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The content of this Open Briefing® reflects management and analyst discussion at the Wesfarmers Briefing Day held in Sydney on Wednesday, 10 May 2006.

General Corporate Issues

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Can you remind us about the types of businesses that Wesfarmers is not interested in acquiring and why?

Richard Goyder, Managing Director Wesfarmers
The screening process we use to invest in new businesses are primarily whether the financial returns meet our hurdle rates, secondly whether we think we can manage the business either from existing resources or from resources we can acquire and thirdly whether we think the business is a good cultural fit. If it satisfies all three criteria then we would go ahead.

In that process, we'd probably eliminate some businesses like oil and gas exploration because of the volatility although we tend not to rule too many things out because we don't want to limit our opportunities. We're trying to be a bit more pre-emptive at considering how industry trends will provide opportunities for our businesses while continuing to evaluate opportunities as they are presented to us.

The returns on investment and whether we can deliver shareholder value are fundamental to whether we'd go ahead with acquisitions.

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Some major assets such as Dyno and Southern Cross Fertilisers have been sold recently. There's a strong presumption that you would have evaluated these assets. Can you explain why these assets didn't fit your criteria?

Richard Goyder
I won't comment on specific transactions, but I'll give you an idea on how we view these types of opportunities. If we do a detailed evaluation of an opportunity, it involves understanding the market it operates in and the specific aspects of that business. If we don't have the internal capability to do this, we'd consult industry experts or people who may be able to help including legal and financial advice. We do detailed financial modelling including running sensitivity cases on things like market growth/contraction, costs and price and exchange rate movements.

We don't assume that we always get it right, but we do a very thorough evaluation and we tend to take a conservative stance because you often find things you didn't expect after you've done an acquisition. There aren't any acquisition opportunities that we've evaluated and passed up recently that we wish we'd gone ahead with.

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You've stated that following the introduction of A-IFRS, your gearing has fluctuated in the range of 65-85%. Is there scope to work the balance sheet harder?

Richard Goyder
Gene Tilbrook is leading some work on balance sheet and gearing matters, having regard to our ratings. Our investment rating is important for our insurance business as well as for our cost of funding. There might be scope to work the balance sheet harder, however when we evaluate potential investments we make sure it is appropriately structured from a funding viewpoint. For example, many acquisition opportunities are EPS accretive from day one if you fully debt fund them. We evaluate the project itself to decide whether we'd buy it and then develop a funding structure.

The long term incentive arrangements that Gene, David Robb and I are on have a component related to the capital efficiency of the Group.

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What are you doing in developing internal expertise to assess international investment opportunities?

Richard Goyder
A number of people in our business development group have had offshore experience. We've also looked at a couple of projects recently and that has increased our capability in that area. We're not going to specifically build a capability to assess offshore acquisitions. If there's a gap in our capability, we'll fill those gaps from external resources on a case by case basis.

corporatefile.com.au
If an investment meets your three main criteria, would you still go ahead if it meant that earnings for the Group would be heavily skewed to that industry as a result?

Richard Goyder
If it meets our criteria we would go ahead with the acquisition regardless of how much it skewed our earnings.

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The share price is lacking momentum at the moment and it's likely that you won't achieve your TSR targets after this year. What can you do about it? There's speculation that you're fairly keen to make an acquisition despite your earlier comments?

Richard Goyder
Wesfarmers is a long term story. The Board and management team are clear about our objectives and that is centred around creating solid, long term returns to shareholders. It would be a mistake to make an investment in the short term knowing that it wasn't going to be a good investment for our shareholders. We're just not going to do that.

There is also a risk that when we make an acquisition people will say we panicked. There was actually that sort of reaction when we made the Curragh acquisition in 2000. We won't panic and we will stay very focused on the task.

We're very pleased with how all our businesses are operating. Terry Bowen is doing a very good job in turning around Industrial & Safety. We don't quite know where the insurance cycle is headed, but our business is very strong. Energy earnings are high, it's a good business and there are significant opportunities across that division. Chemicals and Fertilisers has been described by outsiders as a mature business, but again we think it has very good growth opportunities and you've just heard a very upbeat presentation on Bunnings. We have a high degree of confidence that we can deliver good rates of growth over the coming years and I'm very confident that we have the capability within the Group to deliver those opportunities.

