



29 June 2001

WESFARMERS SENDS OFFER DOCUMENT TO HOWARD SMITH SHAREHOLDERS

Full details of Wesfarmers' offer for all the shares in Howard Smith Limited are being sent out to Howard Smith's shareholders.

Mailing of the offer document began yesterday and will be completed this afternoon.

The offer document includes a letter from Wesfarmers Chairman Harry Perkins and Managing Director Michael Chaney which notes that the offer "represents a substantial premium over the market prices of the Howard Smith shares before the offer was announced".

Based on the closing price of Wesfarmers shares on 28 June 2001 of \$26.85, the offer values each Howard Smith share at \$13.14.

The Wesfarmers offer closes on 31 July, 2001, unless extended.

The offer document is also available on the Wesfarmers website at www.wesfarmers.com.au. A toll free information line is available on 1800 770 028.

For further information contact:

Mr Michael Chaney, Managing Director
(08) 9327 4203

This is an important document and requires
your immediate attention.



offer

To acquire all of your ordinary shares in

Howard Smith

for \$12 cash and 2 Wesfarmers shares for every
5 of your Howard Smith shares



GRESHAM
INVESTMENT HOUSE

FINANCIAL ADVISER

Freehills

LEGAL ADVISER

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Key Dates

Offer announced	13 June 2001
Date of Offer	28 June 2001
CLOSE OF OFFER	31 JULY 2001 (unless extended)

How to accept this Offer

Sign and return the enclosed acceptance form and post it in the prepaid envelope to:

Wesfarmers Retail Pty Ltd
C/- Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

OR

Instruct your broker or Controlling Participant to accept the Offer on your behalf if your shares are entered in the SCH (CHESS) subregister.

IMPORTANT NOTICE - This booklet contains a Bidder's Statement ("Bidder's Statement") given by Wesfarmers Retail Pty Ltd (ACN 097 092 085) ("Wesfarmers Retail"), a wholly-owned subsidiary of Wesfarmers Limited (ABN 28 008 984 049), pursuant to Part 6.5 of Chapter 6 of the Corporations Law.

The information in the front section of this booklet should be read together with the detailed information set out in the Bidder's Statement. Terms used in the front section of this booklet have the same meaning given to them in the Bidder's Statement.

You should read the Bidder's Statement before deciding whether to accept the Offer. You may also wish to consult with your financial or legal adviser.

Wesfarmers Retail has not had access to information concerning Howard Smith other than that which is in the public domain. Information in the Bidder's Statement concerning Howard Smith has not been independently verified. Wesfarmers Retail does not, subject to the Corporations Law, make any representation, express or implied, as to the accuracy or completeness of this information.

22 June 2001

Dear Howard Smith shareholder,

On 13 June 2001, Wesfarmers Limited ("Wesfarmers") through its wholly owned subsidiary, Wesfarmers Retail Pty Ltd, announced an Offer to acquire all the shares in Howard Smith Limited ("Howard Smith"). The Offer is \$12.00 cash and 2 Wesfarmers shares for every 5 Howard Smith shares.

The Offer provides significant benefits for Howard Smith shareholders including:

- **A substantial increase in the value of your shareholding in Howard Smith**
The Offer represents a substantial premium over the market prices of the Howard Smith shares before the Offer was announced. The Offer values each Howard Smith share at \$13.08 based on the closing price of Wesfarmers shares on 22 June 2001. On the basis of the weighted average price of Wesfarmers shares from the announcement on 13 June 2001 to close of business on 22 June 2001 the Offer values each Howard Smith share at \$12.40. This represents a premium of 40 per cent over the \$8.85 weighted average price, referred to by Howard Smith directors in the Buy-back tender document, and a premium of 27 per cent over the \$9.75 price of Howard Smith shares immediately prior to the takeover announcement.
- **Wesfarmers - an Australian success story**
Over the period since its listing in 1984, Wesfarmers has delivered total shareholder returns through share price growth and dividend payments which have averaged more than 30 per cent per annum, ranking Wesfarmers as one of Australia's most successful companies. Since 1997, Wesfarmers has been paying dividends each year approximately equal to 100 per cent of its after tax profits. This practice has been well received by investors and it is expected to continue following the acquisition of Howard Smith.
- **Benefit from Wesfarmers' and Bunnings' proven management performance**
Wesfarmers' management has performed well over a long period of time and has demonstrated leadership in hardware retailing. Over the last seven years, Bunnings has established a network of hardware warehouses with substantially greater average sales and profitability per warehouse store than has been achieved by Howard Smith. Wesfarmers is confident that it can grow and add value to Howard Smith's BBC hardware and Blackwoods businesses.

Howard Smith shareholders are expected to be eligible to receive rollover relief from capital gains tax on a substantial portion of the consideration, being the portion represented by Wesfarmers shares. Tax considerations, including the conditions to achieve this rollover relief, are set out in section 11 of the Bidder's Statement.

The Bidder's Statement sets out details on the Offer and the benefits which it provides to Howard Smith shareholders. To accept the Offer, shareholders should sign and return the enclosed acceptance form.

If you require any additional assistance please contact the Wesfarmers Offer Hotline toll free on **1800 770 028**.

We very much look forward to your acceptance of the Offer and to welcoming you as a Wesfarmers shareholder.

Yours sincerely



Harry Perkins AO
Chairman



Michael Chaney
Managing Director





Share in Wesfarmers' successful Australian businesses.

Hardware



Rural Services and Insurance



Gas



Forest Products



Coal



Transport



Fertilisers and Chemicals



Wesfarmers is a highly successful corporation with business interests throughout Australia.



Wesfarmers is an Australian success story focused on maximising shareholder value.

Share Price vs Operating Profit After Tax



Profit = Operating profit after tax before abnormal items and goodwill amortisation.

Share price to 22 June 2001 and based on Bloomberg figures.

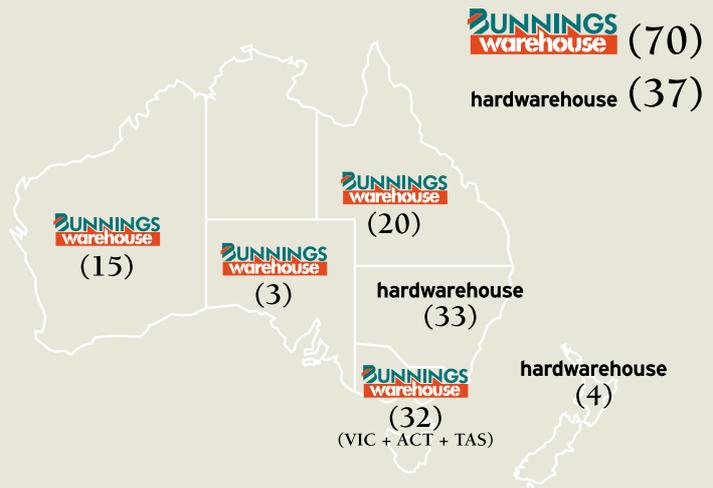
Forecast information must be read in conjunction with the notes and assumptions in section 7 of the Bidder's Statement.

Over the period since listing in 1984, Wesfarmers has been one of the top performing Australian listed companies. Wesfarmers has forecast a 31% increase in net profit for the 2002 financial year before taking account of the acquisition of Howard Smith.

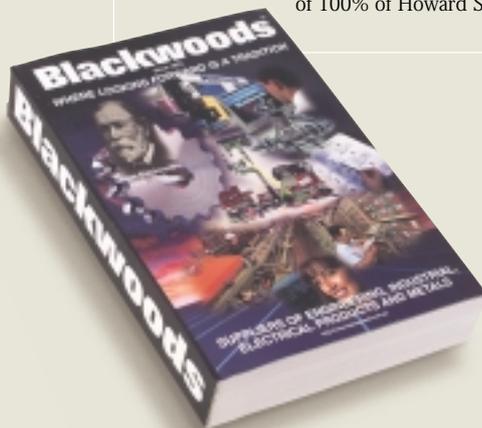
Offer rationale and benefits



Bunnings and BBC are an attractive business fit and Blackwoods will benefit from Wesfarmers' proven ability to manage and grow diverse businesses. Combining Bunnings and BBC hardware would have the combined group owning the following warehouse stores:



Note: Warehouse numbers reflect proposed rebranding to follow acquisition of 100% of Howard Smith shares.





Why this merger makes good sense.

Creates the leading retailer in the growing hardware market

- \$19 billion market in Australia
- International trends confirm growth potential

Bunnings is a proven performer

- Recognised strong management
- Strong customer service focus
- Ability to significantly improve BBC's performance

Hardware businesses are highly complementary

- Creates a truly national hardware business
- Retain the Hardwarehouse brand in New South Wales and New Zealand

Blackwoods business to be retained and developed

- New stand alone division within Wesfarmers
- Benefit from Wesfarmers' proven management skills

Provides Howard Smith shareholders with a substantial increase in value and access to future growth

- Significant Offer premium
- Value substantially higher than the price range proposed in the now deferred buy-back tender
- Participate in the Wesfarmers success story

**A unique opportunity for
Howard Smith shareholders.**



Bunnings has developed a successful formula.

Construction of first warehouse commenced in 1994

Strong coverage through 85 stores including 47 Bunnings Warehouses

Warehouse model focused on customer service, store layout, site selection and development, workplace culture, team member performance, recruitment and training

Key Bunnings performance milestones - 1990 to 2000:

Sales increased by 9 times to \$1.3 billion

Profit* increased by 20 times to \$115 million

Return on capital employed of 22% in 2000

Forecast Bunnings performance for 2001:

Sales to increase to \$1.36 billion

Profit* to increase to \$129 million

Return on capital employed to increase to 24.5%

*Profit = earnings before interest and tax. Forecast information must be read in conjunction with the notes and assumptions in section 7 of the Bidder's Statement.

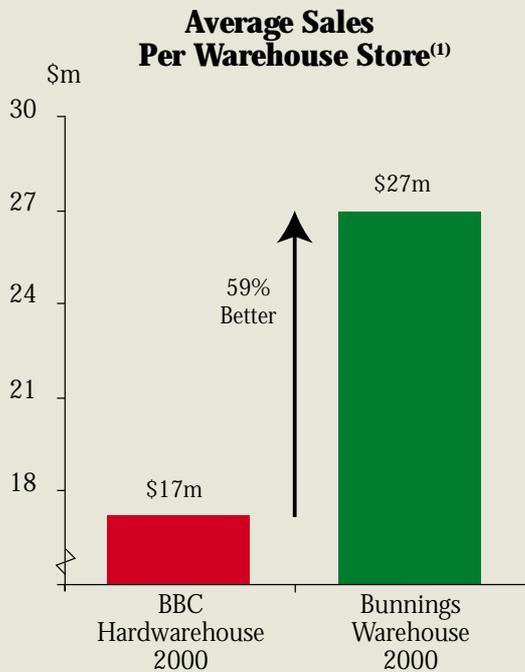
Bunnings has a strong performance culture with a well developed and proven formula.



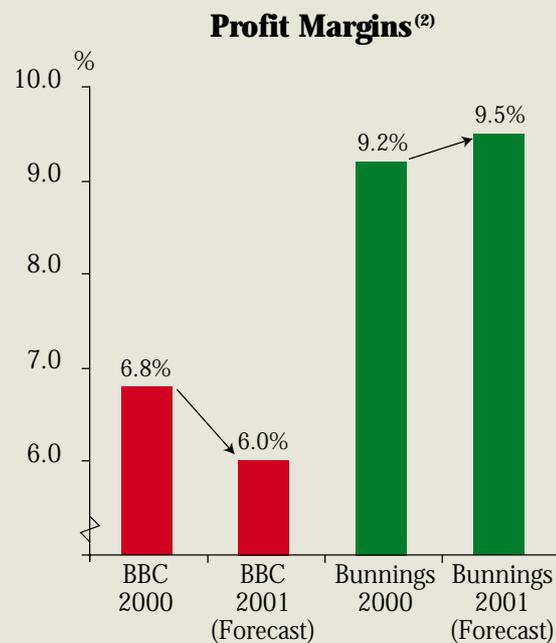
Bunnings delivers better hardware performance.

Proven warehouse formula enables Bunnings to generate about 60% higher average sales per warehouse store than BBC.

Despite difficult market conditions, Bunnings has been able to improve profit margins, while BBC has suffered.



(1) Based on weighted average number of warehouse stores.

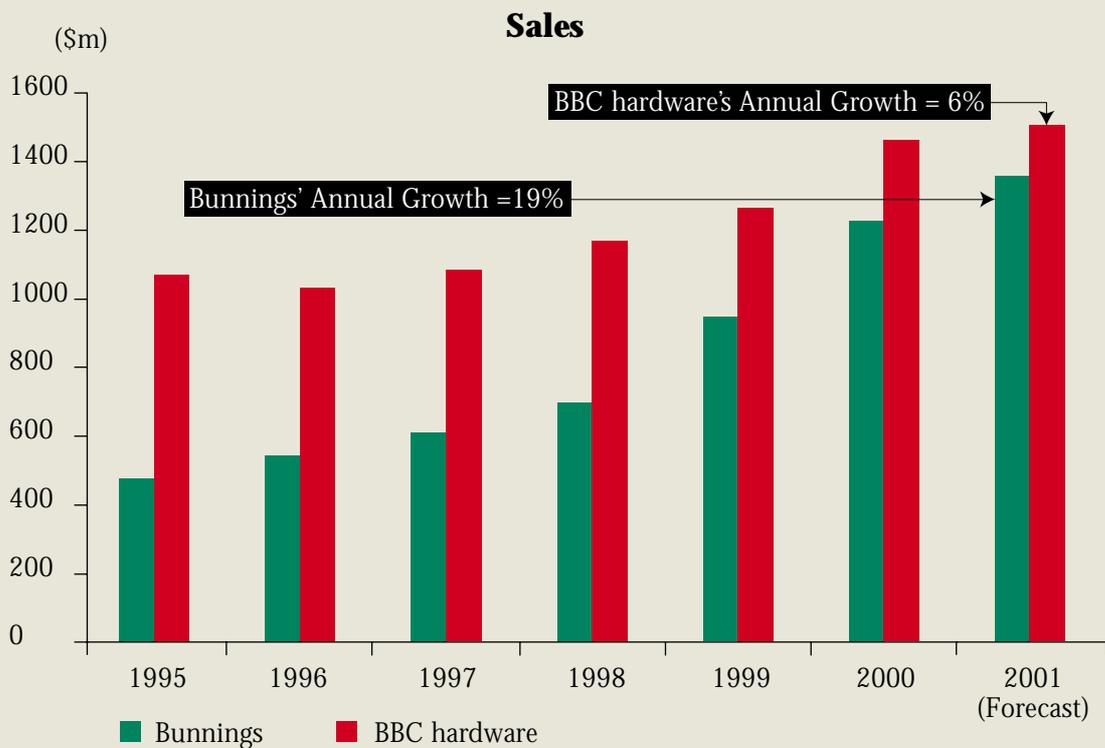


(2) Profit Margin = earnings before interest and tax, as a percentage of sales. Forecast information for Bunnings and BBC must be read in conjunction with the notes and assumptions in section 7 of the Bidder's Statement.

High quality results and substantial outperformance.



Bunnings has nearly tripled its sales since 1995.



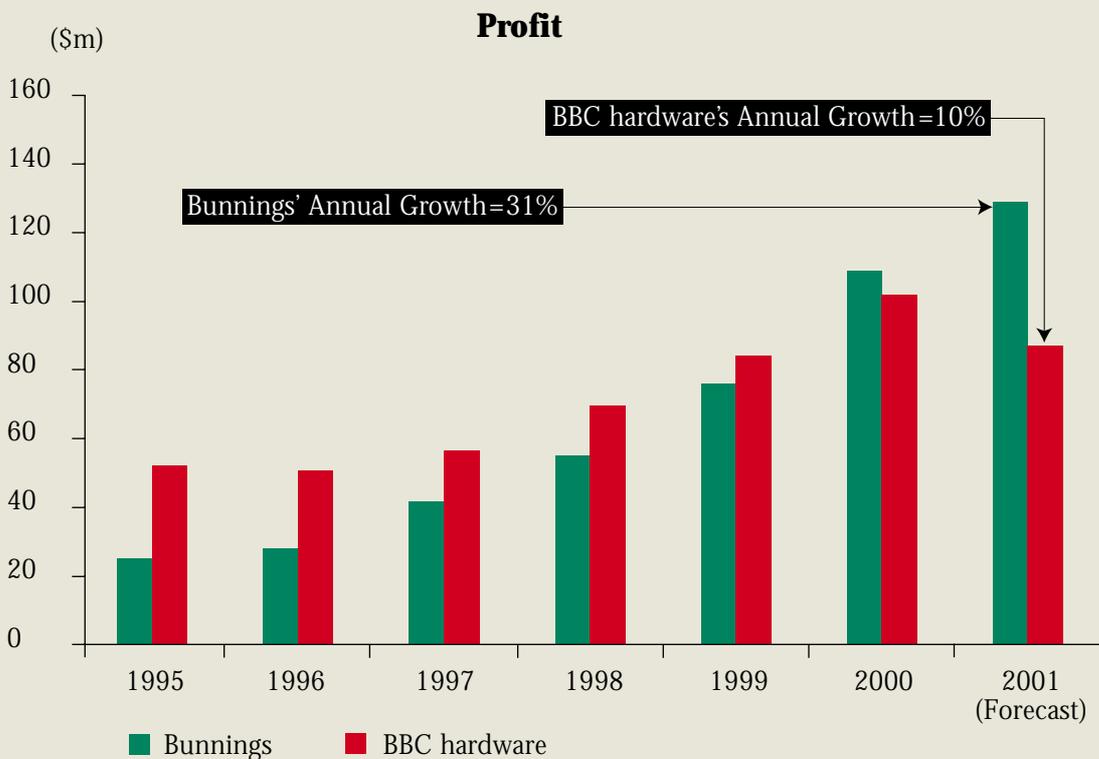
Annual Growth: Compound annual growth rate.

Forecast information for Bunnings and BBC hardware must be read in conjunction with the notes and assumptions in section 7 of the Bidder's Statement.

Since 1994, when Howard Smith acquired BBC, Bunnings' sales have grown significantly faster than BBC's.



Bunnings' profit* has grown at an even faster rate than its sales.



Annual Growth: Compound annual growth rate.

*Profit = earnings before interest and tax.

Forecast information for Bunnings and BBC hardware must be read in conjunction with the notes and assumptions in section 7 of the Bidder's Statement.

Since 1994, Bunnings has overtaken BBC in terms of total profitability.



Wesfarmers' Offer provides a substantial premium.

Over the last 2 years, Howard Smith shares have performed poorly against the market and significantly underperformed Wesfarmers

Howard Smith's share price prior to announcement of Wesfarmers' Offer reflected the market speculation of a takeover and the proposed share buy-back tender by Howard Smith

The weighted average price for Howard Smith shares over the month prior to the announcement of the details of the proposed buy-back tender was \$8.85

Your directors priced your Howard Smith shares for the now deferred buy-back tender at \$8.50 to \$9.70 - with a mid-point of \$9.10

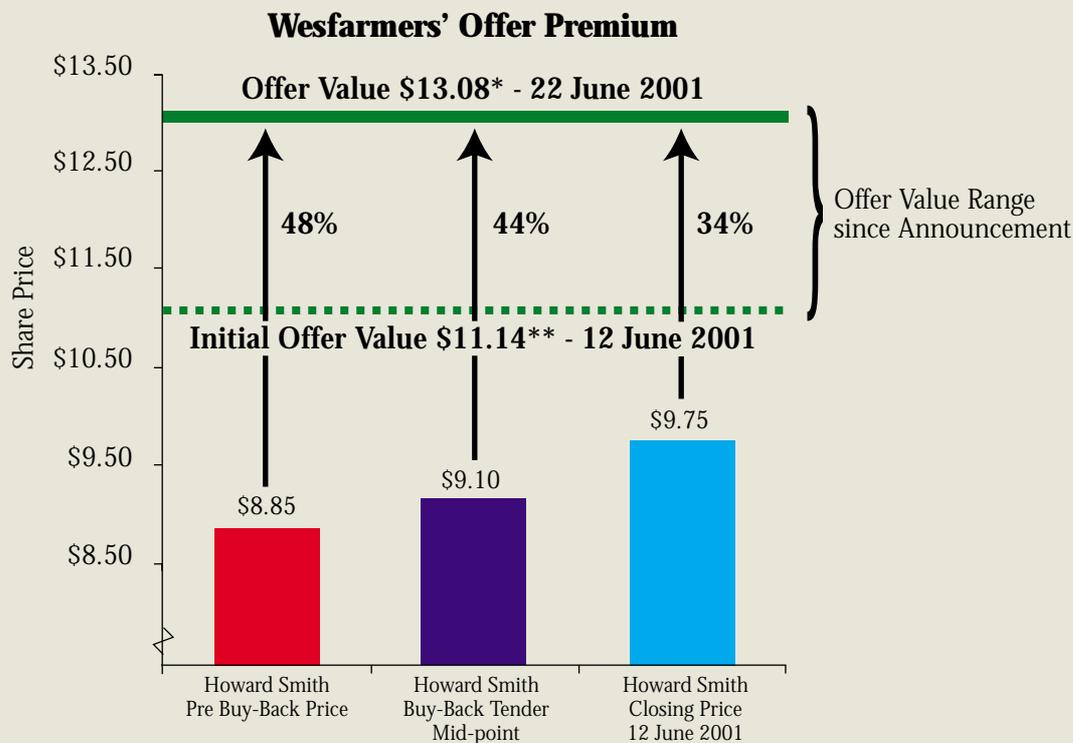
The closing price for Howard Smith shares on 12 June 2001, the day before announcement of the takeover Offer, was \$9.75

Wesfarmers' Offer has resulted in a substantial increase in the value of your Howard Smith shares.



Wesfarmers' Offer delivers a substantial increase in value for Howard Smith shareholders.

Wesfarmers' Offer is \$12 cash and 2 Wesfarmers shares for every 5 of your Howard Smith shares.



Howard Smith Share Price Benchmarks

* Based on Wesfarmers closing share price on 22 June 2001.

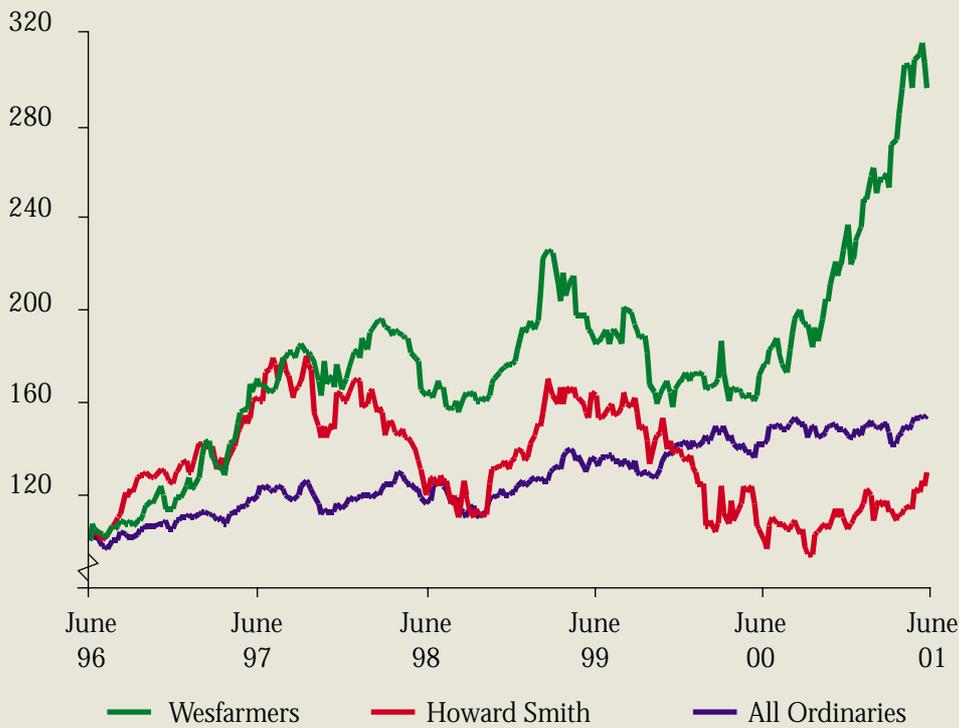
** Based on Wesfarmers closing share price on 12 June 2001, the day prior to the announcement of the Offer.

As at 22 June 2001 the Offer valued each Howard Smith share at \$13.08, a substantial premium over all benchmarks.



Wesfarmers is a true Australian success story.

Comparative Share Performance

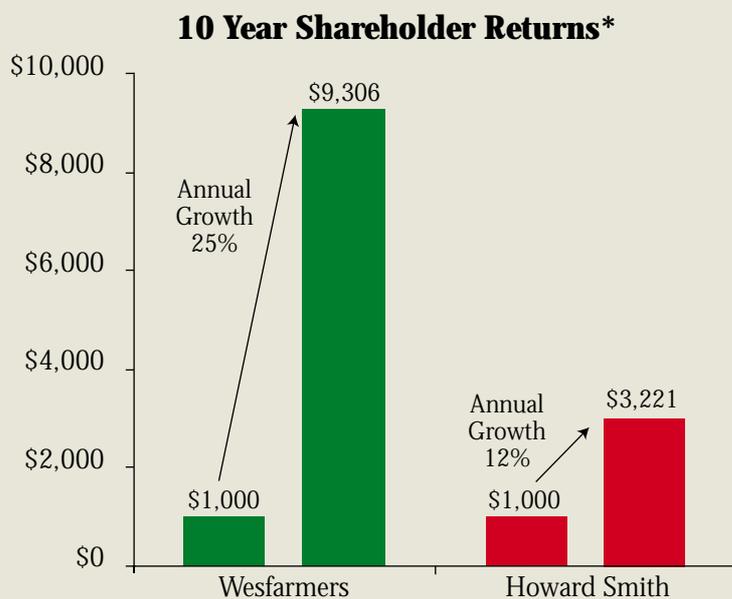


Share and index prices rebased to 100 and based on Bloomberg weekly closing prices to 12 June 2001.

Wesfarmers has outperformed both the market and Howard Smith.



Wesfarmers has delivered superior shareholder returns over the long term.



Assumes that all dividends paid during investment period were reinvested at the closing price on the date the dividends were paid.
No allowance has been made for transaction costs, stamp duty or taxation.
Annual Growth: compound annual growth rate.
*Value of \$1,000 over 10 years beginning on 8 June 1991.

Wesfarmers' returns to shareholders over the last 10 years have significantly exceeded Howard Smith's returns to shareholders.



Key Offer terms

Offer Price:	\$12.00 plus 2 Wesfarmers ordinary shares for every 5 Howard Smith Shares you hold.
Scheduled Closing Date:	31 July 2001, unless extended.
Payment:	The Offer consideration will be issued to you within one month after you have accepted the Offer or within one month after the Offer becomes unconditional, whichever is later. In any event, you will be issued the consideration no later than 21 days after the Offer closes.
Tax Consequences:	Howard Smith shareholders that accept the Offer are expected to be eligible to receive CGT rollover relief on the substantial portion of the consideration represented by Wesfarmers shares. Tax considerations, including the conditions to achieve this rollover relief, are set out in section 11 of the Bidder's Statement.
No Fees:	No brokerage or stamp duty will be payable by you on acceptance of this Offer.
Conditions:	The Offer is subject to several conditions which are set out in section 13.8 of the Bidder's Statement.



What you should do next

Accept this Offer and take advantage of this great opportunity.

To accept the Offer:

Sign and return the enclosed acceptance form and post it in the prepaid envelope to:

Wesfarmers Retail Pty Ltd
C/- Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

OR

Instruct your broker or Controlling Participant to accept the Offer on your behalf if your shares are entered in the SCH (CHESS) subregister.

Scheduled Closing Date is 31 July 2001, unless extended.

Further information

If you wish to discuss the procedures for accepting the Offer or you have misplaced your acceptance documentation, please contact Computershare Investor Services on (08) 9323 2000.

If you have any questions or wish to discuss any aspect of the Offer, please contact the **Wesfarmers' Offer Hotline** (free call) on **1800 770 028** (within Australia) or visit the Wesfarmers website at www.wesfarmers.com.au.

Become a shareholder in Wesfarmers, one of Australia's most successful companies.





THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Bidder's Statement

OFFER BY

Wesfarmers Retail Pty Ltd

(ACN 097 092 085)

a wholly owned subsidiary of Wesfarmers Limited

(ABN 28 008 984 049)

TO PURCHASE ALL YOUR SHARES IN

Howard Smith Limited

(ABN 54 004 071 845)

FOR

**\$12.00 cash and 2 Wesfarmers Shares
for every 5 of your Howard Smith Shares**



This Bidder's Statement was lodged under section 633 of the Corporations Law on 13 June 2001

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Lodgment under the Corporations Law

A copy of this Bidder's Statement was lodged with the ASIC on 13 June 2001.

This Bidder's Statement is given by Wesfarmers Retail ACN 097 092 085, the bidder, to Howard Smith ACN 004 071 845, the target, pursuant to Part 6.5 of the Corporations Law.

Date of Bidder's Statement and Offer

This Bidder's Statement is dated 13 June 2001, which is the date on which a copy of this Bidder's Statement was lodged with the ASIC. The ASIC does not take any responsibility for the contents of this Bidder's Statement.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 14 of the Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Law.

Approval of Bidder's Statement

The Bidder's Statement has been approved by a unanimous resolution passed by all Wesfarmers Retail and Wesfarmers directors.

What is Wesfarmers Retail offering to buy?

Wesfarmers Retail, a wholly owned subsidiary of Wesfarmers Limited, is offering to buy all Howard Smith Shares (including Howard Smith Shares that are issued during the Offer Period due to the conversion of Howard Smith Options). This document is a Bidder's Statement. The Bidder's Statement contains the formal terms of the Offer (set out in section 13 of the Bidder's Statement) and other information relevant to your decision to accept the Offer. The conditions of the Offer are set out in section 13.8.

If you accept the Offer, Wesfarmers Retail is entitled to all Rights in respect of your Howard Smith Shares. You may only accept this Offer in respect of all the Howard Smith Shares held by you (excluding any shares to be bought back under the Howard Smith Buy-back Tender, as to which see section 13.5(e)).



Profile of Wesfarmers Retail and Wesfarmers

SECTION

1

1.1 Overview of Wesfarmers Retail

Wesfarmers Retail is a wholly owned subsidiary of Wesfarmers. It was incorporated on 12 June 2001 and its principal activity is to invest in Howard Smith Shares.

The directors of Wesfarmers Retail are Messrs M A Chaney, E Fraunschiel and F G D Landels. Messrs Chaney and Fraunschiel are also directors of Wesfarmers.

1.2 Overview of Wesfarmers

(a) Wesfarmers

Wesfarmers is a major diversified Australian public company with a market capitalisation as at 8 June 2001 of over \$6 billion¹, positioning it in the top 30 Australian listed companies by market capitalisation. Wesfarmers is also ranked as a leading performer among Australia's top 50 listed companies in terms of total shareholder return.

Wesfarmers has a diversified portfolio of businesses which include interests in hardware retailing; fertilisers and chemicals manufacture; gas processing and distribution; coal mining and processing; rural merchandise and services (including insurance); rail and road transport and forest products.

Wesfarmers has about 15,000 employees and has over 65,000 shareholders.

Wesfarmers Shares have recorded strong growth since listing on ASX in 1984. This is best illustrated in the following graph which shows Wesfarmers' operating profit after tax (before abnormal items and goodwill amortisation) in the 17 years since listing on ASX. Superimposed over this impressive record is Wesfarmers' share price which has mirrored the significant growth in profits over this period. Since 1997, this growth has been achieved while Wesfarmers has maintained a 100 per cent dividend payout ratio² each year.

In the last 12 months, Wesfarmers' share price has, on a relative basis, outperformed the All Ordinaries Index.

In the last three years, Wesfarmers' return to shareholders has been 27 per cent per annum (on a compound basis). Over the longer term (10 years), Wesfarmers' return to shareholders has been 25 per cent per annum (on a compound basis).

Share Price vs Operating Profit After Tax



Note: Forecast information must be read in conjunction with the notes and assumptions in section 7.

¹ This number is after the Wesfarmers Buy-back described in section 2.1 has been completed.

² This is the ratio of net profit after tax after abnormal items to dividends paid.

Key financial statistics of Wesfarmers are set out in the following table.

	1999 Year	2000 Year	2001F Year ⁽¹⁾
TRADING RESULTS			
Operating revenue (\$m)			
Sales	2,818	3,358	4,237
Other	301	138	132
Total	3,119	3,496	4,369
EBIT (\$m) pre-goodwill amortisation (before abnormal items)	275	327	429
EBIT (\$m) pre-goodwill amortisation ⁽²⁾	277	327	429
EBIT (\$m) post-goodwill amortisation (before abnormal items)	268	320	418
EBIT (\$m) post-goodwill amortisation ⁽²⁾	270	320	418
Profit before tax (\$m) (before abnormal items)	251	297	365
Profit before tax (\$m) ⁽²⁾	253	297	365
NPAT (\$m) (before abnormal items)	177	195	247
NPAT (\$m) ⁽²⁾	179	207	247
Net operating cashflow (\$m)	166	254	298
Capital expenditure (\$m)	352	189	257
BALANCE SHEET			
Total assets (\$m)	2,576	3,169	3,947 ⁽⁷⁾
Net assets (\$m)	1,207	1,231	1,577 ⁽⁷⁾
Intangible assets (\$m)	142	135	303 ⁽⁷⁾
Net tangible assets (\$m)	1,065	1,096	1,274 ⁽⁷⁾
Shareholders equity (\$m) ⁽³⁾	1,206	1,226	1,577 ⁽⁷⁾
Number of shares on issue (m) ⁽³⁾	262	264	282
PERFORMANCE MEASURES			
EPS (cents) (pre-goodwill amortisation) (before abnormal items) ⁽⁴⁾	71.9	75.7	94.6
EPS (cents) (pre-goodwill amortisation) ⁽²⁾⁽⁴⁾	72.6	80.4	94.6
EPS (cents) (post-goodwill amortisation) (before abnormal items) ⁽⁴⁾	69.1	73.0	90.8
EPS (cents) (post-goodwill amortisation) ⁽²⁾⁽⁴⁾	69.8	77.6	90.8
Dividends per share (cents)	67	73	87
Gearing (net financial debt to equity) (per cent)	36.3	67.3	67.7 ⁽⁸⁾
Net interest cover - cash basis (times) (before abnormal items)	22.9	18.9	10.9
Net interest cover - profit basis (times) (before abnormal items)	15.8	13.6	7.8
Stock market capitalisation (\$m) ⁽³⁾⁽⁵⁾	3,568	3,507	6,063 ⁽⁶⁾

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
- (2) Includes the following abnormal items:
 - In the 2000 Year, a \$12 million (after tax) gain on change of income tax rates; and
 - In the 1999 Year, a net gain of \$1 million (\$2 million after tax) comprising of \$14 million (\$9 million after tax) profit on the sale of shares in a listed entity (other - investment and services), \$18 million profit (\$12 million after tax) on the sale of warehouse properties to the Bunnings Warehouse Property Trust and a \$30 million (\$19 million after tax) write down of forest products' property, plant and equipment.
- (3) Number of shares on issue and share capital restated to reflect the Wesfarmers Buy-back (see section 2.2 for details).
- (4) Calculations are based on the weighted average shares on issue during each Year after notional adjustment for the Wesfarmers Buy-back.
- (5) Based on closing share price on the last trading day at the end of each Year.
- (6) Market capitalisation as at 8 June 2001 based on a closing share price of \$21.52.
- (7) Based on the assumptions as set out in annexure E.
- (8) The estimated gearing based on the assumptions as set out in annexure E is 71.5 per cent.

SECTION

1



(b) Wesfarmers outlook

Wesfarmers' forecast for the 2001 Year is for significantly increased earnings from that reported for the 2000 Year, evidenced from the reported position at 31 March 2001 and the forecast position outlined in the table above. The key drivers of performance so far and for the remainder of the 2001 Year are:

- higher sales and earnings from coal, attributed in part to the strong performance of the recently acquired Curragh coal mine in Queensland and also the increased production at Wesfarmers' 40 per cent owned Bengalla coal mine in NSW as it moves towards full capacity;
- continued growth in sales and earnings from the hardware business driven by store on store growth and the ongoing warehouse store rollout programme;
- increased export volumes of LP gas at historically high international prices;
- strong performance in the rural services business driven by improved commodity prices; and
- premium growth and low claims in the insurance business.

The fertiliser and chemicals business is expected to report improved performance over that of the 2000 Year. The forest products business is expected to report lower earnings for the 2001 Year as a result of the sale of its woodchipping, plantation services and plantation assets in October 2000, and also as a result of the downturn in housing activity which followed the introduction of the GST.

For the 2002 Year, Wesfarmers is forecasting further increased earnings as a result of the continuing strong performance of the hardware and energy businesses, particularly coal which should benefit from volume increases and recent export coal price increases, with expected improvement in the performance of the fertiliser and chemicals business as well as the rural and insurance business.

Wesfarmers has forecast for the 2002 Year, on a stand alone basis, operating revenue of \$5,028 million, up 15 per cent on the forecast 2001 Year, and profit after tax of \$323 million, up 31 per cent on the forecast 2001 Year. The weighted average shares on issue is forecast to be 286.8 million at 30 June 2002 giving rise to earnings per share pre-goodwill of 118.1 cents for the 2002 Year, an increase of 24.8 per cent on the forecast 2001 Year.

The assumptions made in preparing these forecasts are set out in section 7.

(c) Investment approach, growth strategies and future acquisitions

Wesfarmers' corporate objective is "to provide a satisfactory return to shareholders" and, consistent with its objective, it pursues growth only if it leads to increased shareholder wealth. Adopting this philosophy, Wesfarmers has developed a diverse business mix with each business unit showing a strong position in its market. This diversity of operations provides Wesfarmers with some protection against adverse movements in any one business unit and so has contributed to the consistency of its strong earnings growth.

Wesfarmers' financial and performance focus has been a key to the successful development and growth of the diverse businesses within Wesfarmers. An integrated set of management systems throughout its operations that spans from objective setting, strategic planning to management information reporting, cash management and remuneration has been important in the successful management of Wesfarmers.

Consistent with its diversified business mix structure, Wesfarmers' growth strategies at the corporate level are very broadly based. They are:

- improving the performance of Wesfarmers' existing businesses;
- expanding its existing businesses, either geographically or by broadening the product range; and
- managing Wesfarmers' portfolio of businesses, by investing into new business areas or by exiting businesses that are no longer suitable for Wesfarmers.

Wesfarmers has established a strong business development team at the corporate level. Its skills are applied to assist operational management in the expansion of existing businesses, assessing new business opportunities and reviewing and, where appropriate, disposing of under-performing businesses not central to Wesfarmers' long term plans. Wesfarmers is also suitably resourced to seek out, evaluate, negotiate and realise profitable growth opportunities as they arise.

With its disciplined investment and growth strategy and its strong performance culture and financial focus, Wesfarmers' directors are confident that Wesfarmers has the ability to continue its strong performance into the future.



1.3 Principal activities of Wesfarmers

The activities of Wesfarmers are carried out through the following business segments:

(a) **Hardware and forest products**

Hardware

	1999 Year	2000 Year	2001F Year⁽¹⁾
Operating revenue (\$m)	982	1,300	1,375 ⁽²⁾
EBIT (\$m) ⁽³⁾⁽⁴⁾	79	115	129
EBIT return on revenue (per cent) ⁽³⁾⁽⁴⁾	8.0	8.8	9.4
Capital employed (\$m) ⁽⁵⁾	480	522	526
EBIT return on capital employed (per cent) ⁽³⁾⁽⁴⁾	16.5	22.0	24.5
Capital expenditure (\$m)	70	47	69

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
- (2) The forecast operating revenue for the 2001 Year includes a change of accounting treatment for GST compared to the wholesale sales tax system (see commentary below).
- (3) Excludes an abnormal item in the 1999 Year comprising a \$18 million profit on the sale of warehouse properties to the Bunnings Warehouse Property Trust.
- (4) Includes Wesfarmers' share of Bunnings Warehouse Property Trust's EBIT of \$2 million in the 1999 Year, \$4 million in the 2000 Year and a forecast of \$5 million in the 2001 Year. Also includes goodwill amortisation of \$6 million in each of the 1999, 2000 and 2001F Years.
- (5) Capital employed calculated on a rolling 12 month basis.

