

WINPAR HOLDINGS LIMITED
A.C.N. 003 035 523

G.P.O. Box 4248
Sydney
New South Wales 2001
11 November 2003

Mr. Scott Evans
General Manager
Stock Exchange of Newcastle Limited
Facsimile 4929 1556

Dear Mr. Evans

Thank you for your facsimile letter of 7 November 2003. I was in Melbourne on Friday and was not therefore able to respond to your letter immediately. I apologise for this.

The answers to your enquiries are as follows:

2. (1) Winpar Holdings Limited has incurred the following costs (including G.S.T.) in defending proceedings brought against it in connection with the compulsory acquisition of its holdings of preference shares under section 667 of the *Corporations Act*:

Goodyear Australia Limited	\$167,519.04
National Consolidated Limited	\$250,773.64
Allgas Energy Limited	\$160,703.13

In each of these cases the principal issue was what value was to be attributed to the preference shares being acquired, and what principle should be applied in determining the value of preference shares for the purpose of compulsory acquisition. The company holds 76,199 preference shares in Allgas Energy Limited which last traded on the market at \$12.50, and the company took the view that an offer price of \$2.05 was below their fair value. The company has not been successful up to now in establishing that preference shares are worth more than the capitalized value of their dividend yield for the purpose of compulsory acquisition. Nevertheless one of the judges in the Queensland Court of Appeal, the Hon. Mr. Justice Jerrard, expressed the view that the price at which the shares were being acquired excluded part of their real value, and that minority shareholders (including Winpar Holdings Limited) were entitled under section 1350 of the *Corporations Act* to compensation, being perhaps the difference between the \$2.05 being offered and the last sale price of \$12.50.

The principle being tested in all of these cases is important in relation to other holdings of preference shares in the company's investment portfolio, including its holdings of 3,475

preference shares in Keith Harris and Co. Limited and 5,466 preference shares in Carlton Investments Limited.

An application has been lodged in the High Court for special leave to appeal against the decision of the Queensland Court of Appeal in relation to the compulsory acquisition of the preference shares in Allgas Energy Limited.

- (2) The company's holding of 600,000 shares in R. C. R. Tomlinson Limited was purchased over a period with a view to their resale at a profit. Their average purchase price was 23 cents. The market value of the shares has recently increased to 45 cents, and the company has been selling down its holding. It presently holds 540,000 shares. The shares are not illiquid.

The company's holding of 76,674 shares in Steamships Trading Limited was purchased over a period with a view to their resale at a profit. There have been some changes in the principal shareholdings in Steamships Trading Limited, and the company has formed the view that the shares have an intrinsic value considerably in excess of the current market value. The company does not regard its holding of shares in Steamships Trading Limited as disproportionate to the total value of its trading portfolio, nor does it regard the shares as illiquid.

The composition of the company's investment portfolio has been disclosed to shareholders each year in the annual report. The holding of 76,729 preference shares in Ransomes p.l.c. is a relatively secure holding, and the company does not regard it as disproportionate, having regard to the fact that it represents nearly 40 percent of the particular class. The directors do not believe that the value of the shares is overstated, but will review the valuation in the light of the ultimate resolution of the question of what the Allgas Energy Limited preference shares are worth.

- (3) The recovery of costs has been pursued in relation to Goodyear Australia Limited and National Consolidated Limited. A costs order for \$123,867, plus interest, has recently been obtained in relation to Goodyear Australia Limited, and demand has been served on Kelly Springfield Limited for this amount. The assessment of costs has not been completed in relation to National Consolidated Limited.

3. The company does not have a bank account. It has cash accounts with The Rock Building Society Limited, Wide Bay Capricorn Building Society Limited and Macquarie Cash Management Trust. These institutions do not provide overdraft facilities, and it has been convenient from time to time for me to advance money to the company for short term purposes. Since 1 July 2000 I have advanced the following amounts:

10.05.01	64.25
08.05.01	11536.42
08.05.01	5955.63
23.04.01	3594.49
30.06.01	181.70
29.12.01	2998.06
29.12.01	2998.06
29.12.01	100.00

12.03.02	32946.00
20.03.02	14466.60
30.06.02	820.00
24.07.02	4000.00
19.09.02	372.14
01.12.02	40000.00
10.12.02	25000.00
23.12.02	25000.00
31.12.02	561.20
19.03.03	372.14
21.07.03	46.03
11.09.03	16.40
19.09.03	369.53
16.10.03	22.85

There was no formal term for these advances, and they were repayable only upon reasonable notice. They were given without security, and no interest was paid or payable in relation to them. They were not disclosed as related party transactions in the accounts upon advice from the company's auditor as they involved no related party benefit.

