Wesfarmers

22 September 2011

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

WESFARMERS LIMITED 2011 ANNUAL REPORT

Attached is a copy of the Wesfarmers Limited 2011 Annual Report.

A copy of the Annual Report will be sent on 5 October 2011 to those shareholders who have elected to receive a copy.

A copy of the Annual Report will also be available on the company's website www.wesfarmers.com.au.

Yours faithfully,

L J KENYON
COMPANY SECRETARY

Enc.

Wesfarmers Limited ABN 28 008 984 049
11th Floor, 40 The Esplanade, Perth, Western Australia 6000. GPO Box M978, Perth WA 6843.
Telephone 61 8 9327 4211 Facsimile 61 8 9327 4216 www.wesfarmers.com.au

Wesfarmers
Annual Report 2011

Wesfarmers

Contents

ABOUT WESFARMERS

Strength through diversity. From its origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies. Headquartered in Western Australia, its diverse business operations cover: supermarkets; department stores; home improvement and office supplies; coal mining; insurance; chemicals, energy and fertilisers; and industrial and safety products. Wesfarmers is one of Australia's largest employers and has a shareholder base of approximately 500,000.

Our objective
Wesfarmers remains committed to providing a satisfactory return to shareholders.

Proud history, strong future
Steeped in a foundation of distribution and retailing since its formation, today Wesfarmers is one of Australia's leading retailers and diversified industrial companies.

Stock exchange listing
Wesfarmers is a company limited by shares that is incorporated and domiciled in Australia.
Australian Securities Exchange (ASX) listing codes:
– Wesfarmers (WES)
– Wesfarmers Partially Protected Shares (WESN)

WESFARMERS LIMITED
ABN 28 008 984 049

Strength through diversity.

The combination of a diverse range of successful businesses and the strong commitment of the Wesfarmers team ensures that we create long-term value – and provide satisfactory returns for our shareholders.

Highlights summary

The Group's result reflected a strong performance during a year affected by natural disasters and a subdued retail trading environment.

Results summary

KEY FINANCIAL DATA

Year ended 30 June		**2011**	2010
Revenue	$m	**54,875**	51,827
Earnings before interest and tax	$m	**3,232**	2,869
Net profit after tax	$m	**1,922**	1,565
Dividends	$m	**1,735**	1,446
Total assets	$m	**40,814**	39,236
Net debt	$m	**4,343**	4,035
Shareholders' equity	$m	**25,329**	24,694
Capital expenditure	$m	**2,062**	1,656
Depreciation and amortisation	$m	**923**	917

KEY SHARE DATA

Earnings per share	cents	**166.7**	135.7
Dividends per share	cents	**150.0**	125.0
Net tangible assets per share	cents	**411.8**	360.9
Operating cash flow per share	cents	**252.1**	287.5

KEY RATIOS

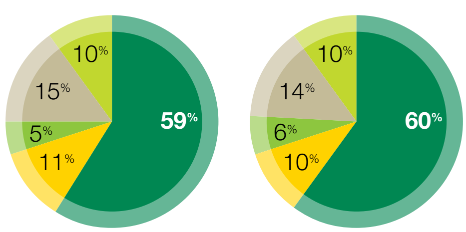
Return on average shareholders' equity (R12)[1]	%	**7.7**	6.4
Fixed charges cover (R12)[1]	times	**2.7**	2.4
Interest cover (R12)[1] (cash basis)	times	**9.5**	6.8

1 Rolling 12 months.

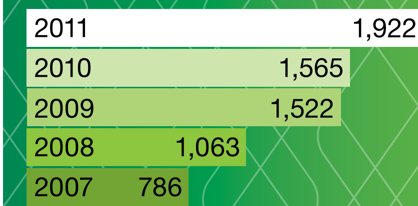
WEALTH CREATED BY WESFARMERS

- Employees – salaries, wages and other benefits
- Government – tax and royalties
- Lenders – borrowed funds
- Shareholders – dividends on their investment
- Reinvested in the business

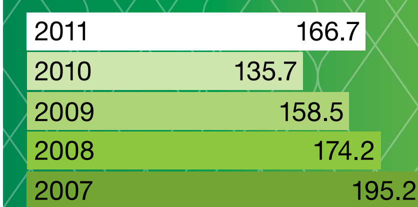
2011: $11,449m 2010: $10,799m



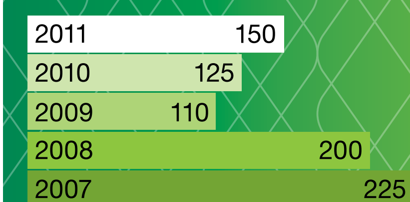
Net profit after tax ($m)
$1,922



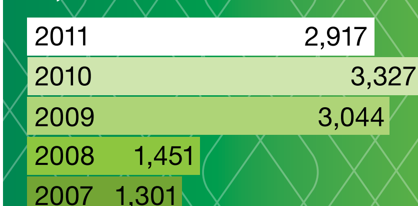
Earnings per share (cents)
166.7



Dividends per share (cents)
150



Operating cash flow ($m)
$2,917



Financial highlights

- Operating revenue of $54.9 billion, up 5.9 per cent
- Earnings before interest and tax (EBIT) of $3,232 million, up 12.7 per cent
- Finance costs of $526 million, down 19.6 per cent
- Net profit after tax of $1,922 million, up 22.8 per cent
- Earnings per share of $1.67, up 22.8 per cent
- Operating cash flows of $2,917 million, cash realisation ratio[2] of 102.5 per cent
- Capital investment of $2,062 million, up 24.5 per cent
- Strong liquidity position; fixed charges cover of 2.7 times, up from 2.4 times
- Fully-franked full-year dividend of $1.50 declared, up 20.0 per cent

Operational highlights

COLES continued to deliver strong earnings growth, up 21.2 per cent for the year, considerably ahead of sales growth. The result illustrates progress made to date in the turnaround program, which has built solid sales momentum through significant price investment, an enhanced fresh food offer, operational efficiencies and the progressive renewal of the store network.

