

Taxation Statement Guide

Important information

This guide has been prepared as general information only and should assist in completing the “**2011 tax return for individuals**”. It assumes that you are an individual tax resident in Australia. If your investment in a BlackRock fund is owned by a company, trust, partnership or other means of association, you may need to make adjustments to the information provided, for example, in relation to franking credits or capital gains.

Australia’s taxation law is complex. You should seek professional tax advice if you have any questions in relation to the preparation of your income tax return.

The tax information provided in relation to your investment(s) with BlackRock Investment Management (Australia) Limited (BlackRock) may comprise:

- 1 A Consolidated Tax Statement
- 2 A Capital Gains Tax Statement

1 A Consolidated Tax Statement

(only if your funds have paid a distribution during 2010/11)

This statement summarises information relating to income distributed to you from your investments in BlackRock Australian funds for the purposes of completing your Australian income tax return. If you hold units in more than one BlackRock Australian fund, all the relevant tax information will be included on this statement for your account number. For the purposes of preparing your income tax return, you should refer to the Consolidated Tax Statement rather than any distribution statements you have received during the year.

If you have more than one account number for your BlackRock investments, you will receive a Consolidated Tax Statement for each account number.

Importantly, if you derive investment income from other sources (eg. you own shares directly), you will need to combine any income information with the information provided in the Consolidated Tax Statement.

2 A Capital Gains Tax Statement

The Capital Gains Tax (CGT) Statement is only prepared if you have redeemed, switched or transferred units in a BlackRock Australian fund during the year. It details any capital gain or loss you may have made on the redemption, switch or transfer.

Consolidated Tax Statement

Your BlackRock Consolidated Tax Statement is divided into three parts.

Part A – Summary of 2011 Tax Return Information (supplementary section) items

Part A segregates your taxable income into the income categories that correspond to the 2011 Tax Pack and Supplement. To complete the investment income categories of your income tax return, you or your tax adviser will need to combine the figures provided in Part A with any income you have received from other sources.

Non-primary production Income (13U of the TaxPack 2011 Supplement)

This amount includes dividends (franked and unfranked), franking credits, interest and other income. It excludes net capital gains and foreign income.

Franking credits (13Q of the TaxPack 2011 Supplement)

This amount is your share of franking credits attached to the income derived from non-primary production income shown at 13U.

TFN withholding credit (13R of the TaxPack 2011 Supplement)

This amount is withholding tax that has been deducted from your distribution or income paid on redemption where you have not provided your TFN, ABN or claimed an exemption in relation to your investment at BlackRock. Tax is deducted at the top marginal rate.

Total current year capital gains (18H of the TaxPack 2011 Supplement)

This amount includes capital gains derived by the BlackRock Australian fund(s) on the disposal of assets held for less than 12 months, capital gains using the Frozen Indexed Cost Base method and capital gains calculated under the Discount Method without applying the 50% discount. This amount will also include any foreign capital gains.

For a more detailed explanation on capital gains please refer to the Capital Gains Tax section of this guide on pages 4 to 6.

Net capital gains (18A of the TaxPack 2011 Supplement)

This amount includes the same capital gain amounts that are included in Item 18H, except that the capital gains calculated under the Discount Method are included after applying the 50% discount.

For a more detailed explanation on capital gains please refer to the Capital Gains Tax section of this guide on pages 4 to 6.

If you have derived capital gains or losses from other investments, these amounts need to be adjusted in order to take these additional gains/losses into account. If capital losses are to be applied to a Discount Capital Gain, you are required to offset the loss against the gross capital gain and then apply the 50% discount to the net amount.

Please note that if you have redeemed, switched or transferred any units in a BlackRock Australian fund during the year, you need to include any capital gain or capital loss in your income tax return calculations.

Assessable foreign source income (20E of the TaxPack 2011 Supplement)

This amount includes assessable foreign income.

Other net foreign source income (20M of the TaxPack 2011 Supplement)

If you have foreign income deductions you should follow the instructions in the 2011 Tax Pack Supplement. If you have foreign income deductions the amount you insert at 20M is the amount at 20E less your foreign income deductions. If you have no foreign income deductions then the amount at 20M will be the same as 20E.

If you have derived foreign income or losses from other sources, the amounts above need to be adjusted in order to take this additional income and loss into account.

Foreign income tax offset (20O of the TaxPack 2011 Supplement)

Foreign income tax offsets represent tax that has been withheld from foreign income you have received. The amounts provided for Question 20 above are grossed up to include foreign income tax offset amounts.

Part B – Capital Gains Tax Information

Part B of the Consolidated Tax Statement provides a breakdown of the various components of your capital gains for the year ended 30 June 2011. The amounts shown here are gross amounts and any discount has yet to be applied. This information is important should you have any other capital gains or have capital losses to apply. It also includes the CGT concession amount, the tax deferred amount and the return of capital amount.

