

PRODUCT RULING - BR Prd 04/08

This is a product ruling made under section 91F of the Tax Administration Act 1994.

Name of the Person who applied for the Ruling

This Ruling has been applied for by ASB World Shares Trust.

Taxation Laws

All legislative references are to the Income Tax Act 1994 unless otherwise stated.

This Ruling applies in respect of sections CF 2(1)(i), CF 3(1)(b) and GB 1(3).

The Arrangement to which this Ruling applies

The Arrangement is the establishment and continued operation of the ASB World Shares Trust (the “ASB World Trust” or the “Trust” or the “Fund”) pursuant to a master deed dated 17 October 1997 (the “Master Deed”), an establishment deed also dated 17 October 1997 (the “Establishment Deed”), a “Variation of Master Deed Dated 17 October 1997” (executed on 27 April 1999), a Deed of Amendment to ASB World Shares Trust Establishment Deed (dated 18 June 2001) and the ASB Unit Trusts Prospectus (dated 5 August 2003).

Further details of the arrangement are set out in the paragraphs below.

1. The ASB World Trust is a unit trust pursuant to the Unit Trusts Act 1960 and is a “unit trust” for the purposes of the definition of that term in section OB 1.
2. The trustee of the ASB World Trust is Trustees Executors Limited (the “Trustee”). It is registered as a trustee company under the Trustee Companies Act 1967. The manager of the Trust is ASB Group Investments Limited (formerly ASB Investment Services Limited) (the “Manager”), part of the ASB group of Companies. The beneficial interests in the Trust are divided into units. Each unit confers an equal interest in the Trust, but units do not confer any interest in any particular investment of the Trust.
3. The Applicant has confirmed that the Fund has complied with the previous ruling (BR Prd 01/18) except insofar as the issuing and redemption of units was suspended for 5 days as a result of the September 11 terrorist attack. There has been no material change to the management or operation of the Fund.

Investment

4. The ASB World Trust acts as a special purpose vehicle, which holds units in the AMP Investments’ World Index Fund (the “AMP WinZ Fund”). Ownership of units in the AMP WinZ Fund enable the ASB World Trust to obtain the same financial results through one investment as would be achieved

by direct investment in the securities which make up the MSCI World Index (the “Index”) tracked by the AMP WiNZ Fund.

5. ASB selected the AMP WiNZ Fund for its underlying investment for the following reasons:
- The corporate strength and stability of AMP Limited (“AMP”), and the strong likelihood that AMP would be able to support an index-tracking fund well into the foreseeable future;
 - AMP’s technical expertise, particularly the investment management skill and capability of AMP Capital Investors (New Zealand) Limited in being able to construct and efficiently manage an index-tracking fund;
 - The high standard of service provided by AMP eg, regular statements and reporting on the AMP WiNZ Fund; good working relationship; and
 - AMP’s competitive investment management fees resulting in a lower cost to ASB World Trust Fund investors in having their funds invested in the AMP WiNZ Fund through the ASB World Trust.

6. Clauses 3.1 and 3.2 of the ASB World Trust’s Establishment Deed state the “investment objectives” of the ASB World Trust and identify the “authorised investments” as follows:

3 Investment Policy

3.1 Objectives: The objectives of the Trust are to:

(a) invest in the AMP Investments’ World Index Fund subject to the need for the Trust to hold some cash for liquidity and administrative purposes; and

(b) provide after tax foreign currency hedges in respect of 50% of the foreign currency securities indirectly invested in through the Trust’s investment in the AMP Investment’s World Index Fund.

The funds of the Trust that are available for investment shall be invested in the AMP Investments’ World Index Fund or in foreign currency contracts as soon as practicable after receipt by the Trustee. The Trust and the Trustee do not have an intention to profit from holding, acquiring or selling AMP Investments’ World Fund units.