Key brands



WA SALVAGE

Bunnings is a mass merchandiser of an extensive range of home improvement, home leisure and building products, catering mainly for the do-it-yourself customer, small to medium sized builders and owner builders.

Key financial achievements in the past 10 Years (the 1990 Year to the 2000 Year) have been:

- Sales - a nine fold increase to \$1.3 billion; and
- EBIT - a 20 fold increase to \$115 million.

The Bunnings warehouse model was introduced to the business unit in 1994 after two years of detailed planning. The model has a heavy emphasis on store layout, site selection and development, workplace culture, staff performance, recruitment and training. The first warehouse commenced trading in August 1994. The warehouse model has been further developed and refined over time and is now well proven, as is demonstrated by the results delivered by this business.

Since 1994, Bunnings has pursued a strong expansion programme to develop a nationwide chain of warehouse stores in all mainland States and Territories of Australia. As at 30 June 2001 Bunnings will have 68 stores nationally of which 47 are large Bunnings Warehouse format stores. Warehouse stores now account for over 85 per cent of total Bunnings' sales (excluding WA Salvage) with up to 45,000 product lines offered for sale. Bunnings also operates the WA Salvage retail chain, specialising in the supply of a broad range of discounted variety merchandise and building products through 17 stores.

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The forecast operating revenue for the 2001 Year includes a change of accounting treatment, whereby GST is not included in operating revenue while in previous years revenue included wholesale sales tax. After adjusting for this change in accounting treatment, the increase in operating revenue is 15 per cent. The introduction of GST also created unusually high sales in the last two months of the 2000 Year at the expense of 2001 Year sales.

The outlook for the hardware business for the 2002 Year is positive with continued sales and earnings growth. The recent weakening of the Australian economy has not had a major impact on the business. EBIT margins are being maintained with continuing growth from individual stores (store on store growth) throughout the business.

Absent the Howard Smith acquisition, the directors of Wesfarmers are confident that Bunnings' revenue and earnings growth will be similar to past growth rates. Bunnings forecasts a continued rollout of Bunnings Warehouses, with between 90 and 100 of these stores planned to be in operation by 30 June 2005. Under this scenario, the focus of future store roll-outs would be in the New South Wales and Queensland markets where Howard Smith is well represented. In addition, Bunnings forecasts strong store on store sales and earnings growth from existing Bunnings stores.

Forest products

	1999 Year	2000 Year	2001F Year ⁽¹⁾
Operating revenue (\$m)	188	198	157
EBIT (\$m) ⁽²⁾	20	25	15
EBIT return on revenue (per cent) ⁽²⁾	10.6	12.6	9.6
Capital employed (\$m) ⁽³⁾	207	172	117
EBIT return on capital employed (per cent) ⁽²⁾⁽³⁾	9.7	14.5	12.8
Capital expenditure (\$m)	9	5	1

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
- (2) Excludes an abnormal item in the 1999 Year comprising \$30 million write down of property, plant and equipment.
- (3) Capital employed calculated on a rolling 12 month basis.

Key brands



SOTICO

The core activity of the forest products business is the production and marketing of Western Australian timbers for national and international distribution. Following the sale of the woodchipping, plantation services and plantation assets in October 2000 and the downturn in the housing industry, the forest products business is expected to record lower earnings for the 2001 Year. The forest products business represents a small part of Wesfarmers' operations and is expected to decrease in the future as the business is rationalised. Wesfarmers has put a proposal to the Western Australian State Government regarding the restructuring of the forest products industry and the rationalisation of Wesfarmers' forest products business. The rationalisation seeks to achieve a managed reduction in log intake to mills, staged redundancies and co-operation with the furniture industry to reduce over time the involvement of the business in the industry.

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(b) Energy: gas and coal

	1999 Year	2000 Year	2001F Year ⁽¹⁾
Operating revenue (\$m)	472	589	953
EBIT (\$m)	98	107	187
EBIT return on revenue (per cent)	20.8	18.2	19.6
Capital employed (\$m) ⁽²⁾	348	538	747
EBIT return on capital employed (per cent) ⁽²⁾	28.2	19.9	25.0
Capital expenditure (\$m)	74	67	137

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
(2) Capital employed calculated on a rolling 12 month basis.

Key brands

Wesfarmers' energy business segment comprises gas and coal operations.

Gas

Wesfarmers is a major distributor of LP gas and gas appliances to a broad range of domestic, commercial, autogas and industrial customers. It operates through an extensive Australia-wide branch and franchise network supplying bulk customers and domestic clients throughout all mainland States and Territories of Australia.

Wesfarmers owns and operates a plant at Kwinana in Western Australia which extracts LP gas from the natural gas stream flowing from the gas fields in the north west of Western Australia via the Dampier to Bunbury pipeline. Product from the plant supplies much of the State's domestic market with the balance exported to Japan under a long-term sales contract.

The outlook for the gas business for the 2002 Year is for slightly reduced earnings. The LP gas production and export business is benefiting directly from the current high international LP gas prices. In December 2000 the capacity of the Kwinana extraction plant was increased by 25 per cent to 300,000 tonnes per annum. The additional throughput is being exported to Japan under existing contracts. Further expansion opportunities are currently being investigated.

While the export gas business is benefiting from the high international gas prices, the high prices are causing margin pressure in Wesfarmers' domestic distribution and retailing operations.

The key strategies that are being pursued by the retail business in this environment are:

- Organic growth and growth by way of the acquisition of smaller LP gas operations in eastern Australia, the pursuit of LNG marketing opportunities and also overseas ventures, including the development of an LP gas distribution business in Bangladesh.
- A strong focus on business process improvement, cost reduction and industry facilities rationalisation. Wesfarmers has recently announced the formation of an alliance with Elgas to combine the two companies' autogas operations on the east coast of Australia. A number of efficiency benefits are expected to arise from this alliance in terms of logistics and supply.



Coal

Wesfarmers operates the Premier open-cut coal mine near Collie, 200 kilometres south of Perth in Western Australia, producing about four million tonnes of steaming coal per annum. It also operates the Curragh coal mine which is situated about 200 kilometres west of Rockhampton in Queensland's Bowen Basin and produces about five million tonnes of coking and steaming coal per annum. Wesfarmers also has a 40 per cent interest in the Bengalla open-cut coal mining joint venture at Muswellbrook in the Hunter Valley in New South Wales. Its share of the mine's production in the 2001 Year is about 2 million tonnes.

The outlook for the 2002 Year is positive. The recently acquired Curragh coal mine is performing ahead of expectations, production has increased significantly at the Bengalla coal mine and the Collie operations are performing satisfactorily.

Over the next 12 - 18 months, results should benefit from increased coking coal export sales due to a recent tightening of supply combined with increased demand. US dollar prices and exchange rates are currently favourable for export coal. These have improved margins.

Generally, on-site costs are falling due to productivity gains including improved work practices. In the case of Curragh there is also potential for lower off-site costs with rail freight costs likely to benefit from deregulation of the industry.

The Curragh mine is seeking to increase export volumes, continuing its approach of diversifying away from Japan to other Asian and European markets. There is very limited capital cost associated with the proposed increase in production.

Similarly, there has been increased demand and better prices for export steaming coal from the Bengalla mine, which is expected to continue to expand production over the next few years. In addition, it is expected that over the same period, some domestic sales will be replaced by export sales. Bengalla's export coal capacity will increase significantly in early 2002, with the commissioning of a second coal washery.

Both the Collie and Curragh mines have long-term contracts for the sale of steaming coal to domestic power stations. The main focus for the domestic coal operations is on continued unit cost reduction in order to remain competitive with gas as an energy source, while maintaining profit margins.

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(c) Fertilisers and chemicals

	1999	2000	2001F
	Year	Year	Year⁽¹⁾
Operating revenue (\$m)	420	403	434
EBIT (\$m)	61	45	53
Return on revenue (per cent)	14.5	11.2	12.2
Capital employed (\$m) ⁽²⁾	451	484	509
EBIT return on capital employed (per cent) ⁽²⁾	13.5	9.3	10.4
Capital expenditure (\$m)	104	46	25

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
(2) Capital employed calculated on a rolling 12 month basis.

Key Brands

Wesfarmers is the major supplier of fertilisers and chemicals to Western Australia's agricultural, mining and industrial sectors. CSBP operates a large fertiliser and chemicals complex at Kwinana about 40 kilometres south of Perth in Western Australia and has additional fertiliser manufacturing facilities located in regional port centres at Bunbury, Albany and Esperance in Western Australia.

The outlook for the 2002 Year is for increased earnings.

The changing nature of agriculture in Western Australia has seen a major shift from wool production to wheat and cereal cropping in past years. This has impacted on demand for locally produced pasture fertilisers, allowing much greater competition for cropping fertilisers, many of which are imported by market competitors. The consequences for the business have been increased competition and pressure on margins. The fertiliser business is now one year into a three year plan to shift the focus of the business away from the traditional manufacturing base to that of a more flexible supplier of products and value adding services. At the same time, there is a continued focus on productivity improvement and cost control. The results to date have been positive.

The chemicals business is focused on the supply of basic chemicals, mainly ammonia, ammonium nitrate and sodium cyanide to the mining and minerals processing industry in Western Australia. The mining industry in Western Australia has been subject to a cyclical downturn in recent years, particularly in the gold sector. No significant price rises for chemicals are anticipated in the short term.

Ammonia is the key growth area in volume terms, with a new 225,000 tonne per annum plant completed last year. There is some potential for market diversification for these products:

- ammonia - in the export market;
- ammonium nitrate - in fertiliser applications; and
- sodium cyanide - through export to new markets in Asia and Africa, to be facilitated by the construction of a sodium cyanide solids plant to be built in Kwinana.



(d) Rural services and insurance

	1999 Year	2000 Year	2001F Year⁽¹⁾
Operating revenue (\$m)	756	848	1296
EBIT (\$m)	23	40	57
EBIT return on revenue (per cent)	3.0	4.7	4.4
Capital employed (\$m) ⁽²⁾	181	183	330
EBIT return on capital employed (per cent) ⁽²⁾	12.7	21.9	17.3 ⁽³⁾
Capital expenditure (\$m)	12	14	19

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
- (2) Capital employed calculated on a rolling 12 month basis.
- (3) EBIT return on capital employed will decline in the 2001 Year reflecting the substantial increase in capital employed following the acquisition of IAMA without having received the benefits of integration of the IAMA operations.

Key Brands**Rural services**

Wesfarmers is one of Australia's largest suppliers of services to the rural sector. The company services over 100,000 clients from more than 400 outlets throughout Australia. It provides clients with livestock, wool, merchandise, insurance, real estate and rural financial services. Following the acquisition of 100 per cent of the shares in IAMA Limited and implementation of the merger of operations of the former Wesfarmers Dalgety and former IAMA rural services businesses, the merged rural services business now trades as Wesfarmers Landmark.

The merger of the Wesfarmers Dalgety and IAMA businesses created a new and stronger agribusiness with an extended branch network, increased buying power, e-commerce and biotechnology opportunities.

The merged business has a strong position in the industry, with the increased size and scale of the organisation expected to create opportunities for significant efficiencies and cost savings.

In April 2001, Wesfarmers Landmark commenced implementing a 12 month integration programme including a full review of all the combined businesses' operating divisions to identify areas of cost savings and opportunities generated by the acquisition. Associated with this will be the pursuit of strategies to grow the business in terms of merchandise, supply management, financial products and the development of e-business products to service the rural sector. It is likely that any businesses or operations that are determined not to have the appropriate level of strategic value will be divested. No divestments of material businesses, operations or assets are anticipated.

The outlook for the rural services business for the 2002 Year is positive. The rural industry in Australia is showing signs of improvement after a number of years of low commodity prices and reduced activity.

Signs of improvement include:

- wool prices have improved;
- cattle prices are at their highest level for three years;
- the current Australian dollar exchange rate is favourable for exports and prices;
- the live cattle export trade is now rebuilding; and
- grain prices are improving.

Insurance

Wesfarmers is one of the largest rural insurers in Australia, operating through more than 81 outlets across the country and through the Wesfarmers Landmark network.

Wesfarmers Federation Insurance has recorded solid growth in premium income in the 2001 Year and, in the absence of any abnormal claims, is expected to make a significantly higher contribution to earnings for the 2001 Year.



(e) Other - investment and services

	1999	2000	2001F
	Year	Year	Year⁽¹⁾
Operating revenue (\$m)	159	165	163
EBIT (\$m) ⁽²⁾	24	30	33
EBIT return on revenue (per cent) ⁽²⁾	15.1	18.2	20.2

Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7.
(2) Includes an abnormal item in the 1999 Year comprising of \$14 million profit on the sale of shares in a listed entity.

This business segment consists of Wesfarmers' rail and road transport interests and various investments held by Wesfarmers.

Rail and road transport

This business area comprises Australian Railroad Group and Wesfarmers Transport.

The Australian Railroad Group is an incorporated joint venture between Wesfarmers (50 per cent) and United States based Genesee & Wyoming (50 per cent). The joint venture owns West Australian and South Australian rail freight operations. The joint venture expects to outlay up to \$400 million over the next five years on track upgrades and the purchase of new rolling stock to meet anticipated growing demand for rail freight services.

Wesfarmers Transport has an extensive transport and logistics operation involved in supply chain management for commerce and industry in Western Australia and other States in Australia.

Earnings from the road transport business for the 2001 Year are expected to be above the 2000 Year. The Australian Railroad Group is performing in accordance with expectations.

While there is ongoing deregulation of the Australian rail sector, Australian Railroad Group's business is characterised by a strong market position as a result of its rights of access to rail infrastructure. It has strong earnings durability with a number of long term major customers and large scale bulk commodity tasks in rural, mining and related industries. There is ongoing margin pressure in the business, mainly caused by customers' expectations of reduced prices post-privatisation, but also by the currently high fuel costs. The short term focus in the rail business is to transform the Western Australian operation from a "public service organisation" to a more shareholder focussed business. Significant progress has been made to date.

Key Brands**Other**

The other business area comprises Wesfarmers' investments including a 50 per cent interest in Gresham, Wesfarmers' investment in the Gresham Private Equity Fund and various listed and non-listed investments.

The outlook for the 2002 Year is positive with good returns expected to be achieved from Wesfarmers' investment in Gresham and other investments.



1.4 Directors of Wesfarmers

The following are the directors of Wesfarmers.

Executive directors:

M A Chaney, Chief Executive Officer and Managing Director, age 51

Joined the board in 1988. Mr Chaney holds Bachelor of Science and Master of Business Administration degrees from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1992. He is Chief Executive and a director of a number of Wesfarmers subsidiaries. Mr Chaney worked in the finance and petroleum industries in Australia and the United States of America before joining Wesfarmers in 1983. He is a director of BHP Limited, Gresham Partners Group Limited and the Centre for Independent Studies and is involved with a number of public and charitable institutions. Mr Chaney is a member of the Business Council of Australia, the Board of Taxation and the Council of the National Gallery of Australia and is Vice President of the Australian Japan Business Co-operation Committee.

E Fraunschiel, Finance Director, age 55

Joined the board in 1992. Mr Fraunschiel holds a Bachelor of Commerce degree with Honours from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1991. He joined Wesfarmers in 1984 after working in the finance, management consulting and petroleum marketing industries. He is also a director of Gresham Partners Group Limited, Gresham Private Equity Limited and a number of Wesfarmers subsidiaries.

Non-executive directors:

C H Perkins, A.O., Chairman, age 61

Joined the board in 1984. Mr Perkins is Chancellor of the Curtin University of Technology, Chairman of the Western Australian Institute for Medical Research and a director of Scientific Services Ltd and Adelaide Brighton Limited. He was a Nuffield Farming Scholar in 1972.

K P Hogan, O.A.M., Deputy Chairman, age 67

Joined the board in 1984. Mr Hogan is a trustee of the Country Medical Foundation and a member of the Kununoppin Hospital Board. He was the founding Chairman of the West Australian Rural Counselling Services.

D J Asimus, A.O., age 68

Joined the board in 1994. Mr Asimus holds a Bachelor of Economics degree from the University of Sydney, an Honorary Doctorate in Science from the University of New South Wales and an Honorary Doctorate in Agricultural Economics from the University of Sydney. He is Chancellor of Charles Sturt University and a director of Rural Press Limited and the Industrial Bank of Japan Australia Limited. Mr Asimus was formerly Chairman of the Australian Wool Corporation and International Wool Secretariat, a former member of the Executive of CSIRO and a past director of BHP Limited, Delta Electricity, Austrade and of Australian Eagle Insurance. He was a Nuffield Farming Scholar in 1958.

T R Eastwood, AM, age 59

Joined the board in 1994. Mr Eastwood holds a Bachelor of Engineering degree from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1982. He commenced his career with the group as an employee of Westralian Farmers Co-operative Limited in 1963 and held a number of management positions in the group up to his retirement in 1992 including his final eight years as Managing Director of Wesfarmers. Mr Eastwood is Chairman of West Australian Newspapers Holdings Ltd, Gresham Partners Holdings Ltd and Gresham Rabo Management Limited and a director of Qantas Airways Limited.

T J Flügge, AO, age 54

Joined the board in 1998. Mr Flügge is Chairman of AWB Limited and the CSIRO Field Crops Sector Advisory Committee, a member of the Rabobank Food & Agribusiness Advisory Board and a director of Shenzhen Southseas Grains Industries, China and of Five Star Flour Mills, Egypt. He was formerly President of the Grains Council of Australia and a past director of the Grains Research and Development Corporation. Mr Flügge received the Monash University/Rabobank Agribusiness Leader of the Year award in 1998 and in 1997 was awarded the Farrer Memorial Medal for his contribution to agriculture.



L A Giglia, age 60

Joined the board in 1984. Mr Giglia is President of the Royal Agricultural Society of Western Australia (Inc) and is a director of Farmwest Services Limited. He is a former member of the advisory board of National Foods Limited, the Herd Improvement Service Board and the Dairy Industry Authority of Western Australia.

J P Graham, age 53

Joined the board in 1998. Mr Graham holds a Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney and a Master of Business Administration from the University of New South Wales. He has had an active involvement in the growth of Wesfarmers since 1977 in his roles as Managing Director of Gresham Partners Limited and previously as a director of Hill Samuel Australia Limited and Managing Director of Rothschild Australia Limited. In addition to his investment banking activities, Mr Graham is deputy chairman of the Primary Industry Bank of Australia Ltd and of Rabo Australia Ltd and is a trustee or member of a number of community organisations and was Chairman of the Darling Harbour Authority in New South Wales for a period of six years.

R D Lester, age 62

Joined the board in 1995. Mr Lester is a graduate with Honours from Dookie Agricultural College, Victoria and is a licensed property valuer. He was Principal and Chief Executive Officer of Growth Equities Mutual Limited until he sold his interest in that organisation in 1994. He was an inaugural member of the Companies and Securities Advisory Committee established by the Federal Attorney General to advise the Australian Government on securities industries laws. Mr Lester is actively involved in real estate investment and development in the Perth metropolitan and south-west regions of Western Australia.

D E W Nuttall, age 67

Joined the board in 1990. Mr Nuttall holds a Diploma of Valuation and Farm Management from Lincoln College, Canterbury University, New Zealand and has practised as a farm management consultant in Western Australia since 1961. He is Managing Director of Agribusiness Counsellors Pty Ltd, a farm business consulting firm, and holds directorships in a number of farming companies.

J M Paterson, age 68

Joined the board in 1984. Mr Paterson is the Mayor of the City of Nedlands, a director of Black Swan Theatre, a trustee of the Scotch College Foundation and Chairman of the Rock Lobster Industry Advisory Committee. He is a life member of the Western Australian Club.

D C White, age 53

Joined the board in 1990. Mr White holds a Bachelor of Business degree from Curtin University (formerly Western Australian Institute of Technology) and is a fellow of CPA Australia. He is the Treasurer of The Royal Agricultural Society of Western Australia (Inc) and Chairman of the Beverley Health Services Board.

1.5 Directors of Wesfarmers Retail

The directors of Wesfarmers Retail are Messrs MA Chaney, E Fraunschiel and FGD Landels. Messrs Chaney and Fraunschiel are also directors of Wesfarmers. Mr Landels, a director of Wesfarmers Retail, is the Chief Legal Counsel of Wesfarmers. He holds Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of Western Australia and has completed a Program for Management Development at Harvard University. Mr Landels has been with Wesfarmers since 1981 and is a director of a number of Wesfarmers subsidiaries.



1.6 Additional information regarding Wesfarmers

(a) Publicly available information

As Wesfarmers has been listed on ASX since 1984 and has complied with its continuous disclosure requirements, a substantial amount of information concerning Wesfarmers has previously been notified to ASX and is therefore publicly available.

(b) Regular reporting and disclosure obligations

Wesfarmers is a "disclosing entity" for the purposes of the Corporations Law and it is subject to regular reporting and disclosure obligations under the Corporations Law and the ASX Listing Rules. These obligations require Wesfarmers to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, Wesfarmers has an obligation under the ASX Listing Rules (subject to certain limited exceptions), to notify ASX immediately of any information of which it becomes aware concerning Wesfarmers which a reasonable person would expect to have a material effect on the price or value of Wesfarmers Shares.

A summary of the material ASX announcements is set out in annexure B.

(c) Financial reports

The annual report for Wesfarmers for the 2000 Year was lodged with ASIC on 29 September 2000. The half year report for the six month period to 31 December 2000 was lodged with ASX on 5 February 2001. The March 2001 quarterly report for Wesfarmers was lodged with ASX on 8 May 2001.

(d) Copies of available information

Howard Smith shareholders who require any further information about the Offer, can telephone the Wesfarmers Offer Hotline on 1800 770 028 on any business day.

Copies of documents lodged with ASIC in relation to Wesfarmers may be obtained from, or inspected at, an ASIC office.

Howard Smith shareholders may, on request and free of charge, obtain a copy of, or inspect, any documents lodged by Wesfarmers Limited with ASX or ASIC and incorporated into this Bidder's Statement, including the following:

1. the annual report of Wesfarmers for the 2000 Year;
2. the half year report for the six month period to 31 December 2000; and
3. any continuous disclosure notices given by Wesfarmers after lodgment of the annual report.

To obtain a copy of any of the above documents during the Offer Period, Howard Smith shareholders may telephone the Wesfarmers Offer Hotline on 1800 770 028 or alternatively can obtain this information from Wesfarmers' website at www.wesfarmers.com.au.



Information about Wesfarmers securities



2.1 Completion of Wesfarmers Ownership Simplification Plan

Wesfarmers completed the major steps of an ownership simplification plan in April 2001, which simplified the complex shareholding structure of Wesfarmers (which had reflected the origins of Wesfarmers as a co-operative company). The Wesfarmers Ownership Simplification Plan resulted in the removal of the controlling interest in Wesfarmers held by WFCL Investments Pty Ltd and the redemption of a founders share in the capital of Wesfarmers, which gave Westralian Farmers Co-operative Limited (the **Co-operative**) special voting rights in certain circumstances.

The Wesfarmers Ownership Simplification Plan is largely implemented with stakeholders in the Co-operative and The Franked Income Fund having exchanged their securities in those entities for shares in Wesfarmers.

The only remaining step of the Wesfarmers Ownership Simplification Plan is the Wesfarmers Buy-back (see 2.2 below), which is scheduled to occur in July 2001. All necessary approvals for implementation of this step have been obtained. The Wesfarmers Buy-back will not result in any outflow of funds from Wesfarmers and minimal transaction costs. The Wesfarmers Shares held by Wesfarmers owned entities which are to be bought back, currently have their voting rights suspended and will not be disposed of prior to the buy-back.

2.2 Wesfarmers' issued securities

As at the date of this Bidder's Statement, there are 281,746,266 fully paid ordinary shares on issue, excluding those to be bought back under the Wesfarmers Buy-back in July 2001. The number of shares to be bought back is 136,033,934.

2.3 Shareholders of Wesfarmers

Wesfarmers Shares are held by over 65,000 shareholders. Wesfarmers has two recorded substantial shareholders as at the date of this Bidder's Statement:

- the Co-operative, which will cease to hold shares in Wesfarmers following the Wesfarmers Buy-back in early July 2001; and
- the Commonwealth Bank of Australia, which as at 3 May 2001 disclosed a relevant interest in 27,678,513 Wesfarmers Shares (this equates to 9.82 per cent of the issued capital after the Wesfarmers Buy-back).

The top 10 shareholders in Wesfarmers as at 6 June 2001 on the basis that the Wesfarmers Buy-back had been implemented are as follows:

Holder	No of Shares	Post Wesfarmers Buy-back %
Permanent Trustee Australia Limited	25,268,858	8.97
Chase Manhattan Nominees Limited	16,024,107	5.69
National Nominees Limited	9,519,368	3.38
Westpac Custodian Nominees Limited	7,852,160	2.79
Queensland Investment Corporation	6,442,833	2.29
AMP Life Limited	5,778,315	2.05
Australian Foundation Investment Company Limited	4,134,325	1.47
Citicorp Nominees Pty Limited	3,675,924	1.30
Commonwealth Custodial Services Limited	3,440,143	1.22
ING Life Limited	3,064,853	1.09

2.4 Trading of Wesfarmers Shares

The last recorded closing sale price of Wesfarmers Shares on ASX the date before the public announcement of the Offer was \$21.86.

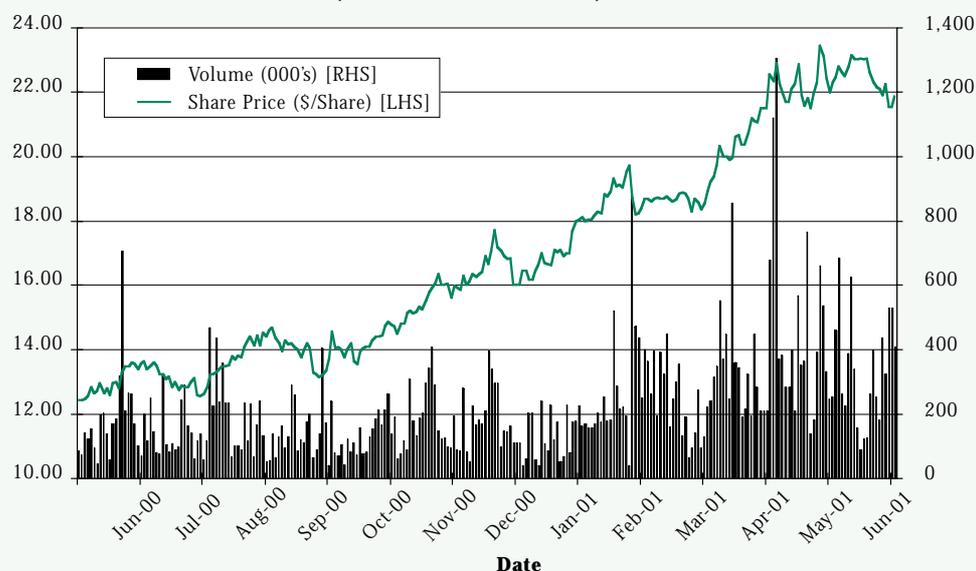
The highest recorded sale price of Wesfarmers Shares on ASX in the four months before the date of this Bidder's Statement was \$23.49. The lowest recorded sale price of Wesfarmers Shares in the four months before the date of this Bidder's Statement was \$18.15.

The following graph sets out the daily closing price and daily volume of shares traded on Wesfarmers Shares on ASX from 12 June 2000 to 12 June 2001.

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**Wesfarmers Share Price and Volume
(12/6/2000 - 12/6/2001)**



Source: Bloomberg daily data.

The volume weighted average share price of Wesfarmers Shares:

- over the six months to 12 June 2001: \$20.38;
- over the three months to 12 June 2001: \$21.68; and
- over the month to 12 June 2001: \$22.46.

2.5 Dividend policy and history

It is Wesfarmers' policy to distribute all of its available franking credits to shareholders as they become available. Wesfarmers also seeks to maintain a cash payout ratio of around 50 per cent of dividends declared after taking into account the level of participation in the company's dividend investment plan.

In 1997, Wesfarmers increased its payout ratio to approximately 100 per cent of net profit after tax to address the level of surplus franking credits that were available at that time.

The company has maintained a payout ratio of approximately 100 per cent of net profit after tax since 1997.

The company's capacity to continue paying approximately 100 per cent of its net profit after tax in fully-franked dividends is dependent upon the availability of franking credits.

The Company intends to continue to maximise financial return to shareholders through paying out the whole of its net profit after tax as fully-franked dividends, given the availability of franking credits.

2.6 Wesfarmers dividend investment plan

The Wesfarmers dividend investment plan was introduced in 1985 and, with the exception of the 1999 final dividend paid in October 1999 and the 2000 interim dividend paid in April 2000, has operated continuously since its introduction.

The plan was suspended in August 1999 as a measure to manage Wesfarmers' low level of debt and the strong cash flow generated from group businesses. It was reinstated in May 2000 following Wesfarmers' commitment to the acquisition of the Curragh coal mine in Queensland (which was completed in June 2000).

Under the plan, shareholders are offered the opportunity to reinvest all or any part of their dividend. The issue price for Wesfarmers Shares under the plan has been at a discount (between 2.5 per cent and 5.0 per cent determined by the Wesfarmers board) to the weighted average price of Wesfarmers Shares for the five trading days following the closing date for the relevant allotment.

Approximately 880,000 new Wesfarmers Shares were issued pursuant to the dividend investment plan in respect of the 2001 interim dividend paid on 20 April 2001. These shares were issued at \$20.38, a discount of 2.5 per cent to the weighted average market price prior to allotment.

2.7 Employee share plan

Under the Wesfarmers Employee Share Plan, qualifying employees of Wesfarmers can acquire Wesfarmers Shares with the subscription cost lent to the employee by the trustee of the plan. When an employee leaves Wesfarmers, the loan is repayable from the proceeds of sale of the shares. The loan is currently interest free and on limited recourse terms. The issue price for the shares issued under the plan is determined by the board annually but has been at prevailing market prices.

Any dividends on the shares issued under the plan are first applied to repay the loan and when the loan is discharged, paid directly to the employee. Employees are entitled to exercise the voting rights of shares issued under the plan.

Wesfarmers made an offer under a prospectus to employees to subscribe for shares under the plan on 30 November 2000. Under the offer, 4,154,580 Wesfarmers Shares were issued at a price of \$17.92. The total market value of those shares on the issue date of 24 January 2001 was \$74.5 million.

2.8 Rights attaching to the Wesfarmers Shares offered

The Wesfarmers Shares received as consideration under the Offer will rank equally with existing Wesfarmers Shares. The rights and restrictions attaching to the Wesfarmers Shares which will be issued as part of the consideration under the Offer are set out in Wesfarmers' constitution and in the Corporations Law.

The main rights and liabilities attaching to the Wesfarmers Shares are summarised in annexure C.





Profile of Howard Smith

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3.1 Disclaimer

This overview of Howard Smith and all financial information concerning Howard Smith contained in this Bidder's Statement has been prepared by Wesfarmers Retail using publicly available information and adjusted where considered appropriate by Wesfarmers Retail based on Bunnings' industry knowledge and expertise. Wesfarmers Retail has not had access to information concerning Howard Smith other than that which is in the public domain. Information in this Bidder's Statement concerning Howard Smith has not been independently verified. Wesfarmers Retail does not, subject to the Corporations Law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The primary sources of information about Howard Smith used by Wesfarmers Retail were as follows:

- Howard Smith's annual reports for the 1999 and 2000 Years;
- the Howard Smith Buy-back Tender booklet and related meeting documentation sent to Howard Smith shareholders on 28 May 2001;
- reports on Howard Smith prepared by stockbrokers;
- press releases and ASX announcements made by Howard Smith since 1 July 2000;
- Multex databases;
- other publicly released information of Howard Smith; and
- Wesfarmers' own knowledge and industry expertise.

Further information relating to Howard Smith is expected to be included in the Target's Statement which Howard Smith must provide to its shareholders.

3.2 Overview of Howard Smith's activities

(a) Introduction

Following the sale of its towage operations in May 2001, Howard Smith is now largely a distributor of hardware and industrial products to retail, trade and industrial customers in Australia and New Zealand. It has two businesses, hardware distribution and industrial products distribution.

Howard Smith has over 12,000 employees (excluding those from the towage operations).

According to Howard Smith's 2000 annual report and half yearly report for the six months to 31 December 2000, and the Howard Smith Buy-back Tender booklet, the key financial statistics of Howard Smith are set out in the following tables. It is important to note that the towage division was disposed of following the end of these reporting periods.

	1999	2000	6 mths to/at
	Year	Year	31/12/00
TRADING RESULTS			
Sales (\$m)	2,619	2,507	1,204 ⁽⁴⁾
Other (\$m)	64	189	8
Operating revenue (\$m)	2,683	2,696	1,212
EBIT (\$m) pre-goodwill amortisation (before abnormal items)	221	213	105
EBIT (\$m) pre-goodwill amortisation ⁽¹⁾	228	194	105
EBIT (\$m) post-goodwill amortisation (before abnormal items)	201	194	95
EBIT (\$m) post-goodwill amortisation ⁽¹⁾	208	175	95
Profit before tax (\$m) (before abnormal items)	161	161	76
Profit before tax (\$m) ⁽¹⁾	168	142	76
NPAT (\$m) (before abnormal items)	102	103	54
NPAT (\$m) ⁽¹⁾	107	122	54
Net operating cashflow (\$m)	126	159	46
Capital expenditure (\$m)	117	107	39
BALANCE SHEET			
Total assets (\$m)	1,955	1,832	1,892
Net assets (\$m)	842	949	990
Intangible assets (\$m)	339	321	315
Net tangible assets (\$m)	503	628	675
Shareholders equity (\$m)	842	949	990
Number of shares on issue (m)	191	196	198
PERFORMANCE MEASURES			
EPS (cents) (pre goodwill amortisation) (before abnormal items)	64.5	62.7	32.5
EPS (cents) (pre goodwill amortisation) ⁽¹⁾⁽²⁾	67.4	72.6	32.5
EPS (cents) (post goodwill amortisation) (before abnormal items)	53.9	52.8	27.5
EPS (cents) (post goodwill amortisation) ⁽¹⁾⁽²⁾	56.8	62.7	27.5
Dividends per share (cents)	41	41	17
Gearing (net financial debt to equity) (per cent)	73.4	50.3	56.3
Net interest cover - cash basis (times) (before abnormal items)	6.9	7.9	7.0
Net interest cover - profit basis (times) (before abnormal items)	5.0	5.9	5.1
Stock market capitalisation (\$m) ⁽³⁾	2,211	1,603	1,660

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Notes:

(1) Includes the following abnormal items:

	Before tax \$m	Tax \$m	After tax \$m
2000			
Release of deferred tax balances on introduction of new UK tax regime	-	33.1	33.1
Costs associated with GST and implementing system changes	(10.0)	3.5	(6.5)
Towage redundancies and restructure	(8.9)	1.7	(7.2)
Total	(18.9)	38.3	19.4
1999			
Net profit on sale and rationalisation of marine businesses	2.0	0.5	2.5
Surplus restructuring provisions of engineering division	4.7	(1.7)	3.0
Total	6.7	(1.2)	5.5

(2) Calculations based on the weighted average shares on issue during the financial period.

(3) Based on closing share price on the last trading day at the end of each financial period.

(4) The operating revenue reported for the 1999 and 2000 Years is not directly comparable to the forecast operating revenue for the 2001 Year due to the change of accounting treatment of GST compared to the wholesale sales tax system.

(5) The shaded areas denote trading results and performance measures in respect of the half year to 31 December 2000 which are not directly comparable to the 1999 and 2000 Years.

The Howard Smith Buy-back Tender booklet contained the following financial information (among other information) regarding Howard Smith:

	1999 Year \$m	2000 Year \$m	6 mths to 31/12/00 \$m
External sales revenue			
Ongoing businesses	2,136	2,306	1,137
Discontinued businesses	483	201	67
Total	2,619	2,507	1,204
EBIT from ongoing businesses			
Hardware	86	101	47
Distribution	58	58	34
Total	144	159	81
EBIT from discontinued businesses	63	44	19
EBIT from investment and corporate costs	(6)	(9)	(5)
EBIT before abnormal items	201	194	95



Howard Smith's unaudited balance sheet position at 31 March 2001 as set out in the Howard Smith Buy-back Tender booklet:

	Actual \$m	Proforma ⁽¹⁾ \$m
Total assets	1,968	1,603
Net assets	1,019	1,169
Intangible assets	338	284
Net tangible assets	681	885
Shareholders equity	1,019	1,169

Note

- (1) The proforma balance sheet assumes the sale of the towage operations and the acquisition of the distribution business of Atkins Carlyle.

(b) Businesses

- (1) Hardware division - BBC hardware

Howard Smith's hardware division operates under the brands BBC hardware, Hardwarehouse and Benchmark Building Supplies. The distribution of hardware, lifestyle, home improvement and building products largely to retail customers is principally through the Hardwarehouse chain of large warehouse type stores. Distribution to mainly trade customers of hardware, building and construction products is principally through BBC hardware in Australia and Benchmark Building Supplies in New Zealand. Howard Smith's warehouse type "Hardwarehouse" stores and conventional stores are located in New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania. Howard Smith also operates the Benchmark Building Supplies traditional stores and Hardwarehouse stores in New Zealand.

- (2) Industrial products distribution division - Blackwoods

Howard Smith's industrial products distribution business, which operates under the brand "Blackwoods", supplies and distributes industrial, safety and engineering products, power transmission machinery and bearings, fasteners and metals. Its principal trading names are Blackwoods, AE Baker & Co, FPT Power Transmission, Motion Industries, Mullings Fasteners, Alsofe, NZ Safety and Packaging House. In February 2001, Howard Smith advised that its priorities for the 2001 Year were continuing the emphasis on cost savings initiatives, restructuring of the under-performing power transmission business, improving the fasteners and metals businesses' profitability and enhancing the division's e-commerce capability and resources.

On 19 March 2001, Howard Smith announced the acquisition of the Atkins Carlyle distribution business for \$49 million.

On 21 May 2001, Howard Smith announced that it had entered into an agreement to acquire Protector Safety Supply Group (**Protector Safety**) from OPSM Protector Limited for \$60 million. The acquisition is conditional on clearance by the New Zealand Commerce Commission and the ACCC not intervening or imposing material adverse conditions to the acquisition. Howard Smith proposes to integrate Protector Safety into its safety division. Completion of the transaction is expected in June 2001.

(c) Sale of Howard Smith's towage operations

On 15 March 2001, Howard Smith announced an agreement to dispose of its towage operations to Adsteam Marine for \$500 million. The disposal was given approval by the ACCC on 1 May 2001 and the transaction completed on 3 May 2001. The sale represented an exit from all marine related activities by Howard Smith. Howard Smith announced that it expected the net profit relating to significant items for the 2001 Year to be \$150 million, arising principally from the sale of towage.

(d) Proposed buy-back of Howard Smith Shares

Following the sale of its towage operations, Howard Smith announced a buy-back to distribute up to \$250 million of the sale proceeds to its shareholders through a series of on-market and off-market buy-backs. Howard Smith shareholder approval is being sought at an extraordinary general meeting of Howard Smith shareholders to be held on 29 June 2001 to permit Howard Smith to buy back up to 20 per cent of its issued capital through off-market or on-market buy-backs over the next 12 months. If shareholder approval is not obtained, Howard Smith may buy back no more than 10 per cent of its issued capital.



On 28 May 2001, Howard Smith sent documentation to shareholders relating to its off-market buy-back tender. The Howard Smith Buy-back Tender seeks to buy-back between 13 per cent and 14.9 per cent of Howard Smith's issued capital. Howard Smith shareholders have the opportunity to tender any or all of their shares to Howard Smith at a buy-back price selected by the shareholder between \$8.50 and \$9.70 or at the final price tender arrived at under the Howard Smith Buy-back Tender. The chairman of Howard Smith stated in the Howard Smith Buy-back Tender booklet that the ultimate price of the buy-back will be the lowest possible price in the range of \$8.50 - \$9.70 that will allow Howard Smith to purchase the amount of capital it determines to buy back. The company intends to buy back up to \$250 million (around 15 per cent of its shares) under the Howard Smith Buy-back Tender and the current on-market buy-back, but it may choose to buy back a significantly lower amount. The Howard Smith Buy-back Tender booklet indicates that:

- the buy-back will occur at the lowest price that will allow Howard Smith to purchase the amount of capital it determines to buy back;
- even if the buy-back is approved by Howard Smith shareholders, Howard Smith has a discretion whether or not to proceed with the buy-back; and
- there is no guarantee that all shares tendered into the buy-back will ultimately be acquired by Howard Smith.

