

BUNNINGS WAREHOUSE PROPERTY TRUST

ARSN 088 581 097

NOTICE OF UNITHOLDERS' MEETING AND EXPLANATORY MEMORANDUM

To consider the proposed acquisition of 13 Bunnings Warehouse properties

(including a report on the transaction from
PricewaterhouseCoopers Securities Ltd as Independent Expert)



To be held on Wednesday 30 March 2011 at 10.00am AWST.
The Board of Directors of the Responsible Entity recommends that unitholders vote in favour of the Resolution.

This is an important document. Please read the information in this booklet very carefully.
It is important that you either attend the meeting or complete and lodge the enclosed proxy form.

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Pakenham, VIC

Cover photo: Belmont, WA



Chairman's Letter

17 February 2011

Dear unitholder

Bunnings Property Management Limited, the Responsible Entity of the Bunnings Warehouse Property Trust ("the Trust") invites you to a unitholders' meeting to be held at 10.00am AWST on 30 March 2011 to vote on a resolution relating to the acquisition of 13 Bunnings Warehouse properties by the Trust from Bunnings Group Limited ("BGL"), a subsidiary of Wesfarmers Limited.

The Directors of the Responsible Entity welcome the opportunity to add these properties to the Trust's portfolio. All properties are located in metropolitan cities or large regional centres throughout New South Wales, Queensland, Victoria and Western Australia. Ten of the properties are operational Bunnings Warehouses recently completed or soon to be completed, and three properties are land on which BGL will develop Bunnings Warehouses for the Trust. The properties will be subject to leases with BGL for an initial term of 10 years. Details of the properties are set out in sections 4.1 and 4.2 of the enclosed Explanatory Memorandum. Consistent with the Trust's core purpose, this portfolio is expected to provide Unitholders with a secure, growing income stream and long-term capital growth.

The \$241.7 million purchase price plus transaction costs will be funded by a mix of the Trust's existing debt capacity and the proceeds of a fully underwritten, 1 for 4.84 entitlement offer. Information regarding the entitlement offer is provided in this document and additional detail is available in an announcement made to the ASX on Thursday 17 February 2011 and in a Retail Entitlement Offer document which is to be sent to eligible unitholders. Details are also available on the Trust's web site at www.bwptrust.com.au.

The entitlement offer is not subject to unitholder approval and will proceed regardless of whether the resolution to acquire the proposed portfolio is approved by unitholders. The entitlement offer was undertaken in advance of the unitholders' meeting to provide certainty of the availability and cost of funding, ensuring the viability of acquiring the portfolio. An entitlement offer was considered to be more appropriate than other forms of raising equity, by allowing all eligible unitholders to participate on equal terms, on a pro-rata basis.

Due to the value of the portfolio to be acquired and the fact that the properties are to be acquired from BGL, a company related to the Responsible Entity, unitholder approval is required under ASX Listing Rules. An independent expert's report prepared by PricewaterhouseCoopers Securities Ltd, a copy of which is included in section 5 of this document, concludes that the acquisition of the properties by the Trust as proposed is fair and reasonable to unitholders not associated with the transaction.

Details of the resolution relating to the acquisition of the portfolio and the arrangements for the meeting are provided in the accompanying Notice of Meeting and Explanatory Memorandum. I urge you to read these carefully and vote, either by proxy or in person, at the unitholders' meeting to be held on **Wednesday 30 March 2011 at 10.00am AWST in Meeting Room 6, Level 2, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia**. If you are unable to attend the meeting, a proxy form has been enclosed and I encourage you to return your vote in the reply-paid envelope provided.

The Directors of the Responsible Entity recommend that unitholders vote in favour of the Resolution.

Yours sincerely

JA Austin
Chairman
Bunnings Property Management Limited

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Notice of Meeting of Unitholders

Time: 10.00am AWST
Date: Wednesday, 30 March 2011
Place: Meeting Room 6, Level 2
Perth Convention and
Exhibition Centre,
21 Mounts Bay Road,
Perth, Western Australia

Notice is hereby given that a general meeting of unitholders of the Bunnings Warehouse Property Trust will be held in Meeting Room 6, Level 2, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on Wednesday 30 March 2011 at 10.00am AWST.

BUSINESS OF THE MEETING

Ordinary business

Resolution: Acquisition of properties

To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.1 and for all other purposes, the unitholders of the Bunnings Warehouse Property Trust (the "Trust") approve and authorise Bunnings Property Management Limited, as responsible entity of the Trust, to enter into agreements with Bunnings Group Limited or its subsidiaries to acquire and lease back the "Warehouse Properties" as described in the Explanatory Memorandum and on the terms and conditions summarised in the Explanatory Memorandum accompanying the notice of meeting."

By order of the Board



KA Lange
Company Secretary
Bunnings Property Management Limited

17 February 2011

IMPORTANT INFORMATION

CHAIRMAN

The Responsible Entity has nominated its Chairman, Mr John Austin, as the Chairman of the meeting.

VOTING

Your vote is important. You are encouraged to attend and vote at the meeting. If you plan to attend the meeting, we ask that you arrive at the meeting venue early to complete registration formalities.

If you cannot attend the meeting, you should complete the proxy form accompanying this Notice of Meeting. Please read the instructions on the proxy form carefully.

HOW DO YOU EXERCISE YOUR RIGHT TO VOTE?

All unitholders appearing on the Bunnings Warehouse Property Trust unit register at 4.00pm AWST on Monday 28 March 2011 are entitled to attend and vote at the meeting.

On a show of hands you have one vote. On a poll you have one vote for each unit you hold.

Voting by Proxy

If you cannot attend, you may appoint a proxy to attend and vote for you. A proxy does not have to be a unitholder of the Trust. To ensure that all unitholders can exercise their right to vote on the proposed Resolutions, a proxy form is enclosed with this Notice of Meeting together with a reply-paid envelope.

Unitholders are entitled to appoint up to two persons to attend the meeting and vote and may specify the proportion or number of votes each proxy is appointed to exercise.

Proxy forms must be deposited at the Bunnings Warehouse Property Trust Registry, Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace, Perth WA 6000 in person, by mail or by facsimile to be received not less than 48 hours before the time of the meeting. Alternatively, they can be faxed or mailed to the registry's Melbourne office at GPO Box 242, Melbourne, Victoria, 3001 in the reply-paid envelope provided.

The proxy form provides details of what you need to do to appoint a proxy to attend and vote for you. Additional instructions are provided on the reverse of the form.

Jointly held units

If your units are jointly held, only one of the joint holders is entitled to vote. If more than one holder votes in respect of jointly held units, only the vote of the holder whose name first appears on the register will be counted.

Corporations voting

In order to vote at the meeting a corporation, which is a unitholder, may appoint a proxy to vote on its behalf.

Alternatively, a corporation may appoint a person to act as its corporate representative. A representative does not have to be a unitholder of the Trust. The appointment must comply with section 253B of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment including any authority under which it is signed.

VOTING EXCLUSIONS

None of Bunnings Property Management Limited, Wesfarmers Investments Pty Ltd, BGL or any of their associates can vote on the Resolution, unless the vote is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form;
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; or
- an associate of Bunnings Property Management Limited, provided that associate has no interest in the Resolution other than as a member of the Trust.

The voting limitations under the Listing Rules and the Corporations Act are complex. If you are in doubt as to your eligibility to vote on the Resolution, you should seek legal advice.

Please refer to the Glossary in Schedule 2 for the meaning of any defined terms in this Explanatory Memorandum.

4.1 RESOLUTION - Acquisition of Bunnings Warehouse Properties

Description of the proposed transaction

The Responsible Entity has reached agreement with BGL for the sale and leaseback by BGL of a portfolio of properties ("Portfolio Acquisition"). The Portfolio Acquisition entails:

- the Responsible Entity, on behalf of the Trust, acquiring from BGL a portfolio of ten operational Bunnings Warehouses and three properties on which BGL will develop Bunnings Warehouses (collectively, "the Warehouse Properties"); and
- BGL leasing each of the completed Warehouse Properties from the Trust for an initial fixed term of 10 years, and with a further five optional terms of five years each, exercisable by BGL, at commencing annual rentals and on lease terms and conditions that have been agreed by the parties.

The total purchase price of approximately \$241.7 million represents the total amount payable to BGL assuming the acquisition of all 13 properties and completion of the Bunnings Warehouses to be developed by BGL. In addition, transaction costs of \$11.6 million will be incurred. A summary of the Warehouse Properties, including the proposed purchase price and commencing rentals under the leases is included in Table 1.

Table 1 - Summary of Warehouse Properties

Property	Status	Approx. land area (ha)	Gross lettable area* (m ²)	Initial net rent (\$000)	Initial yield (%)	Purchase price (\$000)	Estimated date of settlement/completion
NSW Dubbo**	Operational	4.5	10,034	1,295	8.20	15,790	Jun 11
NSW Greenacre	Development	2.2	11,159	2,215	7.38	30,000 [^]	Oct 11
NSW Wagga Wagga	Operational	3.6	9,497	1,200	8.00	15,000	Apr 11
NSW Wallsend ^o	Development	5.6	10,882	1,650	7.75	21,290 [^]	Jun 12
QLD Fairfield Waters	Operational	2.9	10,939	1,390	7.75	16,950 ⁻	Apr 11
QLD Smithfield ⁺	Operational	3.1	10,704	1,300	8.00	15,250 ⁻	Apr 11
VIC Caroline Springs	Operational	3.0	12,020	1,450	7.60	19,080	May 11
VIC Craigieburn ⁺	Operational	4.6	10,726	1,400	7.60	18,420	Jun 11
VIC Pakenham [#]	Operational	3.5	12,410	1,600 ^o	7.90	20,250	Apr 11
WA Belmont	Operational	2.2	8,215	1,250	7.50	16,670	Apr 11
WA Cockburn	Operational	2.6	10,212	1,400	7.50	18,670	Apr 11
WA Harrisdale	Development	3.7	10,081	1,325	7.40	17,900 [^]	Oct 11
WA Port Kennedy ⁺	Operational	2.8	9,671	1,315	8.00	16,440	May 11
Total/weighted average		3.4	10,497	18,790	7.71	241,710	

* Gross lettable area is the fully enclosed covered area of the Bunnings Warehouse and other tenancies where applicable

Dubbo and Pakenham include non-BGL tenancies in addition to a Bunnings Warehouse

+ Dubbo, Port Kennedy, Smithfield and Craigieburn acquisitions are subject to subdivision approval of vacant surplus land to be retained by BGL. In the unlikely event that subdivision approval is not obtained the acquisition of the property will not proceed.

[^] Total price on completion of development. Harrisdale includes surplus land for future development by the Trust for separate retail/bulky goods showrooms

^o Wallsend is conditional on BGL exercising an option to acquire the land from a third party and nominating the Trust as purchaser once development approval satisfactory to BGL is obtained

⁻ Purchase price is based on commencing rent less non-recoverable land tax

^o Net rent less non-recoverable single holding land tax from showrooms

Rent reviews

Under the leases for all the Bunnings Warehouses the rent increases by a fixed three per cent per annum. At the end of the initial term and the exercise of each option by the tenant the rents are subject to a market rent review, having regard to the rents paid at comparable properties. Market rent reviews for the Bunnings Warehouses are subject to a 10 per cent cap, meaning the rent cannot increase more than 10 per cent above the preceding year's rent, and a 10 per cent collar, meaning that the rent will not fall more than 10 per cent below the preceding year's rent.

