2018 Capital Reallocation

General

Each PLG stapled security (**Security**) comprises of a unit in each of Propertylink Trust (**PT**), Propertylink Australia Industrial Partnership (**PAIP**) and a share in Propertylink (Holdings) Limited (**PHL**).

On 29 August 2018, PT made a capital distribution of 62.5 cents per unit which was automatically applied as contributions of capital to PHL as to 10 cents per share and PAIP as to 52.5 cents per unit (**Capital Reallocation**).

Set out below is a summary of the general Australian tax implications of the Capital Reallocation for Security holders who held Securities on 29 August 2018, and that holding was on capital account. Non-resident Security holders should seek advice on the taxation implications in their own jurisdiction.

These comments are of a general nature only and do not constitute tax advice and should not be relied upon as such. Security holders should obtain independent advice as to the taxation consequences to them of the Capital Reallocation.

The summary does not apply to Security holders that have made an election for Taxation of Financial Arrangements (known as "TOFA") purposes that affects the recognition of income in respect of Securities.

1.1 Income

The capital distribution by PT should not be included in a Security holder's assessable income as ordinary income.

1.2 Cost base

(a) PT units

A Security holder's cost base for each of their PT units will be reduced by lesser of that cost base and the amount of the capital payment from PT, being 62.5 cents per unit. This amount will be taken into account in determining a Security holder's **Cost Base Net Amount – Excess (Decrease)** which will be notified to each Security holder on their AMMA Statement (i.e. your Annual Tax Statement) after the end of the 2019 financial year.

To the extent that a Security Holder's Cost Base Net Amount – Excess (Decrease) exceeds a Security holder's cost base in a PT unit, the Security holder will make a capital gain equal to that excess.

Generally, a Security holder's cost base in a PT unit will be a proportion of the cost of acquisition of the Security in which it is included (the cost base is also reduced by tax deferred distributions or Cost Base Net Amount – Excess (Decreases) of previous income years relating to PT – but it is noted that PT has not had any of these as PT has always distributed an amount equal to its taxable income). The proportion of the overall cost of a Security allocated to a PT unit should be based on a reasonable methodology such as the net asset value weighting of each entity at the time of acquisition.

Details of historical net asset value weightings are set out on Propertylink's website at https://propertylink.com.au/investor-centre/taxation/australian-capital-gains-tax-2018/.

(1) Non-resident Security holders

If a capital gain arises, such capital gain will be disregarded if the Security holder is a non-resident and the PT unit is not taxable Australian property.

The PT unit will be taxable Australian property if it is an 'indirect Australian real property interest', meaning that:

- the Security holder, together with its associates, holds or has held, 10% of more of the total PT units at the time of disposal or for any continuous 12 month period within the 2 years preceding the disposal; and
- more than 50% of PT's value is due to direct or indirect interests in Australia real property (this should be the case).

The PT unit will also be taxable Australian property if the non-resident Security holder was previously an Australian-resident and made an election not to recognise a deemed disposal of their assets upon ceasing to be a resident.

Propertylink understands that there are very few non-resident Security holders that hold or have held 10% or more of the total PT units for the requisite time set out above. Accordingly, it should be the case that the vast majority of non-resident Security holders should not make an Australian capital gain as a result of the capital reallocation (other than in the limited cases of former residents noted above).

(2) Australian-resident Security holders

Where an Australian-resident Security holder makes a capital gain and has held the relevant unit for at least 12 months, the capital gain would be reduced by 50% (for individuals and trusts) or 33.33% (for complying superannuation funds).

A company is not eligible to reduce any capital gain arising from the Cost Base Net Amount – Excess (Decrease).

Based on an analysis of the historical trading price of Securities and previous tax deferred distributions, Propertylink Investment Management Pty Ltd, as responsible entity for PT, considers that a capital gain may arise in respect of a small percentage of Securities on issue as a result of the Capital Reallocation. However, all Security holders will have their cost bases in their PT units reduced.

(b) PHL shares

A Security holder's cost base for each of their PHL shares will be increased by the amount of the capital contribution to PHL, being 10 cents per PHL share. Because no new shares will be issued by PHL, this will be an adjustment to the cost base of the existing shares.

(c) PAIP units

A Security holder's cost base for their PAIP units should be increased by the amount of the capital contribution to PAIP, being 52.5 cents per unit. Because no new units will be issued by PAIP, this will be an adjustment to the cost base of the existing shares.

(d) Overall

For Security holders that do not make a capital gain, the decrease in the cost base of their PT units should be equal to the sum of the increases in the cost base of their PHL shares and PT units. Accordingly, the overall cost base of each Security should remain the same.

For Security holders that do make a capital gain, the overall cost base of each Security should increase by the amount of the gross capital gain (i.e. before the application of the CGT discount, if available). As such, a future capital gain on disposal of a Security that would otherwise have been realised would be reduced by the amount of the capital gain resulting from the Capital Reallocation.

1.3 Acquisition date

The Capital Reallocation will not affect the date of acquisition of a Security holder's Securities for tax purposes.