



28 September 2011

Company Announcements Office  
Australian Securities Exchange Limited

**In specie distribution update letter**

The Company is pleased to advise that the Australian Taxation Office has issued a Class Ruling in relation to the recent in specie distribution of the iiNet shares by the Company to shareholders on 18 August 2011.

The Class Ruling can be downloaded from the ATO website. For convenience, a link to the ATO website can be found on the Amcom website.

Please find attached a letter sent to Amcom shareholders advising of the positive Class Ruling outcome on this transaction.

Please note that the information in the letter and accompanying Information Sheet should not be viewed as specific tax advice and is intended as a general guide only. The tax consequences for individual shareholders will vary depending on individual circumstances. Each AMM shareholder should obtain specific tax advice on the effect of the ATO Class Ruling, taking into account their particular circumstances.

**For further information please contact:**

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Dear Shareholder

As you are aware, Amcom Telecommunications Ltd (AMM) recently completed an in-specie distribution of its shareholding in iiNet Ltd (IIN) to our shareholders on a pro-rata basis for nil cash consideration.

We are pleased to advise that we have now obtained a confirmation from the Australian Taxation Office confirming the tax treatment of the distribution.

It is strongly recommended that all AMM shareholders consult with their own independent taxation advisers regarding the taxation implications of the IIN share distribution given their particular circumstances.

Australian tax legislation requires that for capital gains tax purposes, shareholders must apportion the cost base of their original AMM shares, to their AMM shares and IIN shares now held after the distribution.

The ATO has issued Class Ruling CR 2011/83, which confirms that demerger tax relief is available in respect of the distribution to Australian shareholders, and a reasonable apportionment would be to attribute 73% of the original cost base to the AMM shares held after the distribution and 27% to the IIN shares held after the distribution.

The Class Ruling can be downloaded from the ATO website. For your convenience, a link to the Class Ruling can be found on the Amcom website within the Investor section.

The attached Information Sheet provides a summary of the points covered by CR 2011/83. An example of the cost base apportionment calculation is included in the attached Information Sheet.

Please note that the information in this letter and the attached Information Sheet should not be viewed as specific tax advice and is intended as a general guide only. Neither AMM, its management or its advisers accept any responsibility for any loss arising to a shareholder who relies on it as a basis for making any decision regarding their AMM or IIN shares, or their taxation affairs generally.

Alternatively, the ATO's demerger calculator can be used to assist with calculating the new cost base for the AMM and IIN shares. A link to the demerger calculator can be found on the Amcom website within the Investor section.

Yours faithfully

Clive Stein  
Managing Director & CEO

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## Information Sheet

This Information Sheet applies to you if:

- you are an AMM shareholder;
- you are an Australian resident; and
- you held shares in AMM when the demerger was implemented on 18 August 2011.

These questions and responses do not apply if your shares were held as trading stock or were held for resale at a profit. If these circumstances apply to you, we strongly recommend you consult your own independent tax advisor regarding the tax implications of the distribution.

### 1. What do I have to do in respect of the distribution?

The distribution resulted in a capital gains tax (CGT) event happening to each of your AMM shares. There are two things you must do:

1. consider if you want to choose demerger rollover; and
2. re-calculate the cost base and reduced cost base of your AMM and IIN shares.

### 2. Will I pay tax in respect of the return of capital component of the distribution?

The return of capital component of the distribution is a CGT event for tax purposes. A capital gain would only arise if your cost base for each AMM share is less than \$0.035 (being the return of capital component for each share). You cannot make a capital loss from the distribution.

### 3. What happens if I choose demerger rollover?

Any capital gain you made from the distribution is disregarded.

### 4. What happens if I don't choose demerger rollover?

If you made a capital gain in respect of the return of capital component of the distribution (refer question 2), you must include the capital gain in your 2011-12 tax return.

### 5. How do I choose demerger relief

There is no requirement to lodge a formal choice with the ATO, the choice is evidenced by the way you prepare your tax return. Unless you have made a capital gain on the return of a capital component and choose for demerger relief to not apply, you will not need to reflect anything in your tax return.

### 6. In what circumstances do I need to recalculate the cost base for my shares?

Regardless of whether rollover relief is chosen, you will need to apportion your existing AMM cost base between your AMM and IIN shares held after the distribution.

An example of the cost base apportionment is as follows:

*John held 100,000 AMM shares (pre share consolidation) that had an aggregated tax cost base of \$20,000 (or \$0.20 per share) just before the demerger. He received 4,308 IIN shares as a result of the distribution. John would calculate the cost base of his AMM and IIN shares post demerger as follows:*

*AMM -  $\$20,000 \times 73\% = \$14,600$*

*IIN -  $\$20,000 \times 27\% = \$5,400$*

*After the distribution, John holds 100,000 AMM shares with a cost base of \$14,600 (or \$0.146 per share) and 4,308 IIN shares with a cost base of \$5,400 (or \$1.2535 per share).*

You may wish to use the ATO's demerger calculator which can be used to assist in calculating the new cost base for the AMM and IIN shares after the distribution. A link to the ATO's demerger calculator can be found on the Investor Information page of the Amcom website.

In using this calculator, shareholders will need to include the following information:

Head entity name	AMM
Demerged entity name	IIN
Date of the demerger	18/08/2011
Number of AMM shares held pre-distribution (pre Share Consolidation)	<Shareholder to complete>
Purchase date	<Shareholder to complete>
Purchase cost	<Shareholder to complete>
Number of AMM shares held post-distribution (pre Share Consolidation)	<Shareholder to complete>
Number of IIN shares held post-distribution	<Shareholder to complete>
Head entity %	73%
Demerged entity %	27%
Under the demerger, did a CGT event happen to your head entity shares	Yes

**7. Will I pay tax in respect of the dividend component of the distribution?**

No, the dividend component of \$0.063 per share is not assessable for tax purposes irrespective of whether rollover relief is chosen.

**8. What happens if I have disposed of some or all of my AMM or IIN shares after the demerger?**

If you have sold any AMM or IIN shares after the demerger, you calculate any capital gain or capital loss using the normal rules. Your cost base for each share is based on the revised cost base calculated in accordance with the methodology outlined in this letter.

**9. Will the CGT discount method be available if I sell my IIN or AMM shares?**

Irrespective of whether demerger relief is chosen, for CGT discount purposes you are taken to have acquired your IIN shares when you acquired your AMM shares. The CGT discount should therefore be available provided you have held your AMM shares for at least 12 months.

**10. Disclaimer**

Please note that the information in this Information Sheet should not be viewed as specific tax advice and is intended as a general guide only. Neither AMM, its management or its advisers accept any responsibility for any loss arising to a shareholder who relies on it as a basis for making any decision regarding their AMM or IIN shares, or their taxation affairs generally. The tax consequences for individual shareholders will vary depending on individual circumstances. Each AMM shareholder should obtain specific tax advice on the effect of the ATO Class Ruling, taking into account their particular circumstances.

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