

26 April 1999

Mr Paul McMahon
The Committee Secretary
House of Representatives Standing Committee on Employment,
Education and Workplace Relations
Suite R1 116 Parliament House
Canberra ACT 2600

Dear Mr McMahon

RE EMPLOYEE SHARE OWNERSHIP IN AUSTRALIAN ENTERPRISES

As requested, please find attached a submission regarding North Limited's Employee Share Scheme.

An outline of the Employee Share Scheme is provided, with particular detail of the following:

- Share Scheme Objectives
- Share Scheme Details and Rules as at 1998
- North Employee Share Scheme History
- Participation Statistics 1994 – 1998
- Share Survey - Employee Attitudes
- Future Plans

Should you require any further information, please do not hesitate to contact Peter Sale, Manager Remuneration and Benefits, on (03) 9207 5254.

Yours sincerely,

Malcolm Broomhead
Managing Director

NORTH LIMITED EMPLOYEE SHARE SCHEME

Since 1986, North have invited eligible employees to take part in the North Employee Share Scheme.

The objectives of the North Limited Employee Scheme are to:

- provide an opportunity for employees to participate in the capital growth of the Company; and
- enable employees to identify more closely with the objectives and financial performance of the Company.

The offer is made available only once per annum and the following summary provides the structure and features of the most recent share offer - 1998 North Employee Share Scheme.

Share Plan Details/Rules as at 1998

All full time and permanent part time employees are invited to participate. They may apply for up to 2000 paid ordinary shares in the Company (in multiples of 100 shares).

The issue price is determined by the reference to the average of the highest and lowest prices for the Company's shares on the Australian Stock Exchange for the five trading days preceding the day, one week before invitations under the Scheme are issued. The issue price is 95% of this average price.

No stamp duty or brokerage is payable by participants in relation to the acquisition of shares.

The Company provides an interest free loan over ten years to purchase the shares. A deposit is not required and the Company finances the whole of the issue price of the shares applied for. These loans must be repaid in equal instalments over not more than ten years, by way of payroll deductions.

Shareholders immediately have full voting rights at general meetings, and full shares attract full entitlement to dividends, even though the loan provided will not normally be fully repaid until the end of ten years. Dividends are paid directly to the participants.

Under the Rules of the Scheme, employees may not dispose of any share acquired under the Scheme before the earlier of, the end of three years from the time of acquisition or the day they cease to be an employee. NB. This does not apply to shares acquired prior to 1996.

Subject to the above mentioned three year restriction, participants are free to sell and transfer shares issued under the Scheme, as soon as any loan has been repaid in full.

Participants' assessable income may include some or the entire discount given in relation to the shares. The discount refers to the difference between the value of the share on the date of issue and the amount paid by the employee. If an election is made to have the amount of the discount included in assessable income, the discount will be assessable only to the extent that it exceeds \$1000.

Employees have been given access to monitor daily, the progress of the share price via the Internet on North Limited's Home Page.

North Employee Share Scheme History

The North Employee Share Scheme has undergone several changes since its inception in 1986. The following table indicates the significant features of the Scheme from 1986 – 1997:

Year	Details	Comments
1986-1993	1000 shares @ 15% discount, 10% deposit required.	Features remained consistent over this period.
1994-1995	1000 @ 5% discount. No deposit required.	Discount reduced to 5% in line with Dividend Reinvestment Plan discount. 10% deposit removed to ease conditions of entry.
1996 – 1998	2000 @ 5% discount. Tax exempt to \$1000.	No of shares increased. Tax exemption available. 3 year resale restriction.

Participation Statistics 1994 - 1998

Year	Take Up Rate
1994	39%
1995	38%
1996	36%
1997	43%
1998	36%

Apart from the 1997 participation rate, the above statistics are relatively consistent. The favourable increase in 1997 has been attributed to favourable circumstances surrounding the 1997 Share offer, particularly the low share price available and the concerted efforts to provide comprehensive information sessions to all eligible employees.

Share Survey – Employee Attitudes

A survey was conducted September 1998, to determine employee's perceptions of the North Employee Share Scheme. A random sample of 225 employees participated in the survey, covering all Business Units, within Australia and overseas.

Of those completing the survey, 86% agreed or strongly agreed that, overall the Employee Share Scheme was a good investment opportunity. Additionally, 80% regarded the \$1000 tax exemption as a worthwhile incentive to participate.

The objectives outlined above for the Scheme, particularly 'to enable employees to identify more closely with the objectives and financial performance of the Company' is thought to improve employee morale and performance. The theory is employees would acquire a form of ownership in the Company, and therefore have more of a vested interest in contributing to the Company's performance. Furthermore, employee loyalty and morale are likely to be positively affected.

Future Plans

The foreseeable obstacle for North, in regards to the 1999 Share Scheme due to be made available in October, is the present low share price. North have been experiencing a relatively poor share price for the past five months and the resources sector is currently in a low. Those employees who have partaken in previous Share Schemes with North and purchased at a price, which is now higher than the present price, are expected to be less inclined to participate. Additionally, those employees who have never purchased Company shares, and especially those that have not been exposed to any form of share purchasing will require comprehensive information sessions.

North Limited is reviewing the current Employee Share Scheme given the falling participation rates. We have identified a number of issues which impact on employee behaviour including the risks involved on the loan and the restrictions to the resale of the shares. We are currently reviewing market best practice in this area in an effort to develop a new Employee Share Scheme to increase participation and align employees with the Company's objectives.