A detailed explanation of these categories and their rules can be found in the Capital Gains Tax section of this guide on pages 4 to 6.

Part C – Components of Distribution

Part C of the Consolidated Tax Statement identifies the various components of the investment income paid or credited to your account for the year ended 30 June 2011.

You should be aware that distributions from trusts need to be included in the tax return for the year of entitlement, not the year of receipt. This means that distributions for the year ended 30 June 2011 should be included in your 2011 income tax return, even though you may not have physically received the distributions until July 2011.

In this section, any amounts shown on your Statement as “Tax-Exempted, Tax-Free” are non-assessable amounts. Tax-Deferred and Return of Capital amounts will reduce the cost base of your units for CGT purposes and may impact on your capital gain or loss when you ultimately redeem your units.

If you make a capital loss, Tax-Free amounts will also reduce your cost base. You may also make a capital gain at the time of receiving your distribution if the sum of the Tax-Deferred and Return of Capital amounts is more than the current cost base of your units.

Australian income

This is a breakdown of non-primary production income used in 13U. This is necessary for investors using the application form for Refund of Franking Credits for Individuals.

Capital gains – Taxable Australian Real Property (TARP)

Australian residents for tax purposes derive a capital gain or a capital loss on the disposal of a capital asset whether or not the asset is Taxable Australian Real Property. Hence, for Australian tax residents, the classification of capital gains between Taxable Australian Real Property and Non Taxable Australian Real Property is irrelevant.

A non-resident for Australian tax purposes is only subject to capital gains tax on assets classified as Taxable Australian Real Property. Refer to Capital Gains Tax section (pages 4 to 6 of this guide).

Capital gains – Non Taxable Australian Real Property (NTARP)

A non-resident for Australian tax purposes is not subject to withholding tax on capital gains made on disposals of capital assets classified as non Taxable Australian Real Property. Refer to Capital Gains Tax section (pages 4 to 6 of this guide).

Foreign income

This section is relevant for unitholders applying the foreign loss quarantining provisions. It should be noted that Foreign Income does not include Non Taxable Australian Real Property (NTARP). Non Taxable Australian Real Property (NTARP) is included in Non Taxable Australian Real Property (NTARP) above.

Other non-assessable amounts

This is a breakdown of other income and expenses included in the distribution from your BlackRock investment. It may include Tax Exempted, Tax Free and Tax Deferred amounts. These amounts may not be assessable to you in the year ended 30 June 2011. Expenses include TFN withheld amounts and other expenses.

Capital Gains Tax (CGT)

Overview of the rules

Where an asset is held for less than 12 months before it is disposed of, you will pay tax on the full nominal gain (disposal proceeds less original cost). If an asset is held for 12 months or more, you may be entitled to apply a discount to the capital gains made.

1 The Discount Method

Where the asset was held for 12 months or more and disposed of after 11.45 am on 21 September 1999, the discount method could be applied. Where the discount method is applied, the nominal gain made on the disposal of an asset is determined and then reduced by a fixed percentage to determine the taxable portion of the gain. The discount percentage to be applied depends on the taxpayer's characteristics. For trusts and individuals, the discount percentage is 50%; for complying superannuation funds, the discount percentage is 33.33%. No discount applies for companies.

For example, if you acquire an asset for \$200 and sell it for \$500, your nominal gain will be \$300. If the discount method is applied, you will include a taxable capital gain of \$150 (\$300 nominal gain times the discount percentage for individuals of 50%) in your assessable income.

If a trust (eg. a BlackRock fund) distributes a capital gain to you which has been calculated under the Discount Method, you will usually receive two amounts. For example, if the trust acquired an asset for \$100, sold it for \$150 and was entitled to use the Discount Method, the trust will generally distribute the \$25 discount capital gain and the other \$25 of the nominal gain as a "CGT concession amount". The latter amount should not be assessable to the unitholder (that is, the unitholder in this example would only include \$25 in their tax return).

2 The Frozen Indexed Cost Base Method

As indexation was frozen on assets acquired from 11:45am on 21 September 1999, the old system of increasing the cost base of an asset for an inflation component (which was achieved by indexing the original cost) has changed. Essentially, indexation can still apply in some circumstances however the indexation will only take into account inflation up to the September 1999 quarter.

For example, if you acquire an asset for \$500 and sell it for \$1,100, you will have a nominal gain of \$600. If the asset's frozen indexed cost base at the time of disposal was \$650, the taxable capital gain included in your tax return would be \$450 (\$1,100 less \$650).

