



14 December 2004

CAPITAL RETURN TO WESFARMERS' SHAREHOLDERS

Wesfarmers will make a capital return of \$1 per fully-paid share – amounting to about \$378 million - subject to a final ruling by the Australian Tax Office (ATO) on the taxation treatment of the payment and approval by shareholders.

Managing Director Michael Chaney said the return of capital had been made possible by the company's continued strong cash flow and low level of debt. It follows a \$2.50 per share return made in December 2003.

“We are in a position to do this without prejudicing either our ability to make acquisitions or invest in expanding our existing businesses,” he said.

“The return will increase our net debt to equity ratio to almost 62 per cent by July 2005, bringing it within our target range of 50 to 75 per cent. Without the capital return or some other capital management initiative, we estimate that the ratio would be around 44 per cent at the end of the current financial year.”

Mr Chaney said the tax office had provided a written draft class ruling at the end of last week, enabling the Board to consider the issue at today's meeting. The ATO ruling, if confirmed by publication next week in the Commonwealth Government Gazette, would remove the prospect of an immediate tax liability for most Wesfarmers shareholders. It would reduce the cost base of shares for capital gains tax purposes by \$1. For shareholders with a cost base of less than that amount, an assessable capital gain could arise.

“Capital gains tax may, of course, still have to be paid when shares are sold but the ruling means that, except for a relatively small number of shareholders the payment will not give rise to immediately assessable income.”

The ATO ruling is expected to be published on 22 December and a shareholder meeting to consider the proposal is scheduled for 18 February 2005.

Subject to these steps, shareholders on the Wesfarmers register on 25 February 2005 will be eligible for the return. To allow time for administrative procedures to be completed and the register finalised, the cut off for buying shares on market to which the return will apply is expected to be the close of trading on 18 February. A detailed explanation of the proposal and confirmation of the timetable will be included with the notice of meeting expected to be mailed to shareholders on 18 January 2005.

If all the conditions are met, shareholders should receive their payments in early March.

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