CSR LIMITED
Triniti 3 39 Delhi Road North Ryde
NSW 2113 Australia
Locked Bag 1345 North Ryde BC
NSW 1670 Australia
T 61 2 9235 8000
F 61 2 8362 9012
www.csr.com.au
ABN 90 000 001 276

TAX INFORMATION SHEET
CSR Special Dividend, Capital Return and Share Consolidation
Occurring during the year ended 30 June 2011

The purpose of this information sheet is to help shareholders understand the tax implications of the special dividend, return of capital and the share consolidation undertaken by CSR during the year ended 30 June 2011.

Background

On 2 February 2011, CSR paid shareholders a special fully franked dividend of $0.0913 per share (before the share consolidation).

On 3 March 2011, CSR paid shareholders an amount of $0.4357 per share (before the share consolidation) as a return of capital.

From 3 March 2011, CSR's share capital was consolidated through the conversion of every 3 CSR ordinary shares into 1 CSR ordinary share.

Tax implications for CSR shareholders

The information in this summary sheet is general in nature and should not be relied upon as advice. In addition, the taxation implications for each shareholder will depend on the circumstances of the particular shareholder. Accordingly, shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither CSR nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders about the tax consequences for them from the special dividend, capital return or share consolidation.

Capital return

CSR has obtained a Class Ruling CR 2011/20 from the Australian Taxation Office (ATO) confirming that, for shareholders who hold their shares on capital account:

(1) no part of the capital return will be treated as a dividend for tax purposes. On this basis, the ATO will accept the total amount to be paid to shareholders (being the special dividend and the return of capital) as having a dividend component of $0.0913 per CSR share (before the share consolidation) and a capital reduction component of $0.4357 per CSR share (before the share consolidation);

(2) if the cost base (after adjustment, as may be relevant, for any indexation or any previous capital returns or demerger) of a CSR share acquired after 19 September 1985 is less than $0.4357 (before the share consolidation) then an immediate capital gain may arise for the difference;

(3) otherwise, the cost base for each CSR share (before the share consolidation) acquired after 19 September 1985 will be reduced by $0.4357 for the purpose of calculating any capital gain or loss on the ultimate disposal of that share;

(4) for those CSR shareholders who are not tax residents of Australia, no Australian capital gain or loss should arise as a consequence of the capital return.

Please refer to the “Capital Return Payment” section of the CSR internet site for a link to the final version of the Class Ruling.

Non residents

Existing shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the special dividend and the return of capital under the laws of their country of residence.

Share Consolidation

The share consolidation was undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there was no change to the proportionate interests held by each CSR shareholder in CSR as a result of the consolidation.

Accordingly no capital gains tax (CGT) event will occur as a result of the CSR share consolidation and therefore there should be no taxation implications arising for CSR Shareholders who hold their shares on capital account.

Examples for Illustration purposes only

Example 1

John purchased 2,000 CSR shares in February 2004. At the time, the cost base of these shares (including any brokerage and stamp duty) was $3,000, or $1.50 per share.

Special Dividend

John received the special dividend on 2 February 2011 of $182.60 (2,000 x $0.0913). This dividend was fully franked. John should include the $182.60 dividend and the associated franking credit of $78.26 ($182.60 / 70 x 30) in the calculation of his taxable income for the 2011 year. John is also entitled to a franking tax offset of $78.26 in his income tax return.

Capital Return

John received a return of capital from CSR of $400 (2,000 x $0.2) on 4 August 2005. As a result, he had to reduce the cost base of his shares to $2,600 ($3,000 - $400), or $1.30 per share.

John received a total of $871.40 (2,000 x $0.4357) in the 2011 return of capital by CSR.

John must adjust the cost base of his CSR shares by again subtracting the amount of the capital return.

The new cost base for his share parcel is $1,728.60 ($2,600 - $871.40), or $0.8643 per share.
Because John still has a positive cost base (that is, the above adjustment did not reduce the cost base below nil) John has not made a capital gain on his shares as a result of the capital return so he does not have to put anything in his tax return to reflect this event.

Should John sell his shares in CSR after the capital return, he will have to pay capital gains tax on the difference between the sale price (net of transaction costs) and the cost base $0.8643 (assuming no other adjustments need to be made to the cost base of John’s shares).

It should be noted that the effect of the 3:1 share consolidation reduced the number of CSR shares that John owned from 2,000 to 667. The dollar value of his cost base in these shares did not change ($1,728.60). However, the change in the number of shares he owns results in a "per share" cost base of $2.59 compared to the original cost base of $0.8643 per share.

The above calculations are summarised in the following table:

Date	Event	Cost base	Cost base per share
February 2004	Purchase shares	$3,000	$1.50
4 August 2005	Capital return of $400 ($0.20 c per share)	$2,600 ($3,000 - $400)	$1.30 ($1.50 - $0.20)
3 March 2011	Capital return of $871.40 ($0.4357 per share)	$1,728.60 ($2,600 -$871.40)	$0.8643 ($1.30 - $0.4357)
4 March 2011	3:1 share consolidation	$1,728.60	$2.5929 ($0.8643 x 3)

Example 2

Peta sold 1000 CSR shares on 24 February 2011 – she acquired these shares in March 2009. Peta made a capital gain of $400 on the sale. As a consequence of this sale, Peta held no CSR shares at the time of the capital return payment on 3 March 2011.

Special Dividend

Peta received the special dividend on 2 February 2011 of $91.30 (1,000 x $0.0913). This dividend was fully franked. Peta should include the $91.30 dividend and the associated franking credit of $39.13 ($91.30 / 70 x 30) in the calculation of her taxable income for the 2011 year. Peta is also entitled to a franking tax offset of $39.13 in her income tax return.

Capital Return

Because Peta held CSR shares on the record date (16 February 2011), Peta is eligible to receive the capital return. As a result, Peta received $435.70 (1,000 x $0.4357) in the return of capital.

Calculating the capital gain

Peta made a capital gain from the return of capital as follows:

Capital proceeds (1000 x $0.4357)	$435.70
less total cost base (1000 x $0.00)	$0
Capital gain on return of capital	$435.70
Total capital gain (including $400 gain on sale of the shares)	$835.70
Net Capital Gain * ($835.70 x 50%)	**$417.85**

* Because Peta held the shares for which the capital return was paid for more than 12 months, she applies the CGT discount to her capital gain (if she had capital losses she would offset them against her capital gain before applying the discount).