The non-BGL tenancies all have annual fixed rental increases of four per cent per annum and market rent reviews on the exercise of each option. The market rent reviews for the Officeworks premises at Pakenham, Victoria, are subject to 10 per cent caps and collars.

Development properties

Three of the Warehouse Properties (Greenacre, Wallsend and Harrisdale) are being acquired as land on which Bunnings Warehouses are to be developed by BGL. For each of these three development properties the Trust has contracted with BGL to complete the development for a fixed amount.

Until the development is completed and ready for BGL's occupation under the lease the Trust receives a monthly payment ("access fee") equivalent to eight per cent per annum of the purchase price for the land and stamp duty in relation to Wallsend and eight per cent per annum of the purchase price of the land for Greenacre and Harrisdale. BGL is responsible for paying outgoings for all three developments until completion. The Trust only pays for the development once it is completed and the BGL lease commences. At that point, the Trust receives rent from BGL and the access fee and BGL's responsibility for outgoings costs (other than is provided in the lease) ceases.

In the event that the development of the property is not completed by a specified sunset date, then the Trust is able to require BGL to buy the property from the Trust for the value of the purchase price and other acquisition costs paid by the Trust.

Further details of the Warehouse Properties and the terms and conditions of leases are included at pages 12 to 24 of this document.

Funding the Portfolio Acquisition

On 17 February 2011 the responsible entity announced a fully underwritten 1 for 4.84 accelerated non-renounceable entitlement offer of additional fully paid units in BWP ("Entitlement Offer") which is expected to raise approximately \$150 million. The Portfolio Acquisition is subject to the Trust raising sufficient equity, debt or both on or before 1 April 2011. The Entitlement Offer is being undertaken to fund, together with existing debt facilities, the purchase price and all other costs of the Portfolio Acquisition.

The Entitlement Offer is not subject to unitholder approval and will proceed regardless of whether the Resolution is passed. The decision to undertake the Entitlement Offer in advance of the unitholders' meeting to consider the Portfolio Acquisition was based on a number of factors, including:

- *Funding certainty:* the Entitlement Offer is fully underwritten, providing certainty of the availability and cost of funding for the Portfolio Acquisition. Its completion enables the Trust to maintain a conservatively geared balance sheet to provide financial flexibility for funding further acquisition opportunities and capital improvements to existing Trust properties. Completion of the Entitlement Offer provides greater certainty of the earnings impact of the Portfolio Acquisition.
- *Reduced execution risk:* undertaking the Entitlement Offer in advance of the Unitholder Meeting avoids the challenge associated with raising equity after the announcement of a major transaction. Any delay in undertaking the Entitlement Offer may expose the Trust to market movements which could potentially lead to the Entitlement Offer being conducted at a lower price, which would have a negative impact on certain financial metrics of the Portfolio Acquisition due to the greater number of new units issued.

The proceeds of the Entitlement Offer will fund the first tranche of Warehouse Properties settled under the Portfolio Acquisition, expected to be in April 2011. The balance of funding required for the Portfolio Acquisition will come from the Trust's existing debt facilities. The Trust has \$330 million of bank bill facilities with the four major Australian banks and will have adequate capacity under bank facilities to fund the balance of payments as further Warehouse Properties are settled or as BGL completes the Bunnings Warehouse developments. The Trust's facility with the Commonwealth Bank of Australia is due to expire in January 2012. The Responsible Entity has commenced negotiations to extend this facility and has no reason to believe that it will not be extended on acceptable commercial terms.

Explanatory Memorandum continued

Financial impact

The forecast effect of the Portfolio Acquisition on key financial measures is shown in Tables 2 and 3.

Table 2 – Forecast FY 2012 financial impact of the Portfolio Acquisition

Forecast full-year ending 30 June 2012	Pre Portfolio Acquisition and Entitlement Offer	Post Portfolio Acquisition and Entitlement Offer
Earnings per unit (cents) ¹	13.3	13.3
Distribution per unit (cents) ¹	13.3	13.3

Table 3 – Pro-forma financial position impact of the Portfolio Acquisition

As at 31 December 2010	Pre Portfolio Acquisition and Entitlement Offer	Pro-forma post Portfolio Acquisition and Entitlement Offer ²
Number of units on issue (million)	427	515
Total assets (\$000)	1,076,999	1,330,340
Total debt (\$000)	193,574	300,665
Gearing (debt/total assets)	18.0%	22.6%
Net Tangible Assets per unit	\$1.96	\$1.91

The forecast of the financial impact of the Portfolio Acquisition takes into account the additional units issued under the Entitlement Offer. Units issued under the Entitlement Offer will rank equally with existing units and will be entitled to the final distribution for the six months ending 30 June 2011. Allowing for the additional units issued under the Entitlement Offer, the estimated distribution for the half-year to 30 June 2011 is 5.69 cents per unit. This brings the estimated total distribution for the 2011 financial year to 11.87 cents per unit, including the capital distribution of 0.09 of a cent per unit from the sale of the Trust's Canning Vale property, which was included with the interim distribution.

Distributions for the 2012 financial year are forecast to be 13.3 cents per unit. The Portfolio Acquisition and Entitlement Offer are expected to have a neutral impact on this forecast. This forecast reflects management's expectations of 100 per cent portfolio occupancy and a conservative estimate of income growth from structured and market rent reviews for the Trust's existing properties (approximately 2.8 per cent like-for-like rental income growth). Adjusting for the impact of the Portfolio Acquisition and Entitlement Offer, the average rate of borrowing costs is estimated to be 8.3 per cent (inclusive of fees and margins) and borrowings are estimated to be 60 per cent hedged, on average, over the financial year.

The forecast also takes into account a partial waiver by the Responsible Entity of its entitlement to the management fee from the Trust relating to the Warehouse Properties. The management fee which, under the Trust's constitution would otherwise apply to the value of the Warehouse Properties, will be reduced by 100 per cent from the date of settlement until 30 June 2012 and by 50 per cent for the year ending 30 June 2013.

In the medium term, to the extent that annual CPI increases and market rent reviews on the Trust's existing properties are in excess of the annual fixed three per cent rental growth during the initial lease term of the Warehouse Properties, the growth profile of the Warehouse Properties may be lower than that of the Trust's existing portfolio. However, this is a function of the timing of the Trust's market rent reviews and in the longer term the Portfolio Acquisition is expected to provide unitholders with income growth comparable with the Trust's existing portfolio.

In the event that the Portfolio Acquisition is not approved by unitholders, the net proceeds of the Entitlement Offer would be used to repay debt and held on deposit for future capital expenditure and acquisition opportunities.

¹ Earnings and distribution per unit excludes any unrealised gains/losses on the revaluation of investment properties.

² For comparative purposes, the pro-forma financial position assumes that the entire Portfolio Acquisition and Entitlement Offer settles on 31 December 2010, including properties with deferred settlement and developments.

In addition, costs to close out interest rate swaps (\$1.2 million) and costs incurred to date in pursuing the Portfolio Acquisition (estimated at approximately \$0.8 million) would be written off prior to 30 June 2011, reducing the final distribution for the year ending 30 June 2011 to an estimated 5.33 cents per unit. For the year ending 30 June 2012 forecast distributions would be 13.3 cents per unit and pro forma 31 December 2010 gearing would reduce to 4.4 per cent and and pro forma 31 December 2010 Net Tangible Assets would be \$1.91 per unit.

Advantages of the Portfolio Acquisition

The anticipated benefits to the Trust of the Portfolio Acquisition include:

1. The Warehouse Properties are expected to provide Unitholders with a secure, growing income stream and long term capital and income growth, consistent with the objectives of the Trust. The Warehouse Properties will provide a platform for future earnings and capital growth based on:
 - Annual fixed rental increases of three per cent, other than in years where a market review is due, provide certainty of rental growth and establish a buffer against diminished rental growth for the Trust's CPI indexed rents in a low inflationary environment. (CPI increases of rents of Trust properties for the year ended 30 June 2010 averaged only approximately 1.6 per cent.)
 - Market rent reviews provide the opportunity for market driven adjustment to rents, up to 10 per cent of the preceding year, at the exercise of each option (five yearly after the initial term).
 - Commencing rents are at the lower end of market for eight properties, which could improve the potential for meaningful improvement in rent and capital value at market rent reviews.
2. The Portfolio Acquisition will improve the geographic diversity of the Trust's portfolio by reducing the reliance on rental income in Victoria and increasing exposure to New South Wales and Western Australia (refer to Table 4).

Table 4 – Geographic diversity of rental income as at 31 December 2010

State/Territory	Pre Portfolio Acquisition	Pro-forma, post Portfolio Acquisition ³
New South Wales/ Australian Capital Territory	21%	23%
Queensland	18%	17%
South Australia	5%	4%
Victoria	40%	37%
Western Australia	16%	18%

3. The addition of the Warehouse Properties increases the forecast weighted average lease expiry at 30 June 2011 from 8.4 years to 8.7 years (assuming the leases for all 13 properties have commenced).
4. The acquisition of the three development properties allows the Trust to acquire interests in Bunnings Warehouses prior to construction, incurring some lower statutory charges than would apply to acquiring completed developments, and with negligible exposure to development risk.
5. The surplus land at the Harrisdale Warehouse Property provides the Trust with the opportunity to improve future returns by developing additional showroom tenancies, subject to necessary approvals.
6. The mix of debt and equity funding to acquire the Warehouse Properties allows the Trust to maintain a conservatively geared balance sheet to provide financial flexibility to undertake further acquisition opportunities and capital improvements to existing Trust properties.

³ For comparative purposes, the pro-forma position assumes that the entire Portfolio Acquisition and Entitlement Offer settles on 31 December 2010, including properties with deferred settlement and developments

Explanatory Memorandum continued

7. Acquiring the Warehouse Properties will make more efficient use of the proceeds of the Entitlement Offer by increasing pro-forma gearing at 31 December 2010 from 18.0 per cent to 22.6 per cent (refer to Table 3), within the Trust's preferred gearing range.
8. The opinion of the Independent Expert set out in section 5 of the Explanatory Memorandum, is that the Portfolio Acquisition is fair and reasonable for unitholders not associated with this transaction.

Disadvantages of the Portfolio Acquisition

The potential disadvantages for the Trust as a consequence of the Portfolio Acquisition include:

1. The Portfolio Acquisition is estimated to decrease Net Tangible Assets per unit from \$1.96 as at 31 December 2010 to \$1.91, on a pro-forma basis (refer to Table 3).
2. In the medium term, to the extent that CPI and market rent reviews on the Trust's existing properties are in excess of the annual fixed three per cent rental growth during the initial lease term of the Warehouse Properties, the growth profile of the Warehouse Properties may be lower than that of the Trust's existing portfolio.
3. Transaction costs of approximately \$11.6 million, predominantly comprising stamp duty, are expected to be incurred in relation to the Portfolio Acquisition. However these costs would be payable irrespective of whether the Properties were purchased from a related entity.
4. There are several risks associated with the Portfolio Acquisition which, if they were to occur, may have an adverse effect on unitholder returns. While not an exhaustive list, the following section outlines some of the key risks.