BUNNINGS recorded another good result, with earnings up 10.2 per cent, underpinned by good merchandising execution and cost focus. Network expansion resulted in 27 new locations opening during the year.

KMART and **OFFICEWORKS** recorded earnings improvements of 4.1 per cent and 8.1 per cent respectively. Both businesses reported strong uplift in customer transactions and volume growth as they continued to make good progress in repositioning their offers.

TARGET recorded earnings of $280 million, which were down on last year, as tight management of expenses and solid transaction growth were insufficient to offset the effects of significant price deflation and clearance activity to manage seasonal inventory.

INSURANCE recorded earnings of $20 million, which were significantly down on last year, driven by event claims and reinsurance reinstatement expenses associated with an unprecedented number of catastrophe events in Australia and New Zealand.

RESOURCES earnings increased by 123.6 per cent due to higher coal prices, albeit record rainfall and groundwater inflow affected production and increased mining costs. Pleasingly, good progress was made during the year to expand production capacity at the Curragh and Bengalla mines.

CHEMICALS, ENERGY AND FERTILISERS increased earnings by 26.2 per cent, excluding insurance proceeds of $42 million associated with the 2009 Varanus Island gas disruption claim, as strong demand from the resource sector and higher fertiliser margins offset increased gas costs.

INDUSTRIAL AND SAFETY delivered a strong result with earnings up 20.3 per cent for the year, benefiting from resource sector demand, major project activity and continuing improvements in business operations.

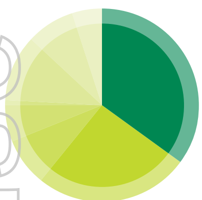
2 Cash realisation ratio: operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant non-cash non-trading items.

Review of operations

Retail operations

Coles

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



35%

ACTIVITIES

- National full service supermarket retailer operating 741 stores
- Liquor retailer operating three brands through 785 liquor outlets, as well as 93 hotels
- National fuel and convenience operator managing 620 sites
- Approximately 18 million customer transactions each week
- Employing more than 102,000 team members

YEAR IN BRIEF

- Full-year revenue of $32.1 billion
- EBIT of $1,166 million
- Food and liquor store sales growth up 6.3 per cent[1], with comparable store sales growth of 6.3 per cent[1]
- Nine consecutive quarters of industry out-performance
- Continued focus on quality, service and value
- 94 new format supermarket stores delivered during the year, for a total of 144 since the Coles acquisition
- Double digit growth in fresh food sales
- Easy Ordering (an automated stock ordering system) grocery and dairy rollout complete
- More effective value promotion campaigns
- Responsible sourcing initiatives launched

1 For the 52 week period 28 June 2010 to 26 June 2011.

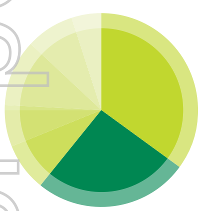
FUTURE DIRECTIONS

- Enter third phase of turnaround program
- Continue to create a culture of continuous improvement
- Continue to build strong customer trust and loyalty
- Deliver operational efficiency
- Innovate and improve offer
- Deliver new stores and new categories
- Embed culture change and enhance team member development
- Build long-term relationships with our food and grocery suppliers
- Continue to support the local communities in which we operate

BUSINESSES

Home Improvement and Office Supplies

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



26%

ACTIVITIES

- **Bunnings:** Retailing home improvement and outdoor living products and servicing project builders, commercial tradespeople and the housing industry across Australia and New Zealand
- **Officeworks:** Retailer and supplier of office products and solutions for home, business and education across Australia

YEAR IN BRIEF

Bunnings

- 5.7 per cent increase in Bunnings' revenue
- 10.2 per cent increase in Bunnings' EBIT
- Growth across all regions and product ranges
- 11 new Bunnings Warehouse stores opened
- Eight new Bunnings smaller format stores opened
- Eight new Bunnings trade centres opened

Office Supplies

- 5.2 per cent increase in retail store sales
- 8.1 per cent increase in EBIT
- Ongoing expansion of the merchandise offer
- Ten new Officeworks stores opened (including two relocations), six full upgrades
- Good progress on actions to improve the customer offer

FUTURE DIRECTIONS

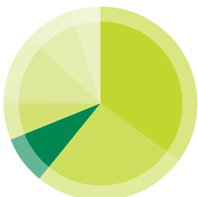
Bunnings: Growth to be achieved through better service, category expansion and range reset work, network expansion and reinvestment, ongoing work in light and heavy commercial markets, and through investment of productivity gains in lower prices to drive volume

Officeworks: Driving the business forward by improving the customer offer and expanding and upgrading the network. Growing the business-to-business offer will remain an area of focus and an ongoing investment in the Officeworks team will underpin all strategic initiatives

