Westralian Farmers Co-operative Limited

OWNERSHIP - SIMPLIFICATION PLAN -

Scheme of Arrangement between Westralian Farmers Co-operative Limited and its Stockholders

Explanatory Statement

Your directors unanimously recommend the adoption of this scheme of arrangement

This document is important and requires your immediate attention

If you are in any doubt as to how to act, you should consult your investment adviser or other professional adviser immediately.

Please complete the enclosed proxy forms and return them as soon as possible in the reply paid envelope provided before 10.00 am Thursday, 5 April 2001.

This explanatory statement is dated 2 March 2001.

The meetings of WFCL stockholders to consider the adoption of this Scheme of Arrangement will be held at Burswood Theatre, Burswood International Resort, Great Eastern Highway, Burswood, Western Australia at 10.00 am (Perth time) on Friday, 6 April 2001.

Key issues for WFCL stockholders

What you will receive

One Wesfarmers share for every 6.45 stock units (being $12.90 of stock) held.

Your investment will be worth more

Based on the market price of Wesfarmers shares on the day before the announcement of the WFCL Scheme and the price at which WFCL stock has traditionally traded, stockholders would benefit by a 51 per cent increase in the realisable value of their investment. The value you ultimately receive will depend on the market price of Wesfarmers shares.

Your investment will be listed

Your unlisted stock will be exchanged for shares in Wesfarmers which are publicly traded on the Australian Stock Exchange (ASX).

Change in nature of security

In essence, WFCL stock constitutes a preferential indirect financial interest in Wesfarmers. But the dividends payable on WFCL stock are restricted. By holding Wesfarmers shares directly, these dividend restrictions will no longer apply and you will participate fully in the capital growth and returns generated by Wesfarmers. However, you will also share in the risks associated with holding Wesfarmers shares, including possible fluctuations in dividends depending on Wesfarmers' future earnings and dividend policy.

Loss of control of Wesfarmers

WFCL will cease to control about 46 per cent of the ordinary shares in Wesfarmers and the Founders Share in Wesfarmers.

Simplified ownership structure for Wesfarmers

On full implementation of the proposed simplification of the Wesfarmers ownership structure, Wesfarmers will have an ownership structure more typical of the majority of Australian listed companies. This simplified structure is likely to make Wesfarmers a more attractive investment prospect.

Taxation

For stockholders who acquired their WFCL stock before 20 September 1985, there will be no capital gain on the disposal of their WFCL stock, but the Wesfarmers shares they receive will not have capital gains tax exempt status. Stockholders who acquired their WFCL stock on or after 20 September 1985 and who would otherwise have a capital gain on the disposal of their WFCL stock will be able to elect to rollover that gain so that no capital gains tax is payable on the disposal. Stockholders should refer to the taxation report in section 9 for full details of the taxation implications of the WFCL Scheme.

Costs

Stock exchanged for Wesfarmers shares will not incur stamp duty or brokerage costs.

Key conditions of the WFCL Scheme

Implementation of the WFCL Scheme is conditional on approval by stockholders and by Wesfarmers shareholders at meetings scheduled for the same date as the stockholder meetings, and a number of other conditions. The most significant of these other conditions is the acquisition by Wesfarmers of all of the units in FIF. This transaction is conditional on approval by Wesfarmers shareholders and FIF unit and option holders at meetings scheduled for the same date as the stockholder meetings.

The above is a very brief summary of the main features of the WFCL Scheme. Stockholders are urged to read this explanatory statement in full. The explanatory statement explains that if all aspects of the proposed simplification of the Wesfarmers ownership structure are not implemented, some of the anticipated benefits may not be achieved.

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Taxation Report

Greenwoods & Freehills

Office Address
Level 35
MLC Centre
Martin Place
Sydney NSW 2000

Postal Address
GPO Box 4982
Sydney NSW 1044
Australia
DX 482
Telephone (02) 9225 5955
Fax (02) 9221 6516

23 February 2001

The Directors,
Westralian Farmers Co-operative Limited
Level 11
Wesfarmers House
40 The Esplanade
PERTH. WESTERN AUSTRALIA. 6000

Dear Directors,

This report has been prepared for inclusion in an Explanatory Memorandum to be dated on or about 2 March 2001. Words and terms in this report have the same meaning as in the Explanatory Memorandum, unless the context requires otherwise.