3.2 Authorised Investments: For the purposes of this Trust “Authorised Investments” means:

(a) the AMP Investments’ World Index Fund;

(b) cash balances with banks, brokers, agents, funds, including, without limitation, the ASB Money Market Trust, or custodians held for the liquidity and administrative purposes of the Trust referred to at Clause 3.1; and

(c) foreign exchange contracts for the foreign currencies of the securities

making up the AMP World Index entered into to provide the hedges referred to in clause 3.1

7. Pursuant to the Establishment Deed, the ASB World Trust is only authorised to invest contributions from Members in: (a) the AMP WiNZ Fund, (b) a fixed 50% after tax foreign currency hedge and (c) cash investments. The Fund may hold cash investments to facilitate the easier administration of the Fund. The cash investments are held by the Fund in bank deposits. The Fund will hold cash in the following instances:
 - Following a contribution to the Fund, pending the investment of that contribution;
 - Following the sale of AMP WiNZ Fund units to meet a request to redeem units in cash;
 - To make income distributions to unitholders;
 - To meet obligations under the fixed 50% after tax foreign currency hedge; and
 - To met administration expenses of the Fund.
8. It is the intention of the ASB World Trust that investment in AMP WiNZ Fund units (taking into account the appropriate level of hedge, or distribution of excess cash, whichever is relevant) will be completed on a weekly basis. The level of funds is monitored on a weekly basis and invested if in excess of the cash pool. Funds passed to the Manager are invested in the underlying pool within 24 hours.
9. The currencies to be hedged are the US dollar, Japanese yen, Euro, British pound, Australian dollar and Canadian dollar. The weighting of these currencies in the hedge will be determined exactly, based on the Trust's underlying exposure, on each rollover date, based on the latest country weightings (included in the Index) which are made available by AMP Capital Investors (New Zealand) Limited.
10. The ASB World Trust is required to place an order for a 74.6% hedge (or an equivalent residual figure should the applicable income tax rate change from 33%) and accept the closest to this figure that is obtainable within the set limits. Further, realignment of the hedge level will occur monthly at the rollover of forward contracts to a new forward date. All hedge contracts will mature on or about the fifteenth business day of the month following entry. The level of the hedge is to be maintained at between 71.6% and 77.6% of the non-New Zealand dollar amount invested offshore. This variance is required to take account of redemptions and subscriptions arising during a month. It is also required to take account of the fact that foreign currency hedges can generally only be obtained in round amounts. Where the hedge moves outside the plus or minus 3% (pre-tax) band the hedge will be adjusted back to 74.6%, on the day that this occurs, based on the country weightings made available by AMP Capital Investors (New Zealand) Limited on the last roll-over date.
11. Under clause 11.3(h) of schedule 1 to the Master Deed the unitholders can sanction any variation of the "authorised investments" of the Trust by

extraordinary resolution. However, the Fund intends to maintain its current investment strategy.

AMP WiNZ Fund

12. The AMP WiNZ Fund is a “group investment fund” within the meaning of section OB 1. The AMP WiNZ Fund is required to buy and sell shares as required to ensure that it continues to track the Index. The AMP WiNZ Fund has two current binding rulings (BR Prv 01/31, regarding BD 1(1), CD 3, CD 4, and CD 5 and BR Prv 01/32, regarding OZ1 and CG 1) which state that such buying and selling is not motivated by any intention to derive a profit or gain from such sales. The AMP WiNZ Fund is listed on the New Zealand Stock Market (“NZSX”).
13. The AMP WiNZ Fund will make taxable distributions to the Trust from any income received by the AMP WiNZ Fund semi-annually within 20 days from the end of June and December.
14. The Trust will generally distribute such part, as is determined by the Manager, of its net income 6-monthly to unitholders and that net income will be calculated taking into account all costs, charges and expenses due.
15. The Establishment Deed also provides for special distributions to occur at other times determined by the Manager. However, in the period between receipt of income from the AMP WiNZ Fund and any distribution, the ASB World Trust is required to invest amounts not held for administrative or liquidity purposes in units in the AMP WiNZ Fund and maintain the fixed 50% after tax foreign currency hedge.