Howard Smith shareholders have until 6 July 2001 to submit buy-back tenders. There is no advantage in completing the buy-back tender form and returning it to Howard Smith early. Wesfarmers suggests that Howard Smith shareholders should carefully consider whether the Wesfarmers Offer is more advantageous before tendering any shares into the buy-back.

Howard Smith shareholders who have tendered shares into the buy-back who wish to accept the Wesfarmers Offer are able to withdraw their tender by completing the Tender Withdrawal/Amendment Form.

Howard Smith Shareholders who have tendered shares into the buy-back who now wish to tender some but not all of their Howard Smith Shares, may change their tender by completing the Tender Withdrawal/Amendment Form.

To be effective, the Tender Withdrawal/Amendment Form must be received by Howard Smith's share registry no later than 5.00 pm Sydney time on Friday 6 July 2001.

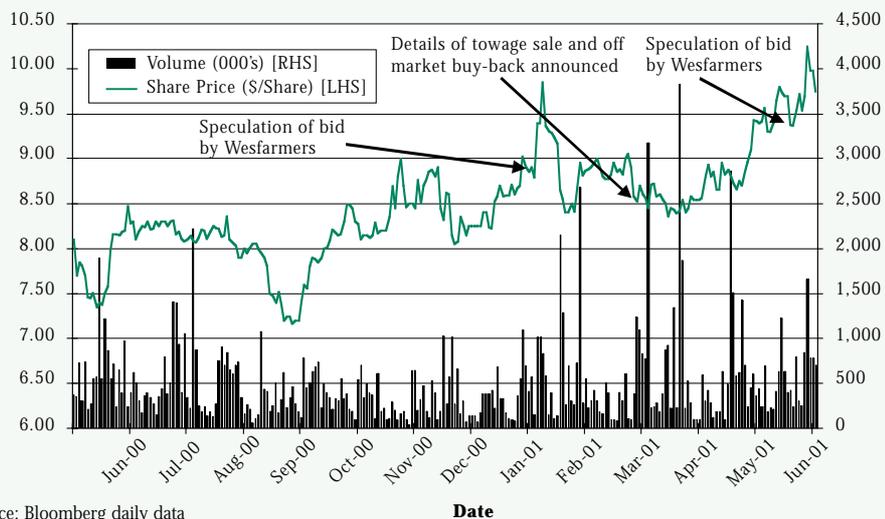
(e) Recent Howard Smith Share price performance

The following graph sets out the closing share price and volume of Howard Smith Shares traded on ASX from 12 June 2000 to 12 June 2001 expressed on a daily basis. The graph also identifies:

- the announcement date of the disposal of Howard Smith's towage operations and of the proposed buy-back of shares by Howard Smith; and
- press speculation of a bid being made by Wesfarmers in January and May 2001.

Howard Smith stated in its buy-back tender booklet that the weighted average price of Howard Smith Shares over the month prior to the announcement of the details of the Howard Smith Buy-back Tender was \$8.85.

**Howard Smith Share Price & Volume
(12 June 2000 to 12 June 2001)**



Source: Bloomberg daily data

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In the last 12 months, Howard Smith's share price has, on a relative basis, underperformed against the All Ordinaries Index.

In the last three years, Howard Smith's return to shareholders has increased by four per cent per annum (on a compound basis). Over the longer term (10 years), Howard Smith's return to shareholders has increased at a rate of 12 per cent per annum (on a compound basis).

(f) Howard Smith's statements on outlook and comments on operations

Since 1 July 2000, Howard Smith has made a number of statements in ASX releases and presentations regarding Howard Smith's performance outlook. Extracts from those releases and presentations are set out below:

Howard Smith commented as follows in its December 2000 half yearly report on the performance of the hardware division for the half year to 31 December 2000:

"Total sales (adjusted after sales tax) for BBC hardware were 1 per cent ahead of the corresponding period last year at \$724.4 million. There was strong growth from the retail market with sales in Australia and New Zealand 20 per cent ahead of the previous half-year, driven mainly by contributions from new Hardwarehouse stores. This was offset by a significant post GST downturn in trade sales, which finished 18 per cent below the previous corresponding period.

Comparable Hardwarehouse stores half year on half year sales were flat due to the pronounced deterioration in trade sales which, on a similar like for like basis were down by 16 per cent. The conventional BBC hardware stores, which focus more on the trade market, recorded for the half-year on half-year a 15 per cent decrease in comparable sales.

The difficult trading conditions were reflected in a fall in earnings before interest and tax for BBC hardware from \$50.4m in the corresponding period last year to \$47.2m this half year."

On 28 May 2001, Howard Smith stated in its buy-back tender booklet in relation to its anticipated 2001 Year results:

"The absence of towage earnings for the months of May and June 2001 will lead to a reduction in overall Company earnings before significant items for the 2001 financial year. While this impact will be partly offset by additional interest income received on the proceeds from the towage divestment, the Company's net profit for the financial year will be reduced by approximately \$3 million after tax as a result of the sale.

Depressed conditions in the housing sector and the general slowdown in the Australian economy, which adversely affected first half trading, have continued into the third quarter. The housing sector downturn has been most pronounced in NSW and Queensland, the most important states of BBC hardware's operations. As a result, BBC hardware's trade sales have continued to deteriorate into the second half of the 2001 financial year. Retail sales have been more resilient and continue to grow, albeit at a slower rate than the corresponding period last year.

In response to these market conditions and in order to enhance the future profitability of BBC hardware, Howard Smith has taken the decision to accelerate the planned closure of a number of under-performing conventional stores. A significant provision for closure costs of approximately \$10 million will be made in the Group's 2001 financial accounts.

The roll-out of new Hardwarehouse stores continues on track with the opening of the 60th Hardwarehouse located in Wagga Wagga, NSW, in May and further Hardwarehouse stores are expected to be opened or under construction by the end of the current calendar year.

While conditions in the industrial maintenance, repairs and operating markets remain difficult, earnings before interest and tax from the company's industrial supplies business in the second half of the 2001 financial year are expected to be broadly in line with those achieved in the first half of this financial year.

As a result of the factors outlined above, net profit before significant items for the Company in the 2001 financial year is expected to be 12 per cent below the level recorded in the previous year. Net profit relating to significant items for the financial year is expected to be \$150 million arising, principally, from the sale of Towage."



On 30 May 2001, Howard Smith announced that Mr Paul Handby had resigned as Chief Executive Officer of BBC hardware. Mr Handby joined BBC hardware in September 1999 and had served as Chief Executive since April 2000. Mr Ian Tsicalas, Managing Director of Howard Smith, has assumed the role of Acting Chief Executive of BBC hardware until such time as a new appointment to the position is made.

(g) Other publicly available information

Howard Smith is listed on ASX and is required to comply with continuous disclosure requirements. A substantial amount of information concerning Howard Smith has previously been notified to ASX and is therefore publicly available.

Howard Smith shareholders may obtain a copy of documents lodged by Howard Smith Limited from ASIC databases or by contacting ASX. In addition, on request to Wesfarmers Retail and free of charge, they may obtain a copy of, or inspect, any documents referred to in this Bidder's Statement which have been lodged with ASIC or ASX, published on Bloomberg, a Multex database or by IBIS. In addition, Wesfarmers will, on request and free of charge, provide copies of documents lodged by Howard Smith with ASX after lodgment of its 2000 annual report. A list of material announcements since this date is contained in annexure G. To request a copy of any of these documents Howard Smith shareholders should contact the Wesfarmers Offer Hotline on 1800 770 028.

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3.3 Information about Howard Smith securities

Based on publicly available information, there were 197,591,690 Howard Smith Shares on issue as at 7 June 2001.

Based on publicly available information, Wesfarmers Retail understands that the following Howard Smith Options issued to employees were on issue as at 7 June 2001:

Expiry Date	Exercise Price	Options issued
19 November 2001	\$10.00	171,000
17 November 2002	\$11.30	118,800
13 November 2003	\$10.08	216,000
12 November 2004	\$11.80	178,000
17 December 2004	\$10.65	19,200
8 November 2010	\$8.16 ⁽¹⁾	2,065,000
Total:		2,768,000

Notes:

- (1) The price quoted is the market price when options were granted. Howard Smith has previously disclosed that the "exercise price will be determined on the third anniversary of the grant at a premium to the market price". Information previously disclosed by Howard Smith states that these options may be exercised upon a takeover offer being made. The terms of exercise in this circumstance were not known to Wesfarmers on the date of this Bidder's Statement, and accordingly the impact of the Offer on the exercise price is uncertain.

3.4 Shareholders of Howard Smith

At 18 August 2000, being the last date these details were publicly released by Howard Smith, Howard Smith Shares were held by 21,135 shareholders.

(a) Substantial Shareholders

Information provided in the notices to ASX:

Shareholder	Number of Shares	Announcement Date
Commonwealth Bank of Australia	18,618,612 (9.42 per cent)	25/05/2001
Maple-Brown Abbott Limited	15,029,207 (7.61 per cent)	05/04/2001
Permanent Trustee Company Ltd	10,858,872 (5.67 per cent)	10/06/1999

Recent changes in substantial shareholdings are as follows:

- On 31 January 2001, National Australia Bank, formerly a holder of 5.22 per cent of Howard Smith ceased to be a substantial shareholder (ie. reduced its holding below 5 per cent);
- On 9 February 2001, BT Financial Group, formerly a holder of 5.25 per cent in February 2001, ceased to be a substantial shareholder;
- On 15 March 2001, Commonwealth Bank increased its shareholding from 6.05 per cent to 7.07 per cent, on 6 April increased its holding further to 8.42 per cent and on 21 May 2001 disclosed that it has increased its holding to 9.42 per cent; and
- On 16 March 2001, Maple-Brown Abbott Limited increased its holding from 5.04 per cent to 6.07 per cent and on 3 April 2001 further increased its holding to 7.61 per cent.

(b) Top 10 Shareholders as at 18 August 2000

Shareholder	Number of Shares	Per Cent
Chase Manhattan Nominees Ltd	13,608,328	6.9
Westpac Custodian Nominees Ltd	10,422,372	5.3
National Nominees Limited	9,314,510	4.7
BT Custodial Services Pty Ltd	7,547,179	3.8
Permanent Trustee Australia Ltd	5,619,069	2.9
Perpetual Trustees Nominees Ltd	3,891,396	2.0
Howard Smith Nominees Pty Ltd	3,781,030	1.9
Queensland Investment Corporation	3,546,591	1.8
AMP Life Ltd	3,318,475	1.7
ANZ Nominees Limited	3,047,035	1.5

(c) Howard Smith's ADR Program

In the United States, Howard Smith Shares are traded on the over-the-counter market in the form of sponsored American Depositary Receipts (ADR). The ADRs are not listed and, from available information, the number of Howard Smith Shares the subject of the ADR program is immaterial.

3.5 Wesfarmers' and Wesfarmers Retail's interests in Howard Smith securities

Immediately before this Bidder's Statement was lodged with ASIC, Wesfarmers Retail, Wesfarmers and their respective associates had no relevant interests in or voting power over Howard Smith securities.





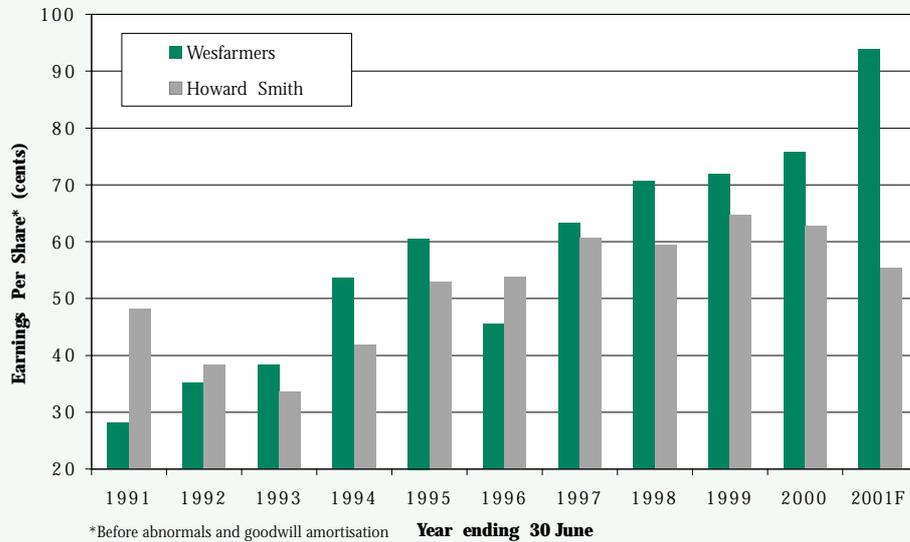
Relative Performance of Wesfarmers and Howard Smith

As the following graphs demonstrate, Wesfarmers has significantly outperformed Howard Smith when measured against a number of key performance criteria.

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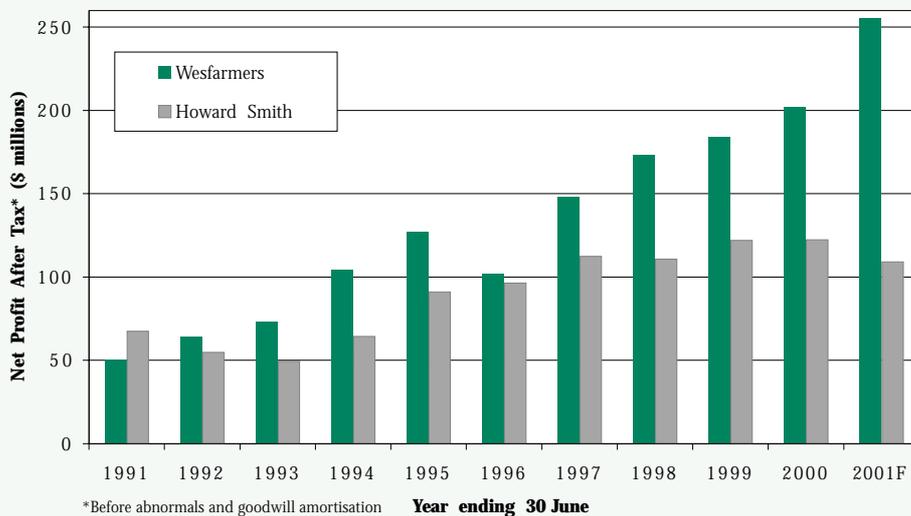
Comparative Growth in Earnings Per Share



Sources: In respect of Howard Smith, its annual reports for the 1991 to 2000 Years; and, in respect of Wesfarmers, its annual report for the 2000 Year. The Howard Smith forecast information is Wesfarmers' estimate.

Note: Forecast information must be read in conjunction with the notes and assumptions in section 7.

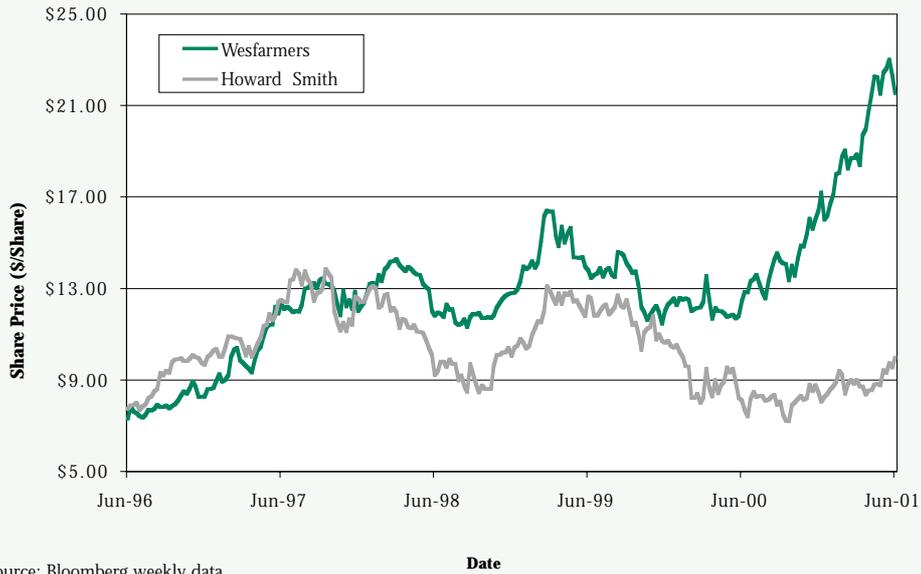
Comparative Growth in Operating Profit



Sources: In respect of Howard Smith, its annual reports for the 1991 to 2000 Years; and, in respect of Wesfarmers, its annual report for the 2000 Year ended 30 June 2000. The Howard Smith forecast information is Wesfarmers' estimate.

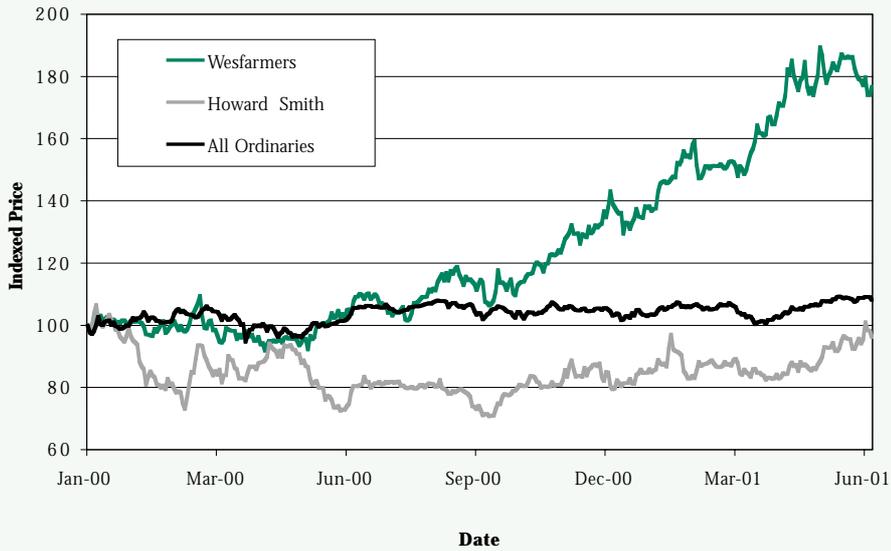
Note: Forecast information must be read in conjunction with the notes and assumptions in section 7.

Comparative Share Price Performance (14 June 1996 to 8 June 2001)



Source: Bloomberg weekly data.

Comparative Performance Against All Ordinaries Index (4 January 2000 to 12 June 2001)



Source: Bloomberg daily data.

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The Australian hardware industry and Bunnings' and BBC hardware's position in it

5.1 Overview of the Australian hardware market

The Australian hardware market has grown considerably over the last decade and is now generally accepted to include home improvement, home leisure and building products. The market is currently estimated to generate sales of approximately \$19 billion per annum. Sales cover a wide range of merchandise including:

- building products;
- decorator products;
- garden, nursery and outdoor leisure products;
- home hardware;
- tools; and
- electrical and lighting products.

Australia's per capita hardware consumption is one of the highest in the world, with high levels of home ownership, large garden sizes, and dry weather conditions.

The Australian hardware market is highly fragmented. The combined Bunnings and BBC hardware businesses account for only an estimated 13.2 per cent of the total market. Other participants in the market include:

- co-operatives and buying groups such as Mitre 10, True Value, Home Timber and Hardware and Thrifty-Link Hardware;
- category specialists such as Dulux Trade Centres and Barbeques Galore; and
- variety/discount stores such as BIG W and Kmart.

New South Wales and Victoria account for about 60 per cent of the market because of the population size and older housing stock in both of these States. With relatively high levels of economic growth, Western Australia and Queensland are accounting for a growing share of the total market. Bunnings has a high proportion of stores in Victoria and Western Australia, while BBC hardware is largely concentrated in New South Wales and Queensland.

State/ Territory	Bunnings				BBC hardware		
	Estimated Market Size ¹ Sm (per cent)	Estimated Market Share ² (per cent)	Bunnings Warehouse Stores	Traditional and Bargain/ Variety stores ³	Estimated Market Share ⁴ (per cent)	Hardware house stores ⁵	Traditional stores ⁶
NSW ⁷	6,480 (34.1)	0.5	5	0	9.6	28	49
VIC	4,930 (25.9)	10.5	20	4	3.7	8	5
Qld	3,445 (18.1)	4.6	7	0	8.7	12	33
WA	1,895 (10.0)	19.7	10	28	3.1	5	1
SA	1,410 (7.4)	7.8	3	4	0.2	0	1
Tas	320 (1.7)	0.0	0	0	7.7	2	1
NT	280 (1.5)	8.6	0	2	0.0	0	0
ACT ⁸	240 (1.3)	13.8	1	0	24.4	1	6
TOTAL	19,000 (100.0)	6.6	46⁹	38	6.6	56	96

Notes:

1. Total market size from IBIS
2. Based on 1999/2000 Bunnings and WA Salvage sales. Excludes forest products and other business units' sales in the home improvement, home leisure and building products market.
3. As at 31 May 2001, including 17 WA Salvage bargain/variety stores in Western Australia.
4. Based on reported total 1999/2000 sales with an estimate for New Zealand sales deducted and then broken down by State based on estimates.
5. As at 31 May 2001. In addition there are four Hardwarehouse stores in New Zealand.
6. As at 31 May 2001 and excluding 11 truss and manufacturing plants. In addition there are 38 traditional stores in New Zealand.
7. Excludes Queanbeyan.
8. Includes Queanbeyan.
9. The 47th Bunnings Warehouse store will open in June 2001 in Queensland.

The trade sector of the market relies on new home construction and home improvement/renovation activity.

New home construction activity is cyclical, affected by employment prospects, housing supply, immigration rates, interest rates and affordability. In the medium to long term, new home demand will be a function of population size and composition, age of houses and social trends.

Home improvement is less sensitive to the social and economic factors that affect the new home market. The family home is generally not subject to capital gains tax - a factor that has favoured home improvement. In addition, the high cost of moving homes has acted as a further incentive for people to improve their existing dwellings.



The retail sector of the home improvement segment of the market is often referred to as the Do-It-Yourself (DIY) market. DIY margins are higher and sales are less cyclical than the trade sector. The retail sector has gained a larger share of the market at the expense of the trade sector due to a range of factors including:

- the willingness of individuals to undertake home improvements themselves, complemented by a more user-friendly range of products and more information and self help in the form of television programmes and magazines;
- an increase in the average age of housing stock, resulting in higher levels of spending on repairs and renovations. The smaller size of these renovations and additions is suited to the DIY owner/occupier;
- increased household disposable income. Since 1990, average household disposable incomes have been increasing, providing consumers with more money to spend on retail goods, including home improvement, home leisure and building products; and
- an ageing population. Over the next ten years, the fastest growing age group will be the 50 to 64 year olds. Compared to any other population group, the 50 to 64 year olds have more disposable income and available time.

5.2 Outlook for the Australian hardware market

While the Australian hardware market is expected to contract slightly in the 2001 Year, as a result of the once-off impact of the introduction of the GST, the market is forecast to continue to grow at an annual average growth rate of five per cent over the five year period to 30 June 2005. This is expected to take the market size to \$22.4 billion by 30 June 2005. It is likely that, during this period, trade sales will not grow significantly and retail sales will provide the majority of this growth.

The home improvement/DIY segment of the market has been the strongest growing segment and it is expected to continue to grow at a faster rate than that for the overall hardware market. This trend reflects an increase in discretionary consumer spending on household improvements first seen in the United States and now evident in Australia.

Wesfarmers considers that the outlook for trade sales is not particularly positive. Home construction activity is being affected by low immigration rates and an ageing population. In addition there is increasing competition amongst trade product manufacturers and suppliers, as barriers to competition are removed. Against this background, Wesfarmers also considers the outlook is for downward pressure on trade margins.

5.3 The warehouse and traditional store formats

Bunnings and BBC hardware stores can be classified into two types:

(a) Warehouse stores

Warehouse stores (for example, Bunnings Warehouse stores and Hardware stores) have been instrumental in encouraging the DIY trend through higher levels of customer service staff to provide advice, a wider range of products aimed at the home handyman and the ability to provide all the materials and equipment for most jobs at the one location.

With the higher use by DIY consumers, the warehouse store margins are higher and earnings are more resilient than trade sales.

The warehouse format is also usually characterised by:

- Low building and maintenance costs. This provides lower occupancy costs, the benefit of which can be passed on to customers through lower prices and better service.
- Larger showroom areas. The larger format caters for the bulky nature of products sold and enables the customer to enjoy a greater variety of products not normally available from smaller stores.
- The store itself acts as a warehouse with excess stock stored on racks and is therefore less reliant on a centralised warehouse distribution facility.
- Hire shop and customer advisory services to assist in undertaking projects previously left to the specialist.
- Staff include qualified trade personnel.
- Wide product variety at keenly competitive pricing.



(b) Traditional stores

Traditional stores (for example, Bunnings, BBC hardware and Benchmark Building Supplies stores) represent a major sector of the home improvement, home leisure and building products market both by numbers of stores and sales.

Traditional stores, which often derive a higher proportion of sales from trade customers, are as such more exposed to declining economic conditions and home constructions. They also are generally adversely impacted by competition from warehouse stores and in most instances provide lower returns than warehouse stores. Nonetheless, Bunnings traditional stores provide rates of returns equivalent to Bunnings Warehouse stores and are profitable albeit on a smaller scale.

5.4 Positioning of Bunnings and BBC hardware

(a) Bunnings

Bunnings is a mass merchandiser of an extensive range of home improvement, home leisure and building products, catering mainly for the DIY customer, small to medium sized builders and owner builders.

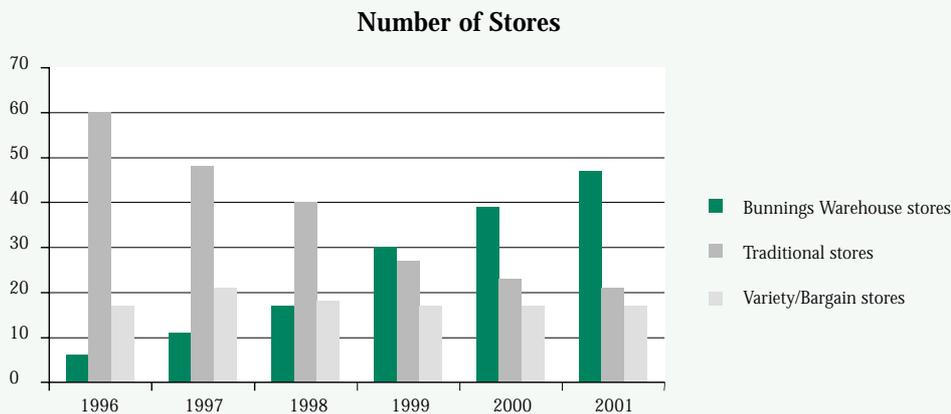
History

Over the past decade Bunnings has pursued a strong expansion programme to develop a nationwide chain of Bunnings Warehouse stores in all mainland States and Territories of Australia. In 1990, the successful retail focussed Alco hardware chain was acquired and integrated into a then heavily trade oriented Bunnings business. The Alco management team, led by Mr Joe Boros, Bunnings' current Managing Director, transformed the Bunnings business into a hardware retailer targeting the DIY market.

In 1993, Bunnings expanded beyond its traditional Western Australian and Northern Territory markets with the acquisition of the financially troubled McEwans chain. This gave the business a Victorian and South Australian base into which the strong DIY focussed Bunnings retail approach was successfully introduced. In 1994, Bunnings piloted the first of its new warehouse format stores in Victoria.

Current store numbers

As at 30 June 2001, Bunnings will have 68 stores nationally of which 47 are Bunnings Warehouse stores. Bunnings also operates the WA Salvage retail chain, specialising in the supply of a broad range of discounted variety merchandise and building products through 17 stores. The number of stores (by category) is shown in the table below:



NOTE: Numbers are as at 30 June



As can be seen from the graph above, Bunnings has rationalised its traditional stores and focussed on increasing the number of Bunnings Warehouse stores. The number of variety/bargain stores (which previously included McEwans Variety Bargains in Victoria, but now comprise WA Salvage in Western Australia only) has remained relatively static.

Presently, Bunnings leases 29 Bunnings Warehouse sites from the Bunnings Warehouse Property Trust under long term leases on commercial terms. Other properties on which Bunnings Warehouse or traditional stores are situated are either leased from unrelated parties or owned by Wesfarmers. The Bunnings Warehouse Property Trust is a listed entity which is 31.5 per cent owned by Wesfarmers. It was established by Wesfarmers in 1998 to separate the operational and property aspects of the Bunnings business and to optimise the use of capital associated with the Bunnings Warehouse rollout programme.

Bunnings Warehouse strategy

Year to date for the 2001 Year, Bunnings Warehouse stores accounted for about 82 per cent of total Bunnings sales. Of the total sales revenue, 87 per cent is categorised as retail sales. In Bunnings Warehouse stores the level of retail sales is 89 per cent.

The Bunnings Warehouse positioning statement is "Lowest Prices Are Just The Beginning" and its marketing strategy is based on a broad product range, a high level of customer service and a competitive pricing policy. Initiatives such as in-store cafes, DIY workshop clinics and children's play areas are designed to enhance the Bunnings Warehouse shopping experience. Bunnings aims to achieve market leadership across its product range by developing specialised category areas within its stores and providing for the particular needs of customers in different regions.

Management & staffing

Bunnings is managed as a business unit within Wesfarmers. Mr Joe Boros has served as Managing Director of Bunnings since 1990 and as a member of the Wesfarmers Executive Committee since 1994. Bunnings now has almost 10,000 employees and the numbers are increasing rapidly with the Bunnings Warehouse rollout programme. To support the large recruitment effort demanded by the Bunnings Warehouse rollout, significant investments are being made in induction and ongoing skills training to ensure that all employees are well equipped to deliver the desired customer service levels.

All permanent Bunnings employees have the opportunity to participate in various incentive schemes aimed at focusing them on all aspects of Bunnings' operational performance. These schemes reflect and enhance the strong performance culture of the business.

Technology

Bunnings has a net commercial benefit approach to new technology. A proprietary online internet trading system has been developed which facilitates transactions with suppliers with a high level of performance and efficiency. A similar internet facility to transact business with trade customers is in final testing and is expected to be rolled out in the next financial year. Radio frequency technology, which enhances communication and data exchange within the large store format, is also used extensively to improve operational flexibility and efficiency.

Bunnings recognises the ongoing importance of technology in its business and has a number of development projects to improve efficiencies, reduce costs and improve market positioning and penetration.

Financial performance

Since the 1995 Year, Bunnings' sales have grown from \$480 million to a forecast \$1,355 million for the 2001 Year. This represents a compound annual growth rate of 19 per cent over the six year period. Bunnings' sales growth has come from both strong year on year sales growth for individual stores and the roll-out of new Bunnings Warehouse stores.

In this same six year period, Bunnings' EBIT has grown from \$27 million to a forecast \$129 million for the 2001 Year, a compound annual growth rate of 30 per cent.



Sales from Bunnings Warehouse stores alone have grown from \$40 million in the 1995 Year to \$957 million in the 2000 Year. Average turnover per Bunnings Warehouse store was \$27 million in the 2000 Year. For the 2001 Year, sales from Bunnings Warehouse stores are forecast at \$1,120 million with average turnover per Bunnings Warehouse store remaining at a similar level without adjustment for the impact of the GST.

Outlook

Absent the Howard Smith acquisition, the directors of Wesfarmers are confident that Bunnings revenue growth will be similar to past growth rates and earnings are expected to grow strongly. The Bunnings business forecasts a continued rollout of Bunnings Warehouse stores, with between 90 and 100 Bunnings Warehouse stores planned to be in operation by 30 June 2005. In this scenario, the focus of future store roll-outs would be in the New South Wales and Queensland markets where Howard Smith is well represented. Strong store on store sales and earnings growth from existing Bunnings stores are also forecast.

(b) BBC hardware

BBC hardware has two core activities:

- distribution of hardware, lifestyle, home improvement and building products principally through the Hardwarehouse chain of large warehouse type stores; and
- distribution to mainly trade customers of hardware, building and construction products primarily through the conventional hardware chains, BBC hardware in Australia and Benchmark Building Supplies in New Zealand.

History

In 1994, Howard Smith acquired BBC hardware from Burns Philp Limited, which at that time included four Hardwarehouse stores (with four more under construction) and the Benchmark Building Supplies business in New Zealand. Wesfarmers understands that Burns Philp Limited had developed the first Hardwarehouse store in 1992 as part of an exit strategy to present BBC hardware as a potential Australian "Home Depot" and the early Hardwarehouse stores were developed quickly. Also in 1994, Howard Smith acquired Campbells Hardware and Timber.

Each of the hardware operations acquired by Howard Smith had a very strong trade focus and the needs of the trade customer base were prominent in Howard Smith's approach to planning and development of the Hardwarehouse store format.

Current Store Numbers

Wesfarmers understands that BBC hardware has 152 stores in Australia and 42 in New Zealand, a total of 194 stores. 60 of these are Hardwarehouse stores, 96 BBC traditional stores and 38 Benchmark Building Supplies stores. In addition, Wesfarmers understands that BBC hardware operates 11 truss and timber manufacturing plants.

Hardwarehouse Strategy

Howard Smith presents and operates the BBC hardware business as a hardware distributor. This reflects in part an alignment of aspects of the BBC hardware business with Howard Smith's Blackwoods business and the continued trade focus. Within this setting, BBC hardware presents Hardwarehouse stores as distributors of hardware, lifestyle, home improvement and building products with market positioning statements of "Its All Here At Hardwarehouse" and "always the best brands at the best prices ... guaranteed".

Hardwarehouse stores accounted for about 55 per cent of total BBC hardware sales in the 2000 Year. Of total BBC hardware sales revenue, 50 per cent was categorised as retail sales in the 2000 Year and 59 per cent in the first half of the 2001 Year. An 18 per cent decline in trade sales below the previous corresponding half year was a major contributor to the lift in the proportion of retail sales.



Management

Ian Tsicalas was chief executive of the BBC hardware business from its acquisition by Howard Smith in 1994 until April 2000 when he was succeeded by Mr Paul Handby. Mr Handby resigned in May 2001 at which time Howard Smith advised that Mr Ian Tsicalas had assumed the role of Acting Chief Executive of BBC hardware and would hold that position until such time as a new appointment is made.

Technology

Howard Smith annual reports contain details of significant technology and system investments by BBC hardware business. System investments have been made in the areas of financial, point of sale, human resources and the SAP IS-Retail enterprise resource planning system.

Financial performance

Since the 1995 Year, BBC hardware's sales have grown from \$1,089 million to a projected \$1,500 million for the 2001 Year. This represents a compound annual growth rate of six per cent over the six year period.

In this same six year period, BBC hardware's EBIT has grown from \$51.4 million to a forecast \$91.0 million for the 2001 Year, a compound annual growth rate of 10 per cent.

Sales from Hardwarehouse stores were estimated at \$813 million in the 2000 Year and average turnover per Hardwarehouse store is estimated at \$17 million in that year.

Outlook

On 29 May 2001, Howard Smith announced:

"Depressed conditions in the housing sector and the general slowdown in the Australian economy, which adversely affected first half trading, have continued into the third quarter.

The housing sector downturn has been most pronounced in NSW and Queensland, the most important states of BBC hardware's operations. As a result, BBC hardware's trade sales have continued to deteriorate into the second half of the financial year. Retail sales have been more resilient and continue to grow, albeit at a slower rate than the corresponding period last year.

In response to these market conditions and in order to enhance the future profitability of BBC hardware, the Board has taken the decision to accelerate the planned closure of a number of under-performing conventional stores. A significant provision for closure costs of approximately \$10 million will be made in the Group's 2001 financial accounts.

The roll-out of new Hardwarehouse stores continues on track with the opening of the 60th Hardwarehouse located in Wagga Wagga, NSW in May and further Hardwarehouse stores are expected to be opened or under construction by the end of the current calendar year."

and

"An improvement in the housing sector and in the Australian economy generally is expected in the second half of this calendar year. The longer term prospects of ... hardware... remain excellent and will benefit from the expected upturn in these markets."

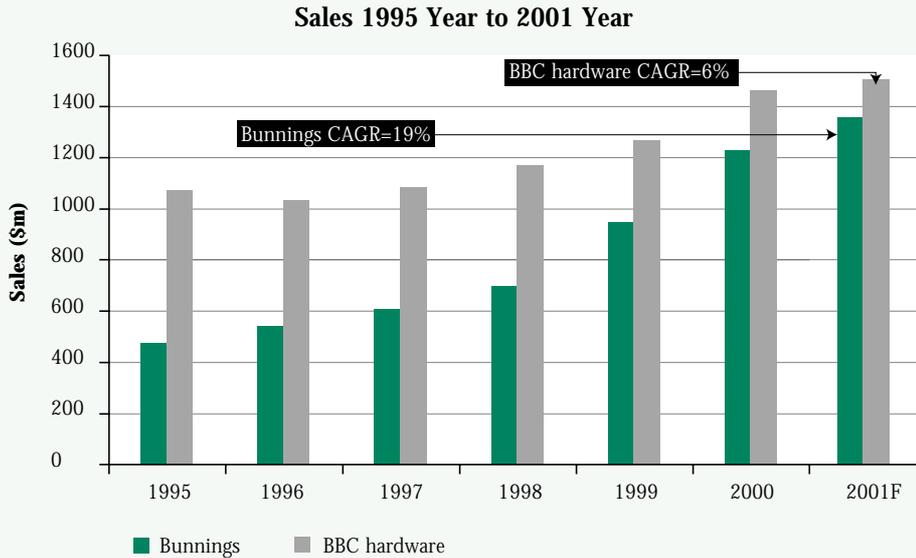
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(c) Comparison of Bunnings and BBC hardware

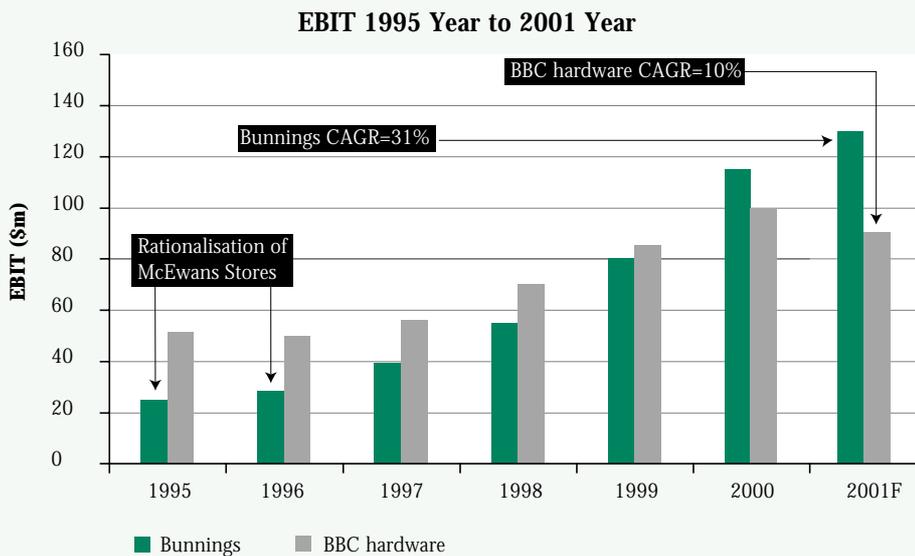
Set out below are comparisons of annual sales and EBIT for Bunnings and BBC hardware for the period that BBC hardware has been owned by Howard Smith. Respective compound annual growth rates have also been calculated.



Source: In respect of Howard Smith, its annual reports for the 1995 to 2000 Years. The Howard Smith forecast information is Wesfarmers' estimate.

Note: Forecast information must be read in conjunction with the notes and assumptions in section 7.

Bunnings has generated a sales growth rate 215 per cent higher than BBC hardware during this period.



Source: In respect of Howard Smith, its annual reports for the 1995 to 2000 Years. The Howard Smith forecast information is Wesfarmers' estimate.

