



29 February 2000

Dear Shareholder

B-Class Shares – Capital Gains Tax (CGT) Issues

You were one of 16,000 current or former graingrowers who were issued with B-Class shares in ABB Grain Ltd (ABB) upon the privatisation of the Australian Barley Board on 1 July 1999.

Opinion has been obtained from the Australian Taxation Office (ATO) on the taxation implications for growers on acquisition of the shares and in the event that these shares are sold or transferred to another party. Although the opinion is not legally binding on the Commissioner of Taxation, it is ATO policy to stand by the advice unless there is a change in the law, the facts change or there is a contrary Court or Tribunal decision.

The ATO's opinion is that:

- ? The acquisition of the shares by the growers will not be assessable or subject to CGT at the time of acquisition (deemed to be 1 July 1999).
- ? Disposal of the shares by the growers will be subject to CGT provisions.
- ? Disposal of the shares by the grower will not qualify for CGT rollover relief under Division 17A and 17B of Part IIIA of the Income Tax Assessment Act 1936. (These Divisions provide for some CGT deferral or exemptions where certain assets of small business owners are either disposed of and replaced or the owner retires).
- ? On the basis that growers acquired the shares for no outlay, Section 112-20 of the Income Tax Assessment Act 1997 applies and deems the cost base of the shares to be their market value at the time of the transfer, 1 July 1999.

What is the “market value” for calculating capital gains or losses?

The directors of ABB obtained independent specialist advice regarding the notional July 1st “market value” of a single B-Class share, reflecting the moment the Australian Barley Board ceased operating on 30 June 1999, with shares created in ABB Grain Ltd the next day.

The independent advice put the “market value” of a single B-Class share in ABB at \$1.17. This independent advice would be a strong indication of the cost base for CGT purposes.

I stress that the independently advised “market value” for 1 July 1999 should in no way be interpreted as the view of ABB's directors of a value at which ABB shares should trade currently.

You are encouraged to seek your own advice as to the taxation consequences relevant to your particular circumstances. I also advise that Australian taxation law is constantly changing, with business taxation specifically reviewed in 1999. This should be taken into account by each individual in making financial decisions.

Yours faithfully
ABB Grain Ltd

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