The Independent Expert's Report identifies other disadvantages.

Potential risks associated with the Portfolio Acquisition

The following potential risk factors may arise from the Portfolio Acquisition:

1. Returns are reduced as a result of unanticipated expenditure on the upkeep of the Warehouse Properties. Under the leases the tenant is responsible for maintaining the properties. The Trust is responsible for any expenditure for repairs of a structural nature and for maintaining and replacing plant and equipment serving the properties. Structural repairs may be required as a result of:
 - a) Fair wear and tear (gradual deterioration over time in the normal course of the life of the building and other improvements). This type of repair is generally predictable and is factored into financial analysis when considering the feasibility of acquiring the properties;
 - b) Accidental damage, which is generally covered by building insurance (subject to policy exclusions and conditions); and
 - c) Defects in design, materials or workmanship when the Warehouse Properties were constructed. The Trust has engaged engineering consultants to inspect each property prior to acquisition to determine any obvious or likely issues relating to the physical condition of the properties. Where any warranties or guarantees obtained by BGL for construction or materials defects remain current, BGL will continue to hold and enforce them for the benefit of the Trust or alternatively, elect to assign them to the Trust for its sole benefit.
2. Returns are reduced as a result of future funding costs being higher than anticipated. This risk relates to the costs of debt funding, which comprises approximately 42 per cent of the purchase price of the Portfolio Acquisition. A number of external factors can affect interest rates and the fees and margins lenders charge. The risks associated with the fluctuations in borrowing costs are managed as part of broader capital management practices of the Responsible Entity, including interest rate hedging and treasury management.
3. The capital values of the Warehouse Properties are adversely affected by market factors or property specific issues. Market factors affecting property values are a broader industry risk and managed in the context of the Trust's longer-term strategies. Identifying property specific issues will be assisted by the due diligence process undertaken prior to acquisition. Other factors that may affect the future value of individual Warehouse Properties include changes in the local environment, such as changes to town planning or other local or State regulation, and changes in the physical, social or economic environment.

4. The Warehouse Properties do not achieve anticipated rental income. This may occur for a number of reasons, including:
- a) A tenant does not meet its obligations to pay rent as and when it becomes due. The majority of income from the Warehouse Properties is derived from BGL. BGL's business is a mature business that has performed well in the past and continues to expand. The risk of BGL defaulting under the leases or its business becoming unviable is considered to be low. The income from the Warehouse Properties that is not derived from BGL is from tenancies located on the same site as the Bunnings Warehouses at the Dubbo and Pakenham properties. Non-Wesfarmers tenants represent less than 3 per cent of the total rental income from the Warehouse Properties and the counter party risk is considered to be acceptable.
 - b) The rent does not grow over time as expected. Rents are subject to fixed annual increases except at the exercise of each option by the tenant, when rents are reviewed to market. There is no certainty of where rents of the Warehouse Properties will be relative to the market at the time of each market rent review. The commencing rents of eight of the Bunnings Warehouses are considered to be at the lower end of the range of current market rents and this may improve the potential for rental growth at the first market rent review. Increases in rent will be limited to 10 per cent of the preceding year's rent under the Bunnings Warehouse leases.
 - c) The non-recoverable ongoing costs of the property increase above expectations. Currently the most significant recurring cost of operating the Warehouse Properties for which the Trust would be responsible is land tax. The rates at which land tax is applied and the values at which properties are assessed are determined by the relevant Government authority in each jurisdiction. Adverse changes in land tax are deemed to be a broader industry risk that is considered acceptable.
 - d) The tenant does not exercise its options to extend the lease. This would result in an alternative tenant having to be secured, with potential for a period of no rent while the property is re-leased and, possibly, a lower commencing rent, depending on market conditions at the time. We consider that there is a relatively low risk of BGL not exercising its first option over each Bunnings Warehouse, assuming no significant adverse change in BGL's business, the broader economic and market conditions or the local environment. The five non-BGL tenancies, at the Dubbo and Pakenham Warehouse Properties, are a relatively low proportion of the rental income and the re-leasing risk is considered to be acceptable.
5. The purchase price and all other costs of the Portfolio Acquisition will be part funded by existing debt facilities. There is a risk that the Trust will not be able to refinance some or all of this debt maturity. The terms on which it is refinanced may also be less favourable than at present.

Requirement for unitholder approval

ASX Listing Rules require that unitholders approve the Portfolio Acquisition before it can be entered into. Unitholder approval is required because the Portfolio Acquisition:

- is between related parties, due to Wesfarmers Limited, through a wholly-owned subsidiary, owning 23.5 per cent of the issued units in the Trust⁴ and controlling both the Responsible Entity and BGL; and
- relates to "a substantial asset" of the Trust, based on the aggregate purchase price that will be payable by the Trust to BGL for the Warehouse Properties being more than 5 per cent of unitholders' equity in the Trust.

The Resolution may be passed by a majority of eligible unitholders voting under an ordinary resolution (greater than 50 per cent of votes being cast in favour of the Resolution).

⁴ As at the time of this Explanatory Memorandum being prepared

Explanatory Memorandum continued

The related parties and financial benefits of the portfolio acquisition

Wesfarmers Limited, through a wholly owned subsidiary, owns 23.5 per cent of the issued units in the Trust. Both the Responsible Entity and BGL are wholly owned subsidiaries of Wesfarmers Limited. The respective related parties will receive the following financial benefits as a result of the Portfolio Acquisition:

- a) By acquiring the Warehouse Properties from BGL, the Responsible Entity, on behalf of the Trust, will become the registered proprietor of the properties.
- b) By selling the Warehouses Properties, BGL as vendor will receive \$241.7 million from the Trust for the properties.
- c) BGL will be paid an amount for the cost of developing the three development properties equal to the valuation upon completion less the cost of the land, which may be more or less than the construction costs, resulting in a potential development profit or loss, respectively, to BGL.
- d) By entering into lease agreements for each of the Warehouse Properties, BGL will obtain exclusive possession of each Warehouse Property for the term of each respective lease.
- e) By entering into lease agreements for each of the Warehouse Properties, the Trust will receive annual rental payments from BGL for the term of each lease; commencing at annual rents agreed by the parties and adjusted each subsequent year according to the rent review provisions of the respective lease agreements.
- f) The Responsible Entity will be entitled to receive annual management fees from the Trust pertaining to the Warehouse Properties, equivalent to 0.585 per cent of the increase in the value of Trust's gross assets as a result of the Portfolio Acquisition. However, the Responsible Entity has agreed to waive 100 per cent of the management fee relating to the Warehouse Properties from the date of settlement until 30 June 2012 and by 50 per cent for the year ending 30 June 2013.
- g) The Portfolio Acquisition will be partly funded by the proceeds of the Entitlement Offer. Wesfarmers Limited through a wholly owned subsidiary is the Trust's major unitholder and a related party of BGL. Wesfarmers has indicated that it intends to take up its full entitlement under the Entitlement Offer. In taking up its entitlement Wesfarmers will indirectly be funding part of the Portfolio Acquisition. However, Wesfarmers will be excluded from voting on the Resolution.

Directors' interests

The Directors of the Responsible Entity have no interest in the Portfolio Acquisition except as:

- unitholders of the Trust; or
- shareholders of Wesfarmers Limited, the ultimate holding company of BGL and the Responsible Entity.

Directors' recommendation

Based on the Board's detailed consideration and assessment of the Portfolio Acquisition and taking into account the advantages and disadvantages described in this Explanatory Memorandum and considering the opinion of the Independent Expert, each Director of the Responsible Entity recommends that unitholders vote in favour of the Resolution.

Voting restrictions

In relation to the Resolution, in accordance with the Listing Rules and the Corporations Act, the Trust will disregard any votes on the Resolution by Bunnings Property Management Limited, Wesfarmers Investments Pty Ltd, BGL or any of their associates unless the vote is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form;
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; or
- an associate of Bunnings Property Management Limited, provided that associate has no interest in the Resolution other than as a member of the Trust.

Expert's Report

Under the Listing Rules, an Independent Expert's Report must be included with this Explanatory Memorandum setting out whether the Portfolio Acquisition is fair and reasonable to unitholders not associated with the transaction. The Independent Expert's Report is included in section 5 of this Explanatory Memorandum.

Unitholders should read the Independent Expert's Report in full.

The Independent Expert has relied on valuation reports prepared for each property. The valuation reports can be made available for inspection by appointment at the offices of the Responsible Entity.

Name change

The Trust will change its name following the passing of the resolution approving the Portfolio Acquisition. The decision to change the name of the Trust has been based on a number of factors:

- the Trust has established its own position as a premium commercial real estate investment product and should be recognised as a separate brand identity to the Bunnings Warehouse brand;
- while Bunnings Warehouses are and will likely remain the core component of the Trust's investment portfolio, it is increasingly likely that the Trust will invest in other quality commercial properties that have similar characteristics as Bunnings Warehouse properties; and
- the continued use of "Bunnings Warehouse" in the Trust's name creates confusion as to the extent of the legal or operational relationship between the Trust and BGL's business and leads to an assumption of a more direct connection than exists.

Under the Trust's Constitution the Responsible Entity has the discretion to change the Trust's name. Given the factors referred to above, the Responsible Entity considers that it is appropriate to change the name as part of the agreement to acquire the Warehouse Properties from BGL. The name of the Responsible Entity will also change, consistent with the renaming of the Trust.

Explanatory Memorandum continued

4.2 Property Details

1 Bunnings Warehouse – Dubbo, New South Wales Corner Mitchell Highway and Sheraton Road, Dubbo, New South Wales



Status:	Operating Bunnings Warehouse completed in 2008
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet, plus showroom and Kentucky Fried Chicken (KFC) pad site with associated car parking
Tenant:	BGL, Kentucky Fried Chicken Pty Ltd ("KFC") and a rent guarantee from BGL for the showroom while it remains untenanted
Gross lettable area:	BGL 8,879m ² (fully-enclosed covered area), showroom 1,155m ² and KFC ground lease of approximately 2,503m ²
Land area:	45,250m ²
Town planning zoning:	Special Business
Interest valued:	Freehold, subject to agreed leases
Valuation:	\$15.79 million
Proposed purchase price:	\$15.79 million
Estimated settlement	June 2011
Lease term:	BGL - 10 years + 5x5 year options KFC - 5 years + 4x5 year options
Proposed annual rental:	\$1,075,000 BGL, \$100,000 KFC and \$120,000 BGL rent guarantee
Passing initial yield:	8.20% per annum

The subject property is located adjacent to the new Blue Ridge Estate industrial park in the town of Dubbo, approximately 398 kilometres north-west of Sydney, New South Wales. Dubbo is a major road and rail freight hub to other parts of New South Wales and is linked by national highways north to Brisbane, south to Melbourne, south-east to Sydney and Newcastle, and west to Adelaide.

The lease to BGL is based on the terms and conditions summarised in section 6.

BGL is in the process of subdividing this property from surplus land the Trust is not acquiring and settlement of this acquisition is conditional on the land being subdivided.

