

Notice of meeting

Notice is hereby given that an extraordinary general meeting of Wesfarmers Limited will be held in the Terrace Ballroom, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia on Wednesday 8 July 1998 at 10.30 am.

Business

1. Capital return

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, subject to confirmation by the Supreme Court of Western Australia, the share premium reserve of the company be reduced by an amount not greater than \$130 million with effect from the day after a copy of the Court Order approving the reduction is lodged with the Australian Securities Commission and that this reduction be effected by the payment of 50 cents per fully paid ordinary share to each holder of such shares registered in the books of the company on the day falling seven business days (as defined by the listing rules of Australian Stock Exchange Limited) after lodgment of that Order."

2. Amendment to Dividend Investment Plan

To consider and, if thought fit, pass the following resolution as a special resolution:

"That:

- (a) the articles of association of the company be amended by deleting article 132(d) and substituting the following:

"(d) The board of directors may from time to time implement a Shareholder Investment Plan on terms determined by the directors from time to time in their discretion, having the purpose of enabling members of the Company to participate in the Shareholder Investment Plan to require the Company, within any limits determined by the directors:

- (i) to apply the whole or any part of any dividend due to them on their ordinary shares;
- (ii) to apply cash (including interest on loan securities of the Company on issue at any time)

in subscribing for ordinary shares in the capital of the company at an issue price equal to the weighted average price for such shares sold on the Australian Stock Exchange for the five (5) trading days immediately following the closing date for the relevant allotment less any discount determined by the directors from time to time."

- (b) the Dividend Investment Plan approved by shareholders on 18 April 1985 be amended by:

- (1) deleting the words in the second paragraph of clause 4(c) and replacing them with the following words:

"Shares to be allotted under the Plan will be priced at an issue price equal to the weighted average price of all Wesfarmers' shares sold on the Australian Stock Exchange for the five (5) trading days immediately following the closing date for the relevant allotment, less any discount determined by Wesfarmers from time to time. Notification of the discount determined by Wesfarmers will be by announcement to Australian Stock Exchange Limited."

- (2) inserting the following clause as a new clause 13:

"13. Suspension of Plan

All or any part of the Plan may be suspended or recommenced from time to time and for such periods as Wesfarmers may in its discretion determine by giving one month's notice to holders of Wesfarmers' shares by means of an announcement to Australian Stock Exchange Limited."."

By order of the board



P J Johnston
Company Secretary
15 June 1998

Members entitled to attend and vote at the meeting

For the purposes of the meeting and in accordance with section 1109N of the Corporations Law and the articles of association of the company, it has been determined that the members entitled to attend and vote at the meeting shall be those persons who are recorded in the register of members at 10.30 am on Monday 6 July 1998.

Proxies

A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member. To be valid the instrument appointing a proxy (and the power of attorney, if any, under which it is signed) must be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting.

Registration

If you will be attending the meeting please bring this notice with you to assist with registration details.

Explanatory statement

1. Capital return to shareholders

Introduction

Wesfarmers Limited ("Wesfarmers") proposes a return of capital to shareholders of 50 cents per fully-paid ordinary share, expected to total up to \$130 million (the "capital return").

The capital return requires shareholder approval by special resolution and approval by the Supreme Court of Western Australia.

Reason for the capital return

The capital return will enable Wesfarmers to maintain an appropriate balance of debt and equity in its balance sheet. This will promote capital efficiency. Wesfarmers has a policy of maintaining its level of debt at between 40 and 65 per cent of the equity in its balance sheet.

Furthermore, the capital return has been timed to coincide with the proposed float of the Bunnings Warehouse Property Trust (the "Trust") previously announced to Australian Stock Exchange Limited.

Although the two transactions are independent, it is envisaged that shareholders will receive payment at about the time of the float.

For further details, see the section headed **Effect of the capital return**.

Timetable

A timetable for the implementation of the capital return is set out below. It should be noted that these dates are indicative only and that the Court confirmation of the capital return is outside the control of Wesfarmers.