BUSINESSES

Target

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



8%

ACTIVITIES

- Retailer of fashion clothing and homewares with broad customer appeal
- Extensive network of 291 stores in two formats (Target and Target Country) conveniently located throughout metropolitan and regional Australia
- Customer destination for ladieswear, childrenswear/nursery, intimate apparel and homewares, predominantly Target-branded

YEAR IN BRIEF

- Full-year revenue of $3.8 billion
- $280 million in EBIT, with EBIT margin of 7.4 per cent
- Comparable store sales decrease of 1.2 per cent[1], with first half performance partially offset by an improved second half result
- One new store and two replacement stores opened
- 65 stores upgraded or refurbished
- Target online retailing commenced in the second half of the year, with the customer response encouraging

1 For the 52 week period 27 June 2010 to 25 June 2011.

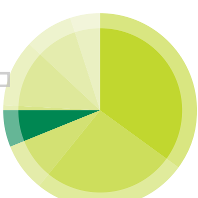
FUTURE DIRECTIONS

- Continue store network investment (new and refurbished), with the trial of a new format (Urban by Target)
- Improving customer service
- Continue to embed product design and development capabilities into everyday practice
- Ongoing refinement of product presentation in stores and delivery of product to market
- Continue to explore alternative ways of communicating to customers, including expanded online offering and increased use of social media

BUSINESSES

Kmart

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



6%

ACTIVITIES

- Kmart is a retailer where families come first for the lowest prices on everyday items, with a network of 187 stores across Australia and New Zealand
- Categories include menswear, womenswear, childrenswear, beauty, footwear, toys and sporting, events and food, entertainment, newsagency and home
- Kmart Tyre & Auto Service is one of Australia's largest retail automotive service, repair and tyre businesses with 251 centres

YEAR IN BRIEF

- Full-year revenue of $4.0 billion
- EBIT of $204 million[1]
- The 'Expect Change' campaign, inviting customers back into store was well received by customers
- Comparable store sales 0.3 per cent[2]
- The business is now operating on an everyday low priced model
- Strong continued growth in volumes and customer transactions
- One new Kmart store opened during the year

1 Includes $3 million earnings related to Coles Group Asia overseas sourcing operations.

2 For the 52 week period 28 June 2010 to 26 June 2011.

FUTURE DIRECTIONS

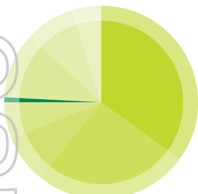
- Customer engagement will remain a key focus including educating customers about the 'new Kmart'
- Refining the product offer and investing in low prices by growing own brand products
- Continue to expand the store network
- Continue to source at lowest cost and to look for further cost reductions across the businesses
- Further improvement of the in-store environment

BUSINESSES

Industrial and other businesses

Insurance

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



1%

ACTIVITIES

- Key brands: Lumley, WFI, OAMPS and Crombie Lockwood
- Provision of general insurance products
- Insurance broking, risk management and financial services distribution
- Operations in Australia, New Zealand and the United Kingdom

YEAR IN BRIEF

- 2.4 per cent increase in revenue to $1.7 billion
- EBIT decreased by 83.6 per cent to $20 million
- Impact of unprecedented level of natural disasters to claims and reinsurance costs
- Net retention exceeded six times with event claims and reinsurance restatements $110 million over allowances
- Broking operations generated growth in revenue and earnings
- Underlying underwriting performance improved on prior year
- Distribution of home and motor insurance through Coles with strong customer interest
- Premium funding delivered strong performance
- Acquisition of FMR Risk in New Zealand and other bolt-on broker acquisitions

FUTURE DIRECTIONS

- Continue improvements in underwriting performance through disciplined claims and underwriting performance
- Continue to grow broking revenues and improve performance
- Expand capabilities in personal lines
- Strive to consistently deliver exceptional client service across all businesses
- Leveraging divisional scale and capability to improve profitability
- Invest in the development of our team
- Further bolt-on acquisitions to enhance distribution platform

BUSINESSES

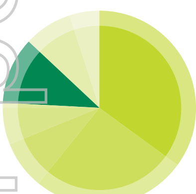
Wesfarmers Insurance

wfi Lumley OAMPS

CROMBIE LOCKWOOD
New Zealand's Insurance Brokers

Resources

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



11%

ACTIVITIES

- Significant Australian open-cut miner with investments in coal mines in Queensland (Curragh), New South Wales (Bengalla 40 per cent) and Western Australia (Premier Coal)
- Mine operation and development
- Supplier of metallurgical coal to export markets and steaming coal to both domestic and export markets

YEAR IN BRIEF

- 25.6 per cent increase in revenue to $1.8 billion
- EBIT up 123.6 per cent to $369 million
- Strong export coal prices, but with high Australian dollar
- Production and sales constrained at Curragh due to flood events and groundwater inflows into mining areas
- 46 per cent increase in mine cash costs per tonne at Curragh (largely due to floods and groundwater inflows to mining areas) – expected to reduce with return to more normal operating conditions
- Curragh metallurgical coal sales down 19.6 per cent to 5.3 million tonnes
- Strong growth in sales volumes from Bengalla and Premier
- Continued progress with expansion of Curragh and Bengalla production capacity
- Structured sale process commenced for Premier Coal

FUTURE DIRECTIONS

- Strong business sustainability commitment
- Strong export market fundamentals and customer demand
- Maximise exports, addressing infrastructure constraints
- Feasibility study commenced to expand Curragh to 10 million tonnes annual exports
- Stage Two feasibility study commenced to expand Bengalla to 10.7 million tonnes annual Run of Mine capacity
- Focus on future growth