2 Bunnings Warehouse - Greenacre, New South Wales 57-67 Roberts Road, Greenacre, New South Wales



Artist's impression of proposed development

Status:	Vacant site for proposed Bunnings Warehouse development expected to be completed in 2011
Brief description:	A proposed high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	11,159m ² (fully-enclosed covered area) estimated
Land area:	21,560m ²
Town planning zoning:	4 - Industrial
Interest valued:	Freehold
Valuation:	\$30.0 million on completion of development
Proposed purchase price:	\$30.0 million on completion of the development, comprising \$13.25 million for the land and \$16.75 million for the development cost
Estimated settlement	Land: April 2011 Development: October 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$2,215,000 commencing on completion of the development in 2011
Passing initial yield:	7.38% per annum on completion of the development in 2011

The subject property is located on the eastern side of Roberts Road south of its intersection with Amarina Avenue, Greenacre approximately 15 kilometres south-west of the Sydney central business district.

To be constructed on the site is a large retail warehouse building comprising a fully-enclosed building area of approximately 11,159 square metres inclusive of a timber drive-through area, nursery of approximately 2,380 square metres and on-site undercroft car parking for 395 cars. The development is expected to be completed by late 2011.

The lease is based on the terms and conditions summarised in section 6.

The Trust and BGL have entered into an Agreement for BGL to develop and lease the subject property. BGL is responsible for completing the development of the Bunnings Warehouse following the acquisition of the land. BGL will pay the Trust holding costs and an access fee of eight per cent per annum of the purchase price for the land from the date of acquisition of the land until the construction is completed. The lease to BGL will commence when construction is completed.

Explanatory Memorandum continued

3 Bunnings Warehouse - Wagga Wagga, New South Wales 51-53 Dobney Avenue, Wagga Wagga, New South Wales



Status:	Operating Bunnings Warehouse completed in 2009
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	9,497m ² (fully-enclosed covered area)
Land area:	35,550m ²
Town planning zoning:	Light Industrial
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$15.00 million
Proposed purchase price:	\$15.00 million
Estimated settlement	April 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,200,000
Passing initial yield:	8.0% per annum

The subject property is located in an established industrial suburb of Wagga Wagga approximately 450 kilometres south-west of Sydney, New South Wales. Wagga Wagga is the state's largest inland city, as well as an important agricultural, military, and transport hub of Australia. The city is located midway between Sydney and Melbourne and is the major regional centre for the Riverina and South West Slopes regions.

The lease is based on the terms and conditions summarised in section 6.

4 Bunnings Warehouse - Wallsend, New South Wales Corner Sandgate and Minmi Roads, Wallsend, New South Wales



Artist's impression of proposed development

Status:	Vacant site for proposed Bunnings Warehouse development expected to be completed in 2012
Brief description:	A proposed high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	10,882m ² (fully-enclosed covered area) estimated
Land area:	55,779m ²
Town planning zoning:	4A Urban Services
Interest valued:	Freehold
Valuation:	\$21.29 million on completion of development
Proposed purchase price:	\$21.29 million on completion of the development, comprising \$2.5 million for the land and \$18.79 million for the development cost
Estimated settlement	Land: August 2011 Development: June 2012
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,650,000 commencing on completion of the development in 2012
Passing initial yield:	7.75% per annum on completion of the development in 2012

The subject property is located in the suburb of Wallsend approximately 9 kilometres north-west of the main business district of Newcastle. Newcastle is the second most populated area in the state of New South Wales being located approximately 155 kilometres north of Sydney.

To be constructed on the site is a large retail warehouse building comprising a fully-enclosed building area of approximately 10,882 square metres inclusive of a timber drive-through area, nursery of approximately 2,834 square metres, enclosed yard area of approximately 1,164 square metres and on-site car parking for 417 cars. The development is expected to be completed by mid 2012.

The lease is based on the terms and conditions summarised in section 6.

BGL, through a wholly owned subsidiary, has an option to acquire the land from council and assuming all conditions in the option agreement are satisfied, including BGL receiving appropriate approval to develop the proposed Bunnings Warehouse, BGL will nominate the Trust to acquire the land. In the event that the Trust acquires the land, BGL will be responsible for completing the development of the Bunnings Warehouse. BGL will pay the Trust holding costs and an access fee of eight per cent per annum of the purchase price for the land and stamp duty from the date of acquisition of the land until the construction is completed. The lease to BGL will commence when construction is completed.

Explanatory Memorandum continued

5 Bunnings Warehouse – Fairfield Waters (Townsville), Queensland Darcy Drive, Fairfield Waters Estate, Idalia, Queensland



Status:	Operating Bunnings Warehouse completed in 2010
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	10,939m ² (fully-enclosed covered area)
Land area:	28,940m ²
Town planning zoning:	Industrial
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$16.95 million
Proposed purchase price:	\$16.95 million
Estimated settlement	April 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,390,000
Passing initial yield:	7.75% per annum (assumes annual rental of \$1,314,000 per annum after deducting estimated land tax)

The subject property is located in the growing residential suburb of Idalia, approximately nine kilometres south of the main business district of Townsville. Townsville, located approximately 1,373 kilometres north of Brisbane, Queensland, is a major service centre. It is the main centre for government administration outside Brisbane, with regional health services provided by the Townsville Hospital and a number of research institutions such as James Cook University, the Australian Institute of Marine Science, the Great Barrier Reef Marine Park Authority, Department of Primary Industries and CSIRO Davies Laboratory. The large defence presence from army and air force bases also influences the local economy

The lease is based on the terms and conditions summarised in section 6.

6 Bunnings Warehouse – Smithfield (Cairns), Queensland
2-4 Mount Milman Drive, Smithfield, Queensland



Status:	Operating Bunnings Warehouse completed in 2008
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	10,704m ² (fully-enclosed covered area)
Land area:	31,050m ²
Town planning zoning:	Commercial
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$15.25 million
Proposed purchase price:	\$15.25 million
Estimated settlement	April 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,300,000
Passing initial yield:	8.0% per annum (assumes annual rental of \$1,220,000 per annum after deducting estimated land tax)

The subject property is located in the growing residential suburb of Smithfield, approximately 14 kilometres north of the main business district of Cairns. Cairns is located approximately 1,700 kilometres north of Brisbane, Queensland and approximately 350 kilometres north of Townsville. The Cairns region has a population of approximately 165,000.

The lease is based on the terms and conditions summarised in section 6.

BGL is in the process of subdividing this property from surplus land the Trust is not acquiring and settlement of this acquisition is conditional on the land being subdivided.

Explanatory Memorandum continued

7 Bunnings Warehouse - Caroline Springs, Victoria 1067 Western Highway, Ravenhall, Victoria




Status:	Operating Bunnings Warehouse to be completed in 2011
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	12,020m ² (fully-enclosed covered area)
Land area:	30,229m ²
Town planning zoning:	Industrial 3
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$19.08 million
Proposed purchase price:	\$19.08 million
Estimated settlement	May 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,450,000
Passing initial yield:	7.60% per annum

The subject property is located in the growing residential suburb of Ravenhall, approximately 20 kilometres west of the Melbourne central business district. Western Highway is a major east to west arterial road in the western suburbs of Melbourne. In the east direction it links with the Western Ring Road freeway, which connects the western suburbs to Melbourne's highway and freeway network. In the west direction it connects Melbourne to Ballarat.

The lease is based on the terms and conditions summarised in section 6.

This property is currently under construction and is anticipated to be completed in April 2011. Settlement of the acquisition will occur following construction of the Bunnings Warehouse.

 **Bunnings Warehouse - Craigieburn, Victoria**
700-760 Hume Highway, Craigieburn, Victoria



Status:	Operating Bunnings Warehouse completed in 2011
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	10,726m ² (fully-enclosed covered area)
Land area:	45,700m ²
Town planning zoning:	Industrial 1
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$18.42 million
Proposed purchase price:	\$18.42 million
Estimated settlement	June 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,400,000
Passing initial yield:	7.60% per annum

The subject property, bordered by the Hume Highway to the east, Amaroo Road to the south and the Hume Freeway to the west, is located approximately 25 kilometres north of the Melbourne central business district. The Hume Highway is a major north-south arterial road connecting the northern suburbs of Melbourne and is the major road from Melbourne to Sydney. The site provides excellent visibility and exposure to all three roads.

The lease is based on the terms and conditions summarised in section 6.

BGL is in the process of subdividing this property from surplus land the Trust is not acquiring and settlement of this acquisition is conditional on the land being subdivided.

Explanatory Memorandum continued

9 Bunnings Warehouse - Pakenham, Victoria 825 Princes Highway, Pakenham, Victoria



Status:	Operating Bunnings Warehouse completed in 2009 with three additional showrooms
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet plus three additional showrooms with associated car parking
Tenant:	BGL, Officeworks Superstores Pty Ltd ("Officeworks"), Dollar Curtains and Blinds Pty Ltd ("Dollar Curtains") and Goldilocks Trading Pty Ltd ("Goldilocks")
Gross lettable area:	BGL 9,357m ² (fully-enclosed covered area), Officeworks 2,097m ² , Dollar Curtains 478m ² and Goldilocks 478m ²
Land area:	35,160m ²
Town planning zoning:	Urban Growth Zone – Schedule 1
Interest valued:	Freehold, subject to agreed leases
Valuation:	\$20.25 million
Proposed purchase price:	\$20.25 million
Estimated settlement	April 2011
Lease term:	BGL - 10 years + 5x5 year options Officeworks - 7 years + 4x5 year options Dollar Curtains - 5 years + 2x5 year options Goldilocks - 5 years + 2x5 year options
Proposed annual net rental:	\$1,075,000 BGL, \$322,400 Officeworks, \$110,000 Dollar Curtains, \$101,250 Goldilocks
Passing initial yield:	7.90% per annum

The subject property is located on the north-eastern corner of Princes Highway and O'Brien Street, Pakenham, approximately 61 kilometres south-east of the Melbourne central business district. It comprises four tenancies with separate leases for each tenant.

The lease to BGL for the Bunnings Warehouse is based on the terms and conditions summarised in section 6.

10 Bunnings Warehouse - Belmont, Western Australia Corner Abernethy and Alexander Roads, Belmont, Western Australia



Status:	Operating Bunnings Warehouse completed in 2010
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	8,215m ² (fully-enclosed covered area)
Land area:	22,131m ²
Town planning zoning:	Mixed Use
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$16.67 million
Proposed purchase price:	\$16.67 million
Estimated settlement	April 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,250,000
Passing initial yield:	7.5% per annum

The subject property is located on the corner of Abernethy and Alexander Roads in Belmont, approximately six kilometres from the Perth central business district. Abernethy Road is a main arterial road that connects Leach Highway and the Great Eastern Highway, both major north-east to west arterial roads in the region.

The lease is based on the terms and conditions summarised in section 6.

Explanatory Memorandum continued

11 Bunnings Warehouse - Cockburn, Western Australia 71 Armadale Road, Jandakot, Western Australia



Status:	Operating Bunnings Warehouse completed in 2009
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	10,212m ² (fully-enclosed covered area)
Land area:	26,005m ²
Town planning zoning:	Light Industrial
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$18.67 million
Proposed purchase price:	\$18.67 million
Estimated settlement	April 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,400,000
Passing initial yield:	7.5% per annum

The subject property, although on its own certificate of title forms part of the Cockburn Central Town Centre bulky goods centre located approximately 20 kilometres south of the Perth central business district. The sub-regional Gateways Shopping Centre, adjoining the Kwinana Freeway, is located approximately 1.3 kilometres west of the subject property.