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What tax might be payable on the ARG sale? If so, would you look to pay out the franking credits as soon as possible?

Gene Tilbrook
The tax position is not finalised yet. To the extent that we generate franking credits, we'd be looking to distribute them effectively to shareholders.

Industrial & Safety

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What impact will the restructuring initiatives have on the capital employed in the business?

Terry Bowen, Managing Director Wesfarmers Industrial & Safety
Our total capital base will be reduced in the order of 5% in the short term - remembering that around 55% of the capital employed in this business relates to goodwill from the Howard Smith acquisition. Our 'trading capital' will hence reduce fairly significantly.

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To what extent will the significant items you've flagged affect the second half results?

Terry Bowen
Significant items for FY06 will be in the range of $10.3-12.7 million in total for Industrial & Safety. These include redundancies of $2.4 million, an increase in obsolete stock provision of $2.0-4.4 million, an increase in doubtful (old) debt provision of $1.7 million, employee share plan accounting impact of $3.2 million and an unfavourable impact of New Zealand exchange rate movements of $1.0 million. We had already disclosed the employee share plan as affecting the first half year result in November 2005, but the other items are new disclosures.

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What sustainable sales growth rates do you see in the business over the medium to longer term? What about sales margins? And what about return on capital given the reduction in capital you just spoke about?

Terry Bowen
Through the initiatives I have outlined, we expect to achieve a combination of revenue growth, cost to sales improvement as well as, importantly, capital reduction.

We have identified a number of growth opportunities, and while we remain reasonably conservative here, we do see some improvement. In respect to margins, we are forecasting reasonably stable overall margins for the business, while in regard to costs, we will remain focussed on process efficiency while ensuring we invest in capabilities to grow.

We expect an improvement in return on capital over the longer term, and believe that reaching Wesfarmers' return on capital hurdle rate within the five year timeframe of our strategic plan is achievable.

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You mentioned that competition had increased in areas of your business. Is that a cyclical thing or do you see it as structural change?

Terry Bowen
We don't expect any lessening of competition, and we remain focussed on ensuring that we continue to have a superior customer offering.

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What percentage of sales is New Zealand? How much of the margin has been eroded in that business? Is the business still profitable?

Terry Bowen
New Zealand represents less than 20% of our total sales. I will not comment on margins in individual business units. Our New Zealand business is profitable, and the return on capital of our New Zealand businesses is good. The safety businesses are the number one and two in that country. Packaging House is a very good business, and Blackwoods Paykels, while still facing difficult trading conditions, has shown some improvement in recent months.

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A very short period into your tenure last November, you were asked do you know which SKUs you were making less money on. You've said that you have deleted around 100,000 SKUs since. Can we assume that they are loss-leading? Are you going to replace the sales?

Terry Bowen
In respect to these SKU's, you should assume in general that they were not loss-leading, and instead mostly products with no or very low sales. This initiative is the first phase of simplifying and improving the content of our electronic product catalogues, as we focus on reducing the number of suppliers we deal with to get closer to our key suppliers.

In respect to loss-leading, there are very few products that we would sell with a negative gross margin. You would have to also consider your overall cost of supply. This can be a difficult and sometimes subjective exercise as you deal with many cost allocations in assessing this.

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Given the competition, how much price deflation has there been?

Terry Bowen
We are currently looking at this, so I would prefer not to comment at this point. It is fair though to suggest that we have seen price deflation occurring in some parts of the business.

corporatefile.com.au
Going back to your comments on return on capital and reaching the hurdle rate within the five year period. Are you going to achieve that on today's earnings with less capital – because it sounds like there's not a lot of potential for sales growth?

Terry Bowen
Again, we expect to achieve this through a combination of revenue and EBIT growth, and capital reduction.

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What number of SKUs was there when you joined late last year?

Terry Bowen
Around 400,000 across all businesses.

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Can you give some detail on your revenue split by industry sector?