4. No issue in relation to rule 6.9 of the Listing Rules has previously been raised with the company. It was implicit in the Directors' Report that no director had any service contract, although there was no express statement to this effect. Further information relating to the company's activities during the year was included in a letter from the Chairman which was sent to shareholders together with the annual report, and a copy of the letter is attached. The annual report was deficient in that it did not include a comparative table of results or a statement of the company's main corporate governance practices, and these concerns will be addressed in the annual report for 2003.
5. The preliminary announcement released on 29 September 2003 included a calculation of earnings per Winpar share and a statement of franking credits available. There was no provision for dividend. Legal costs were listed separately as expenditure in the statement of financial performance. There were no other material factors or events affecting the revenues or expenses for the current period.

The notice convening the annual general meeting was unfortunately not sent to the Exchange and I apologise for this. The notice was sent to shareholders on 30 October 2003.

6. I have not received from any shareholder a notice of any change to a substantial shareholding since the company was listed. As at 31 October 2001 and as at 31 October 2002 I held 194,614 shares in the company, and this information was included in the annual reports for 2002 and 2003 and was notified to the Exchange. On 22 July 2003 I purchased a further 23,115 shares in the company at \$1.00 each from a former director of the company, Mr. Corey Vincent, in an off market transaction. This purchase brought my holding to 217,427 shares, and I notified the Exchange of this on 23 July 2003. The shares purchased from Mr. Vincent have not yet been registered in my name because I have not received all of the relevant transfers.

I will make further enquiries from persons who may be substantial shareholders of the company and notify the Exchange of the results.

I hope that these answers are sufficient for your present purposes, but I will be pleased to give you any further information you require. I am sorry that there have been some oversights in complying with the rules of the Exchange. The company is anxious to fulfil all of its obligations under the rules, and will take steps to ensure that all of the matters you raise are properly dealt with in future.

Yours sincerely

Gordon B. Elkington
Secretary

WINPAR HOLDINGS LIMITED

A.C.N. 003 035 923

G.P.O. Box 4248
Sydney
New South Wales 2001
1 December 2002

Dear Shareholder

I am enclosing a copy of the Company's annual report for 2002. I apologise for its lateness, which was primarily due to a late completion of the audit.

The report was distributed to shareholders at the annual general meeting, but because of the shortness of time that shareholders had to consider its contents, I indicated that the Company could, if necessary, have a further meeting to discuss it. Please let me know if you would like this. Alternatively, if you have any questions you would like to ask about the report, I will endeavour to answer them.

I indicated to shareholders at the commencement of the meeting that the Company had received an approach from another investment company with a proposal to merge the operations of both companies. The other company is about the same size as Winpar, and has a somewhat similar investment philosophy, and the proposal is to merge the two companies on a net tangible asset basis. The directors intend to consider the proposal in some detail, with a view to ensuring that shareholders' interests are adequately protected, and if a decision is made to proceed with the merger, a proposal will be put to shareholders for their approval at a general meeting sometime next year.

In considering the annual report, shareholders raised a number of matters in connection with the accounts. The principal matters of concern were the costs that the Company has incurred during the course of the year in legal proceedings to which it has been a party, and the accounting treatment of these costs.

Shareholders will be aware that one of the Company's principal assets has been its holding of preference shares in Allgas Energy Limited. The Company has always held the view that this holding has very considerable value, but the legal framework in which any value is to be realized has recently been changed by Parliament. New provisions have been introduced into the *Corporations Act* which confer upon a principal shareholder the right to compulsorily acquire smaller shareholdings at fair value. However the operation of the provisions has not yet been clearly established, and it has fallen to a number of persons, including Winpar, to make submissions in several cases as to how the provisions should be interpreted. The cases should not be seen in isolation from one another, and Winpar's primary aim has been at all times to protect its interest in Allgas Energy Limited. A great deal of effort has been expended in this exercise, and it has naturally been a matter of disappointment that proceedings to date have all been decided in favour of persons compulsorily acquiring the shares

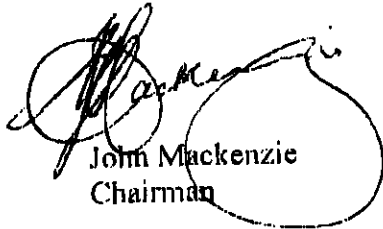
of others. Nevertheless there have been significant differences of judicial opinion as to how the relevant provisions are to operate, and a decision is shortly expected from the Queensland Court of Appeal which should make the matter clearer.

The new provisions allow small shareholders who make submissions in compulsory acquisition proceedings to recover their costs, and the Company has taken some comfort from this. To date the Company has been able to recover a very significant part of the costs it has incurred in first instance proceedings, and it expects to be able to continue to do this. Other legal costs are being expensed as and to the extent that they become irrecoverable.

The Company has received a great deal of support and assistance from many of its shareholders in relation to Allgas, and is greatly appreciative of their contribution. Nevertheless the result will ultimately depend upon the view taken by the Courts as to the value of our holding.

This is a brief summary only of the position, but the Company Secretary, Gordon Elkington, will be happy to discuss this matter in more detail with any shareholder who would like to have a better understanding of it.

Yours sincerely



John Mackenzie
Chairman