Latest time for return of proxies	10.30 am	6 July 1998
"Snapshot" time for determining shareholders entitled to attend and vote at meeting	10.30 am	6 July 1998
Meeting date	10.30 am	8 July 1998
Court confirmation of capital return		3 August 1998
Court Order lodged with the Australian Securities Commission		5 August 1998
Record date for capital return (the "record date")		14 August 1998
Payment to shareholders		21 August 1998

Estimated amount of capital return

The estimated upper limit of the capital return is \$130 million, based on the number of fully-paid shares on issue at the date of this notice plus the maximum number of shares which could be issued upon the

exercise of Wesfarmers options during the next permitted exercise period which is between 16 June 1998 and 30 June 1998.

Implementation of the capital return

The proposed capital return must be approved by shareholders as a special resolution and by the Supreme Court of Western Australia before it can be implemented.

The capital return will take effect on the day after a copy of the Court Order approving the capital return is lodged by Wesfarmers with the Australian Securities Commission. It is anticipated that a copy of the Court Order will be lodged with the Australian Securities Commission two business days after the Court hearing to confirm the capital return.

Shareholders on the register of members seven business days after the date of lodgment of the Court Order will be entitled to participate.

Payment will be made within five business days after the record date.

Electronic funds transfer

Those Wesfarmers shareholders who have nominated a bank, building society or credit union account for the payment of dividends by direct credit, will receive payment by electronic funds transfer unless the company is advised otherwise in writing by 6 July 1998.

Where no authority for direct credit has been lodged with the company, payment will be made by cheque.

Dividend Investment Plan

The Wesfarmers Dividend Investment Plan will not apply in respect of the capital return.

Effect of the capital return

Authorised capital

The authorised capital of Wesfarmers after the capital return will remain unchanged at \$1,000,000,000 divided into 1,997,999,998 ordinary shares of 50 cents each, 100,000,000 preference shares of one cent each and one redeemable preference share of one dollar.

Share premium reserve

The share premium reserve of \$733.7 million as at 8 June 1998 will decrease by the total amount of the capital return.

Borrowings

Wesfarmers will draw down existing debt facilities to pay the capital return. Accordingly, borrowings will increase by the total amount of the capital return.

Key financial indicators

Indicator	Before	After capital return	After Trust*	After capital return & Trust*
Net debt/equity ratio	35.8%	53.0%	25.1%	40.7%
Earnings per share ("EPS") pre abnormals	60.2c	58.2c	59.3c	57.6c
Return on capital ("ROE")	14.8%	15.3%	14.5%	15.1%

* It is not possible at this stage accurately to forecast the effect on Wesfarmers of the floating of the Trust, because details have not yet been finalised. However, these estimates (based on the assumptions set out below) are included as a guide. In addition, shareholders should note that the capital return will proceed even if the floating of the Trust does not proceed for any reason.

Assumptions

The forecast effects on the Wesfarmers key financial indicators set out in the above table have been based on the undermentioned financial statements:

- in the case of the net debt/equity ratio, the most recent financial statements lodged with Australian Stock Exchange Limited, being the financial statements for the half-year ended 31 December 1997;
- in the case of ROE and EPS, the financial statements for the year ended 30 June 1997 (being the latest available published accounts for a full financial year) as if those transactions occurred on 1 July 1996,

and the following assumptions:

- the total capital return is \$126 million; and
- outstanding Wesfarmers share options will not be exercised prior to the capital return.

In the case of the Trust, it has been assumed for these purposes that:

- the Trust will purchase property with a book value of \$121 million from Wesfarmers at market value, being \$148 million.
- Wesfarmers will subscribe for and be allotted a 25 per cent interest in the Trust for \$33 million and it is anticipated that the Wesfarmers share of profit from the Trust in the first twelve months will be approximately \$3 million before income tax.

Tax implications for shareholders

The tax implications for each shareholder receiving the capital return of 50 cents per share will differ depending upon the status of their shareholding. **Accordingly, it is recommended that each shareholder seek specific tax advice to confirm their personal tax position.**

As a general guide, however, the tax implications of the capital return should be as follows:

- as the capital return has been funded out of *bona fide* share premium reserve, it is not taxable as a dividend.