Terry Bowen
Our revenue is derived across our businesses from very small to large corporate customers. At this time we prefer not to disclose this by sector, but I can tell you that most customers are industrial based.

Chemicals and Fertilisers

corporatefile.com.au
If you won the sodium cyanide contract for Boddington Gold Mine would you need to expand your plant?

Keith Gordon, Managing Director Chemicals and Fertilisers
We think that Boddington may require up to a third again of what we currently supply into the Western Australian market so it’s a significant amount. The key issue we will need to work through with Boddington is whether it requires solution or solid sodium cyanide. If they decide on solution, then our upgrade path should be relatively straight forward. If they require solid, then that will present us with some significant technical issues and a more complex upgrade. Our view is that solution sodium cyanide should be the preferred option given the location of the mine, the established transport routes, the excellent distribution arrangements and the economics.

corporatefile.com.au
You were looking at doing an expansion at QNP around 12 months ago by debottlenecking. Can you give an update?

Keith Gordon
That would have taken us from 185ktpa to 210-215ktpa. We’re reviewing that possible expansion. QNP is a joint venture and both partners need to agree on the path forward. Certainly the major short term issue is that we can’t supply our current commitments and we need to find a way to supply that additional 20-30,000ktpa. We will be discussing the path forward on this issue over the next few weeks.

corporatefile.com.au
On the ammonium nitrate expansion in Western Australia – can you give us an idea about the difference in margins between sales of imported liquid fertiliser and sales of manufactured liquid fertiliser?

Keith Gordon
While I would prefer not to comment on that directly, the major issues on imports versus manufactured product are consistency and certainty around our cost of goods; and storage and distribution. Our storage capacity is roughly equivalent to a bit over one ship load so we have to manage imports very carefully, particularly at this time of year, so that we can discharge ships when they arrive at Kwinana. We therefore manage imports almost on a monthly basis and at times offer discounts to customers to reduce the amount of product in storage. With a manufactured position, we'll be able to manage our stocks more efficiently and this may lead to some margin uplift.

corporatefile.com.au
Can you comment on the estimated capital cost for the Kwinana expansion and if that has changed? Also, the long term price you expect for ammonium nitrate?

Keith Gordon
Our estimate for the project remains at $200 million.

We've effectively underwritten the expansion by writing long term contracts. I don't want to go into detail on pricing, but there's certainly a trade-off between price and the length of contracts. We've still achieved pricing above long term historical averages, but not as high as current spot prices of course.

corporatefile.com.au
Can you comment on where pricing is for the year to date for ammonium nitrate compared with last year?

Keith Gordon
It would be marginally ahead. Most of our volume is sold on a long term contract with a CPI escalation. That would account for around 75% of total offtake. Therefore pricing would be marginally higher than last year. The balance of our offtake is sold under shorter contracts of around 2-3 years.

corporatefile.com.au
Do you expect any threats or opportunities to merge for your fertiliser business from the change in ownership of Incitec Pivot?

Keith Gordon
Nothing immediately obvious has emerged, but that's not to say that it won't in the future. We've always held the view that, at some point, there will be a rationalisation of Australian fertiliser producers and that a major player will emerge. We may or may not be a part of that. The acquisition by Incitec Pivot of BHP's Southern Cross Fertilisers won't have a direct impact on us although it could emerge as an opportunity to source products in the future. We've been

watching what's happening to the national industry for several years and we'll continue to monitor it.

corporatefile.com.au
When do the new long term ammonium nitrate contracts expire? Can you give an indication of how they are priced compared with the nearer term contracts?

Keith Gordon
We'd regard long term as more than 7 years. The new long term contracts range from that length upwards. As stated before, when trying to lock in pricing for this term, it is unrealistic to expect that the high spot prices we have seen in the market can be achieved in a long term contract.

corporatefile.com.au
When do your old or existing long term contracts expire?

Keith Gordon
The existing contracts still have several years to run.

corporatefile.com.au
The Southern Cross acquisition looked like a good deal at least in financial terms. Is it something you should have pursued harder?