Note:

Bunnings EBIT excludes abnormal profit on sale of properties to the Bunnings Warehouse Property Trust in the 1999 Year. Forecast information must be read in conjunction with the notes and assumptions in section 7.

Bunnings has generated an EBIT growth rate 210 per cent higher than BBC hardware during this period.



(d) Key Trading Comparatives

- Bunnings' operations are significantly more DIY/retail focussed than BBC hardware's operations.
- By the end of the 2001 Year, there will be 13 more Hardwarehouse stores operating than Bunnings Warehouse stores. The difference in the number of stores has been consistent over several years.
- Despite having a lower number of warehouse stores, aggregate Bunnings Warehouse store sales are higher than those of Hardwarehouse store sales. Wesfarmers Retail estimates that average Bunnings Warehouse store sales are approximately \$10 million (60 per cent) higher than average Hardwarehouse store sales.
- Average profitability of Bunnings stores (warehouses and traditional) is significantly higher than that of BBC hardware.
- Bunnings has estimated that its 2001 Year EBIT to sales ratio is around 50 per cent higher than that for the BBC hardware division.
- Bunnings has estimated that its 2001 Year EBIT return on capital employed will be around twice that of BBC hardware.

5.5 Profile of the merged Bunnings/BBC hardware business

(a) Continued Growth

The merged Bunnings/BBC hardware business is anticipated to continue strong growth in sales and earnings through:

- strong store-on-store growth in sales from Bunnings' existing operations;
- sales and earnings growth from the application of Bunnings' operating model to BBC hardware, and in particular, the Hardwarehouse stores; and
- the merged Bunnings/BBC hardware division increasing the number of new Bunnings Warehouse stores at 10-12 per year.

(b) Scale

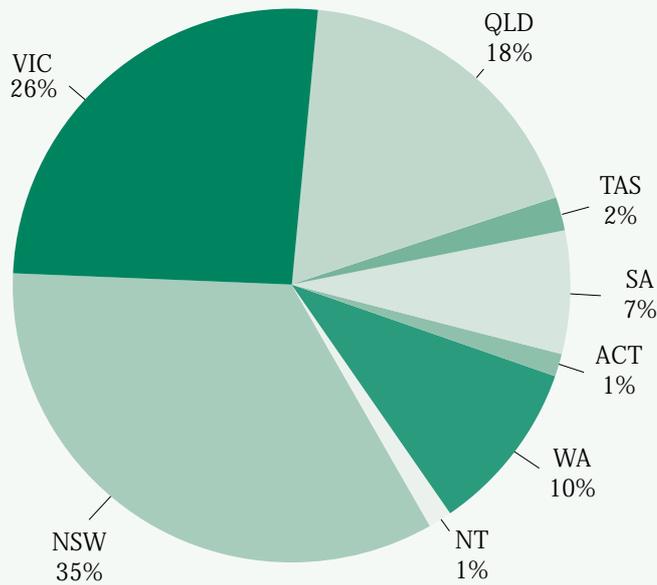
The merged Bunnings/BBC hardware businesses are forecast to generate sales of \$3 billion, making them the largest participant in the Australian hardware market and a major participant in the New Zealand hardware market.



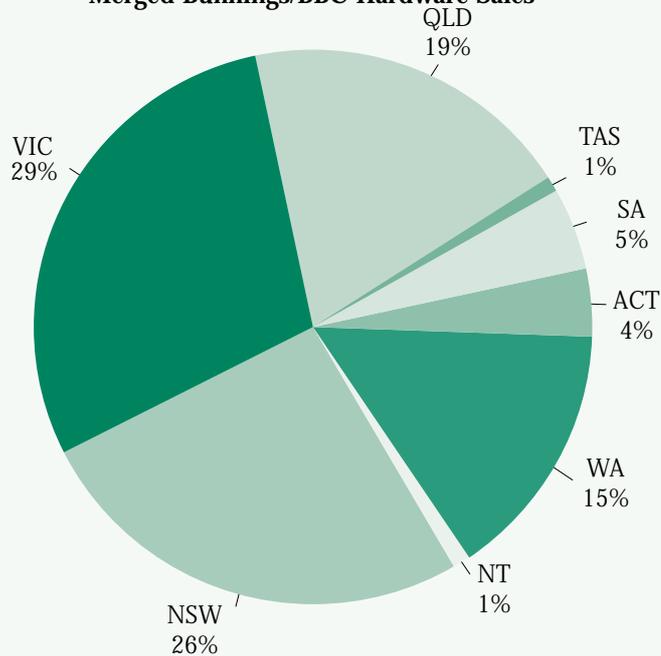
(c) **Market Position**

The following charts compare Bunnings' estimates of the Australian hardware market by State, and the aggregate 2000 Year sales of the merged Bunnings/BBC hardware business. They illustrate that, based on the 2000 Year sales, the geographic spread of sales of the merged business is similar to the regional split of the Australian hardware market.

Australian Hardware Market



Merged Bunnings/BBC Hardware Sales





Effect of the Offer on Wesfarmers

6.1 Rationale for the Offer

Wesfarmers believes that a number of compelling strategic and financial benefits will arise from the proposed combination of Wesfarmers and Howard Smith. These include:

- (a) The Bunnings and BBC hardware businesses are a highly complementary fit with very little geographic overlap. Wesfarmers believes that there is only a small number of stores across Australia that compete directly with one another in terms of local customer catchment.
- (b) The acquisition of Howard Smith will enable Wesfarmers to rapidly expand its Bunnings business division. Bunnings will gain an immediate and stronger presence in New South Wales and New Zealand - markets in which Wesfarmers intends to develop its presence - and increase its presence in Queensland, Victoria and Western Australia.
- (c) Wesfarmers believes that, by applying the Bunnings operating model to BBC hardware's Hardwarehouse stores, Bunnings will be able to achieve a significant trading improvement in those Hardwarehouse stores in terms of turnover, profitability and other key performance indicators. As detailed in section 5.4, Bunnings has significantly outperformed BBC hardware.
- (d) In addition to the trading improvement, Bunnings anticipates that it will be able to gain benefits of scale with the combined hardware business forecast to be generating revenues of \$3 billion in the 2002 Year. Additional benefits are expected to be available as a result of:
 - operating synergies in store administration, merchandising and advertising;
 - overhead synergies in information technology, administration, store development and corporate services;
 - the ability to combine the best of both management teams - particularly at a store level;
 - a larger customer and supplier base from which to develop and leverage on-line and business-to-business opportunities; and
 - the ability to accelerate the programme for closing unprofitable BBC hardware stores.
- (e) Wesfarmers has a track record of achieving profitable growth in a range of diversified businesses through its disciplined strategic management approach. Wesfarmers intends to retain, and by applying its management approaches and systems grow and improve the profitability of, the Blackwoods business. As disclosed in section 6.3, Wesfarmers intends that the Blackwoods business would be managed as a stand alone division of Wesfarmers.

6.2 Intentions in relation to Howard Smith Options

Wesfarmers Retail intends to make an offer to acquire the Howard Smith Options on issue once full details of the terms of the Howard Smith Options are disclosed. The details of the Howard Smith Options are set out in section 3.3. The Offer for Howard Smith Options will be conditional on Wesfarmers Retail acquiring 90 per cent or more of Howard Smith's ordinary shares under the Offer. If the options are not transferable, Wesfarmers Retail will, subject to any modifications required to the Corporations Law being obtained, seek to have the Howard Smith Options cancelled for the payment of a cancellation fee. If all Howard Smith Options are not acquired under the options offer, subject to being permitted to do so under the Corporations Law, Wesfarmers Retail intends to seek to compulsorily acquire, under the provisions of the Corporations Law, Howard Smith Options which have not been exercised or acquired by Wesfarmers Retail prior to the close of the Offers (or if those options are not transferable, have them cancelled for the payment of a cancellation fee).

6.3 Post takeover intentions

(a) Approach

This section sets out Wesfarmers Retail's intentions based on the facts and information concerning Howard Smith, its business and the general business environment which are known to Wesfarmers Retail at the time of preparation of this Bidder's Statement.

Final decisions will only be reached by Wesfarmers Retail in light of material facts and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.

The intentions of Wesfarmers Retail described in this Bidder's Statement also reflect the intentions of Wesfarmers, and vice versa.

(b) Intentions upon acquisition of 90 per cent or more of Howard Smith

(1) Corporate matters

Wesfarmers Retail intends to:

- proceed with compulsory acquisition of the outstanding Howard Smith Shares in accordance with the provisions of the Corporations Law including any Howard Smith Shares which are issued after the close of the Offer and as a result of exercise of the Howard Smith Options;
- arrange for Howard Smith to be removed from the Official List of the ASX; and
- replace all members of the board of directors of Howard Smith. Replacement board members will include Messrs Chaney, Fraunschiel and Boros. Other replacement board members have not yet been identified by Wesfarmers Retail.

(2) Head office and head office employees

Wesfarmers Retail intends to centralise corporate head office functions such as company secretarial, treasury, financial management, accounting, risk management and in-house legal, as well as those functions involved in setting overall planning and control of the combined operations of Wesfarmers and Howard Smith, and thereby seek to reduce or eliminate costs where possible and appropriate, particularly in instances where those costs relate to duplicated activities.

In relation to Howard Smith's information systems, Wesfarmers Retail will conduct an immediate review as part of a general operational review of Howard Smith's BBC hardware and Blackwoods operations as detailed in section 6.3(b)(3), with a view to ensuring the information systems of Blackwoods operate on a stand-alone basis and the systems of BBC hardware are integrated with Bunnings (as described below).

If Wesfarmers Retail considers that it is not feasible to allocate alternative responsibilities to a Howard Smith head office employee whose responsibilities currently include head office activities that would be duplicated in the Merged Entity, it is expected that the employee would be made redundant and would receive, on redundancy, payments and other benefits in accordance with contractual and other legal requirements.

(3) General operational review

Wesfarmers Retail intends to conduct an immediate, broad-based, general review of Howard Smith's operations. The review is expected to identify opportunities (strategic and operational) to enhance the performance of existing businesses and expand existing businesses. The review will also apply quantitative factors to measure financial performance and identify areas which can be improved. As part of its review, Wesfarmers Retail will also:

- identify areas of potential cost savings;
- review management structures and personnel to evaluate existing resources and develop a plan for optimising those resources over time;
- examine methods to improve the efficiency of operations through purchasing synergies and integrating management and reporting lines;



- review the potential for the sale of Howard Smith warehouse properties to Bunnings Warehouse Property Trust or other external parties, if suitable terms could be agreed. As at the date of this Bidder's Statement, there have been no discussions regarding the Offer and its potential implications with the Bunnings Warehouse Property Trust; and
- to the extent required, perform a detailed legal, financial (including accounting and taxation), treasury and risk management analysis on any issues or recommendations that emerge from the review.

(4) *Specific operational intentions*

(A) Integrate BBC hardware with Bunnings

Subject to the outcome of the review mentioned in section 6.3(b)(3), it is anticipated that the existing BBC hardware operations will be integrated with Wesfarmers' Bunnings business unit as soon as possible.

The merged Bunnings/BBC hardware business will be managed at a business unit level by the existing Bunnings management and store support structure, which includes managerial and operational support services in the areas of store administration, merchandising, advertising, trade, store development, finance, administration and information technology. The existing Bunnings management and store support structure will require expansion to service the larger merged store network, particularly in New South Wales and Queensland, and resources will be supplemented by retaining as many of BBC hardware's existing management and store support staff as is appropriate.

To integrate the Hardwarehouse stores into Bunnings' operations:

- the physical appearance, layout and merchandising of each store will be restructured in line with Bunnings' standards;
- intensive staff training will be conducted for store management and staff;
- staffing will be reviewed and it is likely that this review will give rise to a greater level of permanency in the workforce and an increase in expenditure to meet Bunnings service standards;
- in-store technology will be aligned with and linked to Bunnings systems and standards; and
- Bunnings Warehouse branding will be adopted in all Hardwarehouse stores other than those situated in New South Wales and New Zealand.

Where the location and/or design of a Hardwarehouse store is particularly ineffective or it is located too closely to an existing and better located Bunnings Warehouse store, consideration will be given to its closure, subject to a specific review of property tenure and financial data pertaining to that Hardwarehouse store to determine the net financial impact of terminating trading from that store. To the extent the performance of a store does not warrant the capital employed by the store, it is likely to be closed. Based on very limited amount of public information available to date, current expectations are that there may be closures in up to nine Hardwarehouse stores which would be anticipated to take place within 12 months of the acquisition.

BBC hardware has been rationalising its network of traditional BBC hardware stores and on 1 May 2001 announced an intention to accelerate the planned closure of a number of under-performing traditional BBC hardware stores. Wesfarmers Retail expects to continue and increase the rate of closure of those traditional BBC hardware stores where trading performances do not meet acceptable levels of profitability and rate of return on capital employed. Following the successful completion of the Offer, an immediate review of individual traditional BBC hardware store financial performance and property tenure will be conducted with a view to accelerating the Howard Smith traditional BBC hardware store rationalisation programme. It is anticipated that closures of up to 85 traditional BBC hardware stores could be completed within 24 months after completion of the Offer. Traditional BBC hardware stores trading to, or with the potential to trade to, acceptable standards will be fully integrated into the Bunnings business along similar lines to the integration plans for Hardwarehouse stores.

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As a result of the management and store support integration plans and store closure activities, it is likely that some BBC hardware management, store support and store staff could be made redundant and would receive, on redundancy, payments and other benefits in accordance with contractual and other legal requirements. Bunnings has plans to continue to develop and open new stores. It also plans to increase service intensity levels within existing Hardwarehouse stores. These plans will give rise to employment opportunities and, where appropriate, Bunnings will endeavour to redeploy BBC hardware staff that would otherwise be made redundant.

On integration of the Bunnings and BBC hardware businesses, BBC hardware staff will participate in Bunnings' team member incentive schemes which focus all team members on the performance of the business.

No changes are expected to management, staffing or operations of the existing Benchmark Building Supplies operations and stores in New Zealand in the short term. Following the operational review referred to in section 6.3(b)(3), proposals to increase efficiencies and profitability and maximise the potential synergies of the enlarged division will be considered.

(B) Retain Blackwoods as a separate division

Wesfarmers' intention is that the Blackwoods division will be retained. Subject to the outcome of the review referred to in section 6.3(b)(3), it is anticipated that:

- the Blackwoods division will be managed as a separate operating business within Wesfarmers with significant operational independence from Wesfarmers' other business units; and
- the existing operations of the Blackwoods division will be maintained and no disposals or redeployment of assets or operational staff changes will be required.

While it is not possible to predict whether changes will be required following completion of the review, it is not currently anticipated that there will be material operational or managerial changes to emerge from the review.

(5) *Employees generally*

Wesfarmers intends to invite continuing employees of Howard Smith to participate in the Wesfarmers employee share plan described in section 2.7. Service with Howard Smith will be deemed to be service with Wesfarmers in determining when employees are entitled to participate in the plan.

(6) *Divestment policy*

Wesfarmers Retail does not currently intend to dispose of assets of Howard Smith other than as specified above, but it does not have all necessary information available to it to express a firm intention as at the date of this Bidder's Statement. Whether any business, asset or investment of Howard Smith ought to be sold will not be determined until the review mentioned above is completed.

(c) **Business, assets and employees**

Other than as set out in sections 6.3(b) and 10.2 (implications if less than 90 per cent is acquired), it is the present intention of Wesfarmers Retail:

- (1) to continue the businesses of Howard Smith;
- (2) not to make any major changes to the businesses of Howard Smith and not to redeploy any of the fixed assets of Howard Smith; and
- (3) to maintain the employment of Howard Smith's existing employees.



6.4 Achievement of potential trading uplift and synergies

Wesfarmers Retail believes that the acquisition of 100 per cent of Howard Smith will, over time, deliver cost savings and an improved operating performance for the merged Bunnings/BBC hardware business. These benefits are expected to arise as a result of the implementation of the intentions described in section 6.3. The quantum of these benefits is estimated to be approximately \$40 million in the 2002 Year. Further benefits are anticipated in subsequent years but the quantum and timing for achievement are contingent and therefore cannot be quantified at this stage.

6.5 General effect of acquisition on Wesfarmers

(a) General

The acquisition of Howard Smith is not expected to have a material effect on any existing business unit of Wesfarmers other than Bunnings. As indicated above, if Wesfarmers is successful in acquiring 90 per cent or more of Howard Smith, it intends to integrate the Bunnings and BBC hardware businesses.

A successful acquisition of Howard Smith will also add further diversification to Wesfarmers through the addition of the Blackwoods business. This business will be operated as a separate business unit.

(b) Effect on capital structure

	No. of Wesfarmers Shares '000
Issued capital after the Wesfarmers Buy-back ⁽¹⁾	281,746
Maximum shares to be issued under the Offer	79,036
Issued capital if all Howard Smith shareholders accept the Offer	360,782

Note:

- (1) On 6 April 2001, Wesfarmers shareholders approved a share buy-back to acquire the 136,033,934 Wesfarmers Shares which Wesfarmers controls as a consequence of the Wesfarmers Ownership Simplification Plan. The buy-back will be implemented in early July 2001 and will result in no net outflow of funds from Wesfarmers (other than transaction costs, which are anticipated to be immaterial). See section 2.1 above for an explanation of the Wesfarmers Ownership Simplification Plan.

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Financial effect on Wesfarmers of acquiring 100 per cent of Howard Smith



7.1 Introduction

For the purposes of considering the effect of the Offer on Wesfarmers, the following financial information for the Merged Entity has been prepared:

- forecast proforma consolidated balance sheet (using extracts from Wesfarmers and Howard Smith balance sheets as at 31 December 2000);
- forecast proforma consolidated profit and loss statements for the 2002 Year (including a sensitivity analysis); and
- financial ratios for the Merged Entity.

Disclosure regarding forward looking statements

The forecasts, forecast proformas and other statements in this document which constitute forward looking statements involve known and unknown risks, uncertainties and other important factors which may materially impact on actual outcomes, many of which are outside the control of Wesfarmers Retail and Wesfarmers. These factors will cause the actual results, performance or achievements of Wesfarmers, Howard Smith or the Merged Entity to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forecasts or forward looking statements. Such risks, uncertainties and other important factors include, among other things, those matters set out in section 9.

The forecasts, proformas and other forward looking statements do not constitute a representation that future profits (or any other matter) will be achieved in the amounts or by the dates indicated and are presented as a guide to assist Howard Smith shareholders in considering the effect of completion of the Offer on Wesfarmers. The forecasts, proformas and other forward looking statements are based on information available to Wesfarmers Retail at the date of this Bidder's Statement.

Howard Smith financial information

In preparing the forecast proforma balance sheet and forecasts for the Merged Entity, financial information regarding Howard Smith is required and has been sourced from publicly available information (including the sources specified in section 3.1 and broker consensus information obtained from Multex) adjusted where considered appropriate by Wesfarmers Retail based on Wesfarmers' industry knowledge and expertise.

Wesfarmers Retail and Wesfarmers have not had access to information on Howard Smith other than that which is available in the public domain.

There is therefore some uncertainty associated with the financial information relating to Howard Smith. Wesfarmers Retail does not, subject to the Corporations Law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. It is expected that Howard Smith will release up-to-date financial information and financial forecasts in its Target's Statement which will be sent to Howard Smith shareholders.

More detailed financial analysis

A more detailed description of the forecast proformas and forecasts contained in this section 7 is set out in annexure E. The summary information in this section 7 must be read subject to the qualifications, assumptions and disclosures contained in annexure E.

Review of financial information

A report on the compilation of the historical and forecast proforma balance sheets and on the forecast financial information by Ernst & Young is contained in annexure D and supports Wesfarmers' belief that:

- the forecast proforma consolidated balance sheets of Wesfarmers and the Merged Entity, which are summarised in section 7.2, have been properly compiled based on information extracted from the half yearly financial statements of Howard Smith and Wesfarmers as at 31 December 2000 and on the assumptions detailed in section 7.2;
- the forecast results of Wesfarmers, which are summarised in section 7.3, are presented on a basis consistent with Wesfarmers' accounting policies and are in accordance with the applicable Accounting Standards and other mandatory professional reporting requirements in Australia and give effect to the directors' assumptions and have been correctly compiled as detailed in section 7.3;
- except for the limitation in scope referred to in the Accountant's Report, the forecast results of the Merged Entity, which are summarised in section 7.3, are presented on a basis consistent with Wesfarmers' accounting policies and are in accordance with the applicable Accounting Standards and other mandatory professional reporting requirements in Australia and give effect to the directors' assumptions and have been correctly compiled as detailed in section 7.3; and
- the assumptions made by the directors of Wesfarmers provide a reasonable basis for the Wesfarmers and Merged Entity forecasts set out in section 7.3.

7.2 Forecast proforma Wesfarmers and Merged Entity balance sheets

Set out below is an abridged forecast proforma balance sheet of Wesfarmers as at 30 June 2001 and an abridged forecast proforma balance sheet of the Merged Entity as at 30 June 2001. The Merged Entity proforma is a summary of a more detailed forecast proforma balance sheet for the Merged Entity which is set out in section 2 of annexure E.

The forecast proforma Merged Entity balance sheet assumes the transactions disclosed in sections 1 and 2 of annexure E in relation to Howard Smith and Wesfarmers have taken place. Details of the assumptions relating to the acquisition of Howard Smith and the forecasts for 2001 Year and the dividends that relate to these results are detailed in section 2 of annexure E and are also set out below.



	Abridged Forecast Proforma Wesfarmers 30 June 2001 \$'000	Abridged Forecast Proforma Merged Entity 30 June 2001 \$'000
Current Assets		
Cash assets	113,622	138,167
Other	1,452,156	2,226,766
<i>Total Current Assets</i>	<u>1,565,778</u>	<u>2,364,933</u>
Non-Current Assets		
Intangible assets	302,758	1,488,114
Other	2,078,443	2,510,156
<i>Total Non-Current Assets</i>	<u>2,381,201</u>	<u>3,998,270</u>
TOTAL ASSETS	<u>3,946,979</u>	<u>6,363,203</u>
Current Liabilities		
Borrowings	559,485	608,150
Other	935,419	1,268,763
<i>Total Current Liabilities</i>	<u>1,494,904</u>	<u>1,876,913</u>
Non-Current Liabilities		
Borrowings	681,732	1,194,331
Other	193,100	232,784
<i>Total Non-Current Liabilities</i>	<u>874,832</u>	<u>1,427,115</u>
TOTAL LIABILITIES	<u>2,369,736</u>	<u>3,304,028</u>
NET ASSETS	<u>1,577,243</u>	<u>3,059,175</u>
Shareholders' Equity		
Total parent entity interest	1,574,812	3,056,744
Outside equity interest	2,431	2,431
TOTAL SHAREHOLDERS' EQUITY	<u>1,577,243</u>	<u>3,059,175</u>

These balance sheets should be read in conjunction with the accompanying notes.

The assumptions relating to the acquisition of Howard Smith are set out below and assume that the balance sheets of Wesfarmers and Howard Smith are adjusted for the transactions occurring after 31 December 2000 as described in section 1 of annexure E and that the following transactions had taken place as at 30 June 2001:

- Wesfarmers successfully acquires 100 per cent of the issued capital of Howard Smith for a total consideration of \$2.0 billion payable by the issue of 79.0 million Wesfarmers Shares and \$474.2 million cash;
- Wesfarmers incurs transaction costs of \$13.2 million, which are capitalised as part of the cost of acquisition;
- Wesfarmers draws down \$487.4 million under a debt facility;
- a provision for a final dividend of \$0.60 per share is made totalling \$47.4 million on the Wesfarmers Shares issued pursuant to the Offer;
- the recipients of the final dividend paid on Wesfarmers Shares issued under the Offer do not participate in the dividend investment plan;

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- adjustments are made in accordance with Australian Accounting Standards totalling \$83.7 million to the fair value of the net assets acquired, the write down of certain assets, the establishment of provisions in relation to the costs associated with store closures and the early termination of service agreements with directors and executives as referred to in Howard Smith's 2000 annual report;
- consistent with the principles set out in Australian Accounting Standard AASB 1015 "Acquisition of Assets", the value ascribed to the Offer for the sole purpose of preparing the proforma information has been derived by assuming a 10 per cent discount on an indicative Wesfarmers share price of \$21.50;
- Wesfarmers achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$134.8 million;
- Wesfarmers provides for a final dividend of \$0.60 per share totalling \$169.0 million on the existing Wesfarmers Shares (excluding those to be bought back) of which 50 per cent is estimated to participate in the dividend investment plan;
- Howard Smith achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$35.9 million;
- Howard Smith provides for no final dividend; and
- no Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.

7.3 Profit forecasts for Wesfarmers and the Merged Entity for the 2002 Year

Set out in the table below are the forecast results for Wesfarmers for the 2002 Year and the Merged Entity forecasts for the 2002 Year. This information is also set out in sections 4 and 5 of annexure E.

	Wesfarmers Forecast 2002 Year S'000	Merged Entity Forecast 2002 Year S'000
Operating revenue	5,027,788	7,420,388
EBITDA	702,556	975,656
Depreciation	171,645	224,645
Goodwill amortisation	15,542	78,772
EBIT	515,369	672,239
Interest	60,166	107,674
Operating profit before tax	455,203	564,565
Tax	132,043	184,821
Operating profit after tax	323,160	379,744
Outside equity interest	(32)	(32)
Operating profit after income tax attributable to members of Wesfarmers	323,192	379,776

This financial information should be read in conjunction with the accompanying notes.

1. Wesfarmers forecast assumptions

The forecast consolidated profit and loss for Wesfarmers for the 2002 Year is based on events and conditions existing as at the date of this Bidder's Statement, including those material assumptions set out below. The assumptions for each business unit should be read in conjunction with the profile of Wesfarmers contained in section 1.



General assumptions

- There will be no significant changes in the competitive environment in which Wesfarmers operates.
- There will be no material costs incurred by Wesfarmers as a result of industrial or contractual disputes other than those specifically identified below.
- There will be no material impact from legislative or regulatory changes in the regions in which Wesfarmers operates.
- There are no changes in applicable Accounting Standards or other mandatory professional reporting requirements in Australia, the Corporations Law or tax legislation which would have a material effect on Wesfarmers' financial results.
- Inflation is assumed for the 2002 Year to be three per cent per annum.
- The A\$:US\$ exchange rate is assumed for the 2002 Year to be \$0.55.
- Goodwill will be amortised over 20 years on a straight-line basis.
- Interest rates are assumed to be consistent with Wesfarmers' current borrowing arrangements.

Hardware and forest products

- Hardware sales for the 2002 Year are assumed to grow from the 2001 Year by 19 per cent. This sales growth is largely due to continuing store on store growth, together with the inclusion of the first full year results of the eight warehouse stores opened during the 2001 Year, the continuing warehouse rollout programme and the conversion of several traditional stores to the larger warehouse format.
- The average gross margin achieved for hardware in the 2002 Year is assumed to decline marginally from that achieved during the 2001 Year, being largely offset by a marginal decline in selling expenses as a percentage of sales.
- Sales for the forest products business unit are assumed to decline significantly in the 2002 Year as a result of the divestment of the woodchip and plantation operations in October 2000.

Fertilisers and chemicals

- Fertiliser sales tonnage is assumed to increase by 15 per cent per annum in the 2002 Year. The underlying factors behind this growth are a return to an average cropping season and increased pastoral demand due to wool price improvement.
- No significant changes in the prices of internationally traded commodity fertilisers are assumed.
- Chemical sales tonnage is assumed to increase marginally in the 2002 Year due to the increased capacity of the ammonia plant.
- The average selling price per tonne of chemicals is assumed to increase marginally in line with sales contracts.

Energy

- Kleenheat's LP gas sales and margins are assumed to remain steady in the 2002 Year. Commissioning and start up costs in the new Bangladesh project will reduce contribution slightly.
- Wesfarmers LPG's production is assumed to increase marginally in the 2002 Year.
- The export prices of propane and butane are assumed over the 2002 Year on a monthly basis with the average prices being \$US275 and \$US265 per tonne respectively, significantly below the 2001 Year prices which represented all time highs.
- The wholesale domestic price of propane is assumed to decline by some eight per cent per annum, as a result of international price linkage.
- Coal sales are assumed to increase in the 2002 Year to more than 11 million tonnes including Wesfarmers' share of Bengalla. This increase is a result of increases in export demand from Curragh and the continued ramp up of production levels at Bengalla following commissioning of the second coal handling plant which is due early in 2002. The new coal handling plant is assumed to operate at less than full capacity for its first six months of operation.



- Sale of most of the production assumed from Curragh and Collie has been arranged under contract and the forecasts are based on these contract prices. Prices for Bengalla coal assume a discount to the Japanese power utilities' thermal coal benchmark, which is widely used in international trade.

Rural services and insurance

- Operating revenue for the rural business unit is assumed to increase in the 2002 Year by 35 per cent mainly as a result of the inclusion of the first full year trading of IAMA.
- Wool sales are assumed to increase marginally with a small increase in market share.
- Livestock sales are assumed to decline as more sheep are redirected to wool production. Cattle prices are assumed to remain high due to continued overseas demand.
- Real estate revenue is assumed to increase by eight per cent, primarily as a result of an improved rural outlook, which is assumed to increase property prices.
- No material losses in merchandising revenue as a result of the merger of Wesfarmers Dalgety and IAMA have been assumed.
- The IAMA integration programme including the assumed closure of branches, the sharing of warehouse space and staff redundancies is continuing as planned. Benefits of the integration are assumed to be achieved over 2002 and the following years in accordance with that plan.
- Insurance operations assume a level of claims consistent with industry long-term averages.

Rail

- The contribution from Wesfarmers' 50 per cent holding in the Australian Railroad Group is assumed to more than double reflecting ownership for the full year, combined with a higher grain harvest and some cost savings.

2. Merged Entity forecast assumptions

The forecast consolidated profit and loss for the Merged Entity for the 2002 Year is based on the forecast consolidated profit and loss for Wesfarmers and the forecast consolidated profit and loss for Howard Smith for the 2002 Year.

The key assumptions underlying the forecast consolidated profit and loss for the Merged Entity for the 2002 Year are summarised below. These assumptions should be read in conjunction with the information concerning the intentions of Wesfarmers for the Merged Entity, as contained in section 6.3 and the assumptions detailed in sections 4 and 5 of annexure E.

- No Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.
- Sales in existing hardware stores are assumed to continue to grow in line with their respective growth rates in previous years.
- One additional warehouse store is assumed to be added, net of closures, during the first year of combined operations, after integrating the roll-out plans of each of Wesfarmers and Howard Smith.
- Operational EBITA synergies and trading uplift benefits of approximately \$40.0 million are assumed to arise as a result of:
 - (i) The assumed conversion of Howard Smith's hardware stores to Bunnings' format. It is planned to convert approximately 23 stores in the first year of the combined operations.
 - (ii) The assumed amalgamation of merchandising teams and improved terms with suppliers which will reduce costs and increase gross margins.
 - (iii) The assumed reduction of advertising costs as a result of the promotion of only one brand in each market.
 - (iv) The assumed amalgamation of store administration, information technology, general administration, store development and corporate services.
 - (v) The assumed closure of approximately 45 of Howard Smith's under-performing smaller traditional stores in the first year of the combined operations.
 - (vi) The assumed centralisation of head office.



- It is assumed Howard Smith's non-hardware business operations continue with no change.

The proposed acquisition by Howard Smith of OPSM's Protector Safety business has not been included in the Merged Entity forecasts given the uncertain timing of the transaction. The impact of the Protector Safety business on the Merged Entity operating profit after tax is not expected to be material.

7.4 Sensitivity analysis

It is usual for a sensitivity analysis to be provided on forecasts provided in a disclosure document such as a Bidder's Statement detailing the sensitivity of results to a percentage movement in a single key business driver. The percentage movement used depends on the variable being sensitised but for this purpose five per cent has been used. Because of the diversified nature of Wesfarmers' operations, and the hedging policies employed, Wesfarmers' results are not materially sensitive to a five per cent movement in a single key business driver such as exchange rates, energy prices, hardware sales and margins, rural commodity prices or interest rates.

If, however, there is a general improvement or downturn in economic conditions or in performance across Wesfarmers' operations contributing to a five per cent change in Wesfarmers' earnings before interest and tax, the operating profit after tax for the 2002 Year for Wesfarmers and the Merged Entity would be:

	Wesfarmers		Merged Entity	
	+5%	-5%	+5%	-5%
EBIT change				
Net Profit After Tax (\$'000)	341,230	305,154	397,815	361,739

7.5 Financial ratios of the Merged Entity

Detailed below are selected key financial ratios of the Merged Entity based on the forecast for the 2002 year.

	Merged Entity
Number of shares on issue (m)	360.782
EPS (cents) (pre-goodwill amortisation)	125.4
EPS (cents) (post-goodwill amortisation)	103.8
Net interest cover - profit basis (times)	6.2
Gearing (net debt to equity) (per cent)	54.4





Sources of consideration

8.1 Maximum Wesfarmers Share and cash consideration

Based on the number of Howard Smith Shares on issue at the date of this Bidder's Statement, the maximum number of Wesfarmers Shares which would become payable under the Offer if every Howard Smith shareholder accepted the Offer is approximately 79.0 million Wesfarmers Shares.

In addition, if all Howard Smith Options on issue as at the date of this Bidder's Statement convert into Howard Smith Shares during the Offer Period, then approximately an additional 1.1 million Wesfarmers Shares would become issuable. If this additional number of Wesfarmers Shares is to be issued, the total number of Wesfarmers Shares which would be issued under the Offer is approximately 80.1 million Wesfarmers Shares. Wesfarmers has the capacity to issue the maximum number of Wesfarmers Shares which it may be required to issue under the Offer.

Based on the number of Howard Smith Shares on issue at the date of this Bidder's Statement, the maximum amount of cash consideration which would be payable by Wesfarmers Retail under the Offer if every Howard Smith shareholder accepted the Offer is approximately \$474.2 million.

In addition, if all Howard Smith Options on issue as at the date of this Bidder's Statement convert into Howard Smith Shares during the Offer Period, then an additional sum of approximately \$6.6 million would also become payable by Wesfarmers Retail. If this additional amount becomes payable, the total cash consideration which would be payable under the Offer is approximately \$480.8 million.

(a) Credit facility from Wesfarmers to Wesfarmers Retail

Wesfarmers Retail has facilities with Wesfarmers under which Wesfarmers has agreed to:

- provide to Wesfarmers Retail, by way of inter-company loan, the cash required by Wesfarmers Retail to pay for the Howard Smith Shares acquired by Wesfarmers Retail (whether under the Offer or otherwise) and to pay all fees, expenses and duties relating to the acquisition of Howard Smith Shares; and
- issue the Wesfarmers Shares required under the scrip component of the Offer.

The loan is repayable on demand, provided that Wesfarmers cannot make any demand for repayment while the Offer remains open or while Wesfarmers Retail has any outstanding obligations to pay for Howard Smith Shares acquired under the Offer.

It is a condition precedent to the availability of funds under the loan facility that the conditions precedent to the Facility from the Commonwealth Bank to Wesfarmers described below are satisfied.

(b) Cash advance facilities from Commonwealth Bank to Wesfarmers

The Commonwealth Bank has provided a letter of offer which Wesfarmers has accepted, under which the Commonwealth Bank has offered to provide to Wesfarmers a cash advance facility (**Facility**) to meet the maximum cash amount payable under the Offer.

Funding is being offered under the Facility for the express purpose of on-lending to Wesfarmers Retail to enable it to pay the cash component under the Offer.

Unless otherwise extended or refinanced, the Facility must be repaid in full on or before 12 March 2002.

Drawings under the Facility are conditional upon Wesfarmers providing a drawdown notice and no event of default under the Facility documentation having occurred.

The events of default under the Facility documentation include:

- failure to comply with obligations under the Facility after notice to remedy has been given;
- the making of a representation which is materially misleading;
- cross-default by Wesfarmers or any subsidiary;
- Wesfarmers or a major subsidiary entering into administration or a winding up;
- material enforcement action being taken against the assets of any member of the Wesfarmers Group; or
- governmental interference to the extent that Wesfarmers is unable to comply with its obligations under the Facility.

At the date of this Bidder's Statement, there has been no event of default under the Facility and Wesfarmers Retail has no reason to believe that any such event of default will occur in the future.

Drawdown on the Facility will be unsecured debt, although Wesfarmers is subject to a negative pledge. Wesfarmers has also given various warranties and financial and other undertakings. Wesfarmers has no reason to believe that those undertakings will not continue to be met during the Offer Period.





Investment risks

9.1 Risks associated with holding shares in Wesfarmers

There are many factors which may influence the price of new Wesfarmers Shares or the dividends paid on them, including the financial performance of Wesfarmers and other factors that are outside the control of Wesfarmers. Accordingly, the price of Wesfarmers Shares may rise or fall over any given period due to these factors.

Holders of Wesfarmers Shares should be aware of the following risks that may affect the performance of Wesfarmers and the value of its shares.

As the Merged Entity would include the business of Howard Smith, Howard Smith shareholders are already exposed to many of the risks set out in this section. In some cases, these risks may be reduced because of the increased scale and diversification of the Merged Entity's operations. In some cases, the risks may be increased.

(a) General risks

- (1) Economic conditions: General economic factors such as economic activity, inflation, currency exchange fluctuations, industrial disruption, interest rate fluctuations, component and commodity prices, stock market prices and changes in government policy, regulations or legislation may have an adverse impact on the Merged Entity and its future operating performance.
- (2) Share market conditions: In general, shares should not be considered to be a short term investment. There are risks associated with investments in shares where investment values may fall as well as rise. The value of shares in the Merged Entity can expect to fluctuate depending on general worldwide economic conditions, changes in government policy, investor perceptions, movements in interest rates and share prices, prices of the Merged Entity's products and services and variations in the operating costs and the capital costs which the Merged Entity may require.

(b) Specific business risks

Wesfarmers has a diverse mix of business activities which exposes the company to a broad range of industry sectors. This has the effect of minimising the adverse effect that cyclical downturns in general economic conditions, commodity prices and seasonal conditions can have on revenue and earnings. Some of the key risks affecting the operations of Wesfarmers are as follows:

- (1) General economic conditions: Many of Wesfarmers' operations are conducted in the Australian domestic market and as such are dependent on general economic conditions in Australia. For instance, the hardware business unit performance is highly leveraged to and therefore dependent on general economic activity affecting retail merchandising within Australia. The gas and coal operations are dependent on demand for energy supplies, which is linked to general economic activity and growth. The chemical business is linked to mining industry activity, particularly in the gold, nickel and iron ore industries. Accordingly, a general decline in Australian economic activity may have an adverse impact on the earnings and profitability of Wesfarmers.
- (2) Commodity prices: With operations in gas, coal, fertilisers and chemicals, wool, livestock and forest products, all of which produce or utilise commodities which are traded on international markets or are impacted by international commodity pricing, Wesfarmers' profitability is dependent in part on world commodity prices in a variety of different industries. Commodity prices can be affected by a range of factors outside the control of Wesfarmers, such as currency exchange rates, worldwide demand, competition and economic conditions.

Through its various importing and exporting businesses, Wesfarmers is exposed to fluctuations in the A\$:US\$ exchange rate.

Some 50 per cent of the exposure which would arise through export coal sales is hedged through a combination of forward currency sales and borrowings in US\$.

The remaining exposure arising through coal and other exports is, to a significant extent, offset by the import by CSBP of commodities priced in US\$ and the purchase by Kleenheat of LP gas which, while priced in A\$, is indexed to the US\$ international benchmark. Actual levels of exposure vary from time to time in line with commodity prices and the degree to which prices change due to market forces.

- (3) Rural seasonal conditions: Wesfarmers has operations in a range of rural services, from production and sale of fertilisers, to the provision of insurance products and sale of real estate in rural markets. As such, the performance of these operations is dependent in part on the general seasonal conditions in its key markets. Having operations throughout Australia, it is considered unlikely that adverse seasonal conditions will prevail in all markets, but such conditions do have the capacity to adversely affect the performance of Wesfarmers.
- (4) Growth: Wesfarmers continues to expand its operations within both its existing businesses and by the development or acquisition of new businesses. Wesfarmers considers acquisitions within its investment parameters from time to time. A recent example is the acquisition of IAMA which is currently the subject of a 12 month integration plan with full benefits of the integration not expected to be achieved for three years. There are always risks that the benefits, synergies or efficiencies expected from such acquisitions or expansions may take longer than expected to be achieved or may not be achieved at all. Growth also brings substantial demands on management. Wesfarmers seeks to manage its growth by careful planning and adherence to strict financial and management strategies.
- (5) General operating risks: Like many companies, Wesfarmers faces commercial risks such as competition, litigation and industrial disputes, operational risks, such as plant breakdown and environmental issues and liabilities. It also operates in a number of highly regulated industries which can be impacted by changes in laws or policy. Breaches of its obligations can give rise to claims for consequential losses and can adversely affect profitability or trading reputation or cause damage to life or property.