If the asset was held for 12 months or more, the method to be used in calculating the amount of the taxable gain depends on the date the asset was acquired and when it was disposed of. Where a CGT asset (eg. a unit in a BlackRock fund) is disposed of after 11.45am 21 September 1999 and has been held for 12 months or more, your capital gains tax is calculated as follows depending on when you acquired the asset:

Asset acquired	Type of taxpayer	Pay CGT on:
Before 11:45am on 21 September 1999	Individuals and trusts	<ul style="list-style-type: none"> ▶ half the nominal gain, or ▶ disposal price less frozen indexed cost base
	Superannuation funds	<ul style="list-style-type: none"> ▶ two thirds nominal gain, or ▶ disposal price less frozen indexed cost
After 11:45am on 21 September 1999	Individuals and trusts	▶ half the nominal gain
	Superannuation funds	▶ two thirds nominal gain

Where a choice is available, you are able to choose the method which results in the lowest taxable capital gain.

How the CGT Rules affect your investment with BlackRock

General

Any capital gains derived by BlackRock Australian funds are distributed in full to unitholders throughout the year.

The capital gains are described as follows:

▶ Capital gains on assets held for less than 12 months

This amount represents the taxable capital gains derived on the disposal of CGT assets within 12 months of acquisition. It represents the nominal gain made on the disposal (ie. disposal proceeds less original cost).

▶ Capital gains on assets using the 50% discount method

This amount represents that portion of the capital gains using the 50% discount method.

If your investment in a BlackRock Australian fund is not beneficially owned by an individual (eg. you own units through a company or superannuation fund), you may need to adjust the amount reported. We suggest that you consult a professional tax adviser in this regard.

▶ Capital gains on assets using the frozen indexed cost base method

This amount represents capital gains calculated under the frozen indexed cost base method. The amount reported is fully assessable.

▶ CGT Concession Amount

This amount represents the other 50% of the capital gains calculated using the discount method.

Capital Gains Tax Statement

If you have redeemed, switched or transferred units in a BlackRock Australian fund during the year, we will prepare a Capital Gains Tax Statement to assist you in calculating any capital gains or capital losses on the redemption/switch/ transfer. As indicated on previous pages, if you have derived capital gains from redeeming, switching or transferring units in a BlackRock Australian fund, any net capital gains should be incorporated into your income tax return.

Your personal circumstances (eg. if you derived capital losses during the year) may have an impact on your CGT position and we suggest that you consult an accountant or tax adviser when preparing your tax return. The ATO also provide a publication "Guide to capital gains tax", that will assist you in calculating your capital gain where you have other types of capital gains or losses in addition to your investment in the BlackRock Australian funds.

If you derived capital losses from other sources or on the redemption/switch/transfer of units in a BlackRock Australian fund during the year, you or your tax adviser may need to adjust your Capital Gains Tax Statement. These calculations can be complex, and we suggest you contact a tax adviser to assist you in preparing your income tax return.

Fund Total and Investor Total as at 30 June 2011

The Fund Total represents the total value of your investments with BlackRock as at 30 June 2011. If you have only invested in one BlackRock Australian fund, the Fund Total and Investor Total will be the same. If you have invested in more than one BlackRock Australian fund, the Fund Total and Investor Total will be different.

The Capital Gains Tax Statement is based on a number of assumptions, including that:

- ▶ You are a tax resident of Australia and an individual.
- ▶ You disposed of your oldest units first (ie. a First-In, First-Out basis is applied).
- ▶ Your redemption/switch/transfer is subject to CGT.
- ▶ You did not separately pay an entry fee on application.
- ▶ Any of your incidental costs have not been taken into account in the calculation.
- ▶ The cost base of your units is adjusted, in accordance with the tax law, for any tax deferred or return of capital amounts distributed to you. Where a capital loss arises, the cost base is also adjusted for any tax free amounts distributed to you.
- ▶ You do not have any carried forward capital losses.

Return of capital

Due to the nature of distributing funds, and the requirements of the various Constitutions, the BlackRock Australian funds are required to distribute all taxable income at the time of each distribution. Where there is a fall in investment markets creating a tax loss in the following distribution period(s), it is possible that the distribution paid up until that time may be greater than the taxable income for the full year.

If this occurs, that portion of the distribution already received for the year that is greater than the actual taxable income for the year represents a return of capital. A return of capital is a tax deferred amount to you, which means that it is not included in your tax return as assessable income, but it will reduce the cost base of your units in the fund for CGT purposes.

You should seek professional tax advice if you have any questions in relation to the preparation of your 2011 income tax return.

For further information

Further information may be obtained by contacting our Client Services Centre on **1300 366 100** or by sending an email to clientservices.aus@blackrock.com

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