Keith Gordon
The acquisition seemed to get a positive reception. I assume Southern Cross was sold to the highest bidder so that indicates that Incitec Pivot saw the greatest value in it. One of the fundamental differences between our business and Incitec Pivot's is that it buys around 300ktpa from Southern Cross and is therefore its biggest customer. We view Southern Cross as very much a standalone business located in the eastern markets away from our core business areas.

corporatefile.com.au
Are there any constraints on gas supply to any of your businesses? If so, how long will it take to be rectified?

Keith Gordon
We plan to import the additional ammonia for the ammonium nitrate expansion so we won't require additional gas. We're working through our arrangements for our gas supply and we hope to have arrangements that provide a more consistent supply in the next financial year.

corporatefile.com.au
Can you remind us what the cost of the original QNP plant was and give an indication of the capital cost for the expansion? How much higher would prices on new contracts have needed to be to justify an expansion?

Keith Gordon
The original plant cost around $240 million. The final capital cost for the expansion was around 60-70% above the budgeted number we were using. It

would not have been possible to contract ammonium nitrate at the prices which would have been needed to justify that sort of capital.

corporatefile.com.au
Incitec has indicated that it has withdrawn its early season discounts. Is that something you have considered doing and would it have a meaningful impact?

Keith Gordon
We mainly offer early season discounts for our liquids business and that's really driven by logistics rather than by market share. The key issue for us is to flatten out the seasonal peak for liquids. We monitor our other marketing strategies on an ongoing basis but don't envisage any major changes at this point.

Insurance

corporatefile.com.au
You're retaining more of the insurance risk and not paying away as much to reinsurers. How much has capital employed increased as a consequence? Can you also talk about your current return on capital for the division?

Bob Buckley, Managing Director Wesfarmers Insurance
Capital employed is actually falling despite our increased requirements for assuming greater risk. That's because we're reducing our capital reserves to 1.5 times APRA's requirements for Lumley Australia and 1.7 times APRA's requirements for our smaller businesses; WFI and Lumley New Zealand. That also helps us maintain our A^- rating with S&P.

We have around $400 million tied up in the division at the moment and our return on capital employed last year was around 33%. It will be down on that a little this year, but still very strong and well above the Group's requirements.

corporatefile.com.au
You mentioned that competition is increasing and you're coming off the industry peaks in 2004. How long do you think the cycle will be? In other words, how long do you think the downturn will last?

Bob Buckley
The downturn has surprised me a little because there have been some fundamental changes in the market place compared with the last price cycle. In the early 1990s the majority of insurance companies were foreign-owned and if they lost a relatively modest amount in Australia it didn't matter, as long as they were performing well globally. However, Australian shareholders now own most of these businesses and APRA is watching for deteriorating trends and I therefore didn't think the downturn would have gone this far. The ownership changes mean the industry has lost a lot of experience and I suppose some of the new players can't resist the temptation to be aggressive on price.

I wish I knew exactly how long the downturn will last, but I think it will last another 18 months or so until we start to see an impact on the bottom line for some of these companies. There is generally a lag between what happens in the market place and the financial impact on balance sheets and P&Ls. When there is a financial impact we'll begin to see corrective action.

corporatefile.com.au
Are there any particular markets where you think prices are breaching technical levels?

Bob Buckley
I think the commercial sector has gone too far. There are cluster groups of brokers who control fairly significant blocks of business in that segment and they are almost tendering those to panels of underwriters at cheap prices with broad covers and high commissions - all of which aren't good for underwriters and some of those deals are unsustainable in my view.

Rates went a little bit too high after HIH went out of business because I think everyone viewed it as a chance to increase them after years of competitive, low rates. However, they possibly went a little too far and, coupled with a run of good weather, margins were probably higher than everyone expected. Now I believe they've cut rates too much, but getting it right is an inexact science.

Energy

corporatefile.com.au
What's the difference between your contracted volumes and actual sales volumes for export metallurgical coal at Curragh?

David Robb, Managing Director Wesfarmers Energy
Contracts typically allow for a +/-10% volume variance. Producers and customers normally manage the contracts to mutual advantage within that range. In normal circumstances, therefore, we would set contracted volumes slightly higher than expected sales volumes to allow for that variance.

corporatefile.com.au
You must have contracted higher volumes of lower quality coal than your sales targets. Can you clarify that?