(c) Bunnings business risks

Bunnings faces a number of key risks to achieving its revenue and earnings forecasts, these include a downturn in general economic conditions which significantly impacts consumer spending.

(d) Integration risks

Possible synergies and efficiencies are described in section 6.4. Wesfarmers Retail expects that value can be added for shareholders of the Merged Entity by the efficient and timely integration of the businesses and extraction of efficiencies and synergies that would result from this integration. If Wesfarmers Retail is unable to acquire 90 per cent of Howard Smith under the Offer, it will not achieve the benefits described in section 6.4.

Conduct and timing of the integration would depend on the results of the operational review referred to in section 6.3(b)(3). However, the risk exists that any integration may take longer than expected or that the extraction of efficiencies is less than estimated at the time of the operational review.

Wesfarmers Retail expects to manage this risk by careful planning and the appointment of outside experts and consultants as required.

(e) Howard Smith information

Various public announcements by Howard Smith have informed shareholders of the risks inherent in an investment in Howard Smith Shares. If Wesfarmers Retail acquires a significant interest in Howard Smith, it will be subject to the Howard Smith risks. Due to Wesfarmers Retail's limited knowledge about the Howard Smith businesses, additional risks may exist in relation to those businesses which are not known to Wesfarmers Retail.





Other possible outcomes

Wesfarmers Retail is required to disclose the key implications of other possible outcomes of the Offer even though it is considered unlikely that they will arise, based on current intentions and information. The disclosure set out below is, therefore, based on the assumption that a change of current intentions or circumstances occurs following announcement of the Offer.

The intentions of Wesfarmers Retail are the same as Wesfarmers and vice versa.

10.1 90 per cent minimum acceptance condition

The Offer is subject to a number of conditions including a 90 per cent minimum acceptance condition. Under the terms of the Offer and the Corporations Law, any or all of those conditions may be waived by Wesfarmers Retail.

As mentioned in section 1.2 above, Wesfarmers has an investment philosophy based on providing satisfactory returns to shareholders. Wesfarmers would not consider waiving the 90 per cent minimum acceptance condition to the Offer unless it is satisfied that Wesfarmers shareholders will derive appropriate value from the proposed acquisition within a reasonable time frame.

10.2 Intentions if Wesfarmers acquires less than 90 per cent of Howard Smith

This section sets out Wesfarmers Retail's intentions if it were to waive the 90 per cent minimum acceptance condition and, by virtue of acceptances of the Offer, Wesfarmers Retail were to gain effective control of Howard Smith but was not entitled to compulsorily acquire the outstanding Howard Smith Shares. It is based on the facts and information concerning Howard Smith, its business and the general business environment which are known to Wesfarmers Retail at the time of preparation of this Bidder's Statement. Final decisions would only be reached by Wesfarmers Retail in light of material facts and circumstances at the relevant time. Accordingly, the statements set out in this section are the current expectations of Wesfarmers' intentions which may vary as new information becomes available or circumstances change.

If Wesfarmers Retail acquired less than 100 per cent, its current expectations of its intentions would be:

- to ensure that Howard Smith continues to be listed on ASX while it meets the ASX requirements for maintaining a listing;
- subject to the Corporations Law and the constitution of Howard Smith, to seek to replace a proportion of the members of the board of Howard Smith to reflect Wesfarmers Retail's proportionate ownership interest in Howard Smith with minority shareholders represented by independent directors. The board members which Wesfarmers Retail would nominate would include one or more of Messrs Chaney, Fraunschiel and Boros of Wesfarmers. Other members may come from the existing board of Wesfarmers, however, precise candidates have not yet been identified by Wesfarmers Retail and their identity will depend on the circumstances at the relevant time;
- it is unlikely that Wesfarmers Retail would seek to integrate the Howard Smith hardware business and Bunnings business unless it acquires 100 per cent of the shares in Howard Smith. The hardware business of Wesfarmers and Howard Smith would be operated and managed as separate and distinct businesses and the major integration benefits anticipated from acquiring 100 per cent of Howard Smith would not be achieved;
- in respect of any business opportunities which are presented to Howard Smith, to have those opportunities taken up by a member of the Howard Smith Group unless the directors of Howard Smith, acting consistently with their fiduciary and other duties, determine that it is in the interests of Howard Smith for those opportunities to be taken up by a member of the Wesfarmers Group or by some other person; and

- in the event that any agreements to supply goods or services or other transactions are proposed between Howard Smith and Wesfarmers, to enter into such agreements on arm's length terms.

Wesfarmers Retail would only make a decision on these courses of action following receipt of legal and financial advice and Wesfarmers Retail's intentions must be read as being subject to the legal obligation of the Howard Smith directors to have regard to the interests of Howard Smith and all Howard Smith shareholders. Wesfarmers Retail's ability to implement its decisions would also be subject to its obligations and the obligations of Howard Smith to comply with the applicable provisions of the Corporations Law and the ASX Listing Rules, in particular as regards its related party transactions.

10.3 Financial implications if acquire less than 90 per cent of Howard Smith

The financial information set out below should be read in conjunction with the important qualifications and disclaimers contained in section 7 and annexure E.

(a) Proforma forecast Merged Entity balance sheet

Set out below is the abridged forecast proforma balance sheet of the Merged Entity as at 30 June 2001 prepared on the basis that the transactions as set out in section 1.1 and 1.2 of annexure E had taken place and Wesfarmers had acquired only 50 per cent of Howard Smith. More detailed forecast proforma balance sheets for the Merged Entity and the assumptions on which they were based are set out in sections 2 and 3 of annexure E.

For comparative purposes the abridged forecast proforma Merged Entity balance sheet as disclosed in section 7.2 has also been provided.

	Abridged Forecast Proforma Merged Entity 50% 30 June 2001 S'000	Abridged Forecast Proforma Merged Entity 100% 30 June 2001 S'000
Current Assets		
Cash assets	138,167	138,167
Other	2,226,766	2,226,766
<i>Total Current Assets</i>	2,364,933	2,364,933
Non-Current Assets		
Intangible assets	985,064	1,488,114
Other	2,545,156	2,510,156
<i>Total Non-Current Assets</i>	3,530,220	3,998,270
TOTAL ASSETS	5,895,153	6,363,203
Current Liabilities		
Borrowings	608,150	608,150
Other	1,184,497	1,268,763
<i>Total Current Liabilities</i>	1,792,647	1,876,913
Non-Current Liabilities		
Borrowings	951,722	1,194,331
Other	232,784	232,784
<i>Total Non-Current Liabilities</i>	1,184,506	1,427,115
TOTAL LIABILITIES	2,977,153	3,304,028
NET ASSETS	2,918,000	3,059,175
Shareholders' Equity		
Total parent entity interest	2,327,633	3,056,744
Outside equity interest	590,367	2,431
TOTAL SHAREHOLDERS' EQUITY	2,918,000	3,059,175



(b) Profit forecasts for the Merged Entity for the 2002 Year

Set out in the table below is the forecast consolidated result for the Merged Entity based on the acquisition of 50 per cent of Howard Smith on 30 June 2001. The key assumptions on which the profit forecasts are based are set out in section 5 of annexure E.

For comparative purposes the forecast consolidated result for the Merged Entity, based on the acquisition of 100 per cent of Howard Smith on 30 June 2001 as disclosed in section 7.3 has also been provided.

	Merged Entity Forecast 2002 Year 50% S'000	Merged Entity Forecast 2002 Year 100% S'000
Operating revenue	7,623,788	7,420,388
EBITDA	935,556	975,656
Depreciation	224,645	224,645
Goodwill amortisation	53,620	78,772
EBIT	657,291	672,239
Interest	87,620	107,674
Operating profit before tax	569,671	564,565
Tax	178,807	184,821
Operating profit after tax	390,864	379,744
Outside equity interest	50,468	(32)
Operating profit after income tax attributable to members of Wesfarmers	340,396	379,776

(c) Sensitivity analysis

Assuming Wesfarmers is prepared to waive the 90 per cent minimum acceptance condition, which is not its current intention, Wesfarmers Retail cannot forecast the exact number of Howard Smith shareholders who will accept the Offer.

To assist Howard Smith shareholders in assessing the proforma effect of different acceptance levels, Wesfarmers Retail has calculated that if 75 per cent of Howard Smith was acquired, the operating profit after tax attributable to members of Wesfarmers would be \$349.4 million, the net debt to equity would be 51.3 per cent and the total number of shares on issue would be about 341,023,000.

(d) Financial ratios of Merged Entity at 50 per cent ownership

Detailed below are selected key financial ratios of the Merged Entity assuming 50 per cent of Howard Smith is acquired.

	Merged Entity
Number of shares on issue (m)	321.264
EPS (cents) (pre-goodwill amortisation)	118.2
EPS (cents) (post-goodwill amortisation)	104.3
Net interest cover - profit basis (times)	7.5
Gearing (net debt to equity) (per cent)	48.7



Tax considerations



11.1 Summary of taxation implications

The Australian tax consequences for Howard Smith's shareholders who accept the Offer will be dependent upon a number of factors, including:

- whether the shareholder holds its Howard Smith Shares on capital or revenue account;
- the nature of the shareholder (i.e. individual, company, trust, Complying Superannuation Fund);
- the tax residency status of the shareholder (i.e. Australian resident or not); and
- the level of acceptances received under the Offer.

Unless otherwise stated, the tax consequences outlined in this report are referable to a shareholder who is **an individual and a resident of Australia for tax purposes and who acquired the shares in Howard Smith after 19 September 1985 (post-CGT)**.

In summary, the tax consequences of accepting the Offer to Howard Smith shareholders are as follows:

(a) Resident shareholders - shares held on capital account

- (1) Shareholders who hold their Howard Smith Shares as passive investments with the intention of generating dividend income and long term capital growth are likely to be considered to hold shares on capital account for tax purposes. Where Howard Smith Shares are held on capital account, the tax implications for a shareholder accepting the Offer will be as follows:
 - Howard Smith shareholders will be eligible for partial CGT rollover relief upon the disposal of their shares in Howard Smith to Wesfarmers if a capital gain would have otherwise accrued to the ordinary shareholder and the requirements for scrip for scrip rollover are met, including the requirement that Wesfarmers owns at least 80 per cent of the Howard Smith Shares after the Offer, and the other conditions set out in section 11.2(a)(1) are satisfied.

In these circumstances, Howard Smith ordinary shareholders will not pay tax on the full value received from the Offer.

 - Rollover relief will be available to the extent the consideration received by the ordinary shareholder is in the form of Wesfarmers Shares. Accordingly, no capital gains tax will be paid for the disposal of Howard Smith Shares to the extent that consideration is received in the form of Wesfarmers Shares under the Offer.

Rollover relief, however, will not be available to the extent the consideration is paid in cash. Accordingly, capital gains tax may be payable by ordinary shareholders as a result of accepting the Offer. The capital gains tax, however, will be limited to the proportion of the capital gain relating to the cash consideration received under the Offer.

 - The gain, if any, will depend upon the cost base the shareholder has in the ordinary shares.
- (2) Shareholders who would otherwise realise a capital loss as a result of the Offer, will not be eligible for scrip for scrip rollover relief. In these situations, the shareholder will incur a capital loss at the time the shares are exchanged.
- (3) Shareholders who hold their Howard Smith Shares on capital account and where the scrip for scrip provisions do not apply (or where the shareholders do not elect for the scrip for scrip rollover provisions to apply), may be eligible for a 50 per cent discount on their capital gain or an indexation adjustment, depending on whether the shareholder is an individual, company, trust or Complying Superannuation Fund.

- (4) Shareholders who acquired their ordinary shares in Howard Smith before 20 September 1985 (pre-CGT) will generally not be subject to tax as a result of accepting the Offer. Scrip for scrip rollover relief will not apply to these shareholders. Wesfarmers Shares issued to these shareholders will, if subsequently disposed of, be subject to capital gains tax.
- (5) The tax implications of the Offer to shareholders who acquired their ordinary shares in Howard Smith as part of an employee share acquisition scheme (ESAS) will be dependant upon whether the employee was taxed up front on the original shares acquired in Howard Smith.

(b) Resident shareholders - shares held on revenue account

- (1) Shareholders who hold their shares as part of a share trading business or for some other routine commercial operation, or who acquired their Howard Smith Shares with the dominant purpose of reselling them at a profit are likely to be considered to hold their shares on revenue account for tax purposes.
- (2) Where this is the case, any gain realised on disposal of the Howard Smith Shares will be assessed as ordinary income, and the 50 per cent discount, the indexation adjustment, and scrip for scrip rollover relief will not apply.

(c) Non-resident shareholders - shares held on capital account

Where Howard Smith Shares are held on capital account, the tax implications for a non-resident shareholder accepting the Offer will be as follows:

- Non-resident shareholders who hold Howard Smith Shares on capital account generally will not be liable for Australian income tax on any capital gain arising upon the disposal of their Howard Smith Shares, provided the shareholder together with associates, does not hold (and has not held in the previous five years), 10 per cent or more of the issued capital of Howard Smith.
- Non-resident shareholders who together with associates hold (or have held in the last 5 years) 10 per cent or more of the issued capital of Howard Smith will be subject to CGT on the disposal of their post-CGT Howard Smith Shares. Such shareholders will however be eligible for either the scrip for scrip rollover relief, the 50 per cent discount, or indexation adjustment as outlined above for resident shareholders.
- Where these non-resident shareholders acquired their shares before 20 September 1985 (pre-CGT) and hold their shares on capital account, they will generally not be subject to tax as a result of accepting the Offer.

(d) Non-resident shareholders - shares held on revenue account

Where Howard Smith Shares are held on revenue account, the tax implications will depend upon whether the shares are held as part of carrying on a business through a permanent establishment in Australia, the source of the profit derived from the disposal of the shares and whether the non-resident shareholder is resident of a country with which Australia has entered into a double tax agreement. Shareholders in these circumstances should seek their own independent advice as to the consequences of accepting the Offer.

SECTION

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11.2 Detailed taxation implications

(a) Howard Smith Shares held on capital account - scrip for scrip rollover applies

The Offer, if accepted by Howard Smith shareholders, will result in those shareholders disposing of their shares in Howard Smith. A disposal of an asset held on capital account will generally have CGT consequences. Any gain realised on the disposal of the ordinary shares in Howard Smith (being equal to the value of the Wesfarmers Shares received at the date of the exchange less the shareholder's CGT indexed cost base or cost base of their Howard Smith Shares) will, prima facie, be subject to CGT.

However, ordinary shareholders will be eligible for CGT rollover relief where a capital gain would otherwise arise from the disposal of their shares, and the requirements of a "scrip for scrip rollover" are satisfied. A scrip for scrip rollover has the effect of deferring the recognition of any capital gain that would otherwise arise to Howard Smith shareholders on the exchange of their Howard Smith Shares for Wesfarmers Shares until such time as the replacement Wesfarmers Shares are disposed of by the shareholder.

(1) *Conditions for scrip for scrip rollover*

The following conditions must be satisfied for scrip for scrip rollover to be available to Howard Smith shareholders:

- (i) the Howard Smith shareholder exchanges its Howard Smith Shares for Wesfarmers Shares;
- (ii) the exchange is in consequence of a single arrangement where:
 - at least all owners of voting shares in Howard Smith could participate;
 - participation is available on substantially the same terms by all owners of interests of a particular type (i.e. ordinary shareholders) in Howard Smith; and
 - as a result of the Offer, Wesfarmers becomes the owner of 80 per cent or more of the shares in Howard Smith;
- (iii) the Howard Smith shareholder acquired its Howard Smith Shares after 19 September 1985 (post-CGT);
- (iv) apart from the rollover, the Howard Smith shareholder would make a capital gain as a result of the exchange (i.e. rollover relief is not available if a capital loss would arise to a shareholder on the exchange of its Howard Smith Shares for Wesfarmers Shares); and
- (v) the Howard Smith shareholder chooses to obtain the scrip for scrip rollover.

On the basis that the Offer proceeds as anticipated and the minimum acceptance condition is satisfied, conditions (i) and (ii) above will be satisfied.

The scrip for scrip rollover provisions will not apply where the Howard Smith shareholder holds its shares on revenue account or as trading stock.

(2) *Implications to ordinary shareholders*

Under the Offer, Howard Smith ordinary shareholders will receive two Wesfarmers Shares plus \$12.00 cash for every five Howard Smith Shares currently held. Given that shareholders will receive a cash component as consideration for the disposal of their Howard Smith Shares, these shareholders will be eligible for partial rollover relief if they choose for it to apply. The scrip for scrip rollover relief will only be available to the extent the consideration is in the form of Wesfarmers Shares. Rollover relief will not be available to the extent the consideration is paid in cash. A capital gain relevant to the cash portion received will be subject to capital gains tax.

Specifically for those shareholders who would ordinarily have realised a capital gain as a result of participating in the Offer, (ignoring indexation and discounting (discussed further below)) the capital gain under partial rollover will be calculated as follows:

$$\text{Capital gain for all ordinary shares held} = \text{cash consideration received} \text{ Less } \left\{ \frac{\text{cash consideration received}}{\text{cash consideration received} + \text{market value of all Wesfarmers Shares received}} \times \text{cost base of all Howard Smith Shares exchanged} \right\}$$

In broad terms, and ignoring indexation and discounting (discussed further below), shareholders will only be taxed on a proportion of the capital gain. The proportion of the capital gain which is taxable will equal the cash proportion of the total value of the Offer.

The tax cost base of the Wesfarmers Shares held by the ordinary shareholder as a result of the Offer will be calculated as follows:

$$\text{Cost base for all Wesfarmers shares received} = \text{cost base of all Howard Smith Shares previously held} \text{ Less } \left\{ \frac{\text{cash consideration received}}{\text{cash consideration received} + \text{market value of all Wesfarmers Shares received}} \times \text{cost base of all Howard Smith Shares exchanged} \right\}$$



In broad terms, the tax cost base of all the Wesfarmers Shares received by the Howard Smith shareholders under the Offer will be equal to a proportion of the cost base of their original Howard Smith Shares, that proportion being the value of the Wesfarmers Shares received compared to the value of the total Offer.

As outlined above, scrip for scrip rollover will not apply to an ordinary shareholder who would realise a capital loss as a result of the Offer. Instead, the shareholder will incur a capital loss at the time the shares are exchanged. The loss will be equal to the amount by which the shareholder's cost base for the Howard Smith Shares exceeds the sum of the cash and value of the Wesfarmers Shares received as consideration. In this situation, the shareholder's cost base for its Wesfarmers Shares will be equal to the market value of the Howard Smith Shares it exchanges at the time of the Offer, less the cash consideration received.

(b) Howard Smith Shares held on capital account - scrip for scrip rollover does not apply or is not elected

Where an individual shareholder holds Howard Smith Shares on capital account and scrip for scrip rollover does not apply or is not elected, taxation relief on any capital gain arising from the exchange of Howard Smith Shares may be available via a 50 per cent discount or indexation adjustment. The discount and indexation may also apply to any capital gain that accrues to ordinary shareholders as a result of only partial rollover relief being available. Pursuant to the 50 per cent discount, only half of any capital gain arising from the exchange of the Howard Smith Shares is subject to income tax.

To be eligible for the 50 per cent discount, the Howard Smith Share in question must have been held for at least 12 months prior to accepting the Offer. No indexation is taken into account in calculating the net capital gain for these purposes. The 50 per cent discount is taken into account after applying any available capital losses.

For shares purchased on or before 11:45 am (EST) on 21 September 1999, a shareholder will have the option of either applying the discount discussed above or applying indexation to the CGT cost base of the relevant Howard Smith Share. Under the indexation option, the shareholder would index its CGT cost base in the relevant Howard Smith Share for movements in inflation between the date of acquisition of the share and 30 September 1999, provided the shares were held for more than 12 months.

Shareholders that hold shares acquired prior to 21 September 1999 should seek advice relevant to their own personal circumstances in considering the different outcomes under the discount and indexation options.

(c) Howard Smith Shares acquired through an Employee Share Acquisition Scheme (ESAS)

Howard Smith Shares were issued to employees of Howard Smith through an ESAS. The availability of scrip for scrip rollover relief for employees who acquired shares under the ESAS is dependent upon whether the employee was taxed up front on the original shares in Howard Smith.

Where the employee has been taxed up front and scrip for scrip rollover is elected, partial rollover relief will be available. The tax implications for employees in these circumstances will be the same as those discussed above for Howard Smith shareholders electing scrip for scrip rollover.

Where the employee has not been taxed up front, scrip for scrip rollover relief will not be available. The exchange of Howard Smith Shares for Wesfarmers Shares will give rise to a cessation time and accordingly a taxing point under the employee share acquisition rules.

(d) Howard Smith Shares held on revenue account

Where a shareholder holds Howard Smith Shares on revenue account, the shareholder will be taxed on the disposal of its Howard Smith Shares as ordinary income. The CGT rollover concessions outlined above will not be available to ordinary shareholders that hold their Howard Smith Shares on revenue account.

In these circumstances, the taxable gain (or deductible loss) will be calculated as the difference between the value of the Wesfarmers Shares received at the date of the exchange plus the cash consideration for the shares, and the shareholder's purchase price (or opening tax value for shares held as trading stock) for its Howard Smith Shares.

(e) Shareholders that are companies

The comments made above on the income tax consequences of accepting the Offer are equally applicable to shareholders that are companies, with certain exceptions.



Specifically, companies are not entitled to the CGT discount outlined above for shares held for greater than 12 months. However, corporate shareholders who acquired the Howard Smith Shares on or prior to 11:45 am (EST) on 21 September 1999 are entitled to index the CGT cost base of these shares up to 30 September 1999, provided the shares were held for more than 12 months.

(f) Shareholders that are trusts

The CGT discount of 50 per cent and the indexation adjustment discussed above will also be applicable where Howard Smith Shares are held by a trust and any gains are distributed to individual beneficiaries.

There may be other tax consequences which arise where trusts hold shares in Howard Smith depending upon the nature of the trust, however a consideration of all these matters is outside the scope of this Bidder's Statement. Shareholders in these circumstances should seek their own advice.

(g) Shareholders that are Complying Superannuation Funds

The CGT consequences of Complying Superannuation Funds accepting the Offer should broadly be as outlined above, however, the CGT discount applicable to Complying Superannuation Funds for shares held for greater than 12 months is one third (i.e. 33.33 per cent) as opposed to 50 per cent for individuals.

(h) Shareholders holding pre-CGT shares

Shareholders who acquired their Howard Smith Shares before 20 September 1985 (pre-CGT) and hold their shares on capital account, will generally not be subject to tax as a result of accepting the Offer. Scrip for scrip rollover relief will not apply.

The Wesfarmers Shares received as consideration for the Howard Smith Shares under the Offer will however be subject to CGT in the event of their subsequent disposal. The cost base of the Wesfarmers Shares acquired under the Offer will be equal to the market value of the Howard Smith Shares exchanged at the time of the Offer less the cash consideration received. A capital gain may arise if any consideration subsequently received for the Wesfarmers Shares exceeds the cost base of the Wesfarmers Shares. Depending on the nature of the shareholder (being an individual, company, trust or Complying Superannuation Fund), the 50 per cent discount as outlined above may apply to such disposals.

(i) Shareholders that are non-residents for Australian tax purposes

(1) Shares held on capital account

Howard Smith shareholders who are non-residents of Australia and hold Howard Smith Shares on capital account generally will not be liable for Australian income tax on any capital gain arising upon the disposal of their Howard Smith Shares. This is provided that the shareholder, together with any associates, does not hold (and has not held in the previous five years) 10 per cent or more of the issued capital of Howard Smith.

Non-resident Howard Smith shareholders who, together with any associates, hold (or have held in the last 5 years) 10 per cent or more of the issued capital of Howard Smith, will be subject to CGT on the disposal of their post-CGT Howard Smith Shares. Scrip for scrip rollover relief may however be available as outlined above in section 11.2(a).

(2) Shares held on revenue account

If the Howard Smith shareholder holds its Howard Smith Shares on revenue account, the non-resident shareholder may be liable to Australian income tax in respect of the profit arising upon the disposal of their Howard Smith Shares. The position will however be dependent upon whether the shares are held as part of carrying on a business through a permanent establishment in Australia, the source of the profit on the disposal, and whether the non-resident shareholder is a resident of a country with which Australia has entered into a double tax agreement. Shareholders in these circumstances should seek their own independent advice as to the consequences of the Offer.

11.3 Goods and services tax (GST)

On the basis of current GST law, each of the following transactions would not be subject to GST:

- the disposal of Howard Smith Shares pursuant to the Offer (except brokerage);
- the payment of dividends on Wesfarmers Shares; and
- a subsequent disposal of Wesfarmers Shares (except brokerage).





Additional information

12.1 Other benefits

During the period of four months before the date of this Bidder's Statement, neither Wesfarmers Retail nor any associate of Wesfarmers Retail gave, offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept an Offer under the Takeover Bid; or
- dispose of Howard Smith Shares,

and which is not offered to all holders of Howard Smith Shares under the Offer.

12.2 No escalation agreements

Neither Wesfarmers Retail nor any associate of Wesfarmers Retail has entered into any escalation agreement that is prohibited by section 622 of the Corporations Law.

12.3 Regulatory matters

The acquisition by Wesfarmers Retail of Howard Smith will require the approvals of, or notifications to be made to, relevant regulatory authorities.

Australian Competition and Consumer Commission

Section 50 of the *Trade Practices Act 1974* (Cth) (**TPA**) prohibits any merger which has or is likely to have the effect of substantially lessening competition in a substantial market in Australia. The ACCC, which is responsible for administering the TPA, is reviewing Wesfarmers Retail's proposed acquisition of all Howard Smith Shares in the context of that prohibition.

Wesfarmers Retail is not required to lodge any formal notification with the ACCC in relation to the proposed takeover. However, Wesfarmers has made submissions to the ACCC as to the likely effect of the proposed acquisition, and has sought confirmation from the ACCC that it will not seek to intervene in respect of the proposed acquisition. Wesfarmers understands that the ACCC will not be able to reach a decision on the implications of the bid until it has made market enquiries.

Based upon an examination of information available to Wesfarmers Retail relating to the business in which the Merged Entity is engaged, Wesfarmers Retail believes that the proposed acquisition of all Howard Smith Shares will not raise any material competition concerns because of the geographic diversity of the Wesfarmers and Howard Smith operations and the nature of their businesses.

There can be no assurance that the ACCC will not seek undertakings from Wesfarmers Retail or Wesfarmers or that the ACCC will not institute proceedings in respect of the Offer. If the ACCC were to institute proceedings (or threaten to do so) in respect of the Offer, such action could be relied on by Wesfarmers Retail to avoid the contracts arising from acceptance of the Offer.

12.4 ASIC modifications to and exemptions from the Corporations Law

Wesfarmers Retail has been granted various modifications to, and exemptions from, the Corporations Law by ASIC. Copies of these modifications and exemptions are contained in annexure F of this Bidder's Statement.

Some of these modifications and exemptions have the effect of varying the Corporations Law in its application to the Offer to address certain drafting anomalies in the Corporations Law as they relate to off-market takeover bids and also to clarify the definition of "associates" in the Corporations Law in its application to the Offer.

These modifications and exemptions are routinely sought by companies, and have been routinely granted by the ASIC, since the implementation of the amendments to the Corporations Law brought about by the *Corporate Law Economic Reform Program Act 1999* (Cth).

In addition, Wesfarmers Retail has been granted a modification to the Corporations Law prohibition on including a statement of any person in a bidder's statement without that person's consent. The effect of the modification is to enable Wesfarmers Retail to include the following statements without obtaining specific consent:

- statements made in or based on documents lodged with ASIC or ASX or otherwise publicly released; and
- statements made in or based on Bloomberg, Multex or IBIS publications.

12.5 Disclosure of interests of certain persons

Other than as set out below or elsewhere in this Bidder's Statement no:

- director or proposed director of Wesfarmers;
 - person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
 - promoter of Wesfarmers; or
 - broker or underwriter to the issue of Wesfarmers Shares,
- (together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:
- the formation or promotion of Wesfarmers;
 - property acquired or proposed to be acquired by Wesfarmers in connection with its formation or promotion, or the offer of Wesfarmers Shares under the Offer; or
 - the offer of Wesfarmers Shares under the Offer.

12.6 Disclosure of fees and benefits received by certain persons

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of Wesfarmers, to induce them to become, or to qualify as, a director of Wesfarmers;
- for services provided by any Interested Person in connection with the formation or promotion of Wesfarmers or the offer of Wesfarmers Shares under the Offer.

Gresham Advisory Partners Limited has acted as corporate adviser to Wesfarmers Retail and Wesfarmers in relation to the Offer. Wesfarmers has paid or agreed to pay approximately \$300,000 for those services to the date of this Bidder's Statement. Gresham Advisory Partners Limited may be paid a fee on success of up to \$6 million (inclusive of fees paid for work performed). Wesfarmers has an approximate 50 per cent interest in Gresham and Mr JP Graham is a substantial shareholder in Gresham. As such, Wesfarmers and Mr Graham will receive a benefit from the fees paid to Gresham Advisory Partners Limited. Gresham Advisory Partners Limited has also received other fees for advising Wesfarmers on other matters.

Ernst & Young has acted as accountant and has provided the Accountant's Report in annexure D of this Bidder's Statement. Ernst & Young has also acted as tax adviser to Wesfarmers and has provided the information contained in section 11 of this Bidder's Statement. Wesfarmers has paid or agreed to pay \$225,000 for these services to the date of this Bidder's Statement. Ernst & Young has also received other fees for advising Wesfarmers on other matters.

Freehills has acted as legal adviser to Wesfarmers Retail and Wesfarmers in relation to the Offer. Wesfarmers has paid or agreed to pay \$400,000 for these services to the date of this Bidder's Statement. Freehills has also received other fees for advising Wesfarmers on other matters.

Wesfarmers Retail may decide to, but is not obliged to, pay handling fees to participating organisations of ASX who initiate acceptances of the Offer.



12.7 Directors' interests

(a) Interests in Wesfarmers securities

The directors of Wesfarmers and Wesfarmers Retail have the following interests in Wesfarmers Shares:

Director	Shareholding (as at 13 June 2001)*
CH Perkins	183,158
DC White	9,232
DEW Nuttall	41,396
DJ Asimus	2,736
E Fraunschiel	674,042
FGD Landels***	103,328
JM Paterson	13,553
JP Graham **	242,656
KP Hogan	14,060
LA Giglia	8,981
MA Chaney	602,889
RD Lester	40,098
TJ Flügge	4,417
TR Eastwood	1,051,656

Notes:

* indicates shareholdings of directors and associates of directors.

** Gresham has an interest in 1,579,699 Wesfarmers Shares. Mr JP Graham is a substantial shareholder and director of companies in Gresham and so has an interest in the shares held by Gresham.

*** Mr FGD Landels is a director of Wesfarmers Retail Pty Ltd only.

Mr Chaney has a remuneration package which includes long term performance incentives. Factors included in determining the extent of incentive payments include increases in shareholder funds and on long term return on equity since the appointment of Mr Chaney as Chief Executive Officer and Managing Director of Wesfarmers (in 1992). The successful acquisition of Howard Smith is expected to result in an increase in the amount of incentive payments payable to Mr Chaney. As those payments are also dependent, in part, on the future performance of Wesfarmers, the exact effect of the acquisition is not capable of being quantified precisely. It is estimated that if the acquisition and the subsequent integration of the Howard Smith businesses with Wesfarmers are successful and Wesfarmers performs in accordance with its plans and budgets, the extent of the additional benefit arising from the acquisition could be up to \$3 million in the 2002 Year.

(b) Interests received under the Wesfarmers Ownership Simplification Plan and Wesfarmers dividend investment plan

In April 2001, under the Wesfarmers Ownership Simplification Plan, entities associated with Wesfarmers and Wesfarmers directors received Wesfarmers Shares in exchange for securities held by them in The Franked Income Fund and Westralian Farmers Co-operative Limited. Many directors also acquired Wesfarmers Shares under the Wesfarmers dividend investment plan on 20 April 2001.

(c) Directors' interests in Howard Smith securities

No director of Wesfarmers or Wesfarmers Retail has an interest in Howard Smith Shares.

No director has acquired or disposed of shares in Howard Smith in the 4 months preceding the date of this Bidder's Statement.

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12.8 Consents

The following firms and companies have given and have not at the date of this Bidder's Statement withdrawn their written consent to being named in this Bidder's Statement and to the inclusion of the following information in the form and context in which it is included. None of the following firms and companies have caused or authorised the issue of this Bidder's Statement or have in any way been involved in the making of the Offer. The Offer under this Bidder's Statement is made by Wesfarmers Retail.

Gresham Advisory Partners Limited has consented to being named in this Bidder's Statement as corporate adviser to Wesfarmers Retail and Wesfarmers in relation to the Offer.

Ernst & Young has consented to being named in this Bidder's Statement as accountant, auditor of, and tax adviser to, Wesfarmers and to the inclusion in this Bidder's Statement of the Accountant's Report, the tax considerations disclosures in section 11 and all references to the audited accounts of Wesfarmers in the form and context in which it is included and to any references to those reports in this Bidder's Statement in the form and context in which those references are included.

Freehills has consented to being named in this Bidder's Statement as legal adviser to Wesfarmers Retail and Wesfarmers in relation to the Offer.

Computershare Investor Services Pty Ltd has consented to being named in this Bidder's Statement as share registry to Wesfarmers Retail and Wesfarmers.

In accordance with the modification to section 636(3) of the Corporations Law granted by ASIC (refer to annexure F) the persons referred to in that relief instrument have not consented to their respective statements being included in, or accompanying, the Bidder's Statement in the form and context in which they are included.

12.9 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of Wesfarmers Retail's Offer.

12.10 Copies of documents

Copies of documents referred to in section 1.6, section 3.2, annexures A, B and G of this Bidder's Statement and the modification to section 636(3) of the Corporations Law contained in annexure F may be requested from the Wesfarmers Offer Hotline on 1800 770 028.

12.11 Other material information

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Wesfarmers Retail which does not relate to the value of securities offered as consideration under the bid and which has not previously been disclosed to holders of shares in Howard Smith).





13 The Offer

13.1 Offer

- (1) This is a full bid. Subject to sections 13.4(b) and 13.5(e) below, you may only accept this Offer in respect of all of your Howard Smith Shares.
- (2) Wesfarmers Retail, a wholly owned subsidiary of Wesfarmers, offers to acquire all of your Howard Smith Shares, on and subject to the terms and conditions set out in this Offer, for \$12.00 cash and 2 Wesfarmers Shares for every 5 of your Howard Smith Shares.
- (3) If you become entitled to a fraction of a Wesfarmers Share that fraction will be disregarded and rounded down.
- (4) Wesfarmers Shares issued in accordance with the Offer will rank equally in all respects with all issued Wesfarmers Shares on and from the date of issue subject to no Howard Smith dividend being declared prior to the consideration under the Offer being paid.
- (5) If you accept this Offer, Wesfarmers Retail is entitled to all Rights (including without limitation any dividends) in respect of your Howard Smith Shares.

13.2 Offer Period

This Offer will remain open for acceptance during the period commencing on the date the first Offer is made under the Takeover Bid and ending at 5:00pm (Perth time) on 31 July 2001, unless withdrawn or extended in accordance with the Corporations Law.

13.3 Official quotation of Wesfarmers Shares

- (1) The consideration offered by Wesfarmers Retail under the Offer includes Wesfarmers Shares. The shares offered as consideration will be issued by Wesfarmers and will rank equally with Wesfarmers Shares currently on issue.
- (2) Wesfarmers has been admitted to the Official List of ASX. Shares of the same class as those to be issued as consideration have been granted official quotation by ASX.
- (3) An application will be made within seven days after the start of the bid period to ASX for the granting of official quotation of the Wesfarmers Shares to be issued. However, official quotation is not granted automatically on application.

13.4 Who may accept

(a) Offerees

- (1) An Offer in this form is being made:
 - (A) to each holder of Howard Smith Shares at 9.00am (Perth time) on the date specified by Wesfarmers Retail under section 633(2) of the Corporations Law; and
 - (B) to any person who becomes registered, or entitled to be registered, as the holder of Howard Smith Shares during the Offer Period due to the conversion of or exercise of Rights attached to other securities convertible into Howard Smith Shares (including, without limitation, Howard Smith Options) which are on issue on the date specified in section 13.4(a)(1)(A).

- (2) If at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of Howard Smith Shares to which this Offer relates:
- (A) a corresponding Offer will be deemed to have been made to that other person in respect of those Howard Smith Shares; and
 - (B) a corresponding Offer will be deemed to have been made to you in respect of any other Howard Smith Shares you hold to which the Offer relates.

If, at any time during the period from the date set by Wesfarmers Retail under subsection 633(2) of the Corporations Law to the end of the Offer Period, Howard Smith Shares are issued under the Howard Smith Limited Executive Incentive Scheme or the Howard Smith Employee Share Plan, Wesfarmers Retail intends to apply for a modification to permit the Offer to extend to these Howard Smith Shares.

(b) Trustees and nominees

If you are a trustee or nominee for several persons in respect of separate parcels of Howard Smith Shares, section 653B of the Corporations Law deems an Offer to have been made to you in respect of each separate parcel. To validly accept the Offer for all of a parcel, you must complete the Acceptance Form by specifying that the shares, in respect of which you are accepting, are in a separate parcel and the number of shares in that separate parcel. If your holding does not consist of separate parcels, but you attempt to accept the Offer in the manner described in this section (other than an acceptance complying with section 13.5(e)), you commit an offence but the acceptance is valid.

13.5 How to accept this Offer

(a) General

- (1) Subject to section 13.4(b) and section 13.5(e), you may only accept this Offer in respect of all of your Howard Smith Shares.
- (2) You may accept this Offer at any time during the Offer Period.

(b) Issuer sponsored shares

If your Howard Smith Shares are held on Howard Smith's issuer sponsored subregister, to accept this Offer, you must:

- (1) complete and sign the Acceptance Form enclosed with this Bidder's Statement (and which forms part of this Offer), in accordance with the terms of this Offer and the instructions on that form; and
- (2) ensure that the Acceptance Form and any documents required under the terms of this Offer and the instructions on the form are received before the expiry of the Offer Period at the following address:

Mailing address

Wesfarmers Retail Pty Ltd
C/- Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

Delivery address

Wesfarmers Retail Pty Ltd
C/- Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000

(c) CHESSE Holdings

If your Howard Smith Shares are in a CHESSE Holding, to accept this Offer, you must comply with the SCH Business Rules. Accordingly, to accept:

- (1) if you are not a Broker or Non Broker Participant¹:
 - (A) you may, by completing, signing and returning the enclosed Acceptance Form in accordance with the instructions on it, authorise Wesfarmers Retail to instruct your Controlling Participant², on your behalf, to initiate acceptance of this Offer in accordance with Rule 16.3 of the SCH Business Rules; or
 - (B) you may instruct your Controlling Participant to initiate acceptance of this Offer in respect of your Howard Smith Shares in accordance with Rule 16.3 of the SCH Business Rules by the end of the Offer Period.
- (2) if you are a Broker or Non Broker Participant, acceptance of this Offer must be initiated in accordance with Rule 16.3 of the SCH Business Rules by the end of the Offer Period.

¹ "Non Broker Participant" refers to CHESSE participants who are not brokers (eg. institutions, custodians, trustees, etc.).

² For non-institutional shareholders, your "controlling participant" will normally be the stockbroker through whom you either bought your shares or through whom you ordinarily acquire shares on ASX.



(d) Receipt of Acceptance Form

- (1) To accept this Offer by completing the Acceptance Form, you should complete and sign the Acceptance Form in accordance with the instructions on it, and return it together with any necessary documents so that it is received by Wesfarmers Retail before the end of the Offer Period.
- (2) The return of the Acceptance Form by facsimile does not satisfy the requirements for acceptance in sections 13.5(b) and (c) above (unless you have made prior arrangements with Wesfarmers Retail).
- (3) If your Acceptance Form is returned by post, it will be deemed to be received before the end of the Offer Period if the envelope in which it is sent is post-marked before the end of the Offer Period (even if received by Wesfarmers Retail after that time).