General

The following is a general description of the Australian income tax consequences for Westralian Farmers Co-operative Limited (WFCL) stockholders of the proposed acquisition by Wesfarmers Limited (Wesfarmers) by way of a scheme of arrangement. It is not intended to be an authoritative or complete analysis of the taxation laws of Australia applying to the specific circumstances of any particular WFCL stockholder. In particular, it is limited to the position of stockholders who hold their WFCL stock on capital account. Each WFCL stockholder is advised to consult his or her own professional adviser regarding the Australian tax consequences of the transaction in light of their own particular circumstances.

Summary

- WFCL stockholders who acquired their WFCL stock prior to 20 September 1985 (Pre-CGT stockholders) will not realise a capital gain on exchange of their stock for Wesfarmers stock;
- Pre-CGT stockholders will not be entitled to CGT rollover and their Wesfarmers shares will be deemed to have a market value cost base and an acquisition time when the exchange occurs;
- WFCL stockholders who acquired their WFCL stock on or after 20 September 1985 will be entitled to choose CGT rollover relief in respect of any stock for which a capital gain would otherwise arise on exchange for Wesfarmers shares.

1 Australian resident stockholders

The exchange of WFCL stock for Wesfarmers shares pursuant to the proposed scheme of arrangement will give rise to a disposal of WFCL stock for capital gains tax ("CGT") purposes. Such disposal will be eligible for CGT scrip for scrip rollover relief where a capital gain would otherwise arise in connection with the disposal. The availability of scrip for scrip rollover relief in these circumstances has been confirmed by an advance opinion received from the Australian Taxation Office.

The manner in which a capital gain or loss is calculated on the disposal of WFCL stock will depend on the date on which the stockholder acquired the WFCL stock, the length of time the stockholder has held the WFCL stock and the taxpayer profile of the stockholder.

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1.1 For stockholders that acquired WFCL stock at or before 11.45 am (EST) on 21 September 1999

Such stockholders (other than those holding pre-CGT WFCL stock - refer further 1.1(a) below) will realise a capital gain or loss determined by reference to the difference between the capital proceeds received in respect of the disposal and the cost base of the stockholder in the WFCL stock. The capital proceeds received in respect of the disposal of WFCL stock will be the market value of the Wesfarmers shares received, calculated at the time the scheme of arrangement is effected. A stockholder's cost base in WFCL stock would generally include the amount paid by the stockholder to acquire the stock, plus any incidental costs of acquisition (for example, brokerage fees and stamp duty).

A capital gain will arise to the stockholder if the capital proceeds received in respect of the disposal of the WFCL stock exceed the cost base of the WFCL stock. In calculating a capital gain, such a stockholder may choose to index the cost base of their WFCL stock for inflation up to 30 September 1999. Alternatively, under recent changes to the law, an individual, trust or complying superannuation fund that has held WFCL stock for twelve months or longer at the time of disposal, may instead apply the discount capital gain method:

- *For an individual or trust* - to include in assessable income, one half of the realised nominal gain, being the difference between the capital proceeds and the cost base of the WFCL stock without indexation for inflation, arising as a result of the disposal of the WFCL stock;
- *For a complying superannuation fund* - to include in assessable income, two thirds of the realised nominal gain, being the difference between the capital proceeds and the cost base of the WFCL stock without indexation for inflation, arising as a result of the disposal of the WFCL stock.

Where a stockholder chooses the discount capital gain method, any available capital losses of the stockholder will be applied to reduce the realised nominal gain before multiplying the resulting net amount by one-half or two-thirds (as applicable) to calculate the discount capital gain. Alternatively, if the stockholder chooses the indexation option, available capital losses are applied after calculating the capital gain using the indexed cost base.

The choice to apply indexation or the discount capital gain method must be made by the stockholder on or before the date of lodgment of the stockholder's income tax return for the year in which the disposal occurs. The way in which the stockholder's income tax return is prepared is sufficient evidence of the making of the choice.

A capital loss will be realised by the stockholder if the capital proceeds received in respect of the disposal are less than the unindexed cost base of the WFCL stock. A capital loss may be used to offset capital gains derived in the same or subsequent years of income. A capital loss, however, cannot be offset against ordinary income, nor carried back to offset net capital gains arising in earlier income years.

(a) Pre-CGT WFCL stock

Where WFCL stock was acquired prior to 20 September 1985 ("pre-CGT WFCL stock"), there should be no CGT implications arising on the disposal of that stock pursuant to the scheme of arrangement.

