AXA/AMP MERGER FACT SHEET

OVERVIEW

This Fact Sheet outlines the recommended procedure to process the scrip and cash takeover of AXA Asia Pacific Holdings Limited (AXA) by AMP Limited (AMP) within Class Super.

BACKGROUND

On 30 March 2011, AXA merged with /was taken over by AMP. This was achieved through the following capital restructure:

- All AXA ordinary shareholders received 0.73 fully-paid ordinary shares in AMP worth $3.8836 per unit.
- All AXA ordinary shareholders also received $2.5464 cash for each ordinary share they held as at 16 March 2011.
- The market value of each AMP share received by AXA shareholders was $5.32.
- AXA also paid a final unfranked dividend of 9.25 cents per ordinary share.

TAX CONSEQUENCES

- The final unfranked dividend of 9.25 cents per share paid by AXA needs to be processed as Dividend Cash > Unfranked Amount for the 2010-11 tax return. It does not form part of the capital proceeds the SMSF receives.
- The SMSF must determine the cost base of the new AMP shares allotted.
- The SMSF must decide whether or not to choose CGT (Scrip-for-scrip) Rollover.
- The SMSF must work out the capital gain or loss attributed to the cash component of the merger as the cash is not eligible for CGT rollover.
WORKED EXAMPLES

The recommended steps to get transactions correctly recorded in Class Super are as follows:

Step 1: Create AMP Limited as New Security
Please Note: You should only create the new security for AMP if AMP is not already a security in the Investment > Browse Holding Accounts.

Click on Investment > New Investment Account, type AMP in Common Code and click on Search, locate AMP Limited (AMP), double click to open this Maintain Investment Account window:

<table>
<thead>
<tr>
<th>Code</th>
<th>AMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding Reference</td>
<td>AMP Limited</td>
</tr>
<tr>
<td>Security Issue</td>
<td>AMP Limited</td>
</tr>
<tr>
<td>Issue Description</td>
<td>AMP Limited</td>
</tr>
<tr>
<td>Market Code</td>
<td>Listed Securities Market</td>
</tr>
<tr>
<td>Security Type</td>
<td>Ordinary</td>
</tr>
<tr>
<td>Issue Type</td>
<td>Fully Paid Ordinary</td>
</tr>
<tr>
<td>Currency</td>
<td>AUD</td>
</tr>
<tr>
<td>In-House Asset</td>
<td></td>
</tr>
<tr>
<td>Asset Pool</td>
<td>Default Pool</td>
</tr>
</tbody>
</table>

Click on Activate, this will create AMP as a security in Investment > Browse Holding Account.

Step 2: Work out the Cost Base for AMP Shares
To illustrate this worked example, it is best to use two parcels of AXA shares, one with Partial Scrip-for-Scrip Rollover chosen (2A), and the other one with no rollover relief (2B).
2A) Partial Scrip-for-Scrip Rollover Chosen

A SMSF acquired 3,508 AXA shares on 18/05/2009 for $9,962.72 plus brokerage of $37.28. The total cost base for AXA shares is $10,000.

On 30 March 2011, the SMSF receives $8,932.77 ($2.5464 x 3,508) cash and 2,561 (3,508 x 0.73) new AMP shares in exchange for its 3,508 AXA shares. The market value of the new AMP shares is $13,624.52 (2,561 x $5.32).

Total Capital Proceeds = Cash + AMP Shares = $8,932.77 + $13,624.52 = $22,557.29.

The SMSF chooses partial scrip-for-scrip rollover, allowing it to defer that part of the capital gain it made when it received the 2,561 new AMP shares for its AXA shares.

The SMSF cannot disregard the capital gain it made when it received cash for its AXA shares.

\[
\text{Cost base for Cash Component} = \text{Cost base of AXA shares} \times \frac{\text{Cash}}{\text{Cash} + \text{Market Value of AMP Shares}}
\]

\[
= \$10,000 \times \frac{8,932.77}{22,557.29}
\]

\[
= \$3,960.04
\]

\[
\text{Cost base for New AMP Shares} = \text{Cost base of AXA shares} \times \frac{\text{Market Value of AMP Shares}}{\text{Cash} + \text{Market Value of AMP Shares}}
\]

\[
= \$10,000 \times \frac{13,624.52}{22,557.29}
\]

\[
= \$6,039.96
\]

2B) No Rollover Relief

The same SMSF also acquired 1,306 AXA shares on 08/05/2007 for $9,951.72. The cost base for each AXA share is $7.62.

On 30 March 2011, the SMSF receives $3,325.60 ($2.5464 x 1,306) cash and 953 (1,306 x 0.73) new AMP shares in exchange for its 1,306 AXA shares. The market value of the new AMP shares is $5,069.96 (953 x $5.32).

Total Capital Proceeds = Cash + AMP Shares = $3,325.60 + $5,069.96 = $8,395.56.

Given this will result in a Capital Loss; there is generally no scrip-for-scrip rollover relief. The Capital Losses = Capital Proceeds – Cost Base of AXA Shares = $8,395.56 - $9,951.72 = $(1,556.16).

The Cost base of new AMP shares should be just $5.32 x 953 = $5,069.96.
Step 3: Process Takeover/Merger Event or Listed Securities Disposal

3A) Partial Scrip-for-Scrip Rollover Chosen

Based on the facts in example 2A, the CGT date should be the original acquisition date, i.e. 18/05/2009. The Target Market Value should be the calculated cost base for new AMP shares, i.e. $6,039.96.

The Takeover/Merger event will be processed as the following:

Click Summit to process this Takeover or Merger event.

Capital gain on cash component = Cash Received - Cost Base of Cash Component
= $8,932.77 - $3,960.04
= $4,972.73 (Discountable Capital Gains)

3B) No Rollover Relief

Based on the facts in example 2A, it should be processed with the following 3 steps:

1) Disposal of the 1,306 AXA shares on 30 March 2011 for the capital proceeds of $8,395.56.
2) Acquire new 953 AMP shares on 30 March 2011 for $5,069.96.

3) The AXA share disposal and AMP share purchase should be matched against each other, the difference of $3,325.60 should be matched against the Cash component received from AMP.
Please Note: Given each parcel of AXA shares will have different cost base, it is recommended that you process one corporate action (i.e. Take or Merger event) or Listed Securities Disposal for each parcel of AXA shares.

**REFERENCE MATERIAL:**

- ATO Class Ruling: *CR 2011/36 Income tax: scrip for scrip: exchange of shares in AXA Asia Pacific Holdings Limited for shares in AMP Limited*
- ATO Fact Sheet: *Merger of AMP Limited (AMP) and AXA Asia Pacific Holdings (AXA)*
- Section 7 – “Tax Information” of the Explanatory Memorandum in relation to the proposed merger of Australian and New Zealand Business of AXA Asia Pacific Holdings Limited with AMP Limited and the sale of the Asian Business to AXA SA dated on 17 Jan 2011.

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