(e) Howard Smith Buy-back Tender

If you accept this Offer and you have tendered and not withdrawn any or all of your Howard Smith Shares into the Howard Smith Buy-back Tender, you will be deemed to have accepted the Offer in relation to any of those Howard Smith Shares which are not bought back under the Howard Smith Buy-back Tender.

13.6 The effect of acceptance

- (1) By signing the Acceptance Form and returning it to Wesfarmers Retail in accordance with section 13.5, or otherwise accepting this Offer in accordance with section 13.5, you will have:
 - (A) accepted this Offer (and each variation of this Offer) in respect of your Howard Smith Shares;
 - (B) agreed to transfer to Wesfarmers Retail your Howard Smith Shares, subject to this Offer being declared free from the conditions set out in section 13.8 (or such conditions being satisfied or waived);
 - (C) irrevocably authorised Wesfarmers Retail to complete your Acceptance Form, by rectifying any errors in or omissions from it as may be necessary to make it an effectual acceptance of this Offer or to enable registration of the transfer of your Howard Smith Shares to Wesfarmers Retail;
 - (D) represented and warranted to Wesfarmers Retail that your Howard Smith Shares will, at the time of transfer to Wesfarmers Retail, be fully paid up and Wesfarmers Retail will acquire good title and full beneficial ownership of them free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and restrictions of any kind on transfer;
 - (E) irrevocably appointed Wesfarmers Retail or any nominee (or nominees) of Wesfarmers Retail as your attorney to exercise all your powers and rights attaching to your Howard Smith Shares. This includes, without limitation, powers and rights to requisition, convene, attend and vote at all general meetings of Howard Smith from the time the contract resulting from your acceptance of this Offer becomes unconditional, until the earlier of the withdrawal of your acceptance under section 650E of the Corporations Law or the end of the Offer Period or, if all of the conditions of the Offer have been satisfied or waived, the registration of Wesfarmers Retail as the holder of those shares;
 - (F) agreed that in exercising the powers conferred by the power of attorney in section 13.6(1)(E) above, Wesfarmers Retail or its nominee is entitled to act in the interest of Wesfarmers Retail;
 - (G) agreed not to attend or vote in person at any general meeting of Howard Smith or to exercise or purport to exercise any of the powers conferred on Wesfarmers Retail or its nominee in section 13.6(1)(E) above;
 - (H) agreed to fully indemnify Wesfarmers Retail in respect of any claim or action against it for any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Security Holder Reference Number or in consequence of the transfer of your Howard Smith Shares being registered by Howard Smith without production of your Holder Identification Number or Security Holder Reference Number;
 - (I) agreed to accept any Wesfarmers Shares, to which you have become entitled by the acceptance of this Offer, subject to the constitution of Wesfarmers, and have authorised Wesfarmers to place your name on its register of shareholders in respect of those Wesfarmers Shares;



- (J) if your Howard Smith Shares are in a CHESS Holding and you sign and return the Acceptance Form as indicated, irrevocably authorised Wesfarmers Retail:
- (i) to instruct your Controlling Participant to initiate acceptance of this Offer, in respect of your Howard Smith Shares, in accordance with the SCH Business Rules; and
 - (ii) to give any other instructions, in relation to your Howard Smith Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant;
- (K) represented and warranted to Wesfarmers Retail that you are not, and you are not acting on behalf of, a “foreign shareholder” (including, without limitation, a United States shareholder), unless otherwise indicated on the Acceptance Form;
- (L) acknowledged and agreed that if you are unable to make the representation and warranty contained in section 13.6(1)(K) or if Wesfarmers Retail believes that you are, or you are acting on behalf of, a “foreign shareholder” (including, without limitation, a United States shareholder), Wesfarmers Retail will sell any Wesfarmers Shares otherwise issuable to you as described in sections 13.7(7);
- (M) acknowledged and agreed that you will not, in respect of any Wesfarmers Shares you acquire at any time, offer or resell in, or to persons in, the United States. However, the foregoing shall not prohibit any sale of Wesfarmers Shares in regular transactions on ASX, if neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States;
- (N) irrevocably authorised and directed Howard Smith to pay to Wesfarmers Retail or to account to Wesfarmers Retail for all dividends and other distributions and entitlements which are declared, paid, made, or otherwise arise or accrue after the date of this Bidder’s Statement in respect of your Howard Smith Shares which it acquires pursuant to this Offer. If this Offer is withdrawn, Wesfarmers Retail will account to you for any such dividends, distributions and entitlements received by Wesfarmers Retail;
- (O) authorised Wesfarmers Retail to notify Howard Smith, on your behalf, that your address, for the purpose of serving notices upon you, in respect of your Howard Smith Shares which Wesfarmers Retail acquires pursuant to this Offer, is such address as is specified by Wesfarmers Retail in the notification; and
- (P) authorised Wesfarmers Retail to transmit a message, in accordance with SCH Business Rule 16.6.1, so as to transfer those Howard Smith Shares to the Takeover Transfer Holding of Wesfarmers Retail, regardless of whether it has paid the consideration due to you under this Offer.
- (2) Wesfarmers Retail may, at any time, in its sole discretion and without any further communication to you, determine that any Acceptance Form it receives is a valid acceptance, even if one of the requirements for acceptance has not been complied with.
- (3) Wesfarmers Retail will provide the consideration to you, in accordance with section 13.7, in respect of any part of an acceptance determined by Wesfarmers Retail to be valid.
- (4) Where you have satisfied the requirements for acceptance in respect of only some of your Howard Smith Shares, Wesfarmers Retail may, in its sole discretion, regard the Offer to have been accepted in respect of those Howard Smith Shares, but not the remainder.



13.7 When you will receive payment

- (1) Subject to section 13.7(3) and to the Corporations Law, if you have accepted this Offer and the contract resulting from your acceptance becomes unconditional, Wesfarmers Retail will provide the consideration (as set out in section 13.1(2)) to you on or before the earlier of:
 - (A) one month after the Offer is accepted or, if the Offer is subject to a defeating condition when accepted, within one month after the takeover contract resulting from your acceptance of the Offer becomes unconditional; and
 - (B) 21 days after the end of the Offer Period.
- (2) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
 - (A) if that document is given with your acceptance, Wesfarmers Retail will provide payment in accordance with section 13.7(1);
 - (B) if that document is given after acceptance and before the end of the Offer Period, while the Offer is still subject to a defeating condition, Wesfarmers Retail will provide the consideration to you by the earlier of:
 - (i) within one month after the takeover contract becomes unconditional; or
 - (ii) 21 days after the end of the Offer Period;
 - (C) if that document is given after acceptance and before the end of the Offer Period, while the Offer is no longer subject to a defeating condition, Wesfarmers Retail will provide the consideration to you by the earlier of:
 - (i) one month after that document is given; or
 - (ii) 21 days after the end of the Offer Period;
 - (D) if that document is given after the end of the Offer Period, Wesfarmers Retail will provide the consideration to you within 21 days after that document is given. However, if at the time the document is given, the takeover contract is still subject to a condition which relates to a circumstance or event specified in section 13.8(h), Wesfarmers Retail will provide the consideration to you within 21 days after the takeover contract becomes unconditional.
- (3) If you accept this Offer, Wesfarmers Retail is entitled to all Rights in respect of your Howard Smith Shares. Wesfarmers Retail may require you to provide all documents necessary to vest title to those Rights in Wesfarmers Retail, or otherwise to give it the benefit or value of those Rights. If you do not do so before Wesfarmers Retail has provided the consideration to you, Wesfarmers Retail will be entitled to deduct the amount (or value, as reasonably assessed by Wesfarmers Retail) of such Rights (including the value of any franking credits) from the consideration otherwise due to you. Any such deduction will be made first from the cash component of the consideration and, to the extent that is insufficient, from any Wesfarmers Shares otherwise due to you, on the basis that one Wesfarmers Share is worth \$22.00.
- (4) Payment of any cash amount to which you are entitled will be made by cheque in Australian currency. The cheque will be sent to you, at your risk, by ordinary mail (or in the case of overseas shareholders, by airmail) to your address as shown on the Acceptance Form or such other address as you may notify to Wesfarmers Retail in writing before despatch.
- (5) The obligation of Wesfarmers to issue and allot any Wesfarmers Shares, to which you are entitled, will be satisfied by Wesfarmers:
 - (A) entering your name on the register of members of Wesfarmers; and
 - (B) no later than seven business days after your name is entered in the register of members of Wesfarmers, despatching or procuring the despatch to you, by pre-paid post to your address recorded in Howard Smith's register of members at 9.00am (Perth time) on the date set by Wesfarmers Retail under section 633(2) of the Corporations Law, an uncertificated holding statement in your name. If your Howard Smith Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in Howard Smith's register of members on the date set by Wesfarmers Retail under section 633(2) of the Corporations Law.



- (6) If, at the time you accept the Offer, you are resident in, or a resident of, a place outside Australia to which the Banking (Foreign Exchange) Regulations apply, you will not be entitled to receive any consideration for your Howard Smith Shares until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the Regulations or otherwise), or of the Australian Taxation Office, have been obtained by Wesfarmers Retail. Wesfarmers Retail undertakes to make prompt application for all such authorities or clearances. The places to which the Banking (Foreign Exchange) Regulations currently apply are Iraq, Libya, Taliban, the government and government authorities of Yugoslavia and the National Union for the Total Independence of Angola (and its senior officials and their families and its members).
- (7) (A) If you are (or are acting on behalf of) a citizen or a resident of a jurisdiction other than Australia or your address shown in the register of members of Howard Smith is a place outside Australia and its external territories or you are acting on behalf of such a person then, unless Wesfarmers Retail otherwise determines (being satisfied that it is not prevented from lawfully making the Offer to you and issuing you with Wesfarmers Shares on acceptance of the Offer, and that it is not unlawful for you to accept the Offer by the law of that place), you will not be entitled to receive the Wesfarmers Shares as the consideration for your Howard Smith Shares by reason of your acceptance of this Offer and you will be a "foreign shareholder" for the purposes of this section 13.7(7). Generally, if you are a United States shareholder you will be a "foreign shareholder" for the purposes of this section 13.7(7).
- (B) If you are a foreign shareholder and you accept the Offer, then Wesfarmers Retail will:
- (i) procure that Wesfarmers allots from time to time to a nominee approved by the ASIC (**Nominee**), the number of Wesfarmers Shares to which you and all other foreign shareholders would have been entitled but for this section 13.7(7);
 - (ii) procure that the Wesfarmers Shares issued to the Nominee are sold on ASX as soon as reasonably practicable;
 - (iii) pay to you the amount ascertained in accordance with the formula:

$$\frac{\text{Net Proceeds of Sale x Your Wesfarmers Shares}}{\text{TSA}}$$

Where:

Net Proceeds of Sale means the amount (if any) remaining after deducting the expenses of the sale from the proceeds of sale of the Wesfarmers Shares issued to the Nominee;

Your Wesfarmers Shares means the number of Wesfarmers Shares which would but for this section 13.7(7) otherwise have been allotted and issued to you; and

TSA means the total number of Wesfarmers Shares allotted to the Nominee under this section 13.7(7) in respect of the Wesfarmers Shares held by foreign shareholders.

Payment will be made in Australian dollars unless this is unlawful, in which case payment will be made in the currency of the country of residence of the foreign shareholder (as shown in the register of members of Howard Smith).



13.8 Conditions of this Offer

Subject to section 13.9, this Offer and any contract that results from your acceptance of it are each conditional on:

(a) Minimum acceptance condition

Before the end of the Offer Period, Wesfarmers Retail and its associates have relevant interests in more than 90 per cent of the Howard Smith Shares then on issue.

(b) No action by Public Authority which adversely impacts on Takeover Bid

During the period from the date of this Bidder's Statement to the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (2) no action or investigation is instituted, or threatened by any Public Authority with respect to any company in the Howard Smith Group; or
- (3) no application is made to any Public Authority (other than by Wesfarmers Retail or any company within the Wesfarmers Group),

in consequence of, or in conjunction with the Offer, which restrains or prohibits or threatens to restrain or prohibit, or otherwise materially adversely impacts upon, the making of the Offer or the completion of any transaction contemplated by this Bidder's Statement (including implementation of the intentions expressed in section 6.3) or seeks to require the divestiture by Wesfarmers Retail or Wesfarmers of any Howard Smith Shares, or the divestiture of any assets of any company within the Howard Smith Group or the Wesfarmers Group.

(c) No material acquisitions, disposals or changes in the business

Except for any proposed transaction publicly announced by Howard Smith prior to 13 June 2001, none of the following events occur during the period from that date to the time which is three business days after the end of the Offer Period:

- (1) Howard Smith, or any Howard Smith subsidiary acquires or agrees to acquire one or more companies, businesses or fixed assets for an amount in aggregate greater than A\$50 million;
- (2) Howard Smith or any Howard Smith subsidiary disposes, or agrees to dispose of one or more companies or businesses (or an interest in one or more companies or businesses) for an amount in aggregate greater than A\$50 million; and
- (3) Howard Smith or any Howard Smith subsidiary enters into or announces that it proposes to enter into any agreement, joint venture or partnership, involving a commitment of greater than one year or a commitment of greater than A\$50 million or the issue of more than 5 million Howard Smith Shares or does anything that has a material adverse effect on the business, assets, liabilities, financial trading position, profitability or prospects of Howard Smith and its subsidiaries taken as a whole.

(d) No material adverse change

There does not occur, be discovered, be announced or otherwise become public during the Offer Period any material adverse change (from that publicly announced to the market before 13 June 2001) in the business, financial or trading position or condition, assets, liabilities or profitability or prospects of Howard Smith and its subsidiaries taken as a whole, or any event or action proceeding from a circumstance or change in circumstance, which is reasonably likely to result in a material adverse change (from that publicly announced to the market before 13 June 2001) of the kind mentioned above.

(e) Howard Smith not declaring or paying a dividend

Howard Smith not declaring or paying a dividend after 12 June 2001 or announcing an intention to declare or pay a dividend after 12 June 2001.

(f) No persons exercising rights under certain agreements or instruments

There not being any person:

- exercising or purporting to exercise; or
- stating an intention to exercise,

any rights under any provision of any agreement or other instrument:

- to which Howard Smith or any Howard Smith subsidiary is a party; or
- by or to which Howard Smith or any Howard Smith subsidiary or any of its assets may be bound or be subject,

which results or could result, to an extent to which is material in the context of Howard Smith taken as a whole, in:

- (1) any moneys borrowed by Howard Smith or any Howard Smith subsidiary being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument; or
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder; or
- (3) the interest of Howard Smith or any Howard Smith subsidiary in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
- (4) the business of Howard Smith or any Howard Smith subsidiary with any other person being materially adversely affected.

(g) ASX All Industrials Index

The ASX All Industrials Index does not fall more than 15 per cent below its closing level on 12 June 2001 for a period of three or more consecutive trading days of ASX during the period from the date of this Bidder's Statement to the end of the Offer Period.

(h) No prescribed occurrences

None of the following occurrences (each a **prescribed occurrence**) happening during the period from the date of this Bidder's Statement to the end of the Offer Period:

- (1) Howard Smith converting all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Law;
- (2) Other than in respect of the Howard Smith Buy-back Tender, Howard Smith or a subsidiary of Howard Smith resolving to reduce its share capital in any way;
- (3) Other than in respect of the Howard Smith Buy-back Tender, Howard Smith or a subsidiary of Howard Smith entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Law;
- (4) Howard Smith or a subsidiary of Howard Smith making an issue of its shares (other than Howard Smith Shares issued as a result of the conversion of Howard Smith Options into Howard Smith Shares) or granting an option over its shares or agreeing to make such an issue or grant such an option;
- (5) Howard Smith or a subsidiary of Howard Smith issuing, or agreeing to issue, convertible notes;
- (6) Howard Smith or a subsidiary of Howard Smith disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) Howard Smith or a subsidiary of Howard Smith charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) Howard Smith or a subsidiary of Howard Smith resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Howard Smith or of a subsidiary of Howard Smith;
- (10) the making of an order by a court for the winding up of Howard Smith or of a subsidiary of Howard Smith;



- (11) an administrator of Howard Smith or of a subsidiary of Howard Smith being appointed under section 436A, 436B or 436C of the Corporations Law;
- (12) Howard Smith or a subsidiary of Howard Smith executing a deed of company arrangement; or
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Law) or similar official in relation to the whole, or a substantial part, of the property of Howard Smith or of a subsidiary of Howard Smith.

13.9 The nature of the conditions

The conditions in section 13.8 are conditions subsequent. The non-fulfilment of any condition subsequent does not prevent a contract to sell your Howard Smith Shares resulting from your acceptance of this Offer, but entitles Wesfarmers Retail, by written notice to you, to rescind the contract resulting from your acceptance of this Offer.

13.10 The benefit of the conditions

Subject to the Corporations Law, and until the end of the Offer Period, Wesfarmers Retail alone is entitled to the benefit of the conditions in section 13.8 or to rely on any non-fulfilment of any of them.

13.11 Freeing the Offer from conditions

- (1) Subject to section 650F of the Corporations Law and paragraph (2) below, Wesfarmers Retail may declare the Offer free from all or any of the conditions in section 13.8 generally or in relation to any specific occurrence by giving notice in writing to Howard Smith not less than seven days before the end of the Offer Period.
- (2) Wesfarmers Retail may declare the Offer free of the conditions in section 13.8(h) at any time within three business days after the end of the Offer Period.
- (3) If, at the end of the Offer Period (or in the case of the conditions in section 13.8(h), within three business days of the end of the Offer Period), the conditions in section 13.8 have not been fulfilled and Wesfarmers Retail has not declared the Offer (or they have not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

13.12 Statutory condition

This Offer and any contract that results from your acceptance of it are subject to a condition that:

- (1) an application is made to ASX within 7 days of the start of the bid period for admission to official quotation by ASX of the Wesfarmers Shares to be issued pursuant to the Offer; and
 - (2) permission for admission to official quotation by ASX of the Wesfarmers Shares to be issued pursuant to the Offer which are accepted is granted no later than seven days after the end of the bid period.
- If this condition is not fulfilled, all contracts resulting from the acceptance of the Offer will be automatically void.

13.13 Notice on the status of conditions

The date for giving the notice on the status of the conditions referred to in section 13.8 required by section 630(1) of the Corporations Law is 23 July 2001 (subject to extension in accordance with section 630(2) of the Corporations Law if the Offer Period is extended).

13.14 Withdrawal of Offer

- (1) This Offer may only be withdrawn with the consent in writing of the ASIC if it has not been accepted. Subject to that consent, withdrawal may be effected by giving written notice to Howard Smith and to ASX.
- (2) If Wesfarmers Retail withdraws this Offer, all contracts resulting from its acceptance will automatically be void.

13.15 Variation of Offer

Wesfarmers Retail may vary this Offer in accordance with the Corporations Law.

13.16 No stamp duty or brokerage

- (1) Wesfarmers Retail will pay all stamp duty payable on the transfer of your Howard Smith Shares to it.
- (2) No brokerage is payable by you if you accept this Offer.

13.17 Governing law

This Offer and any contract that results from your acceptance of this Offer are governed by the laws in force in Western Australia.

13.18 Date of Offer

This Offer is dated 28 June 2001.





Definitions and interpretation

14.1 Definitions

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

A\$ or \$ means Australian dollars.

ACCC means the Australian Competition and Consumer Commission.

Acceptance Form means the acceptance form which accompanies this Bidder's Statement.

Accountant's Report means the report by Ernst & Young contained in annexure D.

ADR means American Depositary Receipts.

All Ordinaries Index means the All Ordinaries Index of ASX.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited ACN 008 624 691.

ASX Listing Rules means the listing rules of ASX.

BBC hardware means BBC Hardware Limited ABN 11 000 003 378.

Bidder's Statement means the statement made pursuant to the Corporations Law which has been served on Howard Smith in relation to the Takeover Bid of which the Offer forms part.

Broker has the meaning given in the SCH Business Rules, being a person who is a share broker and a participant in CHES.

Bunnings means Bunnings Building Supplies Pty Ltd ABN 26 008 672 179 or, where the context requires, the hardware business unit of Wesfarmers.

BWPT means Bunnings Warehouse Property Trust ARSN 088 581 097.

CAGR means compound annual growth rate.

CGT means Australian capital gains tax.

CHES means Clearing House Electronic Subregister System, which provides for the electronic transfer of securities in Australia.

CHES Holding means a holding of Howard Smith Shares on the CHES subregister of Howard Smith.

Complying Superannuation Fund has the meaning given in the *Superannuation Industry (Supervision) Act 1993* (Cth).

Controlling Participant means the Broker or Non Broker Participant who is designated as the controlling participant for Howard Smith Shares in a CHES Holding in accordance with the SCH Business Rules.

Co-operative means Westralian Farmers Co-operative Limited.

Corporations Law means the Corporations Law of Australia (as in force at the date of this Bidder's Statement).

DIY means do-it-yourself.

EBITDA means earnings before interest, tax, depreciation and goodwill amortisation.

EBIT means earnings before interest and tax.

EPS means earnings per share.

foreign shareholder has the meaning given in section 13.7(7).

Gresham means Gresham Partners Group Limited and its subsidiaries.

GST means the Australian Government goods and services tax.

hardware means, unless the context requires otherwise, home improvement, home leisure and building products.

HIN means holder identification number.

Howard Smith means Howard Smith Limited ABN 54 004 071 845 or, where the context requires, the Howard Smith Group.

Howard Smith Buy-back Tender means the off market buy-back tender contained and explained in the buy-back tender booklet sent to Howard Smith shareholders on 29 May 2001.

Howard Smith Group means Howard Smith and its controlled entities.

Howard Smith Options means the options over unissued shares in the capital of Howard Smith issued by Howard Smith which are on issue on the date specified in section 13.4(a).

Howard Smith Shares means fully paid ordinary shares in Howard Smith and all Rights attaching to them.

IAMA means IAMA Limited ABN 50 008 724 052.

Merged Entity means Wesfarmers and its subsidiaries following the acquisition by Wesfarmers Retail of all or a majority of the Howard Smith Shares.

Non-Broker Participant has the meaning given in the SCH Business Rules.

NPAT means net profit after tax.

Offer or Wesfarmers Offer means Wesfarmers Retail's offer to acquire Howard Smith Shares as contained in section 13 of this Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 13.2 of this Bidder's Statement.

Official List means the official list of entities that ASX has admitted and not removed.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, whether in Australia or elsewhere. It includes any self-regulatory organisation established under statute or any stock exchange.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from the Howard Smith Shares directly or indirectly at or after the date of this Bidder's Statement including, without limitation, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Howard Smith or by any Howard Smith subsidiary.

SCH means the Securities Clearing House, being the body that administers the CHESS system in Australia.

SCH Business Rules means the business rules of SCH.

SRN means security holder reference number.

Takeover Bid means the takeover bid constituted by the dispatch of the Offer.

Takeover Transfer Holding means a CHESS Holding to which Howard Smith Shares are to be transferred pursuant to the acceptance of the Offer.

Target's Statement means the document to be issued by Howard Smith in response to the Offer.

Tender Withdrawal/Amendment Form means the form to withdraw or amend the offer submitted by a Howard Smith shareholder to sell their nominated shares to Howard Smith under the Howard Smith Buy-back Tender.

Wesfarmers means Wesfarmers Limited ABN 28 008 984 049 or, where the context requires, the Wesfarmers Group.

Wesfarmers Buy-back means the buy-back of Wesfarmers Shares as part of the Wesfarmers Ownership Simplification Plan.

Wesfarmers 2001 Dividend means the dividend to be declared by Wesfarmers in or about August 2001 (currently forecast to be 60 cents).

Wesfarmers Group means Wesfarmers and its controlled entities as at the date of this Bidder's Statement.

Wesfarmers Ownership Simplification Plan means the restructure which simplified the complicated shareholding structure of Wesfarmers explained in the Wesfarmers explanatory memorandum dated 4 April 2001, The Franked Income Fund explanatory memorandum dated 2 March 2001 and the Westralian Farmers Co-operative Limited explanatory memorandum dated 2 March 2001.

Wesfarmers Retail means Wesfarmers Retail Pty Ltd ACN 097 092 085.

Wesfarmers Shares means fully paid ordinary shares in Wesfarmers.

Year means year ending 30 June.

2001F means the forecast for the financial year ending 30 June 2001.



14.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

- (1) other words and phrases have the same meaning (if any) given to them in the Corporations Law;
- (2) words importing a gender include any gender;
- (3) words importing the singular include the plural and vice versa;
- (4) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (5) a reference to a section, annexure and schedule is a reference to a section of and an annexure and schedule to this Bidder's Statement as relevant;
- (6) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (7) headings and boldings are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (8) a reference to time is a reference to time in Perth, Australia;
- (9) a reference to writing includes telex and facsimile transmissions;
- (10) a reference to dollars, \$, AS, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia; and
- (11) a reference to the word "including" means including without any limitation.

14.3 Governing laws

The Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia.

Dated: 13 June 2001

Signed

for and on behalf of Wesfarmers Retail



M A Chaney

Director

This Bidder's Statement has been approved by a unanimous resolution passed by all Wesfarmers Retail directors and Wesfarmers directors on 12 June 2001.



Annexure A - Announcements in relation to the Offer

ANNEXURE

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13 June 2001

Wesfarmers announces \$2.2 billion offer for Howard Smith

Wesfarmers Limited today announced a takeover offer for all of the issued shares in Howard Smith Limited.

Wesfarmers' offer will be \$12.00 cash and two Wesfarmers shares for every five Howard Smith shares (the "Offer").

Over the last few weeks, Howard Smith's share price has been affected by the buy-back proposed by Howard Smith in mid May 2001 and widespread speculation of an offer from Wesfarmers following the sudden resignation of BBC hardware's chief executive on 30 May 2001.

The average weighted price for Howard Smith shares over the month prior to the announcement of the details of the proposed Howard Smith buy-back tender was \$8.85. This price was referred to by Howard Smith in setting the tender price range of \$8.50 to \$9.70. The directors of Howard Smith have stated that they intend to acquire shares within that price range, but at the lowest possible price in that range to purchase the amount of capital Howard Smith determines to buy back.

Based on Wesfarmers' closing share price on 12 June 2001, the Offer values each Howard Smith share at \$11.14 and represents:

- a premium of 26% to the \$8.85 pre buy-back announcement price referred to above;
- a premium of 22% over the mid point of the buy-back tender price range of \$9.10; and
- a premium of 14% over the closing price of Howard Smith shares on 12 June 2001.

The Managing Director of Wesfarmers, Mr Michael Chaney said Howard Smith's most significant business operation, BBC Hardware, was an attractive fit with Bunnings, one of Wesfarmers' major business units.

"By combining Bunnings and BBC Hardware, we will create an Australian owned hardware retailer with combined Australian hardware sales of \$2.4 billion, performing at international benchmark levels and with significant potential for growth in the \$19 billion Australian hardware market. Total hardware sales in Australia and New Zealand for the expanded group will be approximately \$3 billion" said Mr Chaney.

"Bunnings' strong position in Victoria, Western Australia and South Australia complements BBC Hardware's strengths in New South Wales, Queensland and New Zealand and there will be a number of advantages from merging the two operations."

"The combined market share of the two businesses will amount to only 13.2% of the Australian hardware market. Wesfarmers intends to invest in BBC Hardware's existing Hardwarehouse stores and staff, including reformatting and improving customer service levels".

The Australian Competition and Consumer Commission has been advised of the Offer being made and has been provided with detailed hardware market and industry information over the last three weeks. Wesfarmers anticipates that the ACCC will be able to complete its usual market enquiries without delaying the offer period and is confident that the offer will not give rise to any material concerns for the ACCC.

In addition, Wesfarmers believes that Howard Smith's distribution business, Blackwoods, will be an attractive fit for Wesfarmers.

The Offer provides Howard Smith shareholders with the opportunity to secure an immediate increase in the value of their Howard Smith shareholding.

By accepting the Offer, Howard Smith shareholders will maintain an involvement with Howard Smith's businesses while benefiting from Wesfarmers' outstanding record of shareholder returns and management expertise.

Over the period since its listing in 1984, Wesfarmers' shares have been one of the top performers in Australia. Bloomberg shows total returns of capital and income for Wesfarmers shareholders has averaged more than 30% per annum over the last 17 years. This trend of continuing Wesfarmers profit growth was confirmed at the announcement of Wesfarmers's third quarter results on 8 May 2001 and further growth is forecast for the remainder of the year to 30 June 2001 and for the 2002 financial year. Details of these financial forecasts are being separately announced.

In comparison, Howard Smith shares have significantly underperformed the market over recent years.

On 1 May 2001, Howard Smith made an ASX announcement advising that net profit for the year to 30 June 2001 is expected to be 12% below the previous year, an outcome attributed to depressed conditions in the housing sector and a general slowdown in the Australian economy. As a consequence, Howard Smith decided to accelerate its program of closure of underperforming conventional stores.

Mr Chaney, said the transaction would be immediately earnings per share positive for Wesfarmers on a pre-goodwill amortisation basis and that gearing (net debt to equity) following the transaction would be comfortably within Wesfarmers' stated target gearing range.

Integration of BBC Hardware with Bunnings

Wesfarmers first entered the hardware business in 1987 through the acquisition of a substantial shareholding in Bunnings Limited and achieved full control in 1994. Between 1991 and 2000, Bunnings has generated annual sales growth in excess of 28% per annum. Today, sales exceed \$1.3 billion per annum.

As noted by market analysts, Bunnings has a significantly better performance record than Howard Smith's hardware division as measured by sales and margins. Based on results to 30 June 2000, the average sales per Bunnings Warehouse store is approximately 60% higher than the corresponding average for BBC Hardware's Hardwarehouse stores. On a whole of business basis, Bunnings' earnings before interest and tax ("EBIT") margins are about 50% higher than BBC Hardware's.

Bunnings has developed a highly successful operating model that in recent years has consistently achieved results comparable with international benchmark levels. Wesfarmers believes that it can substantially improve the operating performance of BBC Hardware by utilising its management expertise and operating approach.

Bunnings and BBC Hardware are highly complementary with limited geographic overlap. In total, the combined hardware business will have more than 270 stores throughout Australia and New Zealand, of which 107 will be larger format warehouse stores. In order to bring Howard Smith's Hardwarehouse stores up to Bunnings' standards, Wesfarmers intends to make a further investment in existing warehouse stores and staff. Wesfarmers also intends to utilise the best of both management teams and to maintain the Hardwarehouse brand for warehouse stores in NSW and New Zealand. In other States, Bunnings Warehouse branding will be adopted for warehouse stores.

Given the limited warehouse stores overlap, Wesfarmers expects limited store closures. As part of the integration, Wesfarmers intends to conduct a detailed review of BBC Hardware's stores and operations. Based on public information, and subject to detailed review, current expectations are that there may be closures of up to nine Hardwarehouse stores over the next 12 months.

Blackwoods

The acquisition of Howard Smith will also enable Wesfarmers to expand its range of existing distribution businesses through the acquisition of Blackwoods, a national distributor of industrial products. Wesfarmers currently has substantial distribution operations in industrial gases and generally within Australia's rural industry.

Wesfarmers intends to pursue opportunities to further grow and develop the Blackwoods business and believes its management strategy will facilitate future growth.

Blackwoods will become a separate operating business unit of Wesfarmers.

Howard Smith Buy-back

On 16 May 2001, Howard Smith announced that it intended to initiate an off-market share buy-back. The buy-back has been structured as a tender offer at prices between \$8.50 and \$9.70 per share, with the ultimate price being the lowest possible price in that range to purchase the amount of capital Howard Smith determines to buy-back. This price range, set by the Directors of Howard Smith, followed a volume weighted average share price in the month prior to announcement of the buy-back details of \$8.85, as referred to by Howard Smith Directors in the Buy-Back Tender booklet.

The maximum aggregate cash sum to be returned to Howard Smith shareholders under the buy-back is \$250 million and will be subject to capital gains tax.

By comparison, Wesfarmers' Offer is for all Howard Smith shares, is at a 26% premium to the \$8.85 average weighted share price over the month prior to the announcement of the details of the proposed buy-back and should provide capital gains tax rollover relief on that portion of the Offer represented by Wesfarmers shares.

"Howard Smith shareholders are encouraged to carefully consider the lower value tender proposal in the light of the Wesfarmers offer", Mr Chaney said.

Wesfarmers' Bidder's Statement will today be served on Howard Smith and lodged with the Australian Stock Exchange and the Australian Securities and Investments Commission. A copy of the Bidder's Statement will be available on Wesfarmers website at www.wesfarmers.com.au. It is proposed that Offer documents will be dispatched to Howard Smith shareholders in approximately two weeks.

The Offer is subject to conditions, including a 90% minimum acceptance condition, and a condition that no adverse regulatory intervention occurs. Further details of the Offer conditions are attached.

Wesfarmers intends to make an offer for the outstanding options issued by Howard Smith to certain of its employees. The terms of that offer will be determined once Wesfarmers has received confirmation from Howard Smith of the relevant exercise prices and terms and conditions of each class of options. The option offer will be subject to a condition that Wesfarmers becomes entitled to move to 100% control of Howard Smith.

For further information please contact:

Mr Michael Chaney: (08) 9327 4203
Managing Director

Mr Keith Kessel: (02) 9232 0603
General Manager, Public Affairs
Mobile: 0419 949 082

If you have any questions about the Offer, please call the shareholder information line (free call) on 1800 770 028 or visit the Wesfarmers website at www.wesfarmers.com.au.

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Background information on Wesfarmers and Howard Smith

Information on Wesfarmers

Wesfarmers is a major diversified Australian public company with a market capitalisation as at 12 June 2001 of over \$6 billion¹, positioning it in the top 30 Australian listed companies by market capitalisation. Wesfarmers is also ranked as a leading performer among Australia's top 50 listed companies in terms of total shareholder return. Wesfarmers' current business interests include hardware retailing; fertilisers and chemicals manufacture; gas processing and distribution; coal mining and processing; rural merchandise and services (including insurance); road and rail transport and forest products.

Wesfarmers shares have recorded strong growth since listing on the ASX in 1984.

Today, the Wesfarmers Group employs about 15,000 people and has over 65,000 shareholders.

Further Information on Bunnings

Bunnings is a mass merchandiser of an extensive range of home improvement, home leisure and building products, catering mainly for the do-it-yourself customer, small to medium size builders and owner builders.

Bunnings' warehouse model was introduced in 1994 after two years of detailed planning. This model has a heavy emphasis on store layout, site selection and workplace culture, staff performance, recruitment and training.

Since 1994, Bunnings has pursued a strong expansion program to develop a nationwide chain of warehouse stores in all mainland States and Territories of Australia. Bunnings now has 68 stores nationally of which 47 are large Bunnings Warehouse format stores. Warehouse stores now account for over 82 per cent of total Bunnings sales with up to 45,000 product lines offered for sale.

Information on Howard Smith

Following the sale of its towage operations in May 2001, Howard Smith is now largely a distributor of hardware and industrial products to retail, trade and industrial customers in Australia and New Zealand. It has two operating divisions; hardware distribution and industrial products distribution.

Howard Smith has over 12,000 employees (excluding those from the towage operations).

Howard Smith's hardware division, which operates under the brands BBC hardware, Hardwarehouse and Benchmark Building Supplies (in New Zealand), distributes hardware, lifestyle, home improvement and building products largely to retail customers and principally through the Hardwarehouse chain of large warehouse type stores and distributes hardware, building and construction products to mainly trade customers, principally through the BBC hardware and Benchmark Building Supplies traditional stores.

Howard Smith's warehouse type "Hardwarehouse" stores and conventional stores are located in New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania. Howard Smith also operates the Benchmark Building Supplies traditional stores in New Zealand.

Howard Smith's industrial products distribution division, which operates under the brand "Blackwoods", provides supply and distribution of industrial, safety and engineering products, power transmission and machinery and bearings, fasteners and metals. Its principal trading names are Blackwoods, AE Baker & Co, FPT Power Transmission, Motion Industries, Mullins Fasteners, Alsafe, NZ Safety and Packaging House.

Conditions of the offer

The Offer conditions are summarised below.

- Wesfarmers Retail acquiring a relevant interest in at least 90 per cent of all Howard Smith ordinary shares.
- No action being taken by a regulatory authority which adversely impacts on the Offer or requires divestiture of Howard Smith shares or assets of any company within the Howard Smith Group or the Wesfarmers Group.
- No material acquisitions, disposals or changes in the business of Howard Smith or its subsidiaries having a value in aggregate greater than \$50 million, except for any proposed transaction publicly announced by Howard Smith prior to 13 June 2001.
- No material adverse change occurring in the business, financial or trading position or condition, assets, liabilities or profitability or prospects of Howard Smith or its subsidiaries from that publicly announced before 13 June 2001.
- Howard Smith not declaring or paying a dividend after 13 June 2001.
- No persons exercising rights under certain agreements or instruments which results in the business of Howard Smith or its subsidiaries being materially affected.
- The All Industrial Index does not fall more than 15 per cent below its closing level on 12 June 2001 for a period of three or more consecutive trading days of ASX prior to the end of the offer period.
- No "prescribed occurrence" occurs. This prohibits, among other things, Howard Smith buying back shares other than under the Howard Smith Buy-back Tender.

13 June 2001

Wesfarmers forecasts continued strong growth

Wesfarmers Limited today announced its takeover offer for all of the shares in Howard Smith Limited and provided its bidder's statement (the "Bidder's Statement") to Howard Smith, the Australian Stock Exchange and the Australian Securities and Investments Commission.

In its Bidder's Statement, Wesfarmers has made a number of important disclosures including its forecast result for the financial year ending 30 June 2001; the forecast final dividend for 2001; the general outlook for the group, and forecasts for the year ending 30 June 2002 on a stand alone basis before the impact of the proposed acquisition of Howard Smith is taken into account.

This announcement summarises key parts of that disclosure. Full particulars of the matters summarised below are set out in the Bidder's Statement which is available on the Wesfarmers website at www.wesfarmers.com.au or from the Australian Stock Exchange. Wesfarmers notes that the forecasts referred to below are based on a number of assumptions, full details of which are set out in section 7 of the Bidder's Statement.

Forecast Result to 30 June 2001

The Wesfarmers Group forecast for the financial year ending 30 June 2001 is for earnings of \$247 million after tax, a 27% increase on the after tax result of \$195 million for the year ending 30 June 2000. This forecast is outlined in the table which accompanies this announcement as annexure 1.

The key drivers of performance during the financial year ending 30 June 2001 have been:

- continued growth in sales and earnings from the hardware business driven by store on store growth and the ongoing warehouse store rollout programme;
- higher sales and earnings from coal, attributed in part to the strong performance of the recently acquired Curragh coal mine in Queensland and also the increased production at Wesfarmers' 40 per cent owned Bengalla coal mine in NSW as it moves towards full capacity;
- increased export volumes of LP gas at historically high international prices;
- stronger performance in the rural services business driven by improved commodity prices; and
- premium growth and low claims in the insurance business.

The fertiliser and chemicals business is expected to report improved performance over that of last year. The forest products business is expected to report lower earnings for the full year as a result of the sale of its woodchipping, plantation services and plantation assets in October 2000, and also as a result of the downturn in housing activity which followed the introduction of the GST.

Final Dividend

In line with the company's current policy of maintaining a dividend payout ratio of 100 per cent of after-tax profit, Wesfarmers anticipates that its final dividend will be 60 cents per share fully franked (last year 48 cents). The dates for declaring, determining entitlements and paying this dividend are yet to be set by the directors. It is expected that these dates will be determined shortly after finalisation of the accounts for the year ending 30 June 2001.

The company's Dividend Investment Plan will apply to the final dividend. The price at which new shares will be issued under that plan will be announced at a later date.

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Forecasts for the Year to 30 June 2002

On a stand alone basis before the impact of the acquisition of Howard Smith is taken into account, for the year ending 30 June 2002 Wesfarmers is forecasting further increased earnings as a result of the continuing strong performance of the hardware business and energy businesses, particularly coal which should benefit from volume increases and recent export coal price increases, with expected improvement in the performance of the fertiliser and chemicals business and rural and insurance business.