The lease is based on the terms and conditions summarised in section 6.

12 Bunnings Warehouse - Harrisdale, Western Australia Lots 801 and 802 Ranford Road, Harrisdale, Western Australia



Concept plan only

Status:	Vacant site for proposed Bunnings Warehouse development expected to be completed in 2011
Brief description:	A proposed high clearance warehouse trading as a bulky goods retail outlet with associated car parking
Tenant:	BGL
Gross lettable area:	10,081m ² (fully-enclosed covered area) estimated
Land area:	37,126m ²
Town planning zoning:	Lot 801 - Mixed Business Residential, Local Centre Lot 802 - Mixed Business Residential
Interest valued:	Freehold
Valuation:	\$17.9 million on completion of development
Proposed purchase price:	\$17.9 million on completion of the development, comprising \$10.0 million for the land and \$7.9 million for the development cost
Estimated settlement	Land: April 2011 Development: October 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,325,000 commencing on completion of the development in 2011
Passing initial yield:	7.40% per annum on completion of the development in 2011

The subject property is on the south-east corner of Ranford and Wright Roads, in Harrisdale, approximately 18 kilometres south-east of the Perth central business district. The neighbourhood size Southern River Shopping Centre is located opposite the subject property along Ranford Road.

To be constructed on the site is a large retail warehouse building comprising a fully-enclosed building area of approximately 10,081 square metres inclusive of a timber drive-through area, nursery of approximately 2,400 square metres, enclosed yard area of approximately 2,243 square metres and on-site car parking for 360 cars. The development is expected to be completed by late 2011.

The lease is based on the terms and conditions summarised in section 6.

The Trust and BGL have entered into an Agreement for BGL to develop and lease the subject property. BGL is responsible for completing the development of the Bunnings Warehouse following the acquisition of the land. BGL will pay the Trust holding costs and an access fee of eight per cent per annum of the purchase price for the land from the date of acquisition of the land until the construction is completed. The lease to BGL will commence when construction is completed.

The Trust is acquiring land surplus to BGL's requirements. There is potential to construct approximately 2,255 square metres of showrooms on the surplus land and these development options will be considered by the Trust in due course.

Explanatory Memorandum continued

13 Bunnings Warehouse – Port Kennedy, Western Australia 7 Sunlight Drive, Port Kennedy, Western Australia



Status:	Operating Bunnings Warehouse completed in 2008 with two additional showrooms
Brief description:	A high clearance warehouse trading as a bulky goods retail outlet plus two additional showrooms with associated car parking
Tenant:	BGL
Gross lettable area:	9,671m ² (fully-enclosed covered area)
Land area:	27,899m ²
Town planning zoning:	Port Kennedy Business Enterprise
Interest valued:	Freehold, subject to agreed lease
Valuation:	\$16.44 million
Proposed purchase price:	\$16.44 million
Estimated settlement	May 2011
Lease term:	10 years + 5x5 year options
Proposed annual rental:	\$1,315,000
Passing initial yield:	8.0% per annum

The subject property is located on the eastern side of Sunlight Drive between Crowley Street to the north and Stockton Way to the south, approximately 47 kilometres south-west of the Perth central business district.

The lease comprises the entire site with the showroom tenancies being sub-tenants to BGL. These arrangements apply whilst BGL occupies the property. The BGL lease is based on the terms and conditions summarised in section 6.

BGL is in the process of subdividing this property from surplus land the Trust is not acquiring and settlement of this acquisition is conditional on the land being subdivided.



The Directors
Bunnings Property Management Limited
Level 11, Wesfarmers House
40 The Esplanade
PERTH WA 6000

17 February 2011

Dear Sirs

Proposed Acquisition of Properties from Bunnings Group Limited

Introduction

You have requested us to provide an independent expert's report pursuant to Chapter 10 of the Listing Rules of Australian Securities Exchange Limited ("ASX") in relation to the proposed acquisition of ten hardware warehouse retail stores and three development properties (collectively, "the Properties") by Bunnings Property Management Limited ("BPML") (as responsible entity for Bunnings Warehouse Property Trust ("BWP Trust")) from a subsidiary of Bunnings Group Limited ("BGL") and the leasing of the Properties to BGL ("the Proposed Transaction"). Both BPML and BGL are wholly owned subsidiaries of Wesfarmers Limited ("Wesfarmers").

We have prepared this report and provided our opinion in accordance with the provisions of ASX Listing Rule 10.10 assessing whether, in our opinion, the terms of the Proposed Transaction, as set out in the following section, are fair and reasonable to the unitholders of BWP Trust who are not associated with Wesfarmers and its wholly owned subsidiaries.

This report is to accompany the Explanatory Memorandum and Notice of Meeting for the meeting of BWP Trust unitholders to be held on 30 March 2011.

Description of the Proposed Transaction

It is proposed that BWP Trust will acquire ten established Bunnings Warehouse stores and three development properties ("the development sites") from a subsidiary of BGL for a total consideration ("total costs") of approximately \$241.7 million, including an initial acquisition payment of \$198.3 million (hereafter, "acquisition costs").

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The Proposed Transaction includes the acquisition of development sites at Greenacre and Wallsend in New South Wales and Harrisdale in Western Australia and the construction of Bunnings Warehouses on those sites by BGL (on behalf of BWP Trust). Pursuant to the proposed development agreements with BGL, BWP Trust will pay approximately \$43.4 million to BGL in relation to the construction of the Bunnings Warehouses (hereafter, "development costs") with expected development completion dates ranging from October 2011 to June 2012. The payments by BWP Trust to BGL in relation to the development of the sites are expected to be entirely debt funded, and are only payable once each development is complete and BGL commences occupation of the premises.

Until the construction of the development sites is completed and ready for BGL's occupation under the lease, BWP Trust will receive a monthly payment ("access fee") equivalent to 8% per annum of BWP Trust's outlay for the land and stamp duty in relation to the Wallsend property and 8% per annum of the purchase price of the land for the Greenacre and Harrisdale properties. BGL is responsible for paying outgoings on all three development sites until completion. In the event that the construction does not proceed for any reason other than default by BWP Trust, BWP Trust has the right to require BGL to purchase the development sites from BWP Trust for the sum of the acquisition costs and transaction costs paid by BWP Trust.

The table below shows the total amounts to be paid to BGL in relation to the Proposed Transaction.

<i>Property</i>	<i>Acquisition costs \$000's</i>	<i>Development costs \$000's</i>	<i>Total costs \$000's</i>
Fairfield Waters, Qld	16,950	-	16,950
Smithfield, Qld	15,250	-	15,250
Dubbo, NSW	15,790	-	15,790
Greenacre, NSW	13,250	16,750	30,000
Wagga Wagga, NSW	15,000	-	15,000
Wallsend, NSW	2,500	18,790	21,290
Caroline Springs, Vic	19,080	-	19,080
Cragieburn, Vic	18,420	-	18,420
Pakenham, Vic	20,250	-	20,250
Belmont, WA	16,670	-	16,670
Cockburn, WA	18,670	-	18,670
Harrisdale, WA	10,000	7,900	17,900
Port Kennedy, WA	16,440	-	16,440
	<u>198,270</u>	<u>43,440</u>	<u>241,710</u>

In addition to the acquisition and development costs, transaction costs (mainly stamp duty) are estimated to be approximately \$11.6 million. Pursuant to Accounting Standards, these costs may be capitalised by BWP Trust upon initial recognition of the Properties.



The purchase of the Properties will be funded by a combination of a non-renounceable rights issue to the existing unitholders of BWP Trust of \$146.25 million (net of estimated capital raising costs of \$3.75 million) and the drawdown of existing bank loan facilities of \$107.1 million.

The Properties to be purchased by BWP Trust will be leased to BGL for an initial period of ten years with five option periods each of five years at BGL's option. The total initial annual rental¹ will be approximately \$18.8 million. The rentals for all Properties will increase annually at 3% per annum. At the end of the initial period and the exercise of each option by BGL, the rents will be subject to a market rent review. The market rent reviews are subject to a 10% cap and collar, so that the revised rent may be no greater than 110%, nor less than 90%, of the rent in the preceding year.

The non-BGL tenancies at the Dubbo and Pakenham premises all have annual fixed rental increases of 4% per annum and market reviews on the exercise of each option. Of the non-BGL tenancies, only the market rent review for the Officeworks premises at Pakenham in Victoria is subject to a 10% cap and collar.

The Proposed Transaction also includes a full waiver of the management fee payable by BWP Trust to BPML in relation to the Properties from the date of acquisition of the Properties to 30 June 2012 and a 50% reduction of the management fee payable by BWP Trust to BPML in relation to the Properties for the year ending 30 June 2013. Subsequent to 30 June 2013, management fees payable in relation to the Properties will be payable in full.

Further details of the Properties proposed to be acquired including their location and initial annual rentals are set out in the Explanatory Memorandum and Notice of Meeting.

Opinion

In our opinion, the proposed terms for the purchase of the Properties for \$241.7 million are fair and reasonable to the non-associated unitholders of BWP Trust. In forming our opinion, we have considered the following matters which summarise the major issues addressed in this report:

- The purchase consideration offered is in line with the independently assessed market value of the Properties;
- Management of BPML has prepared forecasts for the years ending 30 June 2011 and 30 June 2012 which show that the Proposed Transaction is anticipated to be accretive to distributions per unit ("DPU") by a total of 0.4 cents per unit over this two year period;

¹ Including assumed annual rentals of \$1.65 million for the Wallsend property which is expected to be completed in June 2012, \$1.33 million for the Harrisdale property expected to be completed in October 2011 and \$2.22 million for the Greenacre property which also has an expected completion date of October 2011



- There will be no change to net asset backing per unit as a consequence of the Proposed Transaction whilst the level of gearing of BWP Trust will increase from 18% to approximately 22.6%. This level of gearing is within the gearing requirements of both BWP Trust's Constitution and its loan covenants; and
- The Proposed Transaction will maintain the geographical diversification of BWP Trust's property portfolio and provide a slight increase in exposure to the Western Australian and New South Wales markets and a small reduction in exposure to the Victorian market. It will also marginally increase the estimated weighted average lease expiry ("WALE") of BWP Trust's property portfolio from 8.4 years at 30 June 2011 to 8.7 years.

Contents of the Report

The balance of our report is set out under the following headings:

1. **Purpose of Report**
2. **Basis of Evaluation**
3. **Sources of Information**
4. **Background to BWP Trust**
5. **Comparison of the Consideration Offered with the Value of the Properties being Acquired**
6. **Financial Impact of the Proposed Transaction on BWP Trust**
7. **Advantages and Disadvantages of the Proposed Transaction**

Appendix

- A **Declarations and Disclosures**
- B **Financial Services Guide**

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Roger Port'.

Roger Port
Authorised Representative



1. Purpose of Report

Chapter 10 of the ASX Listing Rules requires an entity to obtain the approval of its shareholders or unitholders if it acquires a substantial asset from an associate of a substantial shareholder or unitholder. BGL is deemed to be an associate of a substantial unitholder in BWP Trust as its ultimate parent entity Wesfarmers Limited (“Wesfarmers”) also controls an entity holding approximately 23% of the issued units of BWP Trust. An asset is deemed to be substantial if its value, or the value of the consideration paid, is 5% or more of the equity interest of the acquiring entity. The value of the assets being acquired exceeds 5% of the unitholders’ equity of BWP Trust as most recently reported at 31 December 2010.