David Robb
The product mix within our contracted volume will normally be consistent with the sales outcomes in any given period. In the short term, due to yield differences, it is "easier" to produce additional volumes of PCI and semi-hard than hard coking. It's a matter of playing the yield curve to maximise margins while at the same time matching our product mix to customer requirements.

corporatefile.com.au
You’ve forecast export sales from Curragh in FY07 of 7.0mt. Can your preparation plant, conveyor system and rail and port arrangements handle greater volumes?

David Robb
The conveyor capacity is such that we could potentially produce greater than 7.0mtpa of export metallurgical coal. However, I’m not prepared to suggest any export sales potential exists above 7.0 mtpa until we’ve operated the preparation plant and the conveyor system for long periods at the targeted 7.0 mtpa rate.

You would normally contract rail and port capacity above where you’re targeting sales so that you have a surge capacity if you need to catch up. So there will normally be a disparity between infrastructure capacity and sales targets.

corporatefile.com.au
For metallurgical coal at Curragh, how sustainable is a sales mix with 50% hard coking coal in the longer term?

David Robb
Our five year corporate plans suggest that is the likely average, subject to minor variations due to production and shipping schedules. We will of course be looking at ways to improve that mix while meeting our customers’ requirements, which can vary over time.

corporatefile.com.au
How hard is it to change the mine plan at Curragh?

David Robb
It’s not that hard to make modest changes and this is normal as we deal with both production issues and sales variations.

corporatefile.com.au
Do you expect any change with Bengalla pricing from the current which is a lag on the spot price? Is there any desire to lock in contract prices?

David Robb
Contract terms and timing can result in positive or negative differences versus spot prices at any given point in time. We’ve been working progressively to increase the tonnage sold under long term contracts because typically there is a small premium for contracted volume and it also helps with our planning. However, I don’t expect there will be a material impact on our average prices in the short term. The bigger issue is where steaming coal contract prices will settle as a result of current price negotiations. With oil at over US$70/bbl many people would argue that steaming coal prices should have a pretty good floor at the moment.

corporatefile.com.au
You copped a bit of flack from competitors for the price you allegedly settled for PCI. Can you clarify the situation?

David Robb
I think you're assuming a bit much. We don't comment on our marketing strategies and I think people who comment on price negotiation activities are drawing a long bow to ascribe outcomes to any specific company strategies. Overall market dynamics are the fundamental determinant of prices.

A return to a broader range of prices which reflect different coal qualities and specific supply/demand issues is a return to more normal outcomes compared with last year's pricing where all product prices benefited from the strong demand for hard coking coal. Our goal is to maximise returns for our shareholders which requires the right balance between volume and price objectives. I'm comfortable that everything we did was in our shareholders' interests and that we settled on terms consistent with the prevailing market.

corporatefile.com.au
Given the strong demand for hard coking coal, can you explain your long term assumptions for hard coking coal prices?

David Robb
We're a conservative company and on the assumption that supply will eventually respond to, and balance, demand (as it has in the past), we think the most logical view is that future long run average prices will be somewhere near historical long run average prices.

Some people argue that prices will move up to compensate for higher cost structures. Others argue that the cycle will be 'stronger for longer' due to supply and infrastructure constraints and so we should be a little more optimistic that the price decline will be slower than it was in other cycles.

corporatefile.com.au
Can you explain the current infrastructure restrictions at Bengalla?

David Robb
Rail and port capacity constraints are affecting Hunter Valley exporters. There's an allocation system in place where exporters nominate what they plan to ship 12 months in advance. Those nominations have been well in excess of the current capacity and so there is a pro-rata scaling back. We don't expect that there will be any change to that situation in the short term. There are plans to increase the port and rail capacity, but like all infrastructure projects they take time to deliver.

corporatefile.com.au
There were suggestions at a recent site tour to Bengalla that you're evaluating a significant increase in production. How is that study progressing?