Wesfarmers has forecast for the year ending 30 June 2002, on a stand alone basis, operating revenue of \$5,028 million, up 15 per cent on the forecast result to 30 June 2001 and profit after tax of \$323 million, up 31 per cent on the forecast result to 30 June 2001. Further detail on these forecasts is contained in the table that accompanies this announcement as annexure 2.

Forecasts for the year ending 30 June 2002 which assume the successful acquisition of Howard Smith are also set out in the Bidder's Statement.

For further information contact: **Mr Michael Chaney,**
Managing Director
(08) 9327 4203 or (02) 9232 0603

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ANNEXURE 1

WESFARMERS FORECAST STAND ALONE RESULT TO 30 JUNE 2001

Extracted from Section 1.2 of the Bidder's Statement.

A forecast of the key financial statistics for Wesfarmers for the year ended 30 June 2001 is set out in the following table.

	1999 Year	2000 Year	2001F Year ⁽¹⁾
TRADING RESULTS			
Operating revenue (\$m)			
Sales	2,818	3,358	4,237
Other	301	138	132
Total	3,119	3,496	4,369
EBIT (\$m) pre-goodwill amortisation (before abnormal items)	275	327	429
EBIT (\$m) pre-goodwill amortisation ⁽²⁾	277	327	429
EBIT (\$m) post-goodwill amortisation (before abnormal items)	268	320	418
EBIT (\$m) post-goodwill amortisation ⁽²⁾	270	320	418
Profit before tax (\$m) (before abnormal items)	251	297	365
Profit before tax (\$m) ⁽²⁾	253	297	365
NPAT (\$m) (before abnormal items)	177	195	247
NPAT (\$m) ⁽²⁾	179	207	247
Net operating cashflow (\$m)	166	254	298
Capital expenditure (\$m)	352	189	257
BALANCE SHEET			
Total assets (\$m)	2,576	3,169	3,947 ⁽⁷⁾
Net assets (\$m)	1,207	1,231	1,577 ⁽⁷⁾
Intangible assets (\$m)	142	135	303 ⁽⁷⁾
Net tangible assets (\$m)	1,065	1,096	1,274 ⁽⁷⁾
Shareholders equity (\$m) ⁽³⁾	1206	1,226	1,577 ⁽⁷⁾
Number of shares on issue (m) ⁽³⁾	262	264	282
PERFORMANCE MEASURES			
EPS (cents) (pre-goodwill amortisation) (before abnormal items) ⁽⁴⁾	71.9	75.7	94.6
EPS (cents) (pre-goodwill amortisation) ⁽²⁾⁽⁴⁾	72.6	80.4	94.6
EPS (cents) (post-goodwill amortisation) (before abnormal items) ⁽⁴⁾	69.1	73.0	90.8
EPS (cents) (post-goodwill amortisation) ⁽²⁾⁽⁴⁾	69.8	77.6	90.8
Dividends per share (cents)	67	73	87
Gearing (net financial debt to equity) (per cent)	36.3	67.3	67.7 ⁽⁸⁾
Net interest cover - cash basis (times) (before abnormal items)	22.9	18.9	10.9
Net interest cover - profit basis (times) (before abnormal items)	15.8	13.6	7.8
Stock market capitalisation (\$m) ⁽³⁾⁽⁵⁾	3,568	3507	6,063 ⁽⁶⁾

Refer notes on following page.

ANNEXURE

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Notes:

- (1) Forecast information must be read in conjunction with the notes and assumptions in section 7 of the Bidder's Statement.
- (2) Includes the following abnormal items:
 - In the 2000 financial year, a \$12 million (after tax) gain on change of income tax rates.
 - In the 1999 financial year, a net gain of \$1 million (\$2 million after tax) comprising \$14 million (\$9 million after tax) profit on the sale of shares in a listed entity (other - investment and services), \$18 million profit (\$12 million after tax) on the sale of Bunnings Warehouse properties (hardware) and a \$30 million (\$19 million) write down of forest products' property, plant and equipment.
- (3) Number of shares on issue and share capital restated to reflect the Wesfarmers Buy-back (for further information on this buyback see prior market disclosures or refer to section 2 of the Bidder's Statement).
- (4) Calculations are based on the weighted average shares on issue during each financial year after notional adjustment for the Wesfarmers Buy-Back.
- (5) Based on closing share price on the last trading day at the end of each financial year.
- (6) Market capitalisation as at 8 June 2001 based on a closing share price of \$21.52.
- (7) Based on the assumptions set out in annexure E to the Bidder's Statement.
- (8) The estimated gearing based on the assumptions set out in annexure E to the Bidder's Statement is 71.5 per cent.

ANNEXURE 2**WESFARMERS FORECAST FOR YEAR ENDED 30 JUNE 2002**

Excludes the impact of the acquisition of Howard Smith.

Extracted from Section 7.3 of the Bidder's Statement.

	Wesfarmers Forecast 2002 Year S'000
Operating Revenue	5,027,788
EBITDA	702,566
Depreciation	171,645
Goodwill amortisation	15,542
EBIT	515,369
Interest	60,166
Operating profit before tax	455,203
Tax	132,043
Operating profit after tax	323,160
Outside equity interest	32
Operating profit after tax attributable to members of Wesfarmers	323,192

The information set out in the above table should be read in conjunction with the notes and assumptions set out in section 7 of the Bidder's Statement.

Annexure B - Summary of key announcements by Wesfarmers

Date lodged	Description
26 October 2000	New issue announcement and application for quotation of additional securities in respect of shares issued under the Wesfarmers dividend investment plan.
30 October 2000	Announcement that the Australian Railway Group, jointly owned by Wesfarmers and Genesee & Wyoming Inc, had been successful in its bid to acquire the Westrail Freight business.
6 November 2000	Announcement of first quarter results and the proforma report of Wesfarmers containing financial statements for the three months ended 30 September 2000.
6 November 2000	Chairman's address to the annual general meeting of members of Wesfarmers on 6 November 2000.
7 November 2000	Announcement of results of annual general meeting of members of Wesfarmers.
9 November 2000	Open briefing by the Wesfarmers Chief Executive Officer on the September 2000 quarterly results.
28 November 2000	Lodgment of Wesfarmers Environment, Safety and Health Progress Report 2000.
28 November 2000	Joint announcement by Wesfarmers and IAMA Limited of their intention to merge the IAMA Limited and Wesfarmers Dalgety Limited businesses.
30 November 2000	Lodgment of the Wesfarmers Employee Share Plan 2000 Prospectus.
11 December 2000	Announcement that agreement had been reached on the terms on which Futuris Corporation would cease all legal action against IAMA Limited and Wesfarmers in respect of the proposed IAMA Limited/Wesfarmers Dalgety Limited merger.
9 January 2001	Announcement that Wesfarmers would offer IAMA Limited shareholders \$1.65 cash for each share, subject to completion of the proposed merger of IAMA Limited with Wesfarmers Dalgety Limited.
25 January 2001	Lodgment of bidder's statement and offer document under an off-market bid in respect of all of the fully paid ordinary shares in the capital of IAMA Limited.
5 February 2001	Announcement of first half results and the proforma report of Wesfarmers containing financial statements for the six months ended 31 December 2000.
7 February 2001	Open briefing by the Wesfarmers Chief Executive Officer on the 25 per cent profit rise.
8 February 2001	Announcement that the Australian Competition and Consumer Commission had advised that it will not oppose Wesfarmers' acquisition of IAMA Limited.
13 February 2001	Announcement that Wesfarmers securities will be placed in pre-open pending the release of an announcement by Wesfarmers.
13 February 2001	Announcement of the Wesfarmers Ownership Simplification Plan.
13 February 2001	Announcement that Wesfarmers would issue 11 million ordinary shares in an overnight book build underwritten by JB Were at \$18.30 per share.
14 February 2001	Announcement that Wesfarmers had placed 11 million shares at an issue price of \$19.00 per share.
14 February 2001	Announcement declaring that the Wesfarmers takeover offer for shares in IAMA Limited is free from conditions.

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15 February 2001	Open briefing by the Wesfarmers Chief Executive Officer on the Wesfarmers Ownership Simplification Plan.
15 February 2001	New issue announcement and application for quotation of additional securities to raise working capital for Wesfarmers.
20 February 2001	Announcement that Wesfarmers had acquired 90.25 per cent of IAMA Limited and is now entitled to proceed to compulsory acquisition of the remaining shares.
23 February 2001	Lodgment of notice of compulsory acquisition by Wesfarmers of the remaining shares in IAMA Limited following the takeover bid.
5 March 2001	Lodgment of IAMA takeover s630(3) notice by Wesfarmers Agribusiness Limited.
5 March 2001	Lodgment of the Wesfarmers Ownership Simplification Plan explanatory memorandum.
14 March 2001	Announcement that the Wesfarmers Agribusiness Limited offer for ordinary shares in IAMA Limited is closed.
6 April 2001	Announcement of the overwhelming support of shareholders for simplifying the ownership structure of Wesfarmers. Approval levels in the vote were more than 90 per cent.
11 April 2001	Announcement that the Supreme Court of Western Australia had given final approval to the Wesfarmers Ownership Simplification Plan.
11 April 2001	New issue announcement and application for quotation of additional securities in respect of shares issued pursuant to the Wesfarmers Ownership Simplification Plan.
20 April 2001	New issue announcement and application for quotation of additional securities in respect of shares issued pursuant to the Wesfarmers dividend investment plan.
24 April 2001	Announcement of the completion of the Wesfarmers Ownership Simplification Plan.
26 April 2001	Announcement of confirmation of allotment of shares pursuant to the Wesfarmers Ownership Simplification Plan.
8 May 2001	Announcement of the third quarter results and lodgment of the proforma quarterly report containing financial statements for the three months ending 31 March 2001.
11 May 2001	Open briefing by the Wesfarmers Chief Executive Officer on the 30 per cent profit rise.

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Annexure C - Rights attaching to Wesfarmers' securities

ANNEXURE

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(a) Meetings of shareholders and voting rights

Subject to Wesfarmers' constitution, at a general meeting, each shareholder entitled to vote may attend and vote in person or by proxy, attorney or representative.

At a general meeting, a resolution put to the vote shall be decided on a show of hands unless a poll is demanded. On a show of hands, every shareholder present in person or by representative has one vote.

On a poll, every shareholder has one vote for each share held by them and may vote in person, by proxy, by attorney or by representative.

(b) Dividends

The directors of Wesfarmers may pay a dividend to the extent that, as it appears to them, the profits of Wesfarmers justify. No dividend is to be paid except out of profits. All dividends must be paid in proportion to the amounts paid up on the shares (but not any amounts paid up in advance). Information on Wesfarmers' dividend policy and history is set out in section 2.5 of the Bidder's Statement.

(c) Winding up

If Wesfarmers is wound up, the liquidator may, with the approval of Wesfarmers shareholders by special resolution, divide the assets of Wesfarmers among the shareholders and may vest any part of the assets in trustees for the benefit of the shareholders or any of them as the liquidator determines.

(d) Transfer of shares

Subject to Wesfarmers' constitution, a shareholder may transfer all or any of their shares by a proper SCH transfer or an instrument in writing in any form that the directors of Wesfarmers approve. The transferor of shares remains the holder of the shares until a proper SCH transfer has been effected or the name of the transferee is entered in the register of shareholders of Wesfarmers.

Wesfarmers may decline to register a transfer of shares where the transfer is not in registrable form or where permitted to do so under the Listing Rules, the SCH Business Rules or otherwise by law or in accordance with the terms of issue of the shares.

(e) New issues of securities

Subject to Wesfarmers' constitution and the Corporations Law, the directors of Wesfarmers may grant options to subscribe for shares and issue shares on such conditions, at such times and with such preferred, deferred or other special rights or privileges or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the directors of Wesfarmers may determine.

(f) Alteration of capital

Wesfarmers may, by ordinary resolution, consolidate and divide its share capital into shares of larger amount than its existing shares, subdivide its shares into smaller amounts or cancel shares which have not been taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares cancelled.

Subject to the Corporations Law, Wesfarmers may by special resolution reduce its share capital and any capital redemption reserve fund in any manner allowed by law.

Annexure D - Accountant's Report



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13 June 2001

The Board of Directors
Wesfarmers Limited
11th Floor, Wesfarmers House
40 The Esplanade
PERTH WA 6000

Dear Sirs

Accountant's Report

1. Introduction

This report has been prepared at the request of the directors of Wesfarmers Limited ("Wesfarmers" or "the Company") for inclusion in a Bidder's Statement to be issued by Wesfarmers to the shareholders of Howard Smith Limited ("Howard Smith").

The purpose of this report is to comment on the financial impact the acquisition of Howard Smith, as well as certain other material subsequent events, will have on the financial position of the Wesfarmers consolidated entity, as if all these material transactions had occurred as at 31 December 2000 and 30 June 2001.

In addition this report will also comment on the profit forecasts of Wesfarmers for the financial years ending 30 June 2001 and 30 June 2002, and the profit forecasts of the Wesfarmers/Howard Smith consolidated entity ("the Merged Entity") for the financial year ending 30 June 2002.

2. Background

On 13 June 2001, Wesfarmers announced its intention via a wholly owned controlled entity, Wesfarmers Retail Pty Ltd, to bid for all the issued fully paid ordinary shares in Howard Smith ("Howard Smith Shares") to which it is not already entitled.

Wesfarmers is offering to Howard Smith shareholders 2 fully paid ordinary Wesfarmers shares ("Wesfarmers Shares") and \$12.00 cash for every 5 Howard Smith Shares.

3. Financial Information

The following financial information is set out in annexure E of the Bidder's Statement and should be read in conjunction with this report:

Historical and Proforma Consolidated Financial Information

- the reviewed historical consolidated balance sheet of Wesfarmers as at 31 December 2000;
- the reviewed historical consolidated balance sheet of Howard Smith as at 31 December 2000;
- the proforma consolidated balance sheet of Wesfarmers showing the financial effects as if certain material transactions (refer section 1.1 of annexure E for details) which have taken place since 31 December 2000, had taken place as at 31 December 2000;

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- the proforma consolidated balance sheet of Howard Smith showing the financial effects as if certain material transactions (refer section 1.2 of annexure E for details) which have taken place since 31 December 2000, had taken place as at 31 December 2000;
- the forecast proforma consolidated balance sheet of Wesfarmers as at 30 June 2001, showing the financial effects of certain material transactions as set out in section 1.1 of annexure E which have taken place since 31 December 2000, and the certain other transactions forecast to 30 June 2001 as set out in section 2.1 of annexure E;
- the forecast proforma merged balance sheet of the Wesfarmers/Howard Smith consolidated entity ("Forecast Proforma Merged Entity-100% Ownership scenario") as at 30 June 2001, showing the financial effects of certain material transactions as set out in sections 1.1 and 1.2 of annexure E which have taken place since 31 December 2000, and the proposed acquisition of Howard Smith (refer section 2.2 of annexure E) having occurred as at 30 June 2001 on the basis Wesfarmers successfully acquires 100% of the issued Howard Smith Shares;
- the forecast proforma merged balance sheet of the Wesfarmers/Howard Smith consolidated entity ("Forecast Proforma Merged Entity-50% Ownership scenario") as at 30 June 2001, showing the financial effects of certain material transactions as set out in sections 1.1 and 1.2 of annexure E which have taken place since 31 December 2000, and the proposed acquisition of Howard Smith (refer section 3.1 of annexure E) having occurred as at 30 June 2001 on the basis Wesfarmers successfully acquires 50% of the issued Howard Smith Shares;
- the audited historical consolidated profit and loss statement of Wesfarmers for the year ended 30 June 2000 and the reviewed historical consolidated profit and loss statement of Wesfarmers for the 6 months ended 31 December 2000;

Forecast Financial Information

- the forecast consolidated profit and loss statements of Wesfarmers for the financial years ending 30 June 2001 and 30 June 2002;
- the forecast profit and loss statement of the Wesfarmers/Howard Smith consolidated entity ("Merged Entity-100% Ownership scenario") for the year ending 30 June 2002 on the basis Wesfarmers successfully acquires 100% of the issued Howard Smith Shares; and
- the forecast profit and loss statement of the Wesfarmers/Howard Smith consolidated entity ("Merged Entity-50% Ownership scenario") for the year ending 30 June 2002 on the basis Wesfarmers successfully acquires 50% of the issued Howard Smith Shares.

The directors of Wesfarmers are responsible for the preparation and presentation of the financial information.

4. SCOPE

Historical and Proforma Financial Information-Wesfarmers

We have conducted an independent review of the historical consolidated balance sheet and the proforma consolidated balance sheet of Wesfarmers as at 31 December 2000, as set out in section 1 of annexure E.

The purpose of the proforma consolidated balance sheet is to show the financial effects on Wesfarmers as if the following material transactions which have taken place since 31 December 2000, had taken place as at 31 December 2000:

- the issue of 4.2 million Wesfarmers Shares at \$17.92 per share on 24 January 2001 pursuant to the Company's employee share plan;
- the sale of Wesfarmers Dalgety Limited to IAMA Limited ("IAMA") for \$145.0 million satisfied through the issue of 116.0 million fully paid ordinary shares in IAMA taking Wesfarmers' shareholding from 13% to 60% of the expanded IAMA share capital;
- the acquisition of the remaining 40% of the share capital of IAMA for a total cash consideration of \$142.0 million;
- the placement of 11.0 million Wesfarmers Shares to institutional shareholders at \$19.00 per share for a net consideration of \$206.1 million and the subsequent reduction in borrowings by that amount;



- the acquisition of all the units in the Franked Income Fund ("FIF") for \$2.2 billion satisfied by the issue of 120.9 million Wesfarmers Shares;
- the acquisition of all the outstanding options to acquire FIF units for \$49.7 million satisfied by the issue of 2.8 million Wesfarmers Shares;
- the acquisition of 100% of Gresham Partners Management Limited ("GPML") for \$20.0 million satisfied by the issue of 1.1 million Wesfarmers Shares;
- the acquisition of all the stock units in Westralian Farmers Co-operative Limited ("WFCL") for \$170.0 million satisfied by the issue of 9.4 million Wesfarmers Shares;
- the buy-back of 136.0 million Wesfarmers Shares held by FIF, WFCL, WFCL Investments Pty Ltd and Dairy Properties Co-operative Limited for \$2.5 billion;
- the payment of costs associated with the Wesfarmers Ownership Simplification Plan totalling \$47.8 million;
- relief to permit the proposed capital gains tax rollovers is available and that Wesfarmers elects to take advantage of that rollover relief; and
- the payment of the dividend of \$0.27 per share provided for at 31 December 2000 of \$76.3 million, settled by the issue of 0.9 million Wesfarmers Shares and \$58.4 million cash.

We have reviewed the financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that:

- (i) the historical consolidated balance sheet is not presented fairly in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia;
- (ii) the proforma consolidated balance sheet is not presented fairly in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, as if the material transactions set out in section 1.1 of annexure E had taken place as at 31 December 2000.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and was limited to enquiries of the directors and management of Wesfarmers, reading of directors' minutes and relevant contracts, analytical review procedures applied to the financial data, the performance of limited verification procedures and comparison for consistency in application of accounting standards and policies.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. As we have not performed an audit on the financial information of Wesfarmers as at 31 December 2000 as set out in section 1 of annexure E, we do not express an audit opinion on the financial information.

Historical and Proforma Financial Information - Howard Smith

Wesfarmers has compiled the financial information in respect of the historical consolidated balance sheet of Howard Smith as at 31 December 2000 and the proforma consolidated balance sheet of Howard Smith, the purpose of which is to show the financial effects as if the following material transactions which have taken place since 31 December 2000, had taken place as at 31 December 2000:

- the sale of its towage operations to Adsteam Marine for \$500.0 million cash resulting in an estimated profit after tax of \$149.9 million;
- the acquisition of the Atkins Carlyle distribution business for a total cash consideration of \$49.0 million; and
- the payment of the dividend of \$0.17 per share provided for at 31 December 2000 of \$33.6 million, by way of cash.

PricewaterhouseCoopers reviewed the half yearly financial statements of Howard Smith for the six months ended 31 December 2000 and provided an unqualified review statement.



We have conducted an independent review of the financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that:

- (i) the historical consolidated balance sheet has not been correctly extracted from the half yearly financial statements of Howard Smith as at 31 December 2000; and
- (ii) the proforma consolidated balance sheet has not been properly compiled based on the information extracted from the half yearly financial statements of Howard Smith as at 31 December 2000 and on the basis that the material transactions as set out in section 1.2 of annexure E had taken place as at 31 December 2000.

Our procedures have been limited to a review of the financial information publicly released by Howard Smith, ensuring that the historical consolidated balance sheet has been correctly extracted from the half yearly financial statements of Howard Smith as at 31 December 2000, and ensuring that the proforma consolidated balance sheet has been properly compiled based on the information extracted from the half yearly financial statements of Howard Smith as at 31 December 2000 and on the basis that the assumptions as set out in section 1.2 of annexure E had taken place as at 31 December 2000.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. As we have not performed an audit on the financial information of Howard Smith as at 31 December 2000 as set out in section 1 of annexure E, we do not express an audit opinion on the financial information.

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Forecast Proforma Wesfarmers and Merged Entity Financial Information

Forecast Proforma-Wesfarmers

The purpose of the forecast proforma consolidated balance sheet of Wesfarmers as at 30 June 2001, is to show the financial effects of certain material transactions as set out in section 1.1 of annexure E which have taken place since 31 December 2000, and the following additional assumptions as at 30 June 2001:

- Wesfarmers achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$134.8 million; and
- Wesfarmers provides for a final dividend of \$0.60 per share totalling \$169.0 million on the existing Wesfarmers Shares (excluding those to be bought back) of which 50% is estimated to participate in the dividend investment plan.

Forecast Proforma-Merged Entity

Wesfarmers has compiled the financial information in respect of the proforma merged Wesfarmers/Howard Smith consolidated entity ("Forecast Proforma Merged Entity"). Two scenarios have been prepared:

- "Forecast Proforma Merged Entity-100% Ownership scenario"; and
- "Forecast Proforma Merged Entity-50% Ownership scenario".

Forecast Proforma Merged Entity-100% Ownership scenario

The purpose of the "Forecast Proforma Merged Entity-100% Ownership scenario" balance sheet forecast to 30 June 2001, is to show the financial effects of certain material transactions as set out in sections 1.1 and 1.2 of annexure E which have taken place since 31 December 2000, the assumptions set out in section 2.1 of annexure E and the following additional assumptions relating to the proposed acquisition of Howard Smith having occurred as at 30 June 2001:

- Wesfarmers successfully acquires 100% of the issued capital of Howard Smith for a total consideration of \$2.0 billion payable by the issue of 79.0 million Wesfarmers Shares and \$474.2 million cash;
- Wesfarmers incurs transaction costs of \$13.2 million, which are capitalised as part of the cost of acquisition;
- Wesfarmers draws down \$487.4 million under a debt facility;
- a provision for a final dividend of \$0.60 per share is made totalling \$47.4 million on the Wesfarmers Shares issued pursuant to the Offer;



- the recipients of the final dividend paid on Wesfarmers Shares issued under the Offer do not participate in the dividend investment plan;
- adjustments are made in accordance with Australian Accounting Standards totalling \$83.7 million to the fair value of the net assets acquired, the write down of certain assets, the establishment of provisions in relation to the costs associated with store closures and the early termination of service agreements with directors and executives as referred to in Howard Smith's 2000 annual report;
- consistent with the principles set out in Australian Accounting Standard AASB 1015 "Acquisition of Assets", the value ascribed to the Offer for the sole purpose of preparing the proforma financial information has been derived by assuming a 10% discount on an indicative Wesfarmers share price of \$21.50;
- Howard Smith achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$35.9 million;
- Howard Smith provides for no final dividend; and
- no Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.

Forecast Proforma Merged Entity - 50% Ownership scenario

The basis for compiling the "Forecast Proforma Merged Entity-50% Ownership scenario" balance sheet is similar to that of the "Forecast Proforma Merged Entity-100% Ownership scenario" balance sheet except that certain of the assumptions differ materially from those reflected above.

The purpose of the "Forecast Proforma Merged Entity-50% Ownership scenario" balance sheet as at 30 June 2001 is to show the financial effects of certain material transactions as set out in sections 1.1 and 1.2 of annexure E which have taken place since 31 December 2000, the assumptions set out in section 2.1 of annexure E and the following additional assumptions relating to the proposed acquisition of Howard Smith having occurred as at 30 June 2001:

- Wesfarmers successfully acquires 50% of the issued capital of Howard Smith for a total consideration of \$1.0 billion payable by the issue of 39.5 million Wesfarmers Shares and \$237.1 million cash;
- Wesfarmers incurs transaction costs of \$7.7 million, which are capitalised as part of the cost of acquisition;
- Wesfarmers draws down \$244.8 million under a debt facility;
- a provision for a final dividend of \$0.60 per share is made totalling \$23.7 million on the Wesfarmers Shares issued pursuant to the Offer;
- the recipients of the final dividend paid on Wesfarmers Shares issued under the Offer do not participate in the dividend investment plan;
- no adjustments are made in accordance with Australian Accounting Standards to the fair value of the Howard Smith net assets acquired nor were any provisions made in relation to the costs associated with store closures;
- consistent with the principles set out in Australian Accounting Standard AASB 1015 "Acquisition of Assets", the value ascribed to the Offer for the sole purpose of preparing the proforma financial information has been derived by assuming a 10% discount on an indicative Wesfarmers share price of \$21.50;
- Howard Smith achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$35.9 million;
- Howard Smith provides for no final dividend; and
- no Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.



We have reviewed the forecast proforma financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the forecast proforma consolidated balance sheet of Wesfarmers, the "Forecast Proforma Merged Entity-100% Ownership scenario" and the "Forecast Proforma Merged Entity-50% Ownership scenario" balance sheets as at 30 June 2001 have not been properly compiled based on the information extracted from the half yearly financial statements of Howard Smith and Wesfarmers as at 31 December 2000 and on the basis that the assumptions as set out in sections 1.1, 1.2, 2.1, 2.2 and 3.1 of annexure E had occurred as at 30 June 2001.

Our procedures have been limited to ensuring that the historical consolidated balance sheets have been correctly extracted from the half yearly financial statements of Howard Smith and Wesfarmers as at 31 December 2000, the Howard Smith Buy-back Tender documentation, ensuring consistency in accounting policies, and ensuring that the forecast proforma consolidated balance sheet of Wesfarmers and the two Forecast Proforma Merged Entity scenarios' balance sheets have been properly compiled based on the extracted information and on the basis that the assumptions as set out in sections 1.1, 1.2, 2.1, 2.2 and 3.1 of annexure E had occurred as at 30 June 2001.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. As we have not performed an audit on the forecast financial information of Wesfarmers and Howard Smith as at 30 June 2001 as set out in sections 2 and 3 of annexure E, we do not express an audit opinion on the forecast financial information.

Forecast Financial Information - Wesfarmers

We have reviewed the forecast consolidated profit and loss statements of Wesfarmers for the financial years ending 30 June 2001 and 30 June 2002 ("the Wesfarmers' Forecasts"), which have been prepared on the basis of the assumptions as set out in section 4.1 of annexure E. The directors are responsible for the preparation and presentation of the Wesfarmers' Forecasts and the information contained therein, including the assumptions upon which they are based.

We have performed an independent review of the Wesfarmers' Forecasts in order to state whether, on the basis of the procedures described, anything has come to our attention which causes us to believe that the directors' assumptions do not provide a reasonable basis for the preparation of the Wesfarmers' Forecasts, and whether, in all material respects, the Wesfarmers' Forecasts are properly prepared on the basis of the assumptions and is presented on a basis consistent with the accounting policies adopted by Wesfarmers and are in accordance with the bases and methods prescribed by applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review of the Wesfarmers' Forecasts has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review consisted of enquiries as to the process used in preparing the Wesfarmers' Forecasts, consideration and discussion with the directors and management of Wesfarmers, review of the data supporting the assumptions, testing of the expression of the assumptions in the forecasts and testing that the forecasts are presented in accordance with the accounting policies adopted by Wesfarmers and ascertaining whether these reflect the bases and methods prescribed by applicable Accounting Standards and other mandatory professional reporting requirements in Australia. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Wesfarmers' Forecasts.

Forecast Financial Information - Merged Entity

We have reviewed the forecast profit and loss statements for the "Merged Entity - 100% Ownership scenario" and for the "Merged Entity - 50% Ownership scenario" ("the Merged Entity Forecasts") for the year ending 30 June 2002, which have been prepared on the basis of the assumptions as set out in sections 4.1, 5.1, 5.2 and 5.3 of annexure E. The directors are responsible for the preparation and presentation of the Merged Entity Forecasts and the information contained therein, including the assumptions upon which they are based.

The assumptions applied in the Merged Entity Forecasts concerning the underlying operations of Howard Smith have been compiled based primarily on publicly available information. In recognising the limitations of the available information, the directors of Wesfarmers believe that the reliability of the amounts and assumptions relating to the Howard Smith component of the forecast financial information must be considered with considerable caution as they are subject to some uncertainty.



We have performed an independent review of the Merged Entity Forecasts in order to state whether, on the basis of the procedures described, anything has come to our attention which causes us to believe that the directors' assumptions do not provide a reasonable basis for the preparation of the Merged Entity Forecasts, and whether, in all material respects, the Merged Entity Forecasts are properly prepared on the basis of the assumptions and are presented on a basis consistent with the accounting policies adopted by Wesfarmers and are in accordance with the bases and methods prescribed by applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review of the Merged Entity Forecasts has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review consisted of enquiries as to the process used in preparing the Merged Entity Forecasts, consideration and discussion with the directors and management of Wesfarmers, review of the data supporting the assumptions, testing of the expression of the assumptions in the forecasts and testing that the forecasts are presented in accordance with the accounting policies adopted by Wesfarmers and ascertaining whether these reflect the bases and methods prescribed by applicable Accounting Standards and other mandatory professional reporting requirements in Australia. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Merged Entity Forecasts.

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5. Qualification of limitation in Scope

The component of the Merged Entity Forecasts relating to the underlying operations of Howard Smith has been compiled based primarily on publicly available information. Neither the directors of Wesfarmers nor Ernst & Young have had access to Howard Smith's management, financial records, budgets, business plans and risk management procedures. On this basis, the Merged Entity Forecasts must be considered with caution and are subject to uncertainty as a consequence of:

- the limitations of the available information;
- the reliability of the amounts and assumptions relating to the Howard Smith component of the Merged Entity Forecasts; and
- the materiality of the Howard Smith component of the Merged Entity Forecasts.

6. Statements

Historical Consolidated Balance Sheet - Wesfarmers

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical consolidated balance sheet as at 31 December 2000, as set out in section 1 of annexure E, does not present fairly, in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Wesfarmers as at 31 December 2000.

Proforma Consolidated Balance Sheet - Wesfarmers

Based on the scope of our review, which is not an audit, nothing has come to our attention which would require any modification to the proforma consolidated balance sheet of Wesfarmers, as set out in section 1 of annexure E, in order for it to present fairly the financial position of Wesfarmers as at 31 December 2000, on the basis of the assumptions stated in section 1.1 of annexure E and in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, had the material transactions in section 1.1 of annexure E taken place as at 31 December 2000.

Historical and Proforma Consolidated Balance Sheets - Howard Smith

Based on the scope of our review, which is not an audit, nothing has come to our attention that would indicate that:

- (i) the historical consolidated balance sheet has not been correctly extracted from the half yearly financial statements of Howard Smith as at 31 December 2000; and



- (ii) the proforma consolidated balance sheet has not been properly compiled based on the information extracted from the half yearly financial statements of Howard Smith as at 31 December 2000 and on the basis that the material transactions as set out in section 1.2 of annexure E had taken place as at 31 December 2000.

Forecast Proforma Wesfarmers and Merged Entity Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that would indicate that the forecast proforma consolidated balance sheet of Wesfarmers, the "Forecast Proforma Merged Entity-100% Ownership scenario" and the "Forecast Proforma Merged Entity-50% Ownership scenario" balance sheets as at 30 June 2001 have not been properly compiled based on the information extracted from the half yearly financial statements of Howard Smith and Wesfarmers as at 31 December 2000 and that the basis of the assumptions as set out in sections 1.1, 1.2, 2.1, 2.2 and 3.1 of annexure E had occurred as at 30 June 2001.

Forecast Financial Information - Wesfarmers

Based on our review of the Wesfarmers' Forecasts for the years ending 30 June 2001 and 30 June 2002 nothing has come to our attention which causes us to believe:

- (i) that the directors' assumptions, as set out in section 4.1 of annexure E, which are subject to the business risks set out in section 9 of the Bidder's Statement, do not provide a reasonable basis for the Wesfarmers' Forecasts;
- (ii) that the Wesfarmers' Forecasts do not give effect in all material respects to the directors' assumptions and have not been correctly compiled; and
- (iii) that the Wesfarmers' Forecasts are not presented on a basis consistent with Wesfarmers' accounting policies and are not in accordance with the bases and methods prescribed by applicable Accounting Standards and other mandatory professional reporting requirements in Australia. It is in the nature of forecasts that it is not feasible to present all the disclosures which would be required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

The Wesfarmers' Forecasts reflect the directors' judgement based on present circumstances as to both the most likely set of operating and economic conditions and the course of action Wesfarmers is most likely to take. The Wesfarmers' Forecasts are based on a large number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of the directors. Accordingly actual results during the forecast period may vary from the forecast as it is often the case that some events and circumstances may not occur as expected or may not be anticipated when they do occur. We express no opinion as to whether the Wesfarmers' Forecasts will be achieved because the assumptions regarding future events are by their nature not capable of individual substantiation.

Forecast Financial Information - Merged Entity

Except for the limitation in scope referred to in section 5 of this report, and the effects of such adjustments, if any, that may have been required had the limitation not existed, based on our review of the Merged Entity Forecasts for the year ending 30 June 2002, nothing has come to our attention which causes us to believe:

- (i) that the directors' assumptions, as set out in sections 4.1, 5.1, 5.2 and 5.3 of annexure E, which are subject to the business risks set out in section 9 of the Bidder's Statement, do not provide a reasonable basis for the Merged Entity Forecasts;
- (ii) that the Merged Entity Forecasts do not give effect in all material respects to the directors' assumptions and have not been correctly compiled; and
- (iii) that the Merged Entity Forecasts are not presented on a basis consistent with Wesfarmers' accounting policies and are not in accordance with the bases and methods prescribed by applicable Accounting Standards and other mandatory professional reporting requirements in Australia. It is in the nature of forecasts that it is not feasible to present all the disclosures which would be required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia.



The Merged Entity Forecasts reflect the directors' judgement based on present circumstances as to both the most likely set of operating and economic conditions and the course of action Wesfarmers is most likely to take in relation to the Merged Entity. The Merged Entity Forecasts are based on a large number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of the directors. As often is the case, some events and circumstances may not occur as expected or may not be anticipated when they do occur. Accordingly, we express no opinion as to whether the Merged Entity Forecasts will be achieved.

7. Subsequent events

On 21 May 2001 Howard Smith announced the acquisition of the Protector Safety Supply Group from OPSM Protector Limited for \$60 million cash. As this transaction is still subject to regulatory approval this transaction has not been recorded in any proforma forecast information.

Other than the matter referred to above, to the best of our knowledge and belief, and based on the work we have performed as described in the scope paragraph above, there have been no material transactions or events subsequent to 31 December 2000, other than those included in our report, which would require a comment on, or adjustment to, the information referred to in our report or that would cause the information included in this report to be misleading.

8. Disclosures

Ernst & Young does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young are the auditors of Wesfarmers and receive fees for audit, taxation and other services, as well as fees for services provided by Ernst & Young Corporate Finance Pty Ltd. Ernst & Young will receive a fee for the preparation of this report.

The directors have agreed to indemnify and hold harmless Ernst & Young and its employees from any claims arising out of misstatement or omission in any material or information supplied by the directors of Wesfarmers.

Consent for the inclusion of the Accountant's Report in the form and context in which it appears has been given. At the date of this report this consent has not been withdrawn.

Yours faithfully

Ernst & Young

G H Meyerowitz

Partner

Annexure E - Historical and proforma balance sheets and profit and loss statements

Financial Data

SECTION 1 - HISTORICAL AND PROFORMA CONSOLIDATED BALANCE SHEETS

Set out below are the historical consolidated balance sheets of Wesfarmers and Howard Smith at 31 December 2000, and the proforma consolidated balance sheets of Wesfarmers and Howard Smith as at 31 December 2000 prepared on the basis that the material transactions set out in section 1.1 of this annexure which have taken place since 31 December 2000, had taken place as at 31 December 2000. The historical consolidated Wesfarmers and Howard Smith balance sheets have been subject to a review by their respective auditors as at 31 December 2000.

	Reviewed Historical Wesfarmers 31 December 2000 \$'000	Proforma Wesfarmers 31 December 2000 \$'000	Reviewed Historical Howard Smith 31 December 2000 \$'000	Proforma Howard Smith 31 December 2000 \$'000
CURRENT ASSETS				
Cash	63,203	113,622	24,545	24,545
Receivables	485,590	699,113	204,875	188,091
Inventories	653,789	753,043	589,635	586,519
TOTAL CURRENT ASSETS	1,202,582	1,565,778	819,055	799,155
NON-CURRENT ASSETS				
Receivables	114,157	184,826	86,290	86,290
Investments	236,008	242,847	5,031	5,031
Other financial assets	103,135	86,177	4,832	4,832
Property, plant and equipment	1,480,624	1,507,482	650,020	370,560
Deferred tax assets	29,897	49,277	-	-
Intangible assets	132,655	302,758	315,399	260,756
Other	7,112	7,834	10,992	-
TOTAL NON-CURRENT ASSETS	2,103,588	2,381,201	1,072,564	727,469
TOTAL ASSETS	3,306,170	3,946,979	1,891,619	1,526,624
CURRENT LIABILITIES				
Interest bearing liabilities	303,698	559,485	51,230	84,815
Payables	398,144	566,333	192,098	179,069
Current tax liabilities	43,331	42,078	-	-
Provisions	125,803	102,973	88,604	58,153
Other	139,418	139,511	-	-
TOTAL CURRENT LIABILITIES	1,010,394	1,410,380	331,932	322,037

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	Reviewed Historical Wesfarmers 31 December 2000 \$'000	Proforma Wesfarmers 31 December 2000 \$'000	Reviewed Historical Howard Smith 31 December 2000 \$'000	Proforma Howard Smith 31 December 2000 \$'000
NON-CURRENT LIABILITIES				
Interest bearing liabilities	830,404	816,523	530,181	25,181
Payables	2,165	2,266	-	-
Current tax liabilities	88,511	88,511	-	-
Provisions	75,493	77,156	39,684	39,684
Other	25,167	25,167	-	-
TOTAL NON-CURRENT LIABILITIES	1,021,740	1,009,623	569,865	64,865
TOTAL LIABILITIES	2,032,134	2,420,003	901,797	386,902
NET ASSETS	1,274,036	1,526,976	989,822	1,139,722
SHAREHOLDERS EQUITY				
Issued capital	945,951	1,217,138	532,404	532,404
Reserves	62,714	43,629	26,663	26,663
Retained profits	263,778	263,778	430,755	580,655
Shareholders equity attributable to parent entity	1,272,443	1,524,545	989,822	1,139,722
Outside equity interest in controlled entities	1,593	2,431	-	-
TOTAL SHAREHOLDERS' EQUITY	1,274,036	1,526,976	989,822	1,139,722

The balance sheets should be read in conjunction with the accompanying notes.

