

13 February 2001

Ownership simplification plan

A plan was announced today to simplify the ownership structure of Wesfarmers Limited to benefit those currently holding direct and indirect interests in the company and to make it more attractive to investors.

The restructure, which has been made possible by changes to Australia's taxation laws, involves Wesfarmers itself, Westralian Farmers Co-operative Limited (the Co-operative), The Franked Income Fund (FIF) and Gresham Partners Management Limited (GPML), the responsible entity of FIF.

At current market prices, it will result in the release of around half a billion dollars of value to investors in FIF and the Co-operative.

Announcing the simplification proposal, the Chairman of Wesfarmers, the Co-operative and GPML, Mr Harry Perkins, said it was unanimously supported by the directors of the three entities.

The main features of the plan are:

- the exchange of units and options in FIF for Wesfarmers shares;
- the exchange of stock in the Co-operative for Wesfarmers shares;
- the acquisition by Wesfarmers of GPML; and
- the buyback of the approximately 50 per cent of Wesfarmers' shares now held in the Co-operative and FIF structure, through WFCL Investments Pty Ltd (WFCLI), but which will, if the simplification proceeds, be owned by Wesfarmers itself.

Assuming the simplification proposal is fully implemented, the total number of Wesfarmers shares on issue will be slightly lower than beforehand.

The various groups of investors will be affected in the following ways:

- FIF unitholders will receive one Wesfarmers share for every 2.4851 FIF units they own. This will provide them with a value of \$7.85 for each FIF unit, compared with their existing value of \$6.50, based on the closing prices of Wesfarmers shares (\$19.52) and FIF units on 12 February 2001.
- FIF optionholders will receive one Wesfarmers share for every 10.5614 FIF options they own. This will provide them with a value of \$1.85 for each FIF option, compared with their existing value of \$1.03 based on the closing prices of Wesfarmers shares and FIF options on 12 February 2001.

- Co-operative stockholders will receive one Wesfarmers share for every \$12.90 worth of Co-operative stock units they own. This will provide them with a value of \$3.03 for each \$2 Co-operative stock unit, based on the closing price of Wesfarmers shares on 12 February 2001.

The proposal also involves the acquisition by Wesfarmers of GPML for approximately 1.1 million Wesfarmers shares.

Mr Perkins said the simplification proposal would be neutral in terms of earnings per share but would result in a marginal increase in Wesfarmers' debt level.

"The cost of the restructure will be borne by Wesfarmers but there will be no negative impact on the company's profit results as a result of the simplification proceeding," he said.

Business structure unchanged

He said the proposal was concerned only with the ownership structure of Wesfarmers.

"I want to stress that it involves no change to the operating business unit structure of the Wesfarmers group of companies," said Mr Perkins.

Taxation impact

Mr Perkins said the proposed changes would not trigger any capital gains tax liabilities for FIF unitholders and Co-operative stockholders, who were exchanging securities and were covered by the rollover relief provisions of the taxation law. FIF optionholders would not be entitled to relief as the rollover relief provisions do not extend to the exchange of options for shares.

"Until the changes to Australia's taxation laws, this restructuring would not have been possible without giving rise to significant capital gains tax liabilities," said Mr Perkins.

Expert assessments

Experts have assessed the simplification proposal and have advised that they consider that the restructuring is in the best interests of Co-operative stockholders, FIF unitholders, FIF optionholders and Wesfarmers shareholders.

The formal expert reports will be included with the detailed documentation to be mailed out to investors in March.

Benefits to Wesfarmers

Acceptance of the proposal will see a more flexible Wesfarmers ownership structure with increased liquidity and without a controlling shareholder, thus making the company more attractive to investors by significantly increasing its so-called 'free float' component.

"Wesfarmers shares are thinly traded for a company of its size and significance, with half its shares locked up by the current structure," said Mr Perkins.

"The proposed changes will help ensure that Wesfarmers retains an appropriate weighting in the relevant stock exchange indices.

“Without these changes, Wesfarmers runs the real risk of suffering a market downgrade because of a lower weighting in these indices.”

Co-operative and FIF investors advantaged

Mr Perkins said the proposal would allow investors in the Co-operative and the FIF to realise further value from their indirect stakes in Wesfarmers.