BUSINESSES

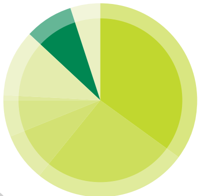
Wesfarmers Resources

CURRAGH Premier Coal

BENGALLA Premier Power Sales

Chemicals, Energy and Fertilisers

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



8%

ACTIVITIES

- Manufacture and marketing of chemicals for mining, minerals processing and industrial sectors
- Production, marketing and distribution of liquefied petroleum gas (LPG) and liquefied natural gas (LNG)
- Manufacture and marketing of broadacre and horticultural fertilisers
- Manufacture, marketing and distribution of industrial, medical and specialty gases
- Power generation for remote towns and mines[1]

YEAR IN BRIEF

- 4.5 per cent increase in revenue to $1.6 billion
- 44.4 per cent increase in EBIT to $283 million, including $42 million in insurance proceeds from the 2009 Varanus Island gas disruption claims
- Excluding insurance proceeds, earnings from the chemicals and Kleenheat Gas businesses were in line with the previous year
- Approval received for further detailed engineering and ordering of long-lead items for the proposed ammonium nitrate expansion
- Fertiliser earnings recovered from the previous year, which included a $25 million inventory writedown and the impact of highly priced inventory

1 On 31 August 2011, Wesfarmers completed the sale of enGen for $101 million.

FUTURE DIRECTIONS

- Board consideration of the proposed 260,000 tonne per annum expansion of ammonium nitrate production at Kwinana
- Continuing strong demand for chemicals
- Seek to grow sales of LPG and manage the impact of increased gas costs and lower LPG content
- Continue development of the LNG business
- Enhance fertiliser sales volumes through a market-focused customer offer

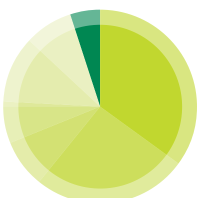
BUSINESSES

Wesfarmers Chemicals, Energy & Fertilisers

CSBP, AGR Australian Gold Reagents Pty Ltd, enGen, EVOL LNG, QNP, Air Liquide Western Australia, Australian Vinyls, Modwood, KleenheatGas

Industrial and Safety

CONTRIBUTION TO OPERATING DIVISIONAL EBIT



5%

ACTIVITIES

- Leading provider of industrial and safety products and services in Australia and New Zealand to a wide range of customers
- Strong focus on security of supply to customers of broadest product range
- Cost efficiency to customers through local and global procurement, supply chain and eBusiness solutions

YEAR IN BRIEF

- 10.3 per cent increase in revenue to $1.6 billion
- EBIT increased by 20.3 per cent, with improvements in all businesses
- Strongest results in Blackwoods, Protector Alsafe and Bullivants
- Restructured Coregas, strengthening sales team and sales momentum
- Divested Motion, merged Blackwoods Paykels with Protector Safety
- Strong contract, projects, services and eBusiness growth
- Increased industry diversification
- Operational and capital management contributing to improved returns
- Opened multi-country distribution centre in Shenzhen, China

FUTURE DIRECTIONS

- Growing share of customers' product and service spend
- Capture resources and infrastructure projects momentum
- Ongoing diversification of customer base
- Continued Coregas improvements
- Growth through acquisitions
- Continued operational improvements, including safety, sustainability and employee development

BUSINESSES

Wesfarmers Industrial and Safety

Blackwoods, Protector Alsafe, Bullivants, Total Fasteners, coregas, Blackwoods Paykels, protectorsafety, NZ Safety, Packaging House, Safety Source

Other activities

ACTIVITIES

GRESHAM

- 50.0 per cent interest in the investment bank, Gresham Partners; plus interests in Gresham's private equity funds

WESPINE

- 50.0 per cent interest in a plantation softwood sawmill at Dardanup, Western Australia

BWP TRUST

- 23.3 per cent interest in the property trust which mainly owns Bunnings Warehouses tenanted by Bunnings Group Limited

bwp TRUST, GRESHAM, WESPINE INDUSTRIES PTY LTD

YEAR IN BRIEF

GRESHAM

- The Gresham Private Equity Funds recorded a loss of $60 million, due to downward non-cash revaluations, compared to a gain of $43 million last year

WESPINE

- Earnings up 16.7 per cent due to increased sales into the Western Australian market and focus on customer service and cost control

BWP TRUST

- Wesfarmers share of profit from investment in BWP Trust was $19 million, compared to $27 million recorded last year

FUTURE DIRECTIONS

GRESHAM

- Focus on improving portfolio returns and identifying investment opportunities

WESPINE

- Increased focus on customer service and maintaining a strong Western Australian market position in an environment where a depressed housing market and continued import competition are expected to place downward pressure on sales and earnings

BWP TRUST

- Improve portfolio through enhancements to existing properties and selective acquisitions of quality commercial assets

Chairman's message

We've grown from a small farmers' cooperative to one of Australia's 10 largest companies, and we've done it with a series of outstanding leaders, good people, financial discipline and a preparedness to undertake, from time to time, bold growth initiatives.

It gives me great pleasure to present the 2011 Wesfarmers annual report after what has been a year of strong performance by our business divisions in the face of declining consumer confidence and some extremely adverse natural events. This year's result clearly demonstrates the strength of the Group's diversified conglomerate portfolio and long-term investment strategy.

