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GRSJ:JHW
16 February 2007

Mr J A Emerson
C/- Freehills
42 / 101 Collins Street
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Dear John

Board of Taxation - Off-Market Share Buy-Backs

I very much appreciated the opportunity I had last Wednesday to talk with you, Vernon Joice and Keith James. Incidentally, I have communicated to Sek Hulme that you would appreciate his input and I suggested that he give you a call or, alternatively, you could contact him.

I was asked to summarise my particular concerns so that they could be "ticked off". These have been covered in the material already forwarded via you but, in brief, are as follows:

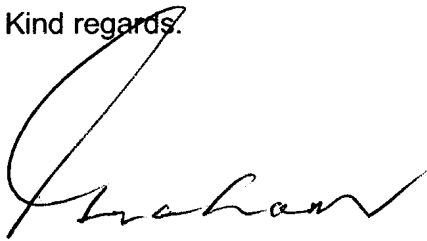
1. Retained tax-paid profits with their attendant latent asset of the franking credit belong to all shareholders equitably.
2. To use such funds as a "dividend" in order to pay the major component of the consideration for a capital item is clearly a contrived mechanism.
3. The process is tax-driven, the consequence of which is to bestow a benefit to low or nil tax-paying shareholders to the detriment of shareholders who do not participate.
4. In as much as the "benefit" does not fall equally between shareholders, Directors are in breach of their duty. It is unacceptable that the ASIC has failed to respond to soundly-argued criticism.
5. The Corporations law clearly defines that dividends must be paid equitably – Section 254W – and the "dividend" component carries all the essential elements of a dividend and is taxed accordingly as income.
6. We have the absurdity whereby the ATO says it is a dividend and the ASIC says that it is not!
7. The trade-off, which is supposed to placate non-participants in terms of alleged increase in earnings per share is not only irrelevant but, to a major degree, fictitious.
8. Of typical private investors surveyed for their views, 97% of respondents said that they would prefer excess funds to be distributed by way of increased or special franked dividend and/or a capital return.

9. The schemes are obviously structured to get around the clear intention of the Law, they are obviously tax-driven and are costing Consolidated Revenue hundreds of millions of dollars, probably now to be measured in billions.

10. There are numerous absurdities which flow from the mechanism adopted to confuse capital and income.

I shall be more than happy to meet again should you conclude that I might be able to be of further assistance.

Kind regards.

A handwritten signature in black ink, appearing to read 'Graham', written in a cursive style.

Graham R Sellars-Jones