“In addition to the immediate financial incentive being offered to Co-operative stockholders, this is an opportunity for them to swap fixed value investments which can’t be traded on capital markets for shares in Wesfarmers which can be bought and sold and which will allow them to benefit from the growth of the Wesfarmers group,” he said.

“FIF units generally trade at a significantly lower price to the underlying value of the FIF’s direct and indirect shareholding in Wesfarmers. This differential is attributable in part to the complex structure through which the indirect shareholding in Wesfarmers is held.

“The proposal provides for the simplification of the structure, giving unitholders and optionholders a direct interest in a more investor-attractive Wesfarmers.”

Restructure completes Wesfarmers transition

The Chairman said the proposed restructure was the logical completion of the transition of Wesfarmers from its Co-operative beginnings to a dynamic and successful major Australian public company.

“The decision to move to public company status with the ASX listing in 1984 was the first step down this track,” he said.

“Then in 1988 we introduced major changes with the creation of FIF to give our investors more opportunity to benefit from the rapidly growing success of Wesfarmers.

“That structure was right for its time and worked well.

“Now the time is right to change again and for Wesfarmers to take its place in the market with an open ownership structure that is typical of listed companies.”

Simplification process

A hearing is being sought before the Supreme Court of Western Australia to commence the required approval process and allow mailing of the documentation associated with the proposal in March.

The proposal requires approval from shareholders in Wesfarmers, stockholders in the Co-operative and from unit and option holders in FIF. The documents will contain proxy voting forms which the directors urge investors to complete and return as soon as possible.

Meetings for stakeholders in Wesfarmers, the Co-operative and FIF are currently proposed for 6 April to vote on the resolutions required to implement the proposal.

Each component of the simplification proposal is subject to a number of conditions designed essentially to comply with statutory procedures and approval requirements and to deal with any change in the circumstances of the entities.

Wesfarmers is committed to achieving the anticipated benefits of the simplification proposal and so may proceed with the acquisition of FIF units and options regardless of the outcome of the Co-operative proposal. Wesfarmers may also elect to proceed with the acquisition of FIF units independently of the acquisition of FIF options.

The acquisition of FIF units is subject to approval of all resolutions at the FIF unit and optionholder meeting; approval by Wesfarmers shareholders of the simplification proposal generally and the acquisition of GPML; all necessary regulatory waivers and modifications being obtained; Wesfarmers being in a position to proceed with the acquisition of FIF options (or this condition being waived by Wesfarmers); GPML and Wesfarmers not deciding to terminate the proposal in relation to FIF; and there being no material adverse change in relation to FIF (or this condition being waived by Wesfarmers).

The acquisition of FIF options is subject to optionholder approval at a separate meeting of optionholders and the acquisition of FIF units proceeding.

The acquisition of Co-operative stock is subject to approval of all resolutions at the stockholder meetings; approval by Wesfarmers shareholders of the simplification proposal generally and the acquisition of GPML; all necessary regulatory waivers and modifications being obtained; Wesfarmers proceeding with the acquisition of FIF units; the Co-operative and Wesfarmers not deciding to terminate the proposal in relation to the Co-operative; and there being no material adverse change in relation to the Co-operative (or this condition being waived by Wesfarmers).

Provided the conditions are satisfied, it is expected that the new Wesfarmers shares will be issued by early May 2001. The timing of the issue is subject to a number of matters outside the control of the company, including the timing for the final court approval for the acquisition of the stock in the Co-operative and so cannot be predicted with certainty at this stage.

Directors' interests

In making recommendations, the directors advise that some of them have interests in the proposal by virtue of their relationship with the entities involved in it and their shareholding interests in those entities.