The result also demonstrates how we truly reflect a cross-section of the Australian economy. Our resource-oriented businesses performed very well, despite adverse weather events, while retailers at the staples and value end of the market performed better than those relying on more discretionary spending. Natural disasters badly hit our Insurance division.

I would like to place on the record the admiration and appreciation the Board has for the way our Wesfarmers team members across Australia and New Zealand responded to those disasters – floods, cyclones, earthquakes – we've had the lot. Their efforts in helping individuals, families and communities get back on their feet were highly commendable.

BUSINESS PERFORMANCE

Last year I reported that Wesfarmers had emerged in good shape from one of the most volatile and challenging times in our company's history. Economic circumstances remain volatile and challenging but, against that background, the company's performance over the past 12 months gives us very good reason to be confident about the future. Our balance sheet is strong and we are well positioned to take advantage of growth opportunities in the future.

With 2011 financial year revenue of nearly $55 billion, we reported a net profit after tax of $1.9 billion, up almost 23 per cent on last year. We have a very strong liquidity position and reported capital investment of $2.1 billion for the year, much of which was expenditure for growth.

At year-end we announced a fully-franked final dividend of 85 cents per share, which gave a full-year dividend of 150 cents per share. This represents an increase of 25 cents, or 20.0 per cent over the prior period.

I believe we are seeing the benefits of Wesfarmers' tradition of a long-term investment strategy, most recently exemplified by our Coles acquisition, but also evident in heavy investment in growth for our other businesses. I also believe we can look forward to further benefits accruing from that strategy for many years to come.

We have in place a very strong portfolio of businesses and performance-focused management teams, both within each of those businesses and at corporate level.

PEOPLE ARE OUR STRENGTH

The ability to recruit talented people has been the single most important factor in Wesfarmers' success for nearly 100 years.

We've grown from a small farmers' cooperative to one of Australia's 10 largest companies, and we've done it with a series of outstanding leaders, good people, financial discipline and a preparedness to undertake, from time to time, bold growth initiatives.

Today, as a diverse conglomerate with more than 200,000 staff, the task is more complex than ever. With a more mobile and adventurous workforce in an increasingly accessible and diverse global economy, the biggest challenge confronting Wesfarmers as we contemplate the future is our capacity to attract, develop and retain quality people across all the many disciplines relevant to our businesses.

Significantly, under Richard Goyder's passionate leadership on the issue, we have set about providing far greater employment opportunities for indigenous Australians. Not only do we believe our employee profile should better reflect the broader community in which we operate, but we have already seen significant reciprocal benefit through success in this effort. We are focused on increasing opportunities for women at all levels of our organisation.

SUSTAINABILITY

As a company, we recognised a long time ago that sustainability had to be a central part of our approach to doing business.

We now operate in nearly every major community across Australia. As a company, we have clear responsibilities to the 200,000 people we employ, to our customers, to the communities in which we operate, to those who supply our divisions with goods and services and, importantly, to our greatly expanded shareholder base.

We recognise we have to be part of, and reflective of, the communities in which we operate. If we are to be successful as a business, we have to play our part in ensuring that our communities are healthy and thriving, hence our proactive community partnership agenda and our contributions to the arts, education, medical research and indigenous programs.

Of critical importance is the profound responsibility we have to provide a safe working environment for all our employees.

THE BOARD

I would like to thank my Board colleagues for their hard work and support throughout the year.

Our balance sheet is strong and we are well positioned to take advantage of growth opportunities in the future.

We had one departure from the Board during the 2011 financial year. Long-serving member, David White, a director since May 1990, announced his retirement from the Board at last year's Annual General Meeting. I would like to record the appreciation of the entire Board, past and present, for the great service David gave to Wesfarmers over two decades. We thank him and wish him well.

THE FUTURE

The Group remains positive in its outlook, subject to any adverse shocks from a fragile global economy, given the solid operating fundamentals in place across the divisions and an expected recovery from one-off impacts associated with natural disasters experienced during the last year.

Finally, on behalf of the Board, I would like to thank the Wesfarmers executive team led by our Managing Director, Richard Goyder, for the tremendous work it has done over the past 12 months to ensure that this company's future remains bright. Their combined efforts have been outstanding. My thanks go also to you, the shareholders, the owners of the business. With your continued support and with the continued dedication of our team members, we know we can not only maintain, but enhance, Wesfarmers' position as a great Australian company.

Bob Every

Bob Every Chairman

Managing Director's review

Wesfarmers has an excellent portfolio of assets, from the value end of retail to direct and indirect exposure to the resource sector, and our insurance activities, so we are confident that our businesses have the capacity to perform well under most circumstances.

Your company has enjoyed another successful year on many fronts, despite the extremely challenging external environment which threw up floods, earthquakes and ongoing economic uncertainty.

In that context, to achieve a 22.8 per cent increase in net profit after tax, a 22.8 per cent increase in earnings per share, and a 20.0 per cent increase in dividends for the full year was very satisfying.

What is particularly gratifying to see is the dedication to work and commitment of our many employees who have been caught up in the natural disasters which have so severely affected Australia and New Zealand during the year.

Whether it is our insurance people dealing with devastated customers, our employees at the Curragh coal mine doing everything possible to mitigate the impact of impending floodwaters, or the many thousands of other employees from all of our divisions who helped put in place actions to assist the Queensland and Christchurch communities, we should all be very proud of them.

