Stockland TRUST GROUP

Dear Unit/Shareholder,

Re: Capital Gains Tax

In the 1988 Annual Report, we undertook to notify you of the result of discussions being held with the Australian Taxation Office to clarify the capital gains tax effect of the February, 1988 distribution in specie to you of shares in Stockland Corporation Limited.

We can now report on the information we have received but wish to make it clear that we are not taxation advisors.

As advised previously, if you purchased your Stockland Trust units prior to 20th September, 1985 and you elected to have the rollover provisions apply to your holding, your Stockland Corporation Limited shares, as well as your Stockland Trust units, will be exempt from capital gains tax.

We have received written advice from the Commissioner of Taxation as follows:—

> "You will appreciate that the Commissioner cannot be bound in cases of this nature by opinions given as to the manner in which the income tax law will be applied to future transactions. When the time comes to make an assessment, the Commissioner must apply the law then in force to the facts as he finds them. Subject to this necessary reservation, the following advice is provided.
>
> It is agreed that jointly listed units in Stockland Trust and shares in Stockland Corporation Limited acquired after 11th February, 1988 will be treated as a single asset for the purposes of Part IIIA of the Income Tax Assessment Act 1936.
>
> The cost base is to be determined by reference to the acquisition cost of the units and shares and indexation by reference to the date of acquisition. It should be noted that the cost base and indexation will be affected by distributions covered by sections 160ZL and 160ZM.
>
> In the case of unitholders who acquired units in Stockland Trust after 19th September, 1985 and before 11th February, 1988, it is considered that section 160ZM will have application to the distribution of the shares where the distribution has not resulted in an amount being included in assessable income. The amount ascertained as market value of the shares for stamp duty purposes (namely, 17.5 cents per share) will be acceptable in making the section 160ZM calculation. When the jointly listed units and shares are sold, the capital gains can be calculated by taking the difference between the consideration received and the sum of the indexed cost base or cost bases, if appropriate, of the units and shares."

The Commissioner also confirmed that:—

1. The cost base of the shares would be taken to be their market value as at 11th February, 1988 (that is to say, 17.5 cents per share).
2. Where the original units were acquired prior to 11th February 1987 (i.e. more than one year before the distribution), then the units would be subject to indexation up to 11th February, 1988. That indexed cost base at 11th February, 1988, as reduced by the market value of the shares distributed, would continue to be indexed forward and would be subject to indexation, even if the units are sold within 12 months of 11th February, 1988.
3. Where the original units were acquired within 12 months of 11th February, 1988, there will be a loss of indexation on these units during the period up to 11th February, 1988. The new cost base of the units will be equal to their original cost reduced by the market value of the shares as at 11th February, 1988. The cost base of the units, as calculated in this manner, will be subject to indexation from that date, provided that the units are not sold within 12 months of the original acquisition date. If the combined securities are sold within 12 months of the original acquisition date of the units, no indexation will be allowed.
4. In all cases, the shares will be deemed to have an acquisition date of 11th February, 1988 and will be subject to indexation as from that date. However, no indexation will be allowed if they are disposed of within 12 months of 11th February, 1988.

If you acquired any of your units between 19th September, 1985 and 11th February, 1988, we suggest that you should pass this letter on to your tax advisor, as it may assist him to calculate any possible capital gains tax liability you may incur upon realisation of your investment (in part or in whole).

Whilst most of our members are probably not affected by this advice, we hope this is of some assistance to those who are. We wish to stress that the information supplied here should not be considered a substitute for individual taxation advice.

Yours faithfully,
STOCKLAND TRUST GROUP.

ERVIN GRAF,
MANAGING DIRECTOR.

December, 1988