Suspensions

16. A suspension from issuing or redeeming units will only occur in exceptional circumstances, being the following situations:
 - (1) If a material adverse change in the financial markets occurs, namely, a breakdown in liquidity caused by an act of God or a system failure or a terrorist attack;
 - (2) If there is a fundamental breakdown in the functioning of financial markets, namely, the failure of pricemaking software; or
 - (3) If it is required so as to avoid a breach of any applicable law.

Any such suspension will be for a maximum period of 3 business days, unless the exceptional circumstance giving rise to the need to suspend is beyond the control of the Trustee and Manager of the Fund, in which case the suspension shall be only for such period as is strictly necessary for the Fund and/or the Manager to recover from that event.

The issuing and redeeming of units was suspended for 5 days as a result of the September 11 terrorist attack.

Redemption of ASB World Fund units

17. The Manager has the power to purchase units from unitholders, when unitholders wish to redeem or sell their units. The Manager may use this power only when the Fund does not have enough funds in the cash pool to redeem the units requested and the Fund is unable to borrow to meet the unitholders' requests. To date, the Manager has not utilised this power.

Redemption of AMP WiNZ Fund units

18. When the ASB World Trust is required to redeem units in the AMP WiNZ Fund, the ASB World Trust can sell its units to a third party, or it can redeem its units to the AMP WiNZ Fund. Upon redemption, the ASB World Trust will receive a parcel of securities equal to the value of the units at that time. The AMP WiNZ Fund manager may sell those securities on behalf of (as agent for) the ASB World Trust, and then give the ASB World Trust cash for those units. The ASB World Trust also has the option (as opposed to redeeming its units to the AMP WiNZ Fund) to sell its units through the AMP WiNZ Fund manager.
19. Redemption requests for AMP WiNZ Fund units must be for a minimum of 1,000,000 WiNZ units. When the ASB World Trust makes a redemption request to the AMP WiNZ Fund, the AMP WiNZ Fund manager makes a choice as to how to effect that redemption request. The AMP WiNZ Fund manager may effect redemption by either: (1) cancellation of the units or (2) purchasing those units on its own behalf. In either situation, when the AMP WiNZ Fund manager effects a redemption request, the unitholder (ie, the ASB World Trust) will receive the same redemption amount for its AMP WiNZ Fund units.
20. Requests to dispose of parcels of less than 1,000,000 AMP WiNZ Fund units will be facilitated by the AMP WiNZ Fund manager in parcels of 100,000 AMP WiNZ Fund units. The ASB World Trust will only dispose of its AMP WiNZ Fund units by making a redemption request to the AMP WiNZ Fund manager. The ASB World Trust will not dispose of AMP WiNZ Fund units in any other manner.

Conditions stipulated by the Commissioner

This Ruling is made subject to the following conditions:

- a) There is no agreement, arrangement or understanding between the Fund or the Trustee or the Manager and any unitholder (or any person associated with any unitholder) which directly or indirectly has a purpose or effect of the redemption or disposition of any of a unitholder's units occurring in substitution for or instead of one or more distributions from the Fund.