The Wesfarmers Board responded quickly to both disasters, committing $5 million to the Queensland Premier's Flood Relief Appeal and $1 million to the Christchurch Earthquake Appeal. We felt that it was important to demonstrate our serious commitment to these communities in which we operate businesses and employ many people.

BUSINESS DIVISIONS

The Group's retail businesses recorded solid combined earnings growth for the year, up 8.2 per cent to $2,532 million, including strong performances from both Coles and Bunnings, in what was a challenging trading period for retailers.

Retail conditions during the year were affected by declining consumer confidence and an increased propensity for households to save. Within this environment, all of the Group's retail businesses have experienced price deflation as they invested in lowering prices for their customers.

The Coles division continued to deliver strong earnings growth, up 21.2 per cent for the year, considerably ahead of sales growth. The result illustrates the progress made to date in the turnaround program, which has built solid sales momentum through significant price investment, an enhanced fresh food offer, operational efficiencies and the progressive renewal of the store network.

Bunnings recorded another good result, with earnings up 10.2 per cent, despite the deflationary impacts of the range reset work underway. Earnings growth was underpinned by good merchandising execution and a strong focus on cost management. Network expansion resulted in 27 new locations being opened during the year.

Kmart and Officeworks both recorded earnings improvements and strong uplift in customer transactions and unit growth, as they continued to make good progress in repositioning their offers.

Target's earnings of $280 million were down on last year, as tight management of expenses and solid transaction growth were insufficient to offset the effects of significant price deflation and clearance activity to manage seasonal inventory.

The combined retail results include a one-off impact associated with asset writedowns and business interruption costs following severe flood and storm events, including Cyclone Yasi, and earthquakes in Christchurch.

Total costs quantifiable at year-end of approximately $100 million were partially offset by insurance recoveries recognised of approximately $60 million, reducing the net earnings impact with the balance largely arising in Coles and Bunnings.

The Insurance division recorded earnings before interest and tax of $20 million, driven by event claims and reinsurance reinstatement expenses associated with an unprecedented number of catastrophe events in Australia and New Zealand.

Earnings from the Resources division, while up 123.6 per cent on last year, were adversely affected by interruptions to production caused by record wet weather and flooding events. Pleasingly, higher export coal pricing, compared to the 2010 financial year, more than offset the reduction in sales volumes and increased mining costs.

The Chemicals, Energy and Fertilisers division increased earnings by 26.2 per cent, excluding insurance proceeds of $42 million received during the period that were associated with the 2009 Varanus Island gas disruption claim, as strong demand from the resource sector and higher fertiliser margins offset increased gas costs.

The Industrial and Safety division delivered a strong result, with earnings up 20.3 per cent for the year, benefiting from resource sector demand, major project activity and continuing improvements in business operations.

Other businesses' earnings were $45 million lower than last year, having been negatively affected by reduced earnings from associate businesses and reduced interest revenue. This was offset by a $128 million reduction in financing costs as the Group continued to proactively diversify its funding sources and extend its debt maturity profile.

We are fortunate to have terrific employees, a great portfolio of assets and a very strong balance sheet.

ECONOMIC ENVIRONMENT

At the time of writing, we are witnessing significant volatility in markets, mostly due to concerns about economic growth in the USA and Europe and the level of indebtedness of some countries. These uncertainties feed into consumer confidence, which in turn affects discretionary expenditure. The relatively high Australian dollar is also making our exports more expensive, affecting a number of export-oriented industries.

Fortunately for Australia, China and some other growth economies such as India continue to have a high demand for our raw materials, which is providing a degree of protection for the Australian economy.

Wesfarmers has an excellent portfolio of assets, from the value end of retail to direct and indirect exposure to the resource sector, and our insurance activities, so we are confident that our businesses have the capacity to perform well under most circumstances.

INVESTMENTS

During the 2011 financial year, we had capital expenditure of $2,062 million for a combination of replacement and growth initiatives. In the next financial year, we anticipate that this amount will increase to between $2.8 and $3.2 billion, the majority of which will be to fund growth initiatives in our existing businesses.

These growth initiatives include:

- the expansion of the Curragh coal mine
- the expansion of the Bengalla coal mine
- preliminary work on a proposed further ammonium nitrate expansion at Kwinana, and
- numerous investments in our retail property pipeline.

We are very confident that these investments will deliver satisfactory returns to our shareholders, because as always, they are subject to rigorous analysis and evaluation before proceeding.

MANAGEMENT CHANGE

In September 2011 Launa Inman announced her intention to leave the Group, after almost seven years as Managing Director of Target. Launa agreed to remain in the role until a successor was in place.

THE CHALLENGE AHEAD

We are fortunate to have terrific employees, a great portfolio of assets and a very strong balance sheet. Coupled with a performance-focused culture and a growth orientation, Wesfarmers is well placed to continue the growth it has enjoyed since establishing as a farmers' cooperative in 1914 and listing as a public company in 1984.

A volatile external environment means that we will maintain a strong balance sheet and look for investment opportunities which can create value for our stakeholders, while continuing to invest in our businesses and people.

The leadership team is fortunate to have the oversight and governance provided by the Wesfarmers Board led by Bob Every and we are very appreciative of that.

Richard Goyder Managing Director

Wesfarmers leadership team

Driven by a long-standing objective to deliver a satisfactory return to shareholders, our leadership team is guided by Wesfarmers' core values – integrity, openness, accountability and boldness.

