



Dear Shareholder

BMW have been a valued customer of Howe & Company Pty. Ltd. ("Howe Leather") for the past 17 years.

We regret to advise that Howe Leather has not been successful in continuing their leather supply to BMW effective from 1 July 2005.

BMW continue to increase their level of supply of automotive leather from South Africa. South Africa has a heavily subsidised industry support scheme which provides rebates of approximately 23% of the value of automotive leather products for South African suppliers. This scheme is being questioned by a number of Governments including the Australian Government in relation to its WTO compatibility.

The impact of the loss of leather supply to BMW will not be felt in this financial year. Next year the net effect on overall sales is expected to be a reduction in the order of 5%-10% however this as always is dependant upon many factors such as model sales, currency and overall economic climate.

The management team at Howe Leather will continue their focus on the many other car companies and models that we supply and aggressively look for new customers and models. You can rest assured that we will be making every effort to regain BMW as a customer.

Yours sincerely

John Schaffer
Chairman

20th June 2005