David Robb
We're looking at an increase in the maximum annual run of mine production from 8.7mt to 10.7mt to give somewhere between 1-1.5mtpa of saleable coal. The numbers look pretty good on that evaluation. We're working through the consent process now.

corporatefile.com.au
Can you clarify your comments on the total system capacity available for coal producers in the Bowen Basin? What is the shortfall in capacity, versus planned sales, likely to be?

David Robb
We've only recently been advised, in general system terms, of the capacity shortfall. I just don't know at this stage what the specific impact on Curragh will be, or for how long we will be affected, but we're told that the shortfall will be apportioned fairly and equitably.

corporatefile.com.au
Is your ability to achieve your sales target of 6.2mtpa for this year under threat? What about next year?

David Robb
I'm quite confident about achieving the 6.2mt this year, although there is always the possibility of some further unforeseen event. In terms of next year, it now seems that the infrastructure capacity will not be sufficient to allow us to get to our target of 7mt. Given we achieve the 6.2mt this year, it would be reasonable to assume we should be able to achieve at least that next year.

corporatefile.com.au
Can you give more detail on why the proportion of PCI in the sales mix has increased?

David Robb
Going right back, we bid for Curragh under the assumption that it was a 100% semi-soft resource. We've worked very hard since then to formulate a mine plan that allows us to produce hard coking coal. We've also fast tracked many aspects of the Curragh North development which has made it difficult to achieve absolute certainty about future operating performance, but without which we would not have had the additional volumes to take advantage of the recent record prices. We may have traded some precision for progress but in doing so we have created a lot of value for our shareholders.

The guidance we gave about our expected sales mix being 60% hard coking coal, 20% semi hard and 20% PCI was our best assessment at the time. We've revised that to 50% hard coking coal, 20% semi hard and 30% PCI for FY07 and we accept that we have a job ahead to try and increase the proportion of hard coking coal.

corporatefile.com.au
What is the current theoretical mine life at Curragh?

David Robb
We have a thermal coal contract covering the period until approximately 2025 and we'd see that as the minimum current theoretical mine life.

corporatefile.com.au
Will the conveyor transportation be cheaper, on a cash cost and a total cost basis, than trucking?

David Robb
Yes.

Home Improvement

corporatefile.com.au
Given the comments you made on the competition to attract discretionary spending, is your current store roll out and refurbishment program sufficient to achieve double digit sales growth?

John Gillam, Managing Director Home Improvement
Firstly, there's a component of growth that is beyond our control as we are subject to market conditions. The market segment we participate in experienced negative growth in the six month period April through September 2005. Pleasingly, we didn't go backwards during this time.

The elements of growth we can control include how we go about attracting new customers, and rolling out new stores is a big part of what we do there. Another element is the work we are doing to lift the average spend of our customers within our existing stores by providing a wider range of merchandise at better value points. In the future, that latter strategy becomes more important for us. In addition, our ability to increase our market share in segments where we presently have low market shares and our ability to introduce new product ranges within the home improvement space will also be important for our growth. If we get all these areas right, we believe we can achieve higher growth rates.

corporatefile.com.au
You've undertaken a $55 million systems upgrade project. When do you expect an amortisation charge to kick in? What amount do you expect each year?

John Gillam
We are only part way through our phased systems upgrade project and we are making satisfactory progress. The phased approach enables us to better manage risk. To that end, we have already successfully installed the new hardware needed for the total project and we have also upgraded communication links around our network, with the combined additional depreciation and expenses associated with this work in 2005/06 in the vicinity of $1 million. Once we go live next year on the software components to complete phase 1, the full year depreciation costs of the hardware and the

software are expected to be around $4 million to $5 million. By 2007/08 we expect to be carrying approximately $10-$11m in annual costs associated with the project as further work is completed. As you would expect, we have our eye on attaining operational benefits that make sense of this investment and these will start to flow in a material sense from 2007/08.

corporatefile.com.au
You've stated that the three core drivers for the business are price, range and service. Can you give some detail on improving service? How many people do you have to recruit and train each year to replace staff and to resource new stores? How many people on average do you have in a warehouse store?