RICHARD GOYDER

Managing Director, Wesfarmers Limited

Richard was appointed Chief Executive Officer and Managing Director, Wesfarmers in 2005. He has held a number of executive positions in Wesfarmers, including Managing Director of Wesfarmers Landmark and Finance Director, Wesfarmers. Before joining Wesfarmers in 1993, Richard held a number of senior positions with Tubemakers of Australia.

TERRY BOWEN

Finance Director, Wesfarmers Limited

Terry joined Wesfarmers in 1996 and undertook various roles with Wesfarmers Landmark, including Chief Financial Officer from 2001. In 2003 he was appointed as Jetstar Airways' inaugural Chief Financial Officer before rejoining Wesfarmers in 2005 as Managing Director, Wesfarmers Industrial and Safety. Terry became Finance Director, Coles in 2007 before being appointed Finance Director, Wesfarmers Limited in 2009.

IAN MCLEOD

Managing Director, Coles

Ian joined Wesfarmers as Managing Director, Coles in 2008. He has extensive experience in British and European retailing, including senior executive roles at the United Kingdom retailer Asda, where he played a key role in the recovery and turnaround program during the 1990s. Other senior retail roles included Chief Executive Officer for five years at Halfords Group plc, the UK's leading retailer of car parts, leisure and cycling products and Chief Merchandise Officer with Wal-Mart in Germany.

JOHN GILLAM

Managing Director, Home Improvement and Office Supplies

John was appointed Managing Director of the Home Improvement division in 2004 and became the Managing Director of the expanded Home Improvement and Office Supplies division in 2007. John started at Wesfarmers in 1997, was appointed Chief Financial Officer of Bunnings in 1999, Wesfarmers Company Secretary in 2001 and Managing Director of CSBP in 2002.

LAUNA INMAN

Managing Director, Target

Launa was appointed Managing Director of Target in 2005 and prior to this was Managing Director of Officeworks. Launa has completed an Advanced Executive Program at Wharton Business School, holds a Bachelor of Commerce Honours, and a Masters of Commerce in Strategy and Economics. In March 2011 Launa was appointed independent non-executive director of Commonwealth Bank of Australia.

GUY RUSSO

Managing Director, Kmart

Guy was appointed Managing Director of Kmart in 2008. Prior to that, he was Managing Director and Chief Executive Officer of McDonald's Australia between 1999 and 2005, having held all key operational posts since 1974. Guy also served as President, McDonald's Greater China until 2007 and is currently President of the international Half the Sky Foundation for orphaned children in China.

STEWART BUTEL

Managing Director, Wesfarmers Resources

Stewart joined Wesfarmers in 2000 following Wesfarmers' acquisition of the Curragh mine. In 2002 he was appointed Managing Director of Wesfarmers Premier Coal and in 2005 he became Director Coal Operations for Wesfarmers Energy. Stewart was appointed Managing Director of Wesfarmers Resources in 2006.

ROB SCOTT

Managing Director, Wesfarmers Insurance

Rob started with Wesfarmers in 1993 before moving into investment banking, where he had various roles in corporate finance and mergers and acquisitions in Australia and Asia. He rejoined Wesfarmers in business development in 2004 before being appointed Managing Director of Wesfarmers Insurance in 2007. He is a director of the Insurance Council of Australia.

TOM O'LEARY

Managing Director, Wesfarmers Chemicals Energy & Fertilisers

Tom joined Wesfarmers' business development team in 2000 and became General Manager of the team in 2002. He was appointed Executive General Manager, Business Development in 2006 before his appointment as Managing Director, Wesfarmers Energy in 2009. In July 2010, Tom became Managing Director of the newly formed Chemicals, Energy and Fertilisers division. Prior to joining Wesfarmers, Tom worked in finance law and investment banking.

The senior management team at Wesfarmers leads by example with passion and commitment.

OLIVIER CHRETIEN

Managing Director, Wesfarmers Industrial and Safety

Olivier joined Wesfarmers in 2006 as General Manager Commercial, Wesfarmers Industrial and Safety, before being appointed Managing Director of the division in 2007. Prior to joining Wesfarmers, Olivier worked in engineering contracting with Jacobs Serete and management consulting with The Boston Consulting Group in France and Australia.

TIM BULT

Executive General Manager, Business Development, Wesfarmers Limited

Tim joined Wesfarmers in 1999, working in commercial and business development roles within the Wesfarmers Energy division, before his appointment as General Manager of Wesfarmers Kleenheat Gas in 2005. He became Managing Director of Wesfarmers Energy in 2006. He was appointed Executive General Manager, Business Development in July 2009.

PAUL MEADOWS

Group General Counsel, Wesfarmers Limited

Paul was appointed Group General Counsel of Wesfarmers Limited in March 2010. Paul was admitted to practise as a barrister and solicitor in 1981 and was a partner of Allens Arthur Robinson in Melbourne from 1989 until February 2010. He worked at Linklaters in London in 1986 and 1987. Between 2006 and February 2010, Paul was also a senior adviser to UBS Australia.

BEN LAWRENCE

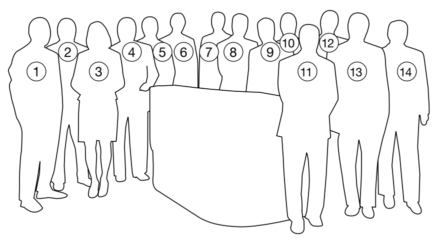
Chief Human Resources Officer, Wesfarmers Limited

Prior to joining Wesfarmers in 2008, Ben was the Chief Human Resources Officer for Foster's Group Limited from 2001. Ben has held a variety of senior roles in the United States, including Chief Human Resources Officer, Beringer Wine Estates; Vice President, International Human Resources, the Clorox Company; and Director Human Resources, FMC Gold Company.

