AGL - Alinta Transaction: Class Ruling

27 December 2006

AGL Energy Limited (AGL) advises that the Australian Taxation Office (ATO) has finalised and issued Class Ruling CR 2006/125 and associated Shareholder CGT worksheet in relation to the AGL-Alinta transaction, both of which are attached. The income tax treatment of the AGL-Alinta transaction described in the AGL Scheme Booklet dated 29 August 2006 is consistent with the income tax treatment described in the attached Class Ruling.

This information supersedes the prior tax update released by AGL to the ASX on 11 December 2006.

GENERAL	AUSTRALIAN AGL SHAREHOLDERS	FACT SHEET	OCTOBER 2007
SEGMENT	AUDIENCE	FORMAT	DATE

Australian Government
Australian Taxation Office

Merger of AGL and Alinta Ltd – October 2006

Information for Australian AGL shareholders

This document is separated into two parts:

PART 1: INTRODUCTION

This part describes the merger of The Australian Gas Light Company (AGL) and Alinta Ltd (Alinta) into the two newly created listed entities Alinta Ltd (New Alinta) and AGL Energy Ltd (AGL Energy).

The company we refer to as New Alinta in this document was originally called Alinta MergeCo Ltd, but then changed its name to Alinta Ltd after the merger.

PART 2: WORKSHEET AND INSTRUCTIONS

This part contains a worksheet that will help you construct the CGT records for your New Alinta and AGL Energy shares. You should follow the instructions (separated into 3 sections) to fill out the worksheet provided.

WHO CAN USE THIS DOCUMENT?

You can use this document if:

- you are an individual taxpayer who is an Australian resident for tax purposes, and
- you owned ordinary shares in AGL that were exchanged for New Alinta ordinary and New Alinta converting shares, and
- your New Alinta converting shares were bought-back in exchange for ordinary shares in AGL Energy, and
- you did not acquire your AGL shares under an employee share scheme, and
- any gain or loss you would make on those shares would have been a capital gain or capital loss. This means that you held your shares as an investment asset and **not**:
  - as trading stock,
  - as part of carrying on a business, or
  - to make a short-term or one-off commercial gain.

You use it only if you:

- acquired your AGL shares before 20 September 1985 (that is, pre-CGT), and/or
- choose scrip for scrip rollover for all your post-CGT AGL shares.

> You will not be eligible to choose scrip for scrip rollover (and cannot use this document) for any of your AGL post-CGT shares with a cost base of $19.25 or more (see below for how to work out your cost base).

Most AGL shareholders will be able to use this document. However if your circumstances are different and/or you would like assistance, you should contact your tax adviser.

WHAT IS THE COST BASE OF YOUR AGL SHARES?

Generally, the cost base is the price you paid to purchase each share plus any incidental costs you paid (ie brokerage). Your AGL share records (ie broker contract notes, DRP advices where applicable) should show you what the cost base of your shares is.

> For more information about working out the cost base of your shares, see the *Guide to capital gains tax.*

PART 1 – INTRODUCTION: THE MERGER OF AGL AND ALINTA

AGL AND ALINTA MERGED INTO TWO NEW LISTED ENTITIES

On 25 October 2006 AGL and Alinta merged their businesses into two new listed entities:

- *New Alinta* – which holds the two companies' combined infrastructure and asset management businesses, and
- *AGL Energy* – which holds AGL's energy business as well as approximately one third of Alinta's West Australian retail and cogeneration business (AlintaAGL)

AGL shareholders received shares in both new entities under the merger.

THE MERGER TRANSACTION – TWO SEPARATE SCHEMES OF ARRANGEMENT

The transaction involved 2 schemes of arrangement (one each for the shareholders of AGL and Alinta), which took place one after the other.

The Alinta scheme

First, under the *Alinta scheme*, Alinta shareholders transferred their Alinta shares to the New Alinta group in exchange for shares in New Alinta.

> ! This document does not help you with the Alinta scheme. If you owned Alinta shares under the merger transaction, you should read the Alinta fact sheet to work out the tax consequences.