ASX Listing Rule 10.10 states that the Notice of Unitholders’ Meeting required under ASX Listing Rule 10.1 must include a report on the Proposed Transaction from an independent expert. The report must state, whether, in the expert’s opinion, the Proposed Transaction is fair and reasonable to the non-associated unitholders of BWP Trust. This report provides that opinion.

2. Basis of Evaluation

There is no specific guidance on forming an opinion on fairness and reasonableness under ASX Listing Rule 10.10. In this regard, we have given due consideration to the guidance provided by ASIC Regulatory Guide 111 “Content of experts reports”, which requires an expert to focus on the issues facing the security holders for whom the report is being prepared. In particular, RG 111 requires the expert to focus on the purpose and outcome of the transaction, rather than the legal mechanism to affect it.

Accordingly, in this report we have examined the Proposed Transaction and compared the likely advantages and disadvantages to the non-associated unitholders of BWP Trust if the Proposed Transaction is agreed to, with the advantages and disadvantages to those unitholders if it is not.

Our assessment of the Proposed Transaction has included a comparison of the consideration offered with the value of the assets being acquired. The following certified practising valuers have been engaged by BPML as responsible entity for BWP Trust to undertake independent market valuations of the Properties:

- Mr Tom Irving of CB Richard Ellis in relation to the Queensland properties;
- Mr Stephen Thomas of CB Richard Ellis in relation to the Victorian properties;
- Mr Kane Sweetman of CB Richard Ellis in relation to one of the New South Wales properties;
- Mr Peter Macadam of Colliers International in relation to three of the New South Wales properties; and



- Mr Mark Christie of Quantia in relation to the Western Australian properties.

In making our assessment, we have relied on the values placed on these properties by these valuers.

Our assessment has also included an examination of other significant factors including:

- BWP Trust's ability to fund the Proposed Transaction;
- whether BWP Trust's financial position, profitability and cash flow are likely to be enhanced if the Proposed Transaction is approved;
- the proposed lease terms;
- other benefits and disadvantages to unitholders of the Proposed Transaction; and
- the implications for BWP Trust if the Proposed Transaction is not approved.

3. Sources of Information

In the course of our assessment, we have relied on financial and other information, including prospective financial and operating information, obtained from BPML. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our assessment include:

- valuation reports of CB Richard Ellis, Colliers International and Quantia in relation to the Properties;
- draft agreements between BWP Trust and BGL relating to the proposed acquisitions and leasing of the Properties;
- draft development deeds between BGL and BWP Trust in relation to the Wallsend, Harrisdale and Greenacre sites;
- BWP Trust's reviewed financial statements for the six months ended 31 December 2010;
- audited financial statements of BWP Trust for the year ended 30 June 2010;
- existing loan facility agreements with BWP Trust's bankers;



- earnings forecasts of BWP Trust prepared by management of BPML for the years ending 30 June 2011 and 2012 reflecting the existing operations of BWP Trust and the impact of the Proposed Transaction;
- discussions with the management of BPML; and
- publicly available information regarding the prices at which BWP Trust's units have traded.

We have not carried out an independent confirmation of the information provided to us, nor have we independently verified the information and other representations made to us in the course of preparing this report. However, we have no reason to believe that any information has been withheld from us or that any of the information provided is misleading to any material degree.

We have relied on the reports prepared by CB Richard Ellis, Colliers International and Quantia covering their assessment and valuation of the Properties. In particular, we have relied on their assessment of value which forms the basis for our assessment of the valuation of the Properties and our consideration of the fairness and reasonableness of the consideration offered. Each of CBRE, Colliers International and Quantia has acknowledged our reliance on their reports. We are satisfied that:

- the authors of the valuation reports have the appropriate qualifications and industry experience and are independent of BWP Trust, BGL and Wesfarmers;
- the methodologies used in the valuation are consistent with generally accepted industry practice; and
- the valuation reports contain sufficient information to support the conclusions drawn.

The valuation reports supporting the valuation assessments above will be made available to unit holders upon request.

4. Background to BWP Trust

History and Operations

BWP Trust was constituted in June 1998 as a property trust and was listed on ASX in September 1998. At 4 February 2011, BWP Trust had 427,042,648 units on issue and a market capitalisation of approximately \$758 million, based on a unit price of \$1.775 at that date.

BWP Trust is focused on warehouse retailing properties and, in particular, Bunnings Warehouse properties tenanted by BGL, a wholly owned subsidiary of Wesfarmers. At the date of this report, BWP Trust's property portfolio comprised:



- 54 established Bunnings Warehouses, including the Port Melbourne Bunnings Warehouse acquired in December 2010;
- one Bunnings distribution centre;
- three industrial properties, including two tenanted by Blackwoods, another Wesfarmers' subsidiary;
- one bulky goods showroom complex adjacent to a Bunnings Warehouse in Geraldton in Western Australia; and
- one development site at Maribyrnong in Victoria, on which it is proposed to build a Bunnings Warehouse.

The majority of BWP Trust's rental income is received from the Bunnings home improvement retail chain. BGL has developed Bunnings Warehouse stores nationally and expanded significantly in 2001 as a result of the acquisition of the BBC hardware business. BGL is continuing its national rollout of Bunnings Warehouse stores.

BWP Trust has a strategy of acquiring properties with long term leases, ensuring that properties are well located and the portfolio is geographically diversified. The location of BWP Trust's properties is characterised by visible and accessible locations, ready vehicle access and ample parking and significant catchment areas.

Financial Position of BWP Trust

The financial position of BWP Trust reflected in the audited balance sheet at 30 June 2010 and the reviewed balance sheet at 31 December 2010 is summarised below.

	<i>Audited June 2010 \$m</i>	<i>Reviewed December 2010 \$m</i>
Current assets		
Cash	21.7	17.8
Receivables	3.3	2.3
Total current assets	25.0	20.1
Non-current assets		
Other receivables	0.9	0.9
Investment properties	1,000.1	1,053.3



Derivative financial instruments	0.5	2.7
Total non-current assets	1,001.5	1,056.9
Total assets	1,026.5	1,077.0
Current liabilities		
Payables and deferred income	10.5	18.3
Derivative financial instruments	0.2	0.6
Distribution payable	25.2	26.4
Total current liabilities	35.9	45.3
Non-current liabilities		
Interest bearing liabilities	193.5	193.6
Derivative financial instruments	4.2	0.6
Total non-current liabilities	197.7	194.2
Total liabilities	233.6	239.5
Net assets	792.9	837.5
Contributed equity	507.4	518.8
Reserves	(3.9)	1.5
Retained profits	289.4	317.2
Total unitholders' funds	792.9	837.5

Independent valuations of property investments are conducted at intervals of not more than three years and the market values of properties that are not independently valued are assessed every six months by the directors of BPML. BWP Trust distributes all of its earnings (excluding earnings resulting from revaluations of investment properties) to unitholders each year and accordingly, under current Australian taxation legislation, does not pay income tax in its own right.

On 7 December 2010, BWP Trust announced the acquisition of a Bunnings Warehouse in Port Melbourne in Victoria for a purchase price of \$24 million (excluding transaction costs). The property is leased to BGL, with an initial term expiring in March 2020 and four options, exercisable by BGL, for a further five years each. The acquisition was funded by way of drawdown on existing cash reserves.



5. Comparison of the Consideration Offered with the Value of the Properties being Acquired

Under the Proposed Transaction, BWP Trust is offering \$241.7 million for the Properties, including the development costs payable to BGL in relation to the development sites. The consideration payable is in line with the independently assessed values² of the Properties as shown below.

<i>Property</i>	<i>Assessed market value \$000's</i>	<i>Valuer</i>
Fairfield Waters, Qld	16,950	CB Richard Ellis
Smithfield, Qld	15,250	CB Richard Ellis
Dubbo, NSW	15,790	Colliers International
Greenacre, NSW	30,000	CB Richard Ellis
Wagga Wagga, NSW	15,000	Colliers International
Wallsend, NSW	21,290	Colliers International
Caroline Springs, Vic	19,080	CB Richard Ellis
Cragieburn, Vic	18,420	CB Richard Ellis
Pakenham, Vic	20,250	CB Richard Ellis
Belmont, WA	16,670	Quantia
Cockburn, WA	18,670	Quantia
Harrisdale, WA	17,900	Quantia
Port Kennedy, WA	16,440	Quantia
	241,710	

With the exception of the Greenacre, Wallsend and Harrisdale development properties, the valuers have assessed the value of the Properties by capitalising the proposed annual rental income for each of the Properties at an appropriate rate determined from recent investment sales, taking into account:

- market evidence of the rents payable on similar properties, including other Bunnings Warehouses; and
- the valuers' views of the security of income and its likely growth potential given the nature and location of the Properties and the lease rent review mechanisms.

² The values of the development properties are those assessed on an "as if complete basis"



The valuers have considered the sensitivity of their assessed values to changes in the capitalisation rate and, with the exception of Quantia (which assessed the value of the Western Australian properties), performed a discounted cash flow analysis to cross check the assessed values.

The values of the Greenacre, Wallsend and Harrisdale development properties have been assessed on two bases; firstly, on an “as is” basis reflecting the value of each property as a vacant site, having regard to recent sales transaction activity in relation to similar vacant sites in similar geographic areas; and secondly, on an “as if complete” basis reflecting the value assuming that construction of each property had been completed at the valuation date and adopting the proposed tenancy arrangements for each property. The valuations reflect the valuers’ views of market conditions existing at the date of valuation and do not purport to predict future market conditions and the value at the actual completion date of the construction.

The proposed total purchase price including transaction costs for the Properties exceeds the independently assessed value of the Properties by \$11.6 million, or approximately 4.8% of the total value. This is solely as a result of the estimated transaction costs. The transaction costs primarily comprise stamp duty and would be payable irrespective of whether the Properties were purchased from a related entity.

In valuing the Cockburn and Belmont properties in Western Australia, Quantia has noted that the proposed initial rent is below the assessed market rent. In those instances, the valuers have adjusted their assessed capitalisation rates, rather than adjusting the proposed rents, as a means of assessing the market value of the Properties. They have done so due to the proposed long term leases for the Properties including the multiple five year options available to BGL under the leases.

6. Financial Impact of the Proposed Transaction on BWP Trust

It is proposed that BWP Trust will fund the acquisition of the Properties by the combination of a fully underwritten non-renounceable rights issue to the existing unitholders of BWP Trust of \$146.25 million (net of estimated capital raising costs of \$3.75 million) and the drawdown of existing bank loan facilities of \$107.1 million.

We have adjusted the reviewed balance sheet of BWP Trust at 31 December 2010 to reflect the financial impact of the rights issue and the Proposed Transaction and our analysis is set out below. Although the development costs for the Greenacre, Wallsend and Harrisdale properties and the related financing of these costs would not be reflected in the balance sheet until these amounts were incurred in the period from October 2011 to June 2012, we have reflected these amounts in the pro-forma balance sheet to indicate the combined impact of the Proposed Transaction on the financial position of BWP Trust.