John Gillam
I won't comment precisely on some of those points because of commercial sensitivity, but I can advise that our labour turnover is at the low end for retailers in our markets. We are recruiting several thousand team members each year for new stores and for the existing network and as such, we do have a significant training and re-training cost. Our HR team does a pretty good job at managing this task.

In terms of store team sizes, we don't really have an average store per se. We have teams of over 250 people in our larger stores and around the 90 to 110 mark within the smaller series 3000 warehouse stores.

We're a victim of our own success to a certain degree on service levels and now, when our stores are really busy at peak trading times, we struggle to service all customers to the standard we'd like. The shortage of skilled trades people in Australia has also affected our ability to assemble teams with the breadth of knowledge we like to have available for our customers.

We achieved good service standards in the earlier years of Bunnings Warehouse but 12 years on from when we started, customers now have greater expectations on service and we are striving to lift our standards even more in this area. We won't shy away from doing this as we think it is a critical success factor and our store teams are working hard to achieve our ambitions in that regard.

corporatefile.com.au
Can you indicate what your underlying market grew by over that January-April 2006 period?

John Gillam
We haven't done a detailed analysis over that specific period but from what we can see via public data like ABS and supplier feedback, our guess is that in NSW we have possibly grabbed a few percentage points and perhaps also a bit in Western Australia. New Zealand and Queensland continue to grow and we've held our position in the remaining markets. We don't measure our market share on a month by month basis; however, we believe we have outperformed the rest of our sector in terms of sales growth across this financial year.

Internally we aim to achieve growth rates at the top end of the market for the overall retail sector. We're currently below the performance of the consumer electronics segment, but we're above most others.

corporatefile.com.au
Can you give an indication of the split by store size in your rollout program for this year?

John Gillam
Of the 13 warehouse stores we are on track to open this financial year, we have two at the really large end of the scale, four more are series 8000's, another four are series 5000/6000 scale and we have three of the smaller series 3000 stores.

corporatefile.com.au
What has driven the Australian cash store on store sales growth to 7.9% post Christmas?

John Gillam
Growth in cash sales kicked up for us in November 2005. Since then there's been a gradual improvement each month. In the period post Easter until yesterday, we have held cash sales at around the present level.

A combination of factors has driven this improvement including our revised advertising creative. We did a lot of work around this time last year evaluating the effectiveness of our marketing and as a result, we made changes to our advertising in December 2005. We have also improved our product offer and delivered better value for our customers with lower prices. Another factor has been the good work from our store teams in terms of store presentation.

corporatefile.com.au
Do the results reflect a pick up in average spend per customer?

John Gillam
Our cash sales growth has come through a mix of both increased customer traffic and a lift in average spend. The latter component is pleasing as it shows that our merchandising and service strategies are working.

corporatefile.com.au
How much builder trade will come out of the boxes to the designated trade network? What will happen to that offer in the boxes?

John Gillam
Firstly, New Zealand won't be affected by this work except maybe in Auckland as this strategy is really about our Australian trade business. The delivered-to-site component is about one third of our overall trade sales within Australia and that is what will come out of our store network. This allows our stores to better service 'tradies' coming in for pick-up items as well as consumers and that is what our stores are designed to do. The 'tradie' in the

store is buying on a 'retail minus' basis, whereas the delivered trade builder is buying on a 'cost-plus' basis.

corporatefile.com.au
Can you give an indication of the delivered trade as a proportion of total sales?

John Gillam
We haven't disclosed that before. We might give some guidance once we get a feel for where it might be in FY07. Let me reiterate that our primary focus is on growing our business within the store network because that's our best growth opportunity. One key driver of the work we are doing in establishing separate delivered trade operations is to make sure our stores aren't growth constrained through having delivered trade business taking up space to the detriment of an expanded retail offer. Having said that, we think we can grow the delivered trade business by separating it and giving it better facilities at a lower cost base. We have made good progress in achieving this.

We do see growth opportunities within the delivered trade business, but it's a different business model to our stores. It won't have the same EBIT to sales characteristics that we achieve from our store network, but it can deliver good returns and profitable growth if we manage it well.

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Thank you.

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