapling steps you may have realised a capital gain on the formation of Convenience Retail REIT if the aggregate of the Capital Return made (refer above) exceeded the adjusted tax cost base of your investment in PPP units. Your adjusted tax cost base is generally determined as the acquisition price paid for PPP units (inclusive of certain incidental costs), less any tax deferred distributions or capital returns previously paid.

A worked example of this calculation, together with an example of how your tax cost base in Convenience Retail REIT No.2 and Convenience Retail REIT No.3 is calculated, has been provided below (Example 1).

Example 1: An APN Property Plus Portfolio (PPP) Unitholder (now renamed to Convenience Retail REIT No.1) that did not participate in the Cash-Out Facility (Investor A)

The following information is designed to assist you in completing your tax return for the implications of Stapling to form Convenience Retail REIT and for when you dispose of your Convenience Retail REIT stapled securities. For relevant capitalised terms used in the Worked Example below refer to the PPP Notice of Meeting/Explanatory Memorandum. As each securityholder's particular circumstances are different, we recommend you seek professional advice in relation to the taxation implications of your investment. Whilst every care has been taken in the preparation of this information, APN Funds Management reserves the right to make amendments or corrections to the information set out above.

Assumptions

- Investor A had 10,000 PPP Units.
- Investor A is an Australian tax resident individual.
- Investor A acquired 6,000 Tranche 1 PPP Units for $1.00 per PPP Unit ($6,000) when issued on 30 September 2002.
- Investor A acquired a further 4,000 Tranche 2 PPP Units for $1.10 per PPP Unit ($4,400) when issued on 29 November 2005.
- As a consequence of tax deferred Distributions made by PPP over its life (and before the payment of the Special Distribution), the cost base of the PPP Units was reduced on a per PPP Unit basis as follows:
  - Tranche 1 PPP Units: Adjusted cost base of $0.2635 (not including incidental costs).
  - Tranche 2 PPP Units: Adjusted cost base of $0.6369 (not including incidental costs).
- Investor A did not elect to cash-out units in PPP and instead received both a Special Distribution and Stapled Securities in Convenience Retail REIT to a combined value of $2.0371 per PPP Unit, comprising:
  - The Special Distribution of $0.3150 per PPP Unit.
  - Stapled Securities in Convenience Retail REIT equating to a value of $1.7221 per PPP Unit (rounded to 4 decimal places) at the Listed Fund Offer Price of $3.00 per Stapled Security.
- To facilitate Stapling to form Convenience Retail REIT, Investor A received a Distribution of $1.1940 per PPP Unit (rounded to 4 decimal places), which was compulsorily applied to subscribe for new units in CRR2 and CRR3 ($0.8452 per PPP Unit applied to subscribe for CRR2 Units and $0.3488 per PPP Unit applied to subscribe for CRR3 Units).
- Investor A ultimately received 0.5741 Stapled Securities for each PPP Unit (equating to 5,741 Stapled Securities in Convenience Retail REIT).
- Investor A holds the PPP Units on capital account, has a marginal tax rate of 47% (including the Medicare levy of 2%) for the 2017/18 income year in which the transactions occur for income tax purposes and the PPP Units are eligible for the 50% CGT discount. Investor A makes no other capital gains or losses.
- None of Investor A's PPP Units were bought back under the withdrawal offer made to all PPP Unitholders in October 2007.
- The Special Distribution and the Restructure Distribution (i.e. the Distribution to facilitate the stapling) are in the form of capital Distributions.

Investor A	Tranche 1 PPP Units	Tranche 2 PPP Units	Total
Number of PPP Units	6,000	4,000	10,000
Special Distribution paid at $0.3150 per PPP Unit	$1,890.00	$1,260.00	$3,150.00
Adjusted Cost Base of PPP Units reconciliation			
Opening assumed cost base *(Tranche 1 PPP Units at $0.2635 per PPP Unit / Tranche 2 PPP Units at $0.6369 per PPP Unit)*	$1,581.00	$2,547.60	
Special Distribution paid *(At $0.3150 per PPP Unit)*	($1,890.00)	($1,260.00)	
Adjustment: Capital gain on Special Distribution	$309.00	-	
Closing adjusted cost base	**-**	**$1,287.60**	
Capital gain calculation			
Distribution to facilitate the Stapling (at $1.1940 per PPP Unit)	$7,164.00	$4,776.00	$11,940.00
Less: Closing adjusted cost base	-	($1,287.60)	($1,287.60)
Add: Capital gain on Special Distribution	$309.00	-	$309.00
Total gross capital gain	**$7,473.00**	**$3,488.40**	**$10,961.40**
Less CGT discount (at 50%)	($3,736.50)	($1,744.20)	($5,480.70)
Net capital gain / (loss)	**$3,736.50**	**$1,744.20**	**$5,480.70**
Tax payable (at 47% marginal tax rate)	**$1,756.16**	**$819.77**	**$2,575.93**
Cashflow summary			
Special Distribution received	$1,890.00	$1,260.00	$3,150.00
Less: Net tax payable	($1,756.16)	($819.77)	($2,575.93)
Net cash proceeds	**$133.84**	**$440.23**	**$574.07**
Cost base in the Stapled Securities (total cost base for 5,741 Stapled Securities received)			
PPP Units (following the Special Distribution to facilitate the Stapling)			-
CRR2 Units			$8,451.97
CRR3 Units			$3,488.03
Total cost base			**$11,940.00**
Cost base in the Stapled Securities (per unit after Unit Consolidation and rounded to 4 decimal places)			
PPP Unit (following the Special Distribution and the Distribution to facilitate the Stapling)			-
CRR2 Unit ($0.8452 divided by 0.5741)			$1.4722
CRR3 Unit ($0.3488 divided by 0.5741)			$0.6076
Total cost base (per Stapled Security) ($11,940.00 divided by 5,741)			**$2.0798**

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