Independent Expert's Report continued



	<i>Notes</i>	<i>Reviewed December 2010</i>	<i>Pro-Forma Adjustments</i>		<i>Pro-Forma December 2010</i>
			<i>Equity Raising</i>	<i>Proposed Transaction</i>	
		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Assets					
Cash		17.8			17.8
Receivables and prepayments		3.2			3.2
Investment properties	2	1,053.3		253.3	1,306.6
Derivative financial instruments		2.7			2.7
Total assets		1,077.0		253.3	1,330.3
Liabilities					
Payables and deferred income		18.3			18.3
Derivative financial instruments		1.2			1.2
Distribution payable		26.4			26.4
Loans and borrowings	1, 2	193.6	(146.2)	253.3	300.7
Total liabilities		239.5		253.3	346.6
Net assets		837.5			983.7
Unitholders equity					
Issued capital	1	518.8	146.2		665.0
Reserves		1.5			1.5
Undistributed income		317.2			317.2
Total unitholders' equity		837.5			983.7
Units on issue		427,043,000	88,235,000		515,278,000
Net asset backing per unit		\$1.96			\$1.91

Pro-forma Adjustments

1. Issue of 88, 235,000 units at \$1.70 per unit less capital raising costs (estimated at 2.5% of the capital raising of \$150 million) of \$3.75 million, with proceeds used to offset existing loans and borrowings.
2. The acquisition cost of the Properties of \$241.7 million plus transaction costs of \$11.6 million funded from the proceeds of the capital raising and the drawdown of additional loans and borrowings.



Impact on Net Asset Backing

Investment properties are reflected at assessed values in BWP Trust's financial statements and BWP Trust has an accounting policy of progressively refreshing investment property values on a six monthly basis through a combination of independent and directors' valuations. Accordingly, the carrying value of BWP Trust's investment properties at 31 December 2010 reflects the impact of any recent changes in individual property values.

The reviewed net asset backing per unit at 31 December 2010 was \$1.96 per unit. The net asset backing is reduced to \$1.91 per unit entirely due to the terms of the proposed capital raising, as follows:

- The dilutive impact of the proposed issue of units at a discounted price of \$1.70 per unit compared to the net asset backing of \$1.96 per unit; and
- The write-off of the capital raising costs of \$3.75 million.

The Proposed Transaction will not result in any change in the net assets of BWP Trust. Subsequent to the proposed capital raising, the pro-forma net asset backing per unit at 31 December 2010 is \$1.91 per unit and that will not change as a result of the Proposed Transaction.

Impact on Level of Debt

Based on the proposed equity and debt funding arrangements set out above, the Proposed Transaction will have the following impact on BWP Trust's key financial gearing ratios as at 31 December 2010:

	Reviewed December 2010	Pro-Forma Post- Equity Raising December 2010	Pro-Forma December 2010
Total loans/total assets	18.0%	4.4%	22.6%
Total liabilities/total tangible assets	22.3%	8.7%	26.1%

BPML has established a preferred range of 20% to 40% for BWP Trust's gearing ratio (defined as total loans/total assets). In addition, BWP Trust's Constitution requires that the total liabilities of BWP Trust do not exceed 60% of the total tangible assets of BWP Trust, and its loan covenants require that BWP Trust's gearing ratio (defined as debt plus non-current liabilities expressed as a percentage of total assets) does not exceed 45%.

Based on the pro-forma balance sheet at 31 December 2010:

- BWP Trust's gearing ratio will be approximately 22.6%, which is within BWP Trust's acceptable gearing range and debt covenants; and



- The total liabilities of BWP Trust (of \$346.6 million) will be 26% of total tangible assets (of \$1,330.3 million), which is well within the requirements of BWP Trust's Constitution.

At 31 December 2010, BWP Trust had the following loan facilities:

<i>Financier</i>	<i>Limit</i>	<i>Amount drawn-down³</i>	<i>Expiry date</i>
	<i>\$000's</i>	<i>\$000's</i>	
ANZ Banking Group	100,000	48,900	31 July 2013
Commonwealth Bank of Australia	100,000	49,900	14 January 2012
Westpac Banking Corporation	80,000	45,500	2 November 2013
National Australia Bank	50,000	50,000	Evergreen ⁴
Totals	330,000	194,300	

The Proposed Transaction will require a further net drawdown on the debt facilities of approximately \$107 million, increasing the total drawdown (excluding accrued interest) to approximately \$300.7 million. The debt finance for the Proposed Transaction can be accommodated within the existing total bank facility limit of \$330 million. However, the expiry date for the facility with the Commonwealth Bank of Australia precedes the date when the development costs are due. Management of BPML has advised that discussions have commenced with the Commonwealth Bank of Australia in relation to the re-negotiation of this facility and at this stage BPML has no reason to believe that the facility will not be extended on acceptable commercial terms.

Impact on Earnings

Set out in the table below is a comparison of the forecast earnings and distribution per unit ("DPU") of BWP Trust for the years ending 30 June 2011 and 30 June 2012 assuming that the Proposed Transaction is undertaken with the forecast earnings and DPU of BWP Trust assuming that the Proposed Transaction is not undertaken and the funds from the rights issue are instead used to repay debt ("base case").

The forecasts have been prepared by the management of BPML and incorporate the timing and terms of the rights issue and the following additional assumptions:

- Base case - the forecast annual increases in rent received from the existing property portfolio of BWP Trust, interest rates applicable to existing borrowings and forecast capital expenditure on the existing property portfolio; and

³ The amount drawn down at 31 December 2010 included accrued interest of \$0.7 million included in "Payables and deferred income" in the reviewed balance sheet at that date

⁴ This facility is extended annually provided there has been no event of default or potential event of default



- Proposed Transaction - the proposed rents of the Properties to be acquired, rents on the existing property portfolio, the timing of the drawdown of debt, the acquisition of the Properties from BGL and the completion and leasing of the development properties, interest rates applicable to borrowings and capital expenditure on the entire property portfolio.

The forecasts do not take into account any changes in the value of investment properties and are therefore focussed on the distributable profit of BWP Trust.

	<i>Year ending 30 June 2011</i>		<i>Year ending 30 June 2012</i>	
	<i>Base case</i>	<i>Proposed Transaction is approved</i>	<i>Base case</i>	<i>Proposed Transaction is approved</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Revenue				
Rent	81.5	84.6	85.0	102.1
Interest received	0.6	0.6	0.3	0.3
Realised gain on investment	0.4	0.4	-	-
Total revenue	82.4	85.5	85.3	102.4
Expenses				
Management fee	6.2	6.2	6.5	6.5
Borrowing costs	16.5	19.6	5.5	22.0
Other expenses	5.7	3.8	3.6	4.2
Total expenses	28.4	29.6	15.5	32.7
Net profit	54.0	56.0	69.8	69.7
Distributable profit for the year	54.0	56.0	69.8	69.7
Undistributed profit	0.1	0.1	-	-
Distributable amount	54.1	56.1	69.8	69.7
Distribution per unit				
Units on issue	520,017,689	520,017,689	526,908,000	527,082,000
Distribution (\$m)	54.1	56.1	69.8	69.7
DPU (cents per unit)	11.5	11.9	13.3	13.3

The DPU in the year ended 30 June 2010 was 12.08 cents per unit.



Our comments in relation to the forecasts prepared by the management of BPML are as follows:

- The forecast DPU for the year ending 30 June 2011 under both the base case and assuming the Proposed Transaction is undertaken of 11.5 cents and 11.9 cents respectively is less than the actual DPU in the year ended 30 June 2010 due to the dilutive effect on earnings per unit of the rights issue in both years (under both scenarios) and costs written-off under the base case relating to the closing out of interest rate swaps and the pursuit of the acquisition of the Properties;
- The forecast DPU for the year ending 30 June 2012 assuming the Proposed Transaction is undertaken is in line with the forecast DPU for that year assuming the Proposed Transaction is not undertaken. In that year, the increased rental contribution from the Properties proposed to be acquired is forecast to be sufficient to offset the dilutionary impact of the rights issue; and
- The cumulative accretion in DPU if the Proposed Transaction is undertaken of 0.4 cents per unit in the period to 30 June 2012 is also partly due to the impact of the full waiver of the management fees payable by BWP Trust to BPML in those years in relation to the Properties.

Projections for the period subsequent to 30 June 2012 have been undertaken by the management of BPML which indicate that there will be no dilution in DPU in the review period if the Proposed Transaction is undertaken. This is mainly due to the effect on DPU of the increase in rentals for the Properties of 3% per annum.

7. Advantages and Disadvantages of the Proposed Transaction

Advantages

We consider the principal advantages of the Proposed Transaction to non-associated unitholders are as follows:

- The purchase consideration offered is in line with the independently assessed market value of the Properties;
- The Proposed Transaction is forecast to be accretive to DPU over the two year period ending 30 June 2012;
- The level of gearing of BWP Trust based on the proposed equity and debt funding arrangements and assuming the Proposed Transaction is approved is approximately 22.6%. This is within the preferred range of 20% to 40% for BWP Trust's financial gearing ratio, and is well within the gearing limits imposed by BWP Trust's Constitution and loan covenants;



- The mix of debt and equity funding to fund the acquisition of the Properties allows BWP Trust to maintain a conservatively geared balance sheet which provides flexibility to BWP Trust in the event that it wishes to undertake further acquisitions in the future and fund improvements to the existing property portfolio;
- The proposed acquisition of the Properties is expected to provide unitholders with secure, long term capital and income growth, consistent with the objectives of BWP Trust;
- The acquisition of the Properties will maintain the geographical diversification of BWP Trust's investment property portfolio and provide a slight increase in exposure to the Western Australian and New South Wales markets with a small reduction in exposure to the Victorian market. However, BWP Trust will maintain its exposure to BGL for rental income;
- The acquisition of the Properties represents an efficient use of the funds raised from the rights issue in comparison to the application of the funds raised to the repayment of debt; and
- The weighted average lease expiry ("WALE") of BWP Trust's property investment portfolio is forecast to increase marginally from 8.4 years at 30 June 2011 to 8.7 years as a result of the Proposed Transaction.

Disadvantages

We consider the principal disadvantages of the Proposed Transaction to non-associated unit holders are as follows:

- The total purchase price for the Properties is in excess of the assessed value of the Properties by \$11.6 million or 4.8% of the independently assessed value of the Properties. However, this is solely as a consequence of transaction costs associated with the acquisition of the Properties which would be payable irrespective of whether the Properties were purchased from a related entity;
- The BGL leases for the Properties contain fixed increases in rent of 3% per annum over the initial ten year period, and are only subject to a market review at the end of that ten year period. It is possible that market rents over the initial ten year period may be greater than those contained within the leases for the Properties. However, the annual increase of 3% does provide BWP Trust with a predictable income stream from the Properties;
- The market review of the BGL leases at the end of the initial ten year lease period is subject to a 10% cap and collar which means that any upward adjustment will not be greater than 10% despite the market rent at that time;



- The acquisition of the Properties increases the exposure of BWP Trust to the funding of capital upgrades. However, the leases provide for BWP Trust to earn a commercial return on those potential outlays;
- The acquisition of the Properties increases the exposure of BWP Trust to the replacement of certain capital items. An allowance has been made for these items by the valuers in their valuation opinions;
- The valuer of the Cockburn and Belmont properties in Western Australian has indicated in the valuation reports that the proposed initial annual rental for these properties is below market. This evidence may have implications for the assessment of market rentals on other properties in the BWP Trust portfolio when they are due for renegotiation. However, this risk may be mitigated by other market evidence of rents in relation to similar properties, including both Bunnings Warehouses and other bulky goods facilities. We also note that these Western Australian properties are the only Properties where any valuer has assessed the proposed rents to be less than market; and
- The debt finance for the Proposed Transaction can be accommodated within the existing bank facility limit of \$330 million. However, the expiry date for the facility with the Commonwealth Bank of Australia precedes the date when the development costs are due. Management of BPML has advised that they have commenced discussions with the Commonwealth Bank of Australia in relation to the re-negotiation of this facility and at this stage BPML has no reason to believe that the facility will not be extended on acceptable commercial terms.