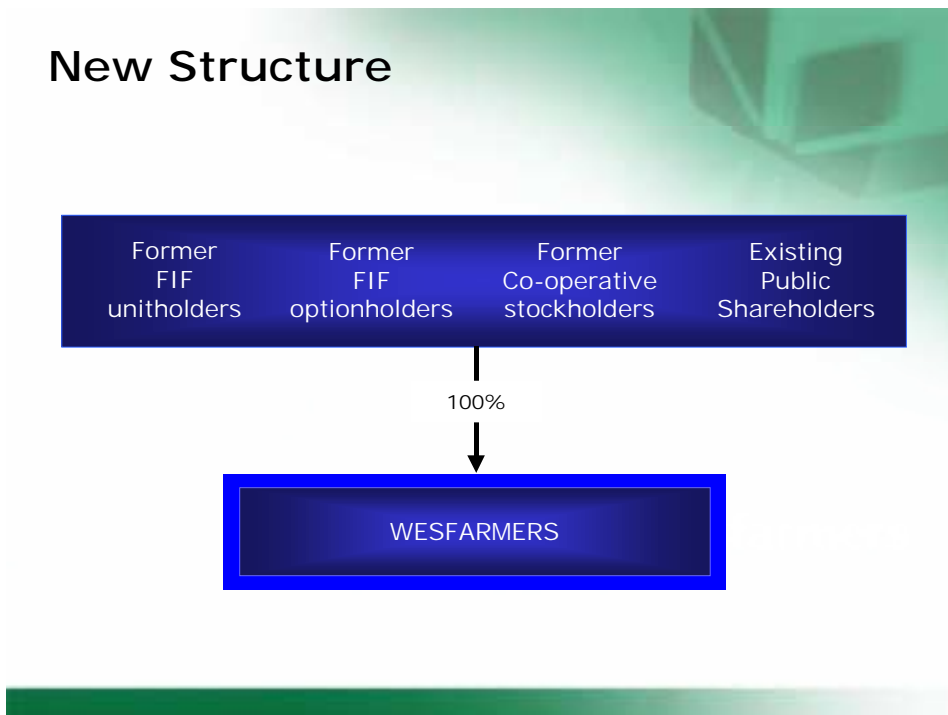
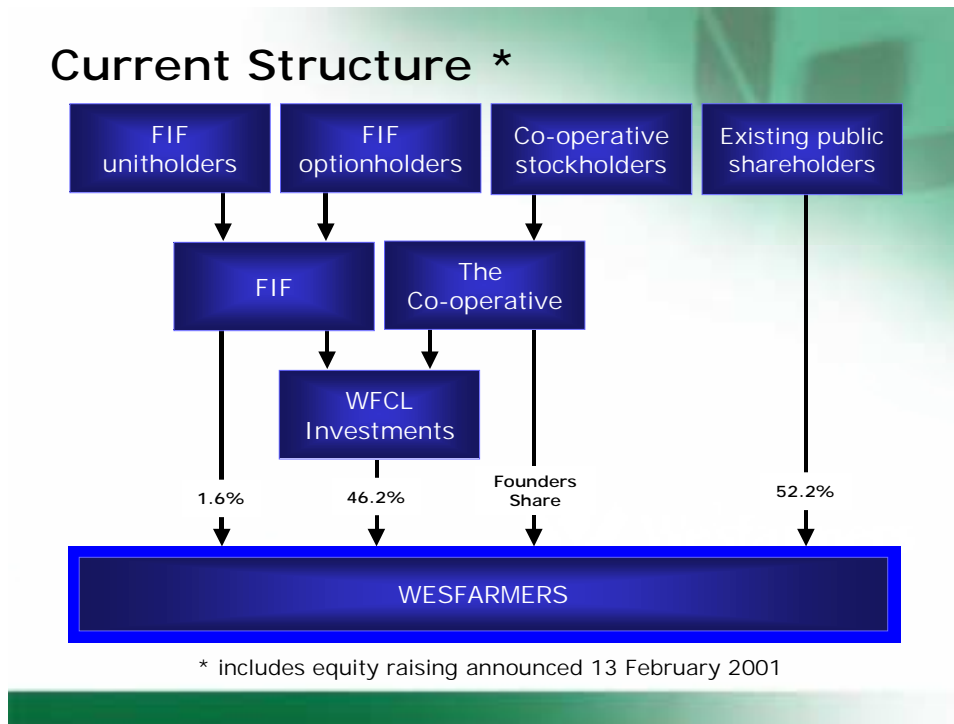
Information meetings

Mr Perkins said information meetings to explain the proposal would be held in major Western Australian regional centres and in Perth and Sydney after the document mail out.

“It is important that we go directly to the people who have had such long-standing interest in this company to make sure they understand that the changes proposed will directly benefit them and to respond to any questions they might have,” he said.

Before and after

The diagrams below illustrate the current ownership structure of Wesfarmers and how it will look after the simplification occurs.



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