The AGL scheme

Just after the Alinta scheme was completed, the AGL scheme occurred. Under that scheme, AGL shareholders transferred their AGL shares to the New Alinta group. For each of those shares they received 0.5775 of a New Alinta ordinary share and one New Alinta converting share.

Immediately after the AGL shareholders received the New Alinta converting shares, they were bought back by New Alinta. As consideration for the buy-back of those converting shares, shareholders received one AGL Energy ordinary share for each converting share bought back.

TAX CONSEQUENCES OF THE AGL SCHEME

A capital gains tax (CGT) event happened as a result of both the exchange of AGL shares for shares in New Alinta and the buy-back of New Alinta converting shares for AGL Energy shares. In both cases, most AGL shareholders are eligible for CGT concessions that will mean you do not need to include anything in your 2006–07 tax return from this transaction. You do however have to work out the CGT cost base of your shares in New Alinta and AGL Energy. The worksheet and instructions show you how to do this.

If you subsequently sell or have sold any of the New Alinta or AGL Energy shares you received under the merger, you can use the cost base in the worksheet to work out the capital gain or capital loss that arises as a result.

PART 2 – INSTRUCTIONS FOR COMPLETING YOUR AGL WORKSHEET

Detach the worksheet and fill in the columns as you work through these instructions.

SECTION 1: YOUR AGL SHARES

Column 1 – Parcel Number

What is a parcel of shares?
Typically, an investor will buy their shares in ‘parcels’, which simply means a group of shares that were purchased on a particular date for a particular price. Although each share is a separate CGT asset, it is usually more convenient to work out the CGT consequences for each parcel of shares.

If you had any pre-CGT AGL shares, enter these in the first row.

Column 2 – Number of AGL shares

Enter the total number of shares you had in each parcel.

Column 3 – Cost base

Enter the total cost base of AGL shares in the parcel.

Cost base is not relevant for pre-CGT shares.

Column 4 – Acquisition date

Enter the date you purchased each parcel of shares (for dividend reinvestment plans, this is the date the shares were issued to you – refer to your dividend statements). If you acquired them by other means, enter the date you became the owner.

The acquisition date is not relevant for pre-CGT shares.

SECTION 2: YOUR NEW ALINTA ORDINARY SHARES

Column 5 – Number of New Alinta ordinary shares you received

Under the merger, for every AGL share that was transferred to the New Alinta group, you received .5775 of a New Alinta ordinary share.

For each parcel of your AGL shares, you work out the figure to enter at column 5 using this formula:

The number of AGL shares (column 2) × **.5775**

> ! You may have to round up or round down the number of New Alinta shares in some of your parcels, so that the total number of shares you show in Column 5 equals the number shown in your Holding Statement.

Column 6 – Cost base of your New Alinta shares

New Alinta shares received for pre-CGT AGL shares
This column is not relevant for any New Alinta shares you received for your pre-CGT AGL shares.

New Alinta shares received for your post-CGT AGL shares
As a result of the merger, you need to apportion the cost base of your AGL shares between your New Alinta shares and your AGL Energy shares. To work out the amount for your New Alinta shares, use the following formula for each of your parcels:

Cost base of your AGL shares (column 3) × **27.97%***

*** How is this percentage determined?**
You need to apportion the cost base of your AGL shares between the shares you received under the merger in a manner that is reasonable. The percentage in the formula above is based on a market value of the New Alinta shares relative to the market value of the AGL Energy shares you received under the merger. This is considered to be a reasonable approach.

Column 7 – Cost base of your New Alinta shares

New Alinta shares received for pre-CGT AGL shares
The first element of the cost base of each of your New Alinta shares you received for any pre-CGT AGL shares is $10.36. This has already been completed for you.

New Alinta shares received for your post-CGT AGL shares
To work out the first element of the cost base of each of your New Alinta shares, use the following formula:

Cost base amount (column 6) ÷ Number of New Alinta shares (column 5)

Column 8 – Acquisition Date

For New Alinta shares received for your pre-CGT AGL shares this is 25 October 2006, which is the date the merger happened. This has already been completed for you.

Note that for the purposes of the CGT discount, you are treated as having acquired New Alinta shares received for your post CGT AGL shares on the date you acquired your post-CGT AGL shares.