Declarations and Disclosures

Qualifications and Experience

PricewaterhouseCoopers Securities Ltd is beneficially owned by the partners of PricewaterhouseCoopers, a large international firm of chartered accountants and business advisers. PricewaterhouseCoopers Securities Ltd holds an Australian Financial Services Licence and is licensed to provide financial product advice.

Mr Roger Port, the person responsible for the preparation of this report, is a partner in PricewaterhouseCoopers and an authorised representative of PricewaterhouseCoopers Securities Ltd. He is a Fellow of the Institute of Chartered Accountants and a Senior Fellow of the Financial Services Institute of Australasia and has extensive experience in the preparation of corporate valuations and the provision of corporate advisory services to corporations involved in takeovers, capital raisings and merger and acquisitions.

Declaration

At the date of this report none of PricewaterhouseCoopers Securities Ltd, PricewaterhouseCoopers or any company associated with them:

- has any interest in the outcome of the Proposed Transaction;
- holds any beneficial interest in securities of either BWP Trust or Wesfarmers Limited, and has not held any such beneficial interest during the previous two years; or
- has any ongoing relationship with Wesfarmers or BWP Trust.

The only pecuniary or other interest that PricewaterhouseCoopers Securities Ltd, PricewaterhouseCoopers or any company associated with them has in relation to the Proposed Transaction arises from the right to receive a fee based on normal hourly rates for the preparation of this report. This fee, estimated to be approximately \$70,000, is payable regardless of whether or not the Proposed Transaction is approved. Except for this fee, none of PricewaterhouseCoopers Securities Ltd, PricewaterhouseCoopers or any company associated with them has received, or will receive, any pecuniary or other benefit, whether direct or indirect, for or in connection with the making of this report.

PricewaterhouseCoopers has provided professional services to Wesfarmers on a range of matters, some of which remain in progress as at the date of the report. None of those services relate to the Proposed Transaction. In 2009, Roger Port acted for Wesfarmers in a small assignment. Apart from that engagement, neither Roger Port nor any member of his team on this assignment has provided any



professional services to Wesfarmers in the last two years. We do not believe that this relationship impairs our ability to undertake an objective assessment of the Proposed Transaction. PricewaterhouseCoopers is not the auditor of Wesfarmers.

PricewaterhouseCoopers Securities Ltd provided an independent expert's report for BWP Trust in March 2010 and in 2002 and was engaged in 2004 to provide an independent expert's report on a transaction which was not finalised and did not proceed.

This report has been prepared in accordance with APES 225 "Valuation Services" issued by the Accounting Professional and Ethical Standards Board which is binding on all members of the Institute of Chartered Accountants in Australia.

Reliance on this Report

The Proposed Transaction requires the approval of unitholders of BWP Trust. This report has been prepared at the request of the independent directors of BPML in order to assist them and the unitholders of BWP Trust in assessing the Proposed Transaction. This report was not prepared for any other purpose and is designed to accompany the Explanatory Memorandum and Notice of Meeting to be sent to unitholders of BWP Trust as required by Chapter 10 of the ASX Listing Rules. Accordingly, this report has been prepared for the benefit of the directors of BPML and those unitholders whose votes are not to be disregarded on the Proposed Transaction.

The conclusions of this report are based on assessments made, and information available at the date of this report. Accordingly, we reserve the right (but will be under no obligation) to amend the conclusions of this report insofar as further information relevant to the forming of our conclusions becomes known to us after the date of this report, but prior to completion of the Proposed Transaction.

The statements and opinions included in this report are therefore given in good faith and in the belief that they are based on information which, on reasonable grounds, is not false, misleading or incomplete. Accordingly, we assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information that is otherwise.

Indemnity

BWP Trust and BPML have agreed to indemnify PricewaterhouseCoopers Securities Ltd, PricewaterhouseCoopers and its employees against claims, liabilities, losses and expenses they incur if information or documentation provided by or on behalf of the Trust is false, misleading or omits material particulars, or if relevant information or documents have not been supplied.



Consents

Neither PricewaterhouseCoopers Securities Ltd nor PricewaterhouseCoopers have authorised or caused the issue of all or any part of the Explanatory Memorandum or Notice of Meeting. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement (other than the notice of meeting mentioned above) without the prior written consent of PricewaterhouseCoopers Securities Ltd to the form and context in which it appears.

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this report, in the form and context in which it is included, in the Explanatory Memorandum and Notice of Meeting.



FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 17 February 2011

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwCS") has been engaged by Bunnings Property Management Limited (as responsible entity for the Bunnings Warehouse Property Trust) to provide a report in the form of an Independent Expert's Report in relation to the proposed acquisition of properties from Bunnings Group Limited ("the Proposed Transaction") ("the Report") for inclusion in an Explanatory Memorandum and Notice of Meeting relating to the Proposed Transaction.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwCS generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.



Appendix B (cont)

5. Fees, commissions and other benefits we may receive

PwCS charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages us to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, our fees are as disclosed in Appendix A of this Report.

Directors or employees of PwCS, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwCS and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of or provide financial services to the issuer of a financial product and PwCS may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service, an external complaints resolution service. The Financial Ombudsman Service can be contacted by calling 1300 780 808. You will not be charged for using this service.

8. Contact Details

PwCS can be contacted by sending a letter to the following address:

Mr Roger Port
PricewaterhouseCoopers Securities Ltd
QV1 Building
250 St Georges Terrace
PERTH WA 6000

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Schedule 1 – Terms of Leases

The relevant terms of the leases proposed to be acquired are substantially the same as the terms of the leases for all other properties currently owned by the Trust and leased to BGL, other than the following terms:

	Proposed Transaction	Existing
Lease Term	Initial term of 10 years followed by five options of five years each exercisable by the tenant.	The Bunnings Warehouse leases held by the Trust generally commit the tenant to an initial term of 10 or 15 years, followed by a number of optional terms of five years each exercisable by the tenant.
Annual rent reviews	Fixed three per cent with market rent reviews at the exercise of each option. Market rent reviews are subject to a 10 per cent cap and collar, ensuring that the revised rent may be no greater than 110 per cent nor less than 90 per cent of the rent in the preceding year.	Consumer price index with market rent reviews every five years. The majority of leases have uncapped market rent reviews. The leases for Bunnings Warehouses at Bayswater, Cairns, Hawthorn, Lismore, Morley, Mt Gravatt, Port Melbourne, Thornleigh, Vermont South and Villawood have caps and collars of between 10 and 20 per cent.
Land tax	Recovery of land tax is based on single holding ownership, meaning that the Trust pays a portion of the land tax that relates to owning more than one property in the relevant state/territory. Land tax is not recoverable for properties in Queensland.	The recovery of land tax for seven of the Bunnings Warehouse properties located at Belmont, Thornleigh, Villawood, Bayswater, Vermont South, Port Melbourne and Morley is based on single holding ownership. All other Bunnings Warehouse leases (other than for Queensland properties) allow for the recovery of land tax based on multiple holding ownership, meaning that for those properties the Trust can recover the entire land tax liability from the tenant. Land tax is not recoverable for Bunnings Warehouse properties in Queensland.
Capital upgrade requirement	The landlord, if requested by the tenant, is required to fund capital upgrades costing between \$2 million and \$6 million based on a specified funding formula, subject to meeting certain criteria.	There is no requirement for the landlord to fund capital upgrades requested by the tenant (other than in respect of the Bunnings Warehouse leases for Mt Gravatt and Villawood).
Repurchase of property	There is no right to repurchase the property.	The leases for Bayswater, Morley, Thornleigh and Vermont South allow the tenant to repurchase the property from the landlord under certain circumstances.
Replacement of capital items	The following items are required to be replaced at the cost of the landlord every 12 years from the commencement date: skylights; high bay light fittings; mechanical ventilation and roller shutters. Based on current replacement costs this requirement would cost approximately \$0.9m - \$1.1m.	There is a similar provision to replace skylights, high bay light fittings, mechanical ventilation and roller shutters in the Mt Gravatt and Villawood leases only.

Schedule 2 - Glossary



“ASIC”	Australian Securities and Investments Commission
“Associate”	has the meaning given in the Corporations Act
“ASX”	ASX Limited ACN 008 624 691
“BGL” or “Bunnings Group Limited”	Bunnings Group Limited ACN 008 672 179 and its wholly owned subsidiaries
“Bunnings Warehouse”	that part of any Warehouse Property that comprises land and improvements (either existing or to be completed) to be leased to BGL
“CPI”	a general reference to one of the Consumer Price Indices, as published by the Australian Bureau of Statistics.
“Directors”	the Directors of Bunnings Property Management Limited ABN 26 082 856 424
“Entitlement Offer”	The 1 for 4.84 accelerated non-renounceable entitlement offer to eligible unitholders of the Trust for additional fully paid units in the Trust announced on 17 February 2011
“Explanatory Memorandum”	this Explanatory Memorandum which accompanies the Notice of Meeting of Unitholders
“Independent Expert”	PricewaterhouseCoopers Securities Ltd ACN 003 311 617
“Listing Rules”	the Official Listing Rules of the ASX
“market rent review”	A scheduled, periodic review of the passing rent of a property compared with the current market rent on that date, generally having regard to the rents paid at comparable properties
“Notice of Meeting”	this notice convening a meeting of unitholders
“Portfolio Acquisition”	the sale and leaseback of the Warehouse Properties by BGL to the Trust as proposed in these Explanatory Notes
“registry”	Computershare Investor Services Pty Limited ACN 078 279 277
“Resolution”	the resolution proposed by this Notice of Meeting
“Responsible Entity”	the responsible entity of the Trust, being Bunnings Property Management Limited ACN 082 856 424
“section”	a section of this Explanatory Memorandum
“Trust”	Bunnings Warehouse Property Trust ARSN 088 581 097
“unit”	a fully paid ordinary unit in the Trust
“WALE”	Weighted Average Lease Expiry (by annual rent)
“Warehouse Properties”	the land and improvements (either existing or to be completed) specified in these Explanatory Notes; including the Bunnings Warehouses and, where applicable, any additional land or other improvements not leased to BGL
“Wesfarmers Limited” or “Wesfarmers”	Wesfarmers Limited ACN 008 984 049 and its wholly owned subsidiaries

The information provided in this Explanatory Memorandum and Notice of Meeting should be considered together with ASX announcements and other information available on the Trust’s website.

www.bwptrust.com.au

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