This is an important document and requires
your immediate attention.

Wesfarmers

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
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FINANCIAL ADVISER

Freehills

LEGAL ADVISER

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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.

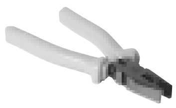
(c) Non-resident shareholders - shares held on capital account

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.



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:

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

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:

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

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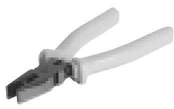


In broad terms, the tax cost base of all the Wesfarmers Shares received by the Howard Smith shareholders under the Offer will be equal to a proportion of the cost base of their original Howard Smith Shares, that proportion being the value of the Wesfarmers Shares received compared to the value of the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

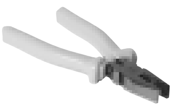
Shareholders that hold shares acquired prior to 21 September 1999 should seek advice relevant to their own personal circumstances in considering the different outcomes under the discount and indexation options.

(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.

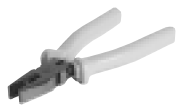
The Wesfarmers Shares received as consideration for the Howard Smith Shares under the Offer will however be subject to CGT in the event of their subsequent disposal. The cost base of the Wesfarmers Shares acquired under the Offer will be equal to the market value of the Howard Smith Shares exchanged 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).