- b) The Trust will be a widely-held trust, as that term is defined in section CF 3(14).
- c) Any cancellation of ASB World Trust units will not be part of a pro-rata cancellation as that term is defined in section CF 3(14).
- d) The ASB World Trust units will not be quoted on the official list of any recognised exchange as that term is defined in section OB 1.
- e) The ASB World Trust units are issued on such terms that their redemption is subject to the reverse ordering rule as stated in section CF 3(1)(b)(iv)(B).
- f) The income of the Fund, net of any expenses incurred by the Fund, will be paid out to unitholders either as cash or additional units in the Fund. However, the Manager may use its discretion, and decide not to make such a payment if the amount to be paid is so minimal that the administrative costs of making the payment would exceed the amount to be distributed. The payment of income to unitholders on this basis is consistent with the Fund's normal dividend policy and Trust Deed. Not necessarily paying out the full value of the WiNZ Fund units received as income reflects the Trustee's normal prudence in only distributing the "profits" of the Fund and does not occur for tax purposes.
- g) The Manager has the power to purchase units from unitholders, when unitholders wish to redeem or sell their units. The Manager may use this power only when the Fund does not have enough funds in the cash pool to redeem the units requested and the Fund is unable to borrow to meet the unitholders' requests.
- h) Where unitholders elect to receive distributions as additional Fund units instead of cash, these constitute a "taxable bonus issue" as that term is defined in section OB 1.
- i) The AMP WiNZ Fund was chosen to provide a cost effective means for simulating an investment that matches the composition and weighting of the Index. The AMP WiNZ Fund was not selected in order to maximise returns.
- j) The Fund has not taken into account historical returns in deciding to maintain its current investment strategy.
- k) The investment objectives and authorised investments of the Trust will not be amended.
- l) The cash pool is held in cash deposits which are held on call in bank deposits.. The holding of such cash will arise only from the following circumstances:
- Pending investment in AMP WiNZ Fund units;
 - To meet a **withdrawal** from the Trust;
 - To make income distributions to unitholders;
 - Pursuant to the fixed 50% after tax foreign currency hedge; and
 - To meet administration expenses of the Fund.

The proportion of the Fund's assets to be held as cash will not be greater than what strictly arises out of the above described circumstances, and in any event will not exceed the greater of \$200,000 or 4% of the total assets of the Fund.

m) Condition (1) shall not be breached if the limit referred to in condition (1) is exceeded when this occurs due to the following reasons:

- Where a large cash subscription has been paid into the cash pool; or
- Receipt of dividends from the AMP WiNZ Fund; or
- From proceeds or settlement of maturing currency hedge contracts; and

the Fund takes immediate action to remedy this within the shortest practicable time, and in any event, no longer than 5 business days.

n) The Fund may borrow temporarily in order to meet the following obligations where it is unable to meet such demands out of its current cash reserves:

- (1) to redeem units;
- (2) to meet hedging contract obligations.

Any such borrowing will only be to the extent that is strictly necessary and in the case of borrowing to redeem units will not exceed 2% of the value of the Fund and in the case of borrowing to meet hedging obligations will not exceed 10% of the value of the Fund. All such borrowing will be repaid within five business days.

o) The Fund will only sell or otherwise dispose of AMP WiNZ Fund units in the following circumstances:

- To meet administration expenses of the Fund that cannot be met out of the cash pool; or
- Where the Manager must purchase or redeem AMP WiNZ Fund units in order to meet the needs of the Fund's unitholders; or
- In order to wind up the Trust; or
- To meet hedging contract obligations that cannot be met out of the cash pool.

p) When the Fund is given the option of re-investing its dividends for additional units in the AMP WiNZ Fund, the Fund will always accept the reinvestment option. In any such case, the value of the units received is equivalent to the value of the cash dividend, (net of tax, fees and expenses).

q) This ruling shall cease to apply if at any time:

- (i) there is a unitholder, or two or more unitholders that are associated with each other, or are acting in concert in relation to their investments in the Fund, who hold/s more than 75% of the issued units of the Fund; and

- (ii) if that unitholder, or one or more of such unitholders, ordinarily hold securities on revenue account or the disposal of securities by that unitholder, or one or more of such unitholders, would ordinarily give rise to gross income for income tax purposes.

For the purposes of this condition unitholders are associated with each other if they are “associated persons” within the meaning of section OD 7 or OD 8(3).

- r) This Ruling only applies while this Fund remains a widely-held trust (as that term is defined in section CF 3(14)), and the Fund units are offered to the public.
- s) Apart from the Trust Deed and/or Prospectus and/or any Rules of the Fund that have been supplied to Inland Revenue as part of the application for this ruling, there is no agreement, arrangement or understanding between the Fund or the Trustee or the Manager (or any party acting on behalf of the Fund) and any unitholder (or any person associated with or acting on behalf of any unitholder) regarding the control of the Fund, the nature and timing of its investments, or the timing of the investing or withdrawal of funds.

