

35 Veterans Parade
Collaroy Plateau
NSW 2097

8 September 2007

Attention – Mr Vernon Joice

The Board of Taxation
c/o Treasury
Langton Crescent
CANBERRA
ACT 2600

Received
11 SEP 2007
Board of Taxation

Dear Sirs

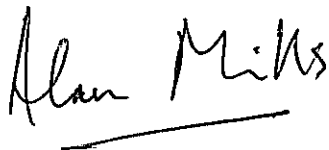
Further to my letters of 6 May and 6 September 2007 I write to express the view that off-market share buybacks, in so far as they include fully franked dividends, may not comply with the law.

Section 159GZZZP of the ITAA 1936 prescribes a dividend for off-market share buybacks. But Section 159GZZZP never mentions the words “fully franked” and as such full franking is not prescribed. Accordingly the dividends in off-market share buybacks should have been unfranked.

Applying a winners and losers test, had only unfranked dividends been used in off-market share buybacks, non-participating shareholders would not have been unfairly treated and low tax rate shareholders, who enthusiastically bought shares immediately after the announcements of off-market share buybacks, would not have so eagerly participated. The flow of unprescribed franking credits has clearly been away from the aggrieved non-participating shareholders to the excessively happy low tax rate shareholders. Accordingly off-market share buybacks are not “fair and reasonable to the company’s shareholders as a whole” as required by the Corporations Law.

I think off-market share buybacks in their present form for public companies should be abolished.

Yours faithfully

A handwritten signature in black ink that reads "Alan Mills". The signature is written in a cursive style and is underlined with a single horizontal line.

Alan W. M. Mills