1.1 ASSUMPTIONS ON WHICH THE PROFORMA CONSOLIDATED BALANCE SHEET OF WESFARMERS IS BASED

The proforma consolidated balance sheet of Wesfarmers has been prepared based on the assumption that the following transactions which have taken place since 31 December 2000, had taken place as at 31 December 2000:

- the issue of 4.2 million Wesfarmers Shares at \$17.92 per share on 24 January 2001 pursuant to the Company's employee share plan;
- the sale of Wesfarmers Dalgety Limited to IAMA Limited ("IAMA") for \$145.0 million satisfied through the issue of 116.1 million fully paid ordinary shares in IAMA taking Wesfarmers' shareholding from 13% to 60% of the expanded IAMA share capital;
- the acquisition of the remaining 40 per cent of the share capital of IAMA for a total cash consideration of \$142.0 million;
- the placement of 11.0 million Wesfarmers Shares to institutional shareholders at \$19.00 per share for a net consideration of \$206.1 million and the subsequent reduction in borrowings by that amount;
- the acquisition of all the units in the Franked Income Fund ("FIF") for \$2.2 billion satisfied by the issue of 120.9 million Wesfarmers Shares;
- the acquisition of all the outstanding options to acquire FIF units for \$49.7 million satisfied by the issue of 2.8 million Wesfarmers Shares;
- the acquisition of 100 per cent of Gresham Partners Management Limited ("GPML") for \$20.0 million satisfied by the issue of 1.1 million Wesfarmers Shares;
- the acquisition of all the stock units in Westralian Farmers Co-operative Limited ("WFCL") for \$170.0 million satisfied by the issue of 9.4 million Wesfarmers Shares;
- the buyback of 136.0 million Wesfarmers Shares held by FIF, WFCL, WFCL Investments Pty Ltd and Dairy Properties Co-operative Limited for \$2.5 billion;

- the payment of costs associated with the Wesfarmers Ownership Simplification Plan totalling \$47.8 million;
- relief to permit the proposed capital gains tax rollovers is available and that Wesfarmers elects to take advantage of that rollover relief; and
- the payment of the dividend of \$0.27 per share provided for at 31 December 2000 of \$76.3 million, settled by the issue of 0.9 million Wesfarmers Shares and \$58.4 million cash.

1.2 ASSUMPTIONS ON WHICH THE PROFORMA CONSOLIDATED BALANCE SHEET OF HOWARD SMITH IS BASED

The proforma consolidated balance sheet of Howard Smith has been prepared based on the assumption that the following material transactions which have taken place since 31 December 2000, had taken place as at 31 December 2000:

- the sale of its towage operations to Adsteam Marine for \$500.0 million cash resulting in an estimated profit after tax of \$149.9 million;
- the acquisition of the Atkins Carlyle distribution business for a total cash consideration of \$49.0 million; and
- the payment of the dividend of \$0.17 per share provided for at 31 December 2000 of \$33.6 million, by way of cash.

There has been no adjustment made in respect of the proposed acquisition of OPSM's Protector Safety business. The financial information set out in the Howard Smith Buy-back Tender offer document issued by Howard Smith on 28 May 2001 shortly after the announcement of the proposed acquisition of the Protector Safety business on 20 May 2001 also did not make an adjustment in respect of the proposed acquisition as the transaction is subject to regulatory approval.

1.3 SHARE CAPITAL OF WESFARMERS

	No. of Ordinary Shares on Issue 000's	Issued and Paid Up Capital \$'000
Balance of share capital as at 31 December 2000	267,596	945,951
Subsequent events		
Employee share plan issue	4,155	74,450
Wesfarmers Shares issued pursuant to the dividend investment plan	881	17,947
Share placement	11,000	206,066
Share capital after subsequent events but prior to the Wesfarmers Ownership Simplification Plan		
	283,632	1,244,414
Wesfarmers Ownership Simplification Plan		
Wesfarmers Shares issued for FIF, GPML and WFCL shares and options	134,148	2,422,723
Buyback of Wesfarmers Shares	(136,034)	(2,456,763)
Share capital after buyback		
	281,746	1,210,374
Costs associated with the issue of Wesfarmers Shares and other costs of the capital raising	-	(47,744)
Net discount on acquisition of FIF, WFCL and GPML	-	48,579
Adjustment arising from the sale of GPML	-	5,929
Share capital after subsequent events and Wesfarmers Ownership Simplification Plan but before the acquisition of Howard Smith		
	281,746	1,217,138

SECTION 2 - FORECAST PROFORMA WESFARMERS AND MERGED ENTITY BALANCE SHEETS - 100 PER CENT OWNERSHIP SCENARIO

Set out below is the forecast proforma consolidated balance sheet of Wesfarmers as at 30 June 2001 on the basis that the transactions as set out in section 1.1 of this annexure had taken place and on the basis of the assumptions set out in section 2.1. In addition set out below is the forecast proforma balance sheet of the Merged Entity as at 30 June 2001 on the basis that the transactions as set out in section 1.1 and section 1.2 of this annexure had taken place, on the basis of the assumptions set out in section 2.1 of this annexure and the proposed acquisition of Howard Smith occurred as at 30 June 2001. The adjustments relating to the acquisition of Howard Smith by Wesfarmers are set out in section 2.2 of this annexure. The forecast Merged Entity represents the position on the basis that Wesfarmers successfully acquires 100 per cent of Howard Smith.

	Forecast Proforma Wesfarmers 30 June 2001 S'000	Forecast Proforma Merged Entity 100% 30 June 2001 S'000
CURRENT ASSETS		
Cash	113,622	138,167
Receivables	699,113	887,204
Inventories	753,043	1,339,562
TOTAL CURRENT ASSETS	1,565,778	2,364,933
NON-CURRENT ASSETS		
Receivables	184,826	271,116
Investments	242,847	247,878
Other financial assets	86,177	91,009
Property, plant and equipment	1,507,482	1,843,042
Deferred tax assets	49,277	49,277
Intangible assets	302,758	1,488,114
Other	7,834	7,834
TOTAL NON-CURRENT ASSETS	2,381,201	3,998,270
TOTAL ASSETS	3,946,979	6,363,203
CURRENT LIABILITIES		
Interest bearing liabilities	559,485	608,150
Payables	566,333	745,402
Current tax liabilities	42,078	29,778
Provisions	187,497	354,072
Other	139,511	139,511
TOTAL CURRENT LIABILITIES	1,494,904	1,876,913
NON-CURRENT LIABILITIES		
Interest bearing liabilities	681,732	1,194,331
Payables	2,266	2,266
Current tax liabilities	88,511	88,511
Provisions	77,156	116,840
Other	25,167	25,167
TOTAL NON-CURRENT LIABILITIES	874,832	1,427,115
TOTAL LIABILITIES	2,369,736	3,304,028
NET ASSETS	1,577,243	3,059,175

	Forecast Proforma Wesfarmers 30 June 2001 \$'000	Forecast Proforma Merged Entity 100% 30 June 2001 \$'000
SHAREHOLDERS' EQUITY		
Issued capital	1,217,138	2,746,492
Reserves	128,153	128,153
Retained profits	229,521	182,099
Shareholders equity attributable to members of Wesfarmers	1,574,812	3,056,744
Outside equity interest in controlled entities	2,431	2,431
TOTAL SHAREHOLDERS' EQUITY	1,577,243	3,059,175

The balance sheets should be read in conjunction with the accompanying notes.

2.1 ASSUMPTIONS ON WHICH THE FORECAST PROFORMA WESFARMERS BALANCE SHEET IS BASED

The forecast proforma consolidated balance sheet of Wesfarmers has been prepared based on the assumption that the following additional transactions to those set out in section 1.1 of this annexure, had taken place as at 30 June 2001:

- Wesfarmers achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$134.8 million; and
- Wesfarmers provides for a final dividend of \$0.60 per share totalling \$169.0 million on the existing Wesfarmers Shares (excluding those to be bought back) of which 50 per cent is estimated to participate in the dividend investment plan.

2.2 ASSUMPTIONS ON WHICH THE FORECAST PROFORMA MERGED ENTITY 100 PER CENT OWNERSHIP SCENARIO IS BASED

The assumptions relating to the acquisition of Howard Smith are set out below and assume that the following transactions had taken place as at 30 June 2001:

- Wesfarmers successfully acquires 100 per cent of the issued capital of Howard Smith for a total consideration of \$2.0 billion payable by the issue of 79.0 million Wesfarmers Shares and \$474.2 million cash;
- Wesfarmers incurs transaction costs of \$13.2 million, which are capitalised as part of the cost of acquisition;
- Wesfarmers draws down \$487.4 million under a debt facility;
- a provision for a final dividend of \$0.60 per share is made totalling \$47.4 million on the Wesfarmers Shares issued pursuant to the Offer;
- the recipients of the final dividend paid on Wesfarmers Shares issued under the Offer do not participate in the dividend investment plan;
- adjustments are made in accordance with Australian Accounting Standards totalling \$83.7 million to the fair value of the net assets acquired, the write down of certain assets, the establishment of provisions in relation to the costs associated with store closures and the early termination of service agreements with directors and executives as referred to in Howard Smith's 2000 annual report;
- consistent with the principles set out in Australian Accounting Standard AASB 1015 "Acquisition of Assets", the value ascribed to the Offer for the sole purpose of preparing the proforma financial information has been derived by assuming a 10 per cent discount on an indicative Wesfarmers share price of \$21.50;
- Howard Smith achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$35.9 million;
- Howard Smith provides for no final dividend; and
- no Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.

2.3 SHARE CAPITAL OF WESFARMERS AFTER ACQUISITION OF HOWARD SMITH

	No. of Ordinary Shares on Issue 000's	Issued and Paid Up Capital S'000
Share capital after subsequent events and Wesfarmers		
Ownership Simplification Plan	281,746	1,217,138
Wesfarmers Shares issued pursuant to the Bidder's Statement	79,036	1,529,354
Share capital after subsequent events and acquisition of 100 per cent of Howard Smith	360,782	2,746,492

SECTION 3 - FORECAST PROFORMA MERGED ENTITY BALANCE SHEET - 50 PER CENT OWNERSHIP SCENARIO

Set out below is the forecast proforma balance sheet of the Merged Entity as at 30 June 2001 on the basis that the transactions as set out in section 1.1 and section 1.2 of this annexure had taken place, on the basis of the assumptions set out in section 2.1 of this annexure and the proposed acquisition of Howard Smith occurred on 30 June 2001. The adjustments relating to the acquisition of Howard Smith by Wesfarmers are set out in section 3.1. The Merged Entity reflects the position on the basis that Wesfarmers only acquires 50 per cent of Howard Smith.

	Forecast Proforma Merged Entity 50% 30 June 2001 S'000
CURRENT ASSETS	
Cash	138,167
Receivables	887,204
Inventories	1,339,562
TOTAL CURRENT ASSETS	2,364,933
NON-CURRENT ASSETS	
Receivables	271,116
Investments	247,878
Other financial assets	91,009
Property, plant and equipment	1,878,042
Deferred tax assets	49,277
Intangible assets	985,064
Other	7,834
TOTAL NON-CURRENT ASSETS	3,530,220
TOTAL ASSETS	5,895,153
CURRENT LIABILITIES	
Interest bearing liabilities	608,150
Payables	745,402
Current tax liabilities	42,078
Provisions	257,506
Other	139,511
TOTAL CURRENT LIABILITIES	1,792,647

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	Forecast Proforma Merged Entity 50% 30 June 2001 S'000
NON-CURRENT LIABILITIES	
Interest bearing liabilities	951,722
Payables	2,266
Current tax liabilities	88,511
Provisions	116,840
Other	25,167
TOTAL NON-CURRENT LIABILITIES	1,184,506
TOTAL LIABILITIES	2,977,153
NET ASSETS	2,918,000
SHAREHOLDERS' EQUITY	
Issued capital	1,981,815
Reserves	140,008
Retained profits	205,810
Shareholders equity attributable to members of Wesfarmers	2,327,633
Outside equity interest in controlled entities	590,367
TOTAL SHAREHOLDERS' EQUITY	2,918,000

The balance sheet should be read in conjunction with the accompanying notes.

3.1 ASSUMPTIONS ON WHICH THE FORECAST PROFORMA MERGED ENTITY 50 PER CENT OWNERSHIP SCENARIO IS BASED

The assumptions relating to the acquisition of Howard Smith are set out below and assume that the following transactions had taken place as at 30 June 2001:

- Wesfarmers successfully acquires 50 per cent of the issued capital of Howard Smith for a total consideration of \$1.0 billion payable by the issue of 39.5 million Wesfarmers Shares and \$237.1 million cash;
- Wesfarmers incurs transaction costs of \$7.7 million, which are capitalised as part of the cost of acquisition;
- Wesfarmers draws down \$244.8 million under a debt facility;
- a provision for a final dividend of \$0.60 per share is made totalling \$23.7 million on the Wesfarmers Shares issued pursuant to the Offer;
- the recipients of the final dividend paid on Wesfarmers Shares issued under the Offer do not participate in the dividend investment plan;
- no adjustments are made in accordance with Australian Accounting Standards to the fair value of the Howard Smith net assets acquired nor were any provisions made in relation to the costs associated with store closures;
- consistent with the principles set out in Australian Accounting Standard AASB 1015 "Acquisition of Assets", the value ascribed to the Offer for the sole purpose of preparing the proforma financial information has been derived by assuming a 10 per cent discount on an indicative Wesfarmers share price of \$21.50;
- Howard Smith achieves an estimated profit after income tax for the six months ending 30 June 2001 of \$35.9 million;
- Howard Smith provides for no final dividend; and
- no Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.

3.2 SHARE CAPITAL OF WESFARMERS AFTER ACQUISITION OF HOWARD SMITH

	No. of Ordinary Shares on Issue 000's	Issued and Paid Up Capital \$'000
Share capital after subsequent events and Wesfarmers		
Ownership Simplification Plan	281,746	1,217,138
Wesfarmers Shares issued pursuant to the Bidder's Statement	39,518	764,677
Share capital after subsequent events and acquisition of 50 per cent of Howard Smith	321,264	1,981,815

SECTION 4 - HISTORICAL AND FORECAST CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR WESFARMERS

Set out below are the historical consolidated profit and loss statements for Wesfarmers for the year ended 30 June 2000 and for the six months ended 31 December 2000 and the forecast consolidated profit and loss statements for the years ending 30 June 2001 and 30 June 2002. The 30 June 2000 results have been subject to audit and the 31 December 2000 results have been subject to review by Wesfarmers' auditors. These reports were issued separately and dated 5 September 2000 and 5 February 2001 respectively.

	Audited Historical Year Ended 30 June 2000 \$'000	Reviewed Historical Six months Ended 31 December 2000 \$'000	Forecast Year Ending 30 June 2001 \$'000	Forecast Year Ending 30 June 2002 \$'000
Operating revenue	3,495,773	1,950,896	4,368,765	5,027,788
EBITDA	445,369	272,139	581,064	702,556
Depreciation	117,740	74,536	152,506	171,645
Goodwill amortisation	7,285	3,547	10,504	15,542
EBIT	320,344	194,056	418,054	515,369
Net interest paid	23,585	25,747	53,488	60,166
Operating profit before income tax	296,759	168,309	364,566	455,203
Income tax attributable to operating profit before abnormal items	101,484	56,028	117,035	132,043
Operating profit after income tax before abnormal items	195,275	112,281	247,531	323,160
Abnormal item -income tax credit	(12,495)	-	-	-
Operating profit after income tax	207,770	112,281	247,531	323,160
Outside equity interests in operating profit after income tax	741	460	919	(32)
Operating profit after income tax attributable to members of Wesfarmers	207,029	111,821	246,612	323,192

4.1 Wesfarmers Forecasts

The forecast financial information for Wesfarmers is based on a large number of assumptions concerning future events, including the key assumptions set out below. The directors of Wesfarmers have prepared the forecast information with proper care and attention and consider all assumptions to be reasonable, when taken as a whole. However, the forecast financial information may vary from actual results and any variation may be material because forecasts, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of the directors. Accordingly, neither Wesfarmers nor its directors can give any assurance that the forecast financial information for Wesfarmers will be achieved.

The historical information and forecast financial information should be read together with the assumptions underlying their preparation as set out in this section, the Accountant's Report set out in annexure D, the risk factors set out in section 9 and other information contained in this Bidder's Statement.

The forecast consolidated profit and loss for Wesfarmers for the year ending 30 June 2001 comprises actual results for the ten months to 30 April 2001 plus the forecast results for the two months to 30 June 2001.

The forecast consolidated profit and loss for Wesfarmers for the year ending 30 June 2002 are based on events and conditions existing as at the date of this Bidder's Statement, including those material assumptions set out below. This information is intended to assist the shareholders of Howard Smith in assessing the reasonableness of the assumptions occurring and is not a representation that the events or assumptions will occur. Howard Smith shareholders should be aware that actual events may differ in size or timing to those assumed in the forecasts and may have a positive or negative effect on the forecast information being presented.

The key assumptions underlying the forecast consolidated profit and loss for Wesfarmers for the year ending 30 June 2002 are summarised below. The assumptions for each division should be read in conjunction with the profile of Wesfarmers contained in section 1 of the Bidder's Statement.

4.1.1 General Assumptions

- There will be no significant changes in the competitive environment in which Wesfarmers operates.
- There will be no material costs incurred by Wesfarmers as a result of industrial or contractual disputes other than those specifically identified below.
- There will be no material impact from legislative or regulatory changes in the regions in which Wesfarmers operates.
- There are no changes in applicable Accounting Standards or other mandatory professional reporting requirements in Australia, the Corporations Law or tax legislation which would have a material effect on Wesfarmers' financial results.
- Inflation is assumed for the 2002 Year to be 3 per cent per annum.
- The A\$:US\$ exchange rate is assumed for the 2002 Year to be \$0.55.
- Goodwill will be amortised over twenty years on a straight-line basis.
- Interest rates are assumed to be consistent with Wesfarmers current borrowing arrangements.

4.1.2 Hardware and forest products

- Hardware sales for the 2002 Year are assumed to grow from the 2001 Year by 19 per cent. This sales growth is largely due to continuing store on store growth, together with the inclusion of the first full year results of the eight warehouse stores opened during the 2001 Year, the continuing warehouse rollout programme and the conversion of several traditional stores to the larger warehouse format.
- The average gross margin achieved for hardware in the 2002 Year is assumed to decline marginally from that achieved during the 2001 Year, being largely offset by a marginal decline in selling expenses as a percentage of sales.
- Sales for the forest products division are assumed to decline significantly in the 2002 Year as a result of the divestment of the woodchip and tree farm operations in October 2000.

4.1.3 Fertilisers and chemicals

- Fertiliser sales tonnage is assumed to increase by 15 per cent in the 2002 Year. The underlying factors behind this growth are a return to an average cropping season and increased pastoral demand due to wool price improvement.
- No significant changes in the prices of internationally traded commodity fertilisers are assumed.
- Chemical sales tonnage is assumed to increase marginally in the 2002 Year due to the increased capacity of the ammonia plant.
- The average selling price per tonne of chemicals is assumed to increase marginally in line with sales contracts.

4.1.4 Energy

- Kleenheat's LP gas sales and margins are assumed to remain steady, in the 2002 Year. Commissioning and start up costs in the new Bangladesh project will reduce contribution slightly.
- Wesfarmers LPG's production is assumed to increase marginally in the 2002 Year.
- The export prices of propane and butane are assumed over the 2002 Year on a monthly basis with the average prices being \$US275 and \$US265 per tonne respectively, significantly below the 2001 Year prices which represented all time highs.
- The wholesale domestic price of propane is assumed to decline by some 8 per cent, as a result of international price linkage.
- Coal sales are assumed to increase in the 2002 Year to more than 11 million tonnes including Wesfarmers' share of Bengalla. This increase is a result of increases in export demand from Curragh and the continued ramp up of production levels at Bengalla following commissioning of the second coal handling plant, which is due early in 2002. The new coal handling plant is assumed to operate at less than full capacity for its first six months of operation.
- Sale of most of the production assumed from Curragh and Collie has been arranged under contract and the forecasts are based on these contract prices. Prices for Bengalla Coal assume a discount to the Japanese power utilities' thermal coal benchmark, which is widely used in international trade.

4.1.5 Rural services and insurances

- Operating revenue for the rural business unit is assumed to increase in the 2002 Year by 35 per cent, mainly as a result of the inclusion of the first full year trading of IAMA.
- Wool sales are assumed to increase marginally with a small increase in market share.
- Livestock sales are assumed to decline as more sheep are redirected to wool production. Cattle prices are assumed to remain high due to continued overseas demand.
- Real estate revenue is assumed to increase by 8 per cent, primarily as a result of an improved rural outlook, which is assumed to increase property prices.
- No material losses in merchandising revenue are assumed as a result of the merger of Wesfarmers Dalgety and IAMA.
- The IAMA integration programme including the assumed closure of branches, the sharing of warehouse space and staff redundancies is continuing as planned. Benefits of the integration are assumed to be achieved over 2002 and the following years in accordance with the plan.
- Insurance operations assume a level of claims consistent with industry long-term averages.

4.1.6 Rail

- The contribution from Wesfarmers' 50 per cent holding in the Australian Railroad Group is assumed to more than double reflecting ownership for the full year, combined with a higher grain harvest and some cost savings.

SECTION 5 - FORECAST PROFIT AND LOSS STATEMENTS FOR THE MERGED ENTITY

	Merged Entity 100% Scenario Year Ending 30 June 2002 S'000	Merged Entity 50% Scenario Year Ending 30 June 2002 S'000
Operating revenue	7,420,388	7,623,788
EBITDA	975,656	935,556
Depreciation	224,645	224,645
Goodwill amortisation	78,772	53,620
EBIT	672,239	657,291
Net interest paid	107,674	87,620
Operating profit before income tax	564,565	569,671
Income tax attributable to operating profit	184,821	178,807
Operating profit after income tax	379,744	390,864
Outside equity interests in operating profit after income tax	(32)	50,468
Operating profit after income tax attributable to members of Wesfarmers	379,776	340,396

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5.1 Merged Entity Forecasts

The forecast consolidated profit and loss for the Merged Entity for the year ending 30 June 2002 are based on the forecast consolidated profit and loss for Wesfarmers and the forecast consolidated profit and loss for Howard Smith for the year ending 30 June 2002. The key assumptions for the Merged Entity - 100 per cent scenario and for the Merged Entity - 50 per cent scenario are detailed below.

The forecast financial information on the Merged Entity should be read together with the assumptions underlying their preparation as set out in this section, the Accountant's Report set out in annexure D, the risk factors set out in section 9 and other information contained in this Bidder's Statement.

The Merged Entity Forecasts reflect the best estimate of the directors of Wesfarmers based on present circumstances as to both the most likely set of operating and economic conditions to which the Merged Entity will be exposed and the courses of action Wesfarmers management and directors will take. The assumptions applied in the Merged Entity Forecasts concerning the underlying operations of Howard Smith have been compiled based primarily on publicly available information and Multex global estimates (summary of broker forecasts for Howard Smith for the year ending 30 June 2002). The Multex global estimate information was adjusted to assume that the Howard Smith Buy-back Tender was not to occur. In recognising the limitations of the available information, the directors of Wesfarmers believe that the reliability of the amounts and assumptions relating to the Howard Smith component of the forecast financial information must be considered with considerable caution as they are subject to some uncertainty. While the directors of Wesfarmers have not had access to Howard Smith's management reports or the financial records of Howard Smith, they consider that the forecast financial information for Howard Smith has been prepared with proper care and attention and consider all assumptions to be reasonable, when taken as a whole.

The forecast consolidated profit and loss for the Merged Entity for the year ending 30 June 2002 are based on events and conditions existing as at the date of this Bidder's Statement, including those material assumptions set out below. This information is intended to assist the shareholders of Howard Smith in assessing the reasonableness of the assumptions occurring and is not a representation that the events or assumptions will occur. Howard Smith shareholders should be aware that actual events may differ in size or timing to those assumed in the forecasts and may have a positive or negative effect on the forecast information being presented.

5.2 Merged Entity - 100 per cent Scenario

The key assumptions underlying the forecast consolidated profit and loss for the Merged Entity - 100 per cent scenario for the year ending 30 June 2002 are summarised below. These assumptions should be read in conjunction with the information concerning the intentions of Wesfarmers for the Merged Entity, as contained in section 6 of the Bidder's Statement.

- No Howard Smith Shares are bought back whether under the Howard Smith Buy-back Tender offer or otherwise.
- Sales in existing hardware stores are assumed to continue to grow in line with their respective growth rates in previous years.
- One additional warehouse store is assumed to be added, net of closures during the first year of combined operations, after integrating the roll out plans of Wesfarmers and Howard Smith.
- Operational EBITA synergies and trading uplift benefits of approximately \$40.0 million are assumed to arise as a result of:
 - (i) The assumed conversion of Howard Smith's hardware stores to a Bunnings format. It is planned to convert approximately 23 stores in the first year of the combined operations.
 - (ii) The assumed amalgamation of merchandising teams and improved terms with suppliers which will reduce costs and increase gross margins.
 - (iii) The assumed reduction of advertising costs as a result of the promotion of only one brand in each market.
 - (iv) The assumed amalgamation of store administration, information technology, general administration, store development and corporate services.
 - (v) The assumed closure of approximately 45 of Howard Smith's under-performing smaller traditional stores in the first year of the combined operations.
 - (vi) The assumed implementation of the intended centralisation of head office.
- It is assumed Howard Smith's non-hardware business operations continue with no change.
- The interest expense assumed on the additional debt used to acquire Howard Smith has been calculated assuming an interest rate of 6.5 per cent per annum.

The proposed acquisition by Howard Smith of OPSM's Protector Safety business has not been included in the Merged Entity Forecasts given the uncertain timing of the transaction. The impact of the Protector Safety business on the Merged Entity operating profit after tax is not expected to be material.

5.3 Merged Entity - 50 per cent Scenario

The key assumptions underlying the forecast consolidated profit and loss for the Merged Entity - 50 per cent scenario for the year ending 30 June 2002 are summarised below:

- Wesfarmers forecast financial information assumptions as set out in section 4 of this annexure are unchanged.
- The Howard Smith forecast used in the compilation of the Merged Entity - 50 per cent scenario are based on Multex global estimates adjusted to assume the Howard Smith Buy-back Tender offer does not occur.
- The store and operational synergies expected to be derived under the Merged Entity - 100 per cent scenario, as described above, will not be implemented.
- The operations of Wesfarmers and Howard Smith would continue to be managed separately.

The proposed acquisition by Howard Smith of OPSM's Protector Safety business has not been included in the Merged Entity Forecasts given the uncertain timing of the transaction. The impact of the Protector Safety business on the Merged Entity operating profit after tax is not expected to be material.

Annexure F - ASIC modifications to and exemptions from the Corporations Law

Australian Securities and Investments Commission Corporations Law - Subsections 655A(1), 669(1) and 673(1) - Declarations

Pursuant to subsections 655A(1), 669(1) and 673(1) of the Corporations Law ("the Law") the Australian Securities and Investments Commission ("ASIC") declares that Chapters 6, 6A and 6C of the Law apply in relation to the persons specified in Schedule A in relation to the class of securities specified in Schedule B for the period of 6 months after the date of this instrument as if:

1. the definition of "associate" in section 9 was modified by:
 - (a) omitting the words:

":The following are the associates of a bidder making a takeover offer, a substantial holder or a 90% holder"

and substituting the following:

"when used in relation to a person in Chapters 6, 6A and 6C means";
 - (b) replacing the references to "bidder or holder" with the word "person" wherever they appear; and
 - (c) replacing the references to "a person" in paragraphs (b) and (c) with the words "another person"; and
 - (d) inserting after paragraph (c) the sentence: "But another person is not an associate of the person merely because of one or more of the circumstances in paragraphs 16(1)(a) to (d).";
2. subsection 10(1) was modified or varied by omitting the word "This" and substituting "Unless the definition of associate in section 9 applies, this";
3. subsection 10(2) was omitted; and
4. subsection 12(1) was omitted.

Schedule A

Wesfarmers Retail Pty Ltd ACN 097 092 085

Schedule B

Ordinary shares in Howard Smith Limited ACN 004 071 845

Dated this 12th day of June 2001.



Signed by Stefan Pfeifle,
a delegate of the Australian Securities and Investments Commission

ANNEXURE

F

Australian Securities and Investments Commission Corporations Law - Paragraph 655A(1)(a) - Exemption

Pursuant to paragraph 655A(1)(a) of the Corporations Law ("Law") the Australian Securities and Investments Commission ("ASIC") hereby exempts the persons named in Schedule A from subsection 636(3) of the Law in relation to the statements mentioned in Schedule B on the conditions specified in Schedule C, insofar as subsection 636(3) would require consent for the inclusion of those statements in the bidder's statement referred to in Schedule B ("Bidder's Statement").

Schedule A

Wesfarmers Retail Pty Ltd ACN 097 092 085 and its directors.

Schedule B

A statement or statements made in the Bidder's Statement in relation to a takeover bid for all issued shares in Howard Smith Limited ACN 004 071 845 ("Target") to be lodged with ASIC on or about the date of this instrument which:

1. are made in, or based on statements made in, any document lodged with ASIC or the Australian Stock Exchange by:
 - (a) the Target; or
 - (b) any other person in relation to the Target, its assets, operations or issued securities; or
2. fairly represents, is a correct and fair copy of, or extract from, a statement which has been published on a Bloomberg, Multex or IBIS database.

Schedule C

1. The Bidder's Statement must either:
 - (a) inform people of their right to obtain a copy of a document referred to in this instrument; or
 - (b) include a copy of the document.
2. If the Bidder's Statement informs people of their right to obtain a copy of the document, the Bidder must give a copy of the document free of charge to anyone who asks for it during the offer period.
3. The Bidder's Statement states that a person who has made a statement referred to in paragraph 1 to 2 of Schedule B of this instrument has not consented to the statement being included in or accompanying the Bidder's Statement in the form and context in which it is included.

Dated this 12th day of June 2001.

Signed by:



Stefan Pfeifle, a delegate of ASIC

Australian Securities and Investments Commission Corporations Law - Subsection 655A(1) - Declaration

Pursuant to subsection 655A(1) of the Corporations Law ("Law") the Australian Securities and Investments Commission ("Commission") declares that Chapter 6 of the Law applies to the person specified in Schedule A in the case referred to in Schedule B as if:

1. item 2(d)(ii) of section 611 was omitted and the following paragraph substituted:
 - "(ii) subject only to one or both of the following:
 - (A) any conditions that relate only to the occurrence of an event or circumstance referred to in subsection 652C(1) or (2);
 - (B) the condition referred to in paragraph 625(3)(c)";
2. item 3(d)(ii) of section 611 was omitted and the following paragraph substituted:
 - "(ii) subject only to any conditions that relate only to the occurrence of an event or circumstance referred to in subsection 652C(1) or (2).";
3. subsection 617(2) was modified by omitting the words:

"the bid may extend to securities that come to be in the bid class during the offer period due to a conversion or exercise of the rights.",

 and substituting the words:

"the bid may extend to securities that come to be in the bid class during the period from the date set by the bidder under subsection 633(2) to the end of the offer period due to a conversion or exercise of the rights.";
4. subsection 619(3) were modified or varied by:
 - (a) in paragraph (a), omitting the words "foreign holders" and substituting the words "all foreign holders, or a class of foreign holders specified in the bidder's statement,"; and
 - (b) in subparagraph (b)(i), omitting the words "foreign holders" and substituting the words "those foreign holders referred to in paragraph (a)";
5. paragraph 620(2)(b) was omitted and the following paragraph substituted:

"(ba) If the bidder is given the necessary transfer documents after the acceptance and before the end of the bid period and the offer is subject to a defeating condition at the time that the bidder is given the necessary transfer documents - by the end of whichever period ends earlier:

 - (i) within one month after the takeover contract becomes unconditional;
 - (ii) 21 days after the end of the offer period; or

(bb) If the bidder is given the necessary transfer documents after the acceptance and before the end of the bid period and the offer is unconditional at the time that the bidder is given the necessary transfer documents - by the end of whichever period ends earlier:

 - (i) one month after the bidder is given the necessary transfer documents;
 - (ii) 21 days after the end of the offer period; or";
6. paragraph 620(2)(c) was modified by adding at the end of the paragraph the following words:

"but if at the time the bidder is given the necessary transfer documents the takeover contract is still subject to a condition which relates to the occurrence of an event or circumstance referred to in subsection 652C(1), 652C(2) or 625(3)(c), within 21 days after the takeover contract becomes unconditional.";
7. subsection 625(3) was modified by adding at the end of the subsection the following words:

"The condition referred to in this subsection is not a defeating condition.";
8. paragraph 630(4) was modified by omitting the words "publishing" and "publish" and substituting in their place "giving" and "give" respectively;

9. items 2, 3 and 5 of the table contained in subsection 633(1) were modified by adding at the end of the entry in the left hand column for each item the following words:
- “The bidder’s statement and offer document need not include the name and address of the holders of bid class securities, the date of the proposed offer or any other date that is related to or dependent on that date, or the details referred to in subparagraphs 636(1)(k)(ii) and 636(1)(1)(ii) or details of transactions required to be disclosed under subparagraphs 636(1)(h) and 636(1)(i) from the period between the date of the bidder’s statement and the date of the bid.
- If this information is not included in the bidder’s statement and offer document, the bidder must
- include this information in the bidder’s statement and offer document sent under item 6; and
 - send to the target a copy of the bidder’s statement sent under item 6.”;
10. paragraph 636(l)(j) was omitted and the following paragraph substituted:
- “if the bid is to extend to securities that come to be in the bid class during the period from the date set by the bidder under subsection 633(2) to the end of the offer period due to the conversion of or exercise of rights attached to other securities (see subsection 617(2)) - a statement to that effect”;
11. paragraph 636(l)(k) was modified by the insertion of the following subparagraph after subparagraph 636(l)(k)(ii):
- “(iii) the number of securities in the class that the bidder had a relevant interest in immediately before the bidder’s statement is lodged with ASIC (expressed as a number of securities or as a percentage of the total number of securities in the class)”;
12. paragraph 636(l)(1) was omitted and the following paragraph substituted:
- “(l) for an off-market bid - the bidder’s voting power in the company:
- (i) as at the date of the bidder’s statement; and
 - (ii) as at the date immediately before the first offer is sent.”;
13. subsection 650B(2) was modified by omitting the words:
- “The person is entitled to receive the improved consideration immediately, or immediately after the exercise of the election.”,
- and substituting the following
- “The person is entitled to receive the improved consideration immediately, except:
- (a) if the time for payment of the consideration in accordance with subsection 620(2) has not yet occurred, the person is not entitled to receive the improved consideration until that time;
 - (b) if the person has to make an election before being entitled to the improved consideration, the person is not entitled to receive the improved consideration until the later of:
 - (i) the time when the person makes the election and returns any consideration under s651B(2);
 - (ii) the time applicable under paragraph (a).”;
14. the first sentence of paragraph 650C(2) was omitted and the following sentence substituted:
- “If the bid is subject to a defeating condition, the bidder may extend the offer period after the bidder has given the notice under subsection 630(3) only if one of the following happens after the notice has been given.”;

15. paragraph 650F(1)(a) was omitted and the following paragraph substituted:
“(a) if the condition relates only to the occurrence of an event or circumstances referred to in subsection 652C(1) or (2) - not later than 3 business days after the end of the offer period; or”;
16. paragraph 650G(b) was omitted and the following paragraph substituted:
“(b) the bidder has not declared the offers to be free from the condition in accordance with section 650F.”;
17. paragraph 650G(c) was omitted and the following paragraph substituted:
“(c) the condition has not been fulfilled:
 - (i) except as provided in subparagraph (ii), at the end of the offer period;
 - (ii) in the case of an event or circumstance referred to in subsection 652C(1) or (2), within 3 business days after the end of the offer period.

Schedule A

Wesfarmers Retail Pty Ltd ACN 097 092 085 (“Bidder”)

Schedule B

The takeover bid by the Bidder for all the ordinary shares in Howard Smith Limited ACN 004 071 845 in respect of which a bidder’s statement is to be lodged with the Commission on or about the date of this instrument.

Dated this 12th day of June 2001.

Signed:



Stefan Pfeifle, a delegate of the Australian Securities and Investments Commission

Annexure G - Summary of Key Announcements by Howard Smith

Public announcements - Howard Smith

Dated Lodged	Description
27 September 2000	<p>Announcement that Howard Smith's annual general meeting will be held on 1 November 2000.</p> <p>The resolutions for the meeting included:</p> <ul style="list-style-type: none"> • Receipt and consideration of Howard Smith's annual report; • Re-election of Penny Morris and Rodney Harden; • Approval of the grant of options to the Managing Director; and • Approval of amendments to Howard Smith's constitution.
28 September 2000	Confirmation by Howard Smith that the annual report and notice of annual general meeting were sent to shareholders on 28 September 2000.
11 October 2000	<p>Lodgment of the Managing Director's presentation to the Asia & New Zealand Investment Conference in New York on 10 October 2000.</p> <p>The presentation covered the businesses owned by Howard Smith in the hardware, industrial distribution and tug boat markets, why these businesses are great assets and how Howard Smith will deliver on the potential presented by these assets.</p>
1 November 2000	Lodgment of Chairman's address and Managing Director's address from annual general meeting of Howard Smith on 1 November 2000.
1 November 2000	Announcement that all resolutions put to the shareholders at the annual general meeting of Howard Smith on 1 November 2000 were passed.
7 November 2000	Announcement by Penelope Morris, director of Howard Smith, of a change of her interest in Howard Smith to 5,855 fully paid ordinary shares.
10 November 2000	Lodgment of the Chairman's annual general meeting address on 1 November 2000.
24 November 2000	Announcement by Ian Tsicalas, director, of a change of his interest in Howard Smith to 249,000 fully paid ordinary shares and 1,853,000 options over ordinary shares.
28 December 2000	Lodgment of application for quotation of 1,155,900 fully paid ordinary shares issued under Howard Smith's employee share plan and for quotation of 2,288,600 options to subscribe for fully paid ordinary shares issued under Howard Smith's employee share option plan.
6 February 2001	Lodgment of media statement, director's report, half yearly report and independent review report to Howard Smith shareholders in relation to Howard Smith's half-year results for the half-year ended 31 December 2000.
6 February 2001	Lodgment of presentation to broker/financial institution analysts following the release of Howard Smith's results for the half year ended 31 December 2000.
13 February 2001	Lodgment of interim report for half-year ended 31 December 2000.
9 March 2001	Announcement by Howard Smith confirming that it is engaged in discussions with Adsteam Marine Limited for the possible sale of Howard Smith's towage operations.
15 March 2001	Announcement of the sale of the towage operation to Adsteam Marine Limited for \$500 million marking Howard Smith's exit from all marine related activities to focus on distribution operations in hardware and electrical supplies and of Howard Smith's intention to distribute \$250 million from the sale of towage to its shareholders through share buy-backs.

ANNEXURE

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15 March 2001	Lodgment of Appendix 3C announcing an on-market share buy-back of \$80 million.
19 March 2001	Announcement that Howard Smith has agreed to acquire Atkins Carlyle's electrical and industrial distribution business from Atkins Carlyle Limited for \$49 million.
1 May 2001	Announcement that ACCC advised it will not intervene in Howard Smith's sale of its towage operations to Adsteam Marine Limited. Net profit for Howard Smith for 2001 was expected to be 12 per cent below last year's level. The board decided to accelerate the planned closure of a number of under-performing conventional stores given the market conditions and to enhance future profitability of BBC hardware.
3 May 2001	Announcement of the completion of the sale of Howard Smith's towage operations to Adsteam Marine Limited
16 May 2001	Announcement outlining the off-market share buy-back, by way of tender by Howard Smith shareholders, as at 25 May 2001. Howard Smith proposes to seek shareholder approval to buy-back up to 20 per cent of its shares on 29 June 2001. Howard Smith intends to distribute up to \$250 million from the sale of towage to its shareholders through off and on market share buy-backs.
21 May 2001	Announcement that Howard Smith has entered into an agreement to acquire the Protector Safety Supply Group from OPSM Protector Limited for \$60 million. The acquisition is conditional upon clearance by the NZ Commerce Commission and the ACCC not intervening or imposing material adverse conditions to the acquisition.
22 May 2001	Lodgment of Appendix 3B announcing the buy-back of the number of shares required to re-purchase \$250 million of capital at the final buy-back price.
25 May 2001	Lodgment of Appendix 3B - new issue announcement and application for quotation of additional securities in respect of 22,000 shares issued under the Howard Smith employee share option plan.
29 May 2001	Lodgment of documentation to be posted to Howard Smith ordinary and employee share plan shareholders in relation to the off-market buy-back tender. The documentation includes the notice of general meeting, general meeting registration form, buy-back tender form and buy-back tender booklet.
30 May 2001	Announcement that the Chief Executive Officer of BBC hardware has resigned.
7 June 2001	Lodgment of Appendix 3B - new issue announcement and application for quotation of additional securities in respect of 8,000 shares issued under the Howard Smith employee share option plan.
12 June 2001	Announcement in relation to speculation of a takeover.

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