Tax Due Diligence Report

Project Kingfisher - Target Co Pty Ltd

Date: January 2026

Project Code: WES-PKF-TAX-001

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1. Scope and Limitations

PwC has been engaged by Wesfarmers Limited to conduct tax due diligence on Target Co Pty Ltd and its related entities (together, the "Group") in connection with Project Kingfisher. Our review covers Australian income tax, GST, payroll tax, fringe benefits tax, stamp duty, and international tax (transfer pricing) for the period FY21 to H1 FY25.

Our work has been performed based on information made available in the Virtual Data Room and responses to our information request lists. We have not conducted an independent audit of the tax positions adopted by the Group.

2. Corporate Structure - Tax Overview

Entity	Jurisdiction	Tax Status	Role
Target Co Pty Ltd	Australia	Head of tax consolidated group	Operating entity
HomeStyle Retail Pty Ltd	Australia	Member of tax consolidated group	Retail operations
HomeStyle Online Pty Ltd	Australia	Member of tax consolidated group	E-commerce
HS Sourcing Vietnam Co Ltd	Vietnam	Vietnamese resident company	Sourcing office
HS Sourcing Indonesia PT	Indonesia	Indonesian resident company	Sourcing office
HomeStyle IP Holdings Ltd	Singapore	Singapore tax resident	IP holding (legacy)

3. Key Tax Risks

3.1 Transfer Pricing - ATO Review (HIGH RISK)

The ATO has issued a Position Paper in October 2025 challenging the Group's transfer pricing for transactions between Target Co Pty Ltd and HS Sourcing Vietnam Co Ltd for FY22 and FY23. The ATO's position is that sourcing commissions paid to the Vietnamese entity (averaging 8% of COGS for sourced product) exceed arm's length pricing, and has proposed an adjusted rate of 4-5%.

The ATO's proposed adjustments and associated penalties are summarised below:

Item	FY22 ($m)	FY23 ($m)	Total ($m)
Primary tax adjustment	$3.8	$4.2	$8.0
Shortfall interest charge	$0.9	$0.8	$1.7
Administrative penalty (25%)	$1.0	$1.1	$2.1
Uplift penalty (potential)	$0.5	$0.5	$1.0
Total exposure	$6.2	$6.6	$12.8

Management has engaged Deloitte Tax to prepare a transfer pricing defence and is in the process of responding to the ATO's Position Paper. The response deadline is 28 February 2026. We recommend that this exposure be addressed through a specific tax indemnity in the SPA, with an escrow or retention mechanism for the full $12.8m pending resolution.

3.2 Singapore IP Holding Entity (MEDIUM RISK)

HomeStyle IP Holdings Ltd (Singapore) was established in 2018 to hold the Group's trademarks and brand IP. Royalties of 2% of Australian revenue are paid by Target Co to the Singapore entity. While the arrangement has supporting transfer pricing documentation, we note several concerns:

The Singapore entity has limited substance (2 employees, no independent decision-making capability). Under current ATO guidance (PCG 2024/1), this may not satisfy the 'economic substance' requirements for treaty benefit claims. Potential additional tax exposure is estimated at $4-6 million for FY22-FY25 if the arrangement is successfully challenged.

3.3 Payroll Tax - Contractor Classification (LOW-MEDIUM RISK)

The Group engages approximately 120 visual merchandising contractors across its store network. A preliminary review suggests that a number of these arrangements may be characterised as employment relationships for payroll tax purposes under the expanded contractor provisions in the Payroll Tax Act 2007 (Vic). Estimated exposure across all states is $1.2-1.8 million for the review period.

4. Tax Losses and Credits

Category	Amount ($m)	Utilisation Status	Notes
Carried forward tax losses	$0	N/A	Fully utilised in FY24
R&D; Tax Incentive claims	$2.4	Lodged for FY23-FY24	Relates to e-commerce platform
Foreign income tax offsets	$1.1	Available	Vietnam and Indonesia withholding

5. Stamp Duty Considerations

As the transaction is structured as a share acquisition (not an asset acquisition), landholder duty may apply if the Group holds 'land holdings' (including leasehold interests) with an unencumbered value exceeding the relevant threshold. Based on our preliminary analysis, the Group's property interests (predominantly commercial leases) may trigger landholder duty in Victoria and New South Wales. Estimated duty payable is $8-12 million depending on the allocation of the purchase price.

We recommend engaging with the relevant State Revenue Offices prior to completion to confirm the duty treatment and explore any available concessions.

6. Summary of Quantified Tax Exposures

Risk	Low ($m)	High ($m)	Risk Rating	SPA Treatment
ATO transfer pricing	$8.0	$12.8	High	Specific indemnity + escrow
Singapore IP structure	$4.0	$6.0	Medium	General tax warranty
Payroll tax contractors	$1.2	$1.8	Low-Medium	General tax warranty
Stamp duty (landholder)	$8.0	$12.0	Medium	Buyer cost (price adjustment)
Total	$21.2	$32.6	-	-