SECTION 3: YOUR AGL ENERGY ORDINARY SHARES

Column 9 – Number of AGL Energy shares received

Enter the same number as you have in column 2

> ! Under the transaction, you received 1 New Alinta converting share for each AGL share you owned. In turn you received 1 AGL Energy share for each New Alinta converting share that was bought back. Therefore, you will have the same number of AGL Energy shares as you used to own in AGL.

Column 10 – Cost base of your AGL Energy shares

AGL Energy shares received for pre-CGT AGL shares

You do not need to complete this column for any AGL Energy shares you received for your pre-CGT AGL shares.

AGL Energy shares received for your post-CGT AGL shares

As you did in Column 6, you need to apportion the cost base of your AGL shares between your New Alinta shares and your AGL Energy shares. To work out the amount attributable to your AGL Energy shares, use the following formula:

Cost base of your AGL shares (column 3) × **72.03%***

* This percentage represents the amount of the cost base that is attributable to your AGL Energy shares, based on the same relative market value calculations that were used in column 6.

Column 11 – Cost base of your AGL Energy shares

AGL Energy shares received for pre-CGT AGL shares

The first element of the cost base of each of any AGL Energy shares you received for pre-CGT AGL shares is $15.40. This has already been completed for you.

AGL Energy shares received for your post-CGT AGL shares

To work out the first element of the cost base (and reduced cost base) of each of your AGL Energy shares, use the following formula:

Cost base amount (column 10)	÷	Number of AGL Energy shares (column 9)

Column 12 – Acquisition Date

For all purposes, including the CGT discount, the acquisition date of your AGL Energy shares is the date of the merger transaction (25 October 2006).

WHAT TO READ/DO NEXT

- Read the AGL merger class ruling on the ATO Legal Database
- *Guide to capital gains tax* – if you need to know more about capital gains tax

> ! Remember to keep the worksheet with your CGT records.

WORKSHEET

AGL Shares exchanged for New Alinta and AGL Energy shares

AGL shares (Section 1)				**New Alinta shares** (Section 2)				**AGL Energy shares** (Section 3)			
Column **1**	Column **2**	Column **3**	Column **4**	Column **5**	Column **6**	Column **7**	Column **8**	Column **9**	Column **10**	Column **11**	Column **12**
Parcel No	Number of AGL shares	Cost base	Acquisition date	Number received (Column **2** x .5775)	Cost base (Column **3** x 27.97%)	Cost Base per share (Column **6** / Column **5**)	Acquisition date* (per Column **4**)	Number received (Column **2**)	Cost base (Column **3** x 72.03%)	Cost Base per share (Column **10** / Column **9**)	Acquisition date
Pre-CGT shares		N/A	Pre-CGT		N/A	$10.36	25/10/2006		N/A	$15.40	25/10/2006
Post-CGT shares											
1											25/10/2006
2											25/10/2006
3											25/10/2006
4											25/10/2006
5											25/10/2006
6											25/10/2006
7											25/10/2006
8											25/10/2006
9											25/10/2006
TOTALS	**A**	**B**		**C**	**D**			**E**	**F**		25/10/2006

Totals

A = Number of AGL shares you held immediately before the merger
B = Total cost bases of your AGL shares immediately before the demerger
C = Number of New Alinta shares on your holding statement immediately after the merger
D + F = B (The total cost bases of your New Alinta shares and AGL Energy shares immediately after the merger should be the same as the total cost bases of your AGL shares immediately before the merger. There may be a small difference because of the effect of rounding)
E = Number of AGL Energy shares on your holding statement immediately after the merger

***** You are treated for the purposes of the discount CGT concession as having acquired New Alinta shares received for your post-CGT AGL shares on the date you acquired your AGL shares (ie. the date shown in Column 4). If you dispose of your New Alinta shares after the merger and the date of this disposal is more than 12 months after the date you acquired your AGL shares, you can reduce any capital gain by the 50% CGT discount (after applying any capital losses). For more information about the CGT discount method, see the *Guide to Capital Gains Tax*.

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OUR COMMITMENT TO YOU

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