



**Wesfarmers Limited**

ABN 28 008 984 049

# NEWS

3 June 2003

## **Edward Lumley Holdings**

Wesfarmers Limited is engaged in exclusive negotiations to acquire Edward Lumley Holdings Limited (“ELH”), the parent company of Lumley Insurance Group Limited (“LIG”) which operates general and life insurance businesses, including associated finance and information technology activities, in Australia and New Zealand.

ELH also owns a range of insurance and related businesses in the United Kingdom and Ireland. Under the proposed arrangements, the ELH group will be restructured so that the existing shareholders of ELH retain the United Kingdom and Irish operations. Subject to the restructuring and relevant approvals, Wesfarmers would then acquire ELH.

The acquisition price is expected to be approximately A\$320 million for all the shares in ELH (a premium of about A\$110 million over projected net assets at completion). In addition, Wesfarmers will assume the ELH group’s external debt of some A\$55 million. The price is subject to adjustment for the level of net assets upon settlement of the acquisition.

The potential acquisition is subject to approval by the Australian Prudential Regulation Authority, changes to the corporate structure to facilitate Australian ownership and finalisation of due diligence and sale terms.

These matters are expected to be resolved early in the next financial year.

The operations proposed to be acquired by Wesfarmers include general and life insurance activities in Australia and New Zealand and related premium funding and information technology (software development and systems support) operations. (See attached background information sheet).

The gross written premium from ELH’s Australian and New Zealand general insurance operations in 2001/2002 was some A\$580 million. In line with premium growth being experienced in the sector this is expected to increase significantly in the year to 30 June 2003.

Lumley’s Australian and New Zealand operations have historically been consistent performers in revenue and profit growth. As an example, in the financial year to 30 June 2002, Lumley’s Australian general insurance operations achieved a Combined Operating Ratio (net claims plus expenses as a percentage of net earned premium) of 94 per cent, ranking it as one of Australia’s most profitable insurance companies. The Australian and New Zealand operations are expecting to report significant profit growth in the year ending 30 June 2003.

Wesfarmers intends to operate the acquired businesses in parallel with its existing general insurance business conducted by specialist rural and small business insurer, Wesfarmers Federation Insurance (“WFI”). WFI’s direct distribution model is considered to be highly complementary to the broker distribution model adopted by Lumley. As a result of the complementary distribution channels and the different product offering of the businesses, few employee changes are anticipated.

The proposed transaction is expected to be earnings per share accretive from the date of acquisition.

For further information:

Michael Chaney, Managing Director

Keith Kessell, General Manager, Public Affairs  
(61 8) 9327 4281  
0419 949 082

## **Background Information**

### **Wesfarmers Federation Insurance**

- Specialist rural and small business direct insurer
- 380 employees; 80 branches; \$200 million gross premium (2002)

### **Lumley General Australia**

- Commercial and fleet motor, marine cargo and engineering
- 400 employees; 12 offices; \$416 million gross premium (2002)

### **Lumley General NZ**

- Commercial motor, marine, engineering, specialist products
- 250 employees; 10 offices; NZ\$185 million gross premium (2002)

### **Lumley Finance (Australia and New Zealand)**

- Unsecured loans to customers to fund insurance premiums

### **Lumley Life**

- Small specialist insurer – term life, critical illness and disability products (Australia and New Zealand)
- 112 employees; \$110 million gross premium (2002)

### **Lumley Technology**

- Software and information technology services to financial services companies
- 170 employees (100 in New Zealand and Australia, 70 in India); revenue \$11.3 million (2002)

(All amounts in A\$ unless otherwise specified)