Scrip for scrip rollover relief is not available in respect of pre-CGT WFCL stock. However, the cost base of the Wesfarmers shares acquired will be equal to the market value of the WFCL stock given up in exchange.

1.2 For stockholders that acquired WFCL stock after 11.45 am (EST) on 21 September 1999

Such stockholders will not be entitled to indexation of cost base when calculating any capital gain on disposal.

Where such a stockholder is an individual, trust or complying superannuation fund that has held WFCL stock for twelve months or longer at the time of disposal, the discount capital gain method described above will automatically apply to that stockholder in calculating any capital gain on disposal. As noted above when applying the discount capital gain method, any available capital losses of the stockholder will be applied to reduce the realised nominal gain before multiplying the resulting net amount by one half or two thirds (as applicable) to calculate the discount capital gain.

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Where WFCL stock has been held for less than twelve months and/or is owned by another category of stockholder (for example, a company), the discount capital gain method is not available. In such circumstances, the difference between the capital proceeds and the unindexed cost base will give rise to a capital gain or loss as appropriate.

1.3 Scrip for Scrip rollover relief

A WFCL stockholder that would otherwise realise a capital gain in respect of the disposal of WFCL stock pursuant to the scheme of arrangement may instead choose to claim CGT scrip for scrip rollover relief in respect of that disposal.

The effect of a stockholder choosing to claim rollover relief will be that the capital gain that would otherwise arise to the stockholder from the disposal of WFCL stock would be disregarded. Rather, the stockholder will be taken to have a proportionate cost base in the Wesfarmers shares acquired, determined by reference to the stockholder's cost base in the WFCL stock.

In order for rollover relief to apply, a stockholder must choose to obtain it. The choice must be made on or before the date of lodgment of the stockholder's income tax return for the year in which the disposal occurs. The way in which the stockholder's income tax return is prepared is sufficient evidence for the making of the choice.

2 Non-resident stockholders

For a WFCL stockholder who is not a resident of Australia for Australian tax purposes and who holds WFCL stock on capital account, the disposal of WFCL stock pursuant to the scheme of arrangement will only result in Australian CGT implications if that stockholder (together with associates) at any time during the five years immediately preceding the disposal owned 10% or more of the issued stock of WFCL. In such circumstances, the CGT implications for the non-resident stockholder would be as outlined at 1. above.

2.1 Implications of holding Wesfarmers shares for Australian resident shareholders

As a consequence of the scheme or arrangement, stockholders will cease to be stockholders of WFCL and will become shareholders of Wesfarmers.

(a) *Implications for Australian resident individual shareholders*

Dividends received by Australian resident individual shareholders of Wesfarmers would generally be required to be included in the assessable income of such shareholders. In the event that a franked dividend was paid on Wesfarmers shares, Australian resident individual shareholders would generally be entitled to a franking rebate in respect of such dividends. In this regard, resident individual shareholders should be aware of the holding period rules which require shares to be owned sufficiently at risk for a minimum period of 45 days (not including the date of acquisition and the date of disposal),in order to be eligible for the benefit of the franking rebate on dividends. Individual shareholders who receive less than $5,000 of franking rebate from all dividends and distributions in an income year will be exempt from the holding period rules.

A franked dividend is one which is paid out of profits in respect of which Australian company tax has been paid. The rate of Australian company tax currently applicable to taxable profits is 34% (which will decrease to 30% in subsequent income years). The tax paid determines the available imputation credit attached to the dividend, which in turn determines the franking rebate.

The extent to which a dividend can be franked depends upon the amount of franking credits in the company's franking account resulting from the payment of company tax. A fully franked dividend is one in respect of which the whole of the amount of the dividend is franked.

The amount of the imputation credit attaching to a dividend will be shown separately on the dividend statement provided by Wesfarmers to each shareholder. Shareholders should include as assessable income in their tax returns, an amount equal to the dividend they receive plus the imputation credit. A rebate equal to the imputation credit is then generally available for offset against tax on the dividend and on other income.

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Generally speaking, shareholders whose marginal tax rate is equal to the company rate or less, will pay no further income tax on a fully franked dividend. Any excess imputation credits are refundable to resident individual shareholders. No franking rebate is available in respect of unfranked dividends.