The government has introduced draft legislation which in certain circumstances will treat capital distributions by companies as unfranked and non rebateable dividends. The government has not yet announced the date of effect of the new legislation. In addition, if the draft legislation is enacted in its present form, it should **not** apply to the capital return.

Investment shares

- for those shareholders who purchased their shares on or after 20 September 1985 and who hold their shares for investment purposes (i.e. not share traders), the capital return is deemed to result in a disposal of their shares for capital gains tax purposes for consideration equal to the indexed cost base. The shares are then deemed to be repurchased for an amount equal to the original indexed cost base less the amount of the capital return per share. Accordingly, provided that the indexed cost base per share is greater than 50 cents per share, the capital return should not give rise to a capital gain but will effectively reduce the cost base.
- if any shareholders have an indexed cost base of less than 50 cents per share, then the capital return will give rise to a capital gain per share of the amount by which the capital return per share exceeds the indexed cost base per share.
- for those shareholders who may have purchased their shares prior to 20 September 1985, the capital return will in most cases be tax free.

Share traders

- share traders who carry on a business of share trading and who hold their shares for trading purposes may have different tax consequences as the capital return may be regarded as proceeds from share trading and, therefore, may be assessable in the year of receipt. It is recommended that those shareholders carrying on share trading activities obtain specific advice regarding the tax implications of the capital return.

Optionholders

At the date of this notice, Wesfarmers Limited had on issue 6,771,008 options to purchase \$0.50 shares in the company, exercisable at a price of \$12.50 each.

The effect of the capital return will be to reduce the exercise price of the options by 50 cents to \$12.00 each.

If the capital return is approved, outstanding options may be exercised at the reduced price of \$12.00 each between the undermentioned dates:

- 17 December and 31 December 1998; or
- 16 June and 30 June 1999.

The options expire on 30 June 1999.

2. Amendment to Dividend Investment Plan

Amendment to articles of association

Article 132(d) of the articles of association of Wesfarmers Limited currently provides for the issue of shares under the company's Dividend Investment Plan (the "Plan") at an issue price equal to the weighted average price for such shares sold on the Australian Stock Exchange for the five days immediately following the closing date for the relevant allotment less a fixed discount of five per cent.

The proposed amendment to the articles of association will provide the directors with the discretion to determine the percentage discount that will be provided under the Plan from time to time. This discretionary power is consistent with most dividend investment plans currently operated by Australian listed public companies.

The company believes that this amendment will provide the directors with the additional flexibility necessary to ensure that the ability to reinvest dividends is managed in a way which is in the best interests of the company. This will require additional flexibility in relation to the operation of the Plan. Accordingly, it is proposed that the directors will - if the changes are adopted - have the power to adjust the discount factor payable under the Plan, or suspend the Plan, if they believe such a decision is necessary based upon the company's financial position, cash reserves, market factors and the market price of its shares. The current wording of the articles of association does not provide the directors with this flexibility.

Amendment to Dividend Investment Plan

The Plan currently provides in clause 4(c) that shares to be allocated under the Plan will be priced at a discount of five per cent on the weighted average market price of all Wesfarmers shares sold on the Australian Stock Exchange during the first five days which immediately follow the closing date for the relevant allotment.

This clause is consistent with the existing Article 132(d). The amendment to clause 4(c) of the Plan is proposed to ensure that the Plan remains consistent with the proposed new wording of article 132(d).

If the company decides to vary the discount rate it will provide shareholders with notice to this effect by lodging a notice specifying the change with Australian Stock Exchange Limited.

Additionally, the Plan does not currently provide the company with the discretion to suspend the Plan if, and when, necessary. The proposed new clause 13 of the Plan will provide the company with this discretion. Again, the company's financial position, cash reserves, market factors and the market price of its shares will dictate if, and when, it will be necessary to suspend the operation of the Plan.

Shareholder approval of the amendments to the terms of the Plan is required under the listing rules of Australian Stock Exchange Limited.