

Capital Return to coincide with new property trust float

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The directors of Wesfarmers Limited today announced that the company will make a capital return of 50 cents per fully-paid share, subject to shareholder and Supreme Court approval.

The Managing Director of Wesfarmers Limited, Mr Michael Chaney, said that the board's intention was to time the capital return to coincide with the proposed float of the Bunnings Warehouse Property Trust announced to the Australian Stock Exchange on 7 April 1998.

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

He said that the capital return will help in the management of the company's balance sheet by addressing the low gearing that would result from the proposed sale of Bunnings' hardware properties.

"Over recent years Wesfarmers has been engaged in a substantial programme of capital expenditure and this is expected to continue in the future. The programme involves expenditures on new plant like the in New South Wales respectively, and the roll out of hardware warehouses across Australia.

"Despite these expenditures, the group's strong cash flow has resulted in its level of debt remaining below the range considered ideal and the board felt it appropriate to make a distribution to shareholders, particularly given the imminent receipt of proceeds from the We of the Bunnings warehouse stores which will further reduce debt", Mr Chaney said.

On 31 December 1997 Wesfarmers' net debt/equity ratio was approximately 36 per cent. After adjusting for the warehouse property sale and capital return, this figure would have been approximately 41 per cent. Given the company's preferred range on this measure of 40-65 per cent, the company still has substantial capacity for new capital investments.

It is expected that the capital return will not be taxable in shareholders' hands but will reduce the cost base of their shares for capital gains tax purposes.

An extraordinary general meeting of shareholders of Wesfarmers Limited to approve the capital return will be held at Hyatt Regency Perth, 99 Adelaide Terrace, Perth on Wednesday 8 July 1998 at 10.30 am.

For further information contact: Mr Michael Chaney, Managing Director