2.2 Implications for Australian resident corporate shareholders

Under present law, corporate shareholders will generally be entitled to the inter-corporate dividend rebate to the extent that dividends are franked. Corporate shareholders will generally be entitled to credit their franking account for franked dividends received. It is proposed that from 1 July 2001, corporate shareholders will be taxed in a manner similar to individuals as described above.

In order to be eligible for the inter-corporate dividend rebate, the corporate shareholders have to have held the shares, sufficiently at risk for a minimum period of 45 days (not including the date of acquisition and the date of disposal).

2.3 Subsequent disposal of Wesfarmers shares by Australian resident shareholders

For a shareholder who holds Wesfarmers shares on capital account, a subsequent disposal of those shares would generally result in Australian CGT implications. The CGT consequences will differ depending on whether or not the scrip for scrip rollover relief was claimed in relation to the disposal of WFCL stock pursuant to the scheme of arrangement, as this will affect the cost base of the shareholder in the Wesfarmers shares.

(a) Where scrip for scrip rollover relief is not claimed in relation to the disposal of WFCL stock including pre-CGT WFCL stock

Where scrip for scrip rollover relief is not claimed in relation to the disposal of WFCL stock under the scheme of arrangement, the shareholder will be taken to have a cost base in their Wesfarmers shares determined by reference to the consideration given to acquire those shares, namely the market value of the WFCL stock given up, determined at the time of acquisition. No indexation will be available in relation to the cost base of the Wesfarmers shares in such circumstances. The same analysis will apply for determining the cost base of Wesfarmers shares acquired in consequence of a disposal of pre-CGT WFCL stock pursuant to the scheme of arrangement.

Where such a shareholder is an individual, trust or complying superannuation fund that has held Wesfarmers shares for twelve months or longer at the time of the subsequent disposal, the discount capital gain method will apply to them in calculating any capital gain on disposal. When applying the discount capital gain method, any available capital losses of the shareholder will be applied to reduce the realised nominal gain before multiplying the resulting net amount by one half or two thirds (as applicable) to calculate the discount capital gain.

Where the Wesfarmers shares have been held for less than twelve months and/or are owned by another category of shareholder (for example, a company), the discount capital gain method is not available. In such circumstances, the difference between the capital proceeds and the unindexed cost base will give rise to a capital gain or loss, as appropriate.

(b) Where scrip for scrip rollover relief is claimed in relation to the disposal of WFCL stock

Where scrip for scrip rollover relief is claimed in relation to the disposal of WFCL stock under the scheme of arrangement, each Wesfarmers share would be attributed a proportionate cost base determined by reference to the original cost base of the shareholder in the WFCL stock given to acquire the Wesfarmers shares (including indexation, where applicable). A shareholder will be taken to have acquired the Wesfarmers shares at the time the WFCL stock was acquired by the shareholder. This will be relevant for the purposes of determining the shareholder's eligibility for indexation and the discount capital gain method upon disposal of the Wesfarmers shares. Otherwise, the CGT consequences will be generally the same as described at 1. above, although the relevant capital proceeds to be taken into account will be those received in respect of the subsequent disposal.

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2.4 Non-resident shareholders

(a) *Implications of holding Wesfarmers shares*

Any dividends received by a Wesfarmers shareholder who is not a resident of Australia and who does not have a permanent establishment in Australia for Australian tax purposes will not be subject to Australian tax if the dividend is fully franked. To the extent that the dividend is unfranked, dividend withholding tax at the rate of 30% will be deducted at the time of payment. If the shareholder is resident in a country with which Australia has concluded a comprehensive double tax agreement, the rate of withholding tax is generally reduced to 15%.

(b) *Subsequent disposal of Wesfarmers shares*

For a Wesfarmers shareholder who is not a resident of Australia for Australian tax purposes and who holds Wesfarmers shares on capital account, the disposal of the Wesfarmers shares would generally only result in Australian CGT implications if that shareholder (together with associates) at any time during the five years immediately proceeding the disposal, owned 10% or more of the issued capital of Wesfarmers.

3 Implications for Wesfarmers

No material adverse tax consequences should arise for Wesfarmers as a consequence of the scheme of arrangement. As a consequence of the acquisition of the WFCL stock pursuant to the scheme of arrangement, Wesfarmers will be taken to have a cost base in the WFCL stock it acquires equal to the market value of the Wesfarmers shares issued in consideration of the acquisition.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:

MARK FERRIER

Director