For the avoidance of doubt, (i) the fact that a unitholder has the ability to invest, or withdraw at any time and/or (ii) the entry into of agreements, arrangements or understandings contemplated by the Trust Deed for the purpose of enabling investment or withdrawal, will not alone constitute an agreement, arrangement or understanding to which the preceding sentence applies.

- t) The Fund will not exercise any voting rights associated with the holding of AMP WiNZ Fund units.
- u) If the Fund is resettled this Ruling shall not apply from the date of resettlement. The Fund will not be resettled in order to enhance the performance of the Fund or to minimize the losses of the Fund in any way.
- v) A suspension from issuing or redeeming units will only occur in exceptional circumstances, being:
 - (1) If a material adverse change in the financial markets occurs namely, a breakdown in liquidity caused by an act of God, or a system failure or a terrorist attack; or
 - (2) If there is a fundamental breakdown in the functioning of financial markets namely, the failure of pricemaking software; or
 - (3) If it is required so as to avoid a breach of any applicable law.

Any such suspension will be for a maximum period of 3 business days, unless the exceptional circumstance giving rise to the need to suspend is beyond the control of the Trustee and Manager of the Fund, in which case the suspension

shall be only for such period as is strictly necessary for the Fund and/or the Manager to recover from that event.

- w) The distribution period of the Fund will only be altered for administrative reasons and shall not be altered to enhance the performance of the Fund in any way.
- x) The Manager has the power to purchase units from unitholders, when unitholders wish to redeem or sell their units. The Manager may use this power only when the Fund does not have enough funds in the cash pool to redeem the units requested and the Fund is unable to borrow to meet the unitholders' requests.
- y) There is no agreement, arrangement or understanding between the AMP WiNZ Fund or its trustee or its manager and the ASB World Trust (or any person associated with the ASB World Trust) which directly or indirectly has a purpose or effect of the redemption or disposition of any of the ASB World Trust's units occurring in substitution for or instead of one or more distributions from the AMP WiNZ Fund.
- z) The Trust will only dispose of its AMP WiNZ Fund units by making a redemption request to the AMP WiNZ Fund manager or by selling to a third party. The Fund will only sell to a third party in the exceptional circumstance where the request to the AMP WiNZ Fund Manager cannot be actioned within 7 business days.
- aa) Any powers exercised by the Trustee under the Master Deed and Establishment Deed are for the purposes of either buying units in the AMP WiNZ Fund, matched by a 50% after tax hedge, to reflect the level of funds invested in the Trust, or selling units in the AMP WENZ Fund to fund redemption of units in the Trust, or in order to meet its payment obligations under the hedging arrangement or to meet administration expenses of the Fund.
- bb) The existing binding rulings for the AMP WiNZ Fund (BR Prv 01/31 and BR Prv 01/32) or any such replacement ruling or rulings in respect of the same taxation laws remain current and in force.
- cc) The Fund will not be wound up with a view to enhancing the performance of the Fund or to minimise losses of the Fund in any way. This condition will not be breached if:
 - (i) the Manager decides to wind up the Fund for reasons unrelated to the performance of the investments of the Fund; or
 - (ii) if the unitholders independently resolve to wind up the Fund.

How the Taxation Laws apply to the Arrangement

Subject in all respects to any assumption or condition stated above, the Taxation Laws apply to the Arrangement as follows:

- Income distributed by the Trustee will be treated as a dividend pursuant to section CF 2(1)(i).
- Any amount received by unitholders on redemption of units in the Fund will be excluded from the definition of dividend in section CF 2, by section CF 3 (1)(b) to the extent that that amount does not exceed the available subscribed capital per share cancelled.
- Section GB 1(3) does not apply to the arrangement.

The period or income year for which this Ruling applies

This Ruling will apply for the period 1 July 2004 until 30 June 2007.

This Ruling is signed by me on the 22nd day of June 2004.

Martin Smith

General Manager (Adjudication & Rulings)