ALAN CARPENTER

Executive General Manager, Corporate Affairs, Wesfarmers Limited

Alan joined Wesfarmers as Executive General Manager, Corporate Affairs in December 2009. Prior to that he was Premier of Western Australia from January 2006 to September 2008 and served 13 years in the Western Australian Parliament. Alan has also worked as a journalist with the Seven Network and the ABC and lectured in Australian politics at the University of Notre Dame, Fremantle.



Left to right: 1 **Guy Russo** 2 **Stewart Butel** 3 **Launa Inman** 4 **Alan Carpenter** 5 **Tom O'Leary** 6 **Paul Meadows** 7 **Rob Scott** 8 **Olivier Chretien** 9 **John Gillam** 10 **Ben Lawrence** 11 **Terry Bowen** 12 **Tim Bult** 13 **Richard Goyder** and 14 **Ian McLeod**

Finance Director's review

The balance sheet was further strengthened during the year, as evidenced by an upgrade in the Group's credit rating by Standard & Poor's to A- (stable outlook).

RESULTS OVERVIEW

Net profit after tax for the Group in the 2011 financial year of $1,922 million was 22.8 per cent ahead of last year. This was achieved despite difficult operating conditions experienced in a number of the Group's divisions as a result of the large number of natural disasters in Australia and New Zealand and declining consumer confidence.

Earnings per share of 166.7 cents were up 22.8 per cent on last year, reflecting the strong profit growth achieved. Similarly, average return on equity increased to 7.7 per cent from 6.4 per cent in the previous year.

CASH FLOW

Cash flows from operations for the year were $2,917 million. The Group's cash realisation ratio was solid at 102.5 per cent, but down on last year's result, which benefited from significant business restructuring in Kmart and Coles.

The Group continued to invest strongly in capital expenditure, well ahead of depreciation, in order to drive future growth. Capital investment of $2,062 million was up 24.5 per cent on last year following significant retail network expansion and improvement, and works associated with capacity increases at the Curragh and Bengalla coal mines.

It is expected that the current phase of strong capital investment will continue in the 2012 financial year as we drive strong growth and improvement in our retail networks; complete the current expansion works in the Resources division; and, subject to Wesfarmers Board approval, further expand ammonium nitrate production capacity at Kwinana.

Free cash flows for the year were $1,041 million, compared to $1,631 million in the previous year, given higher working capital and increased capital investment.

Cash dividends paid increased to $1,557 million from $1,325 million in the previous year.

BALANCE SHEET

The balance sheet was further strengthened during the year, as evidenced by stronger key liquidity ratios and an upgrade in the Group's credit rating by Standard & Poor's to A- (stable outlook).

Total debt at 30 June 2011 reduced to $4,879 million (from $5,353 million 12 months earlier) as funds held in cash and on deposit were progressively used to repay debt following refinancing of the Group's syndicated loan facilities. This activity assisted in finance costs for the Group declining by 19.6 per cent to $526 million for the year.

Net debt increased from $4,035 million to $4,343 million as at 30 June 2011.

The value of property, plant and equipment increased over the year, from $7,542 million to $8,302 million as at 30 June 2011, as capital investment exceeded depreciation and amortisation.

Working capital balances at 30 June 2011 increased by $316 million compared to the prior year, primarily in the Group's retail businesses due to strong network expansion and sales growth, as well as increased direct sourcing and higher inventory levels in Coles ahead of supply system changes.

Detailed impairment testing of non-current assets, including goodwill and other intangible assets recognised on business acquisitions, was carried out during the year. External experts were engaged to provide support on model inputs including discount rates and long-term growth rates. Non-cash impairment charges totalling $27 million were made during the year, compared to $81 million in the prior year.

The current year impairment charge largely related to retail property holdings. In all other cases, recoverable amounts of non-current assets determined for impairment testing exceeded their carrying values. Future impairment testing of non-current assets remains sensitive to changes in general trading conditions and outlook, as well as discount rates.

DEBT MANAGEMENT

The Group aims to maintain a strong investment-grade rating through prudent balance sheet management. During the year, the Group continued to proactively diversify its funding sources and extend its debt maturity profile, and in March 2011, Standard & Poor's upgraded the Group's long-term credit rating to A- (stable outlook) from BBB+ (positive outlook). Moody's has placed the Group on a Baa1 positive outlook, from stable previously.

Refinancing activity comprised the establishment in December 2010 of a $2.5 billion revolving syndicated debt facility with an average term to maturity of 3.5 years and, in May 2011, the issuance of a US$650 million five-year US bond. The proceeds of both issuances were used to repay shorter-term debt, which resulted in a lengthening of the Group's average tenor to 3.0 years across its diversified sources of debt.

As at 30 June 2011, the Group had available to it $536 million in cash at bank and on deposit and $2,006 million in committed but undrawn bank facilities. Over the year, the Group's fixed charges cover increased to 2.7 times, up from 2.4 times a year ago, and cash interest cover improved to 9.5 times from 6.8 times. The weighted average cost of debt for the year was 8.8 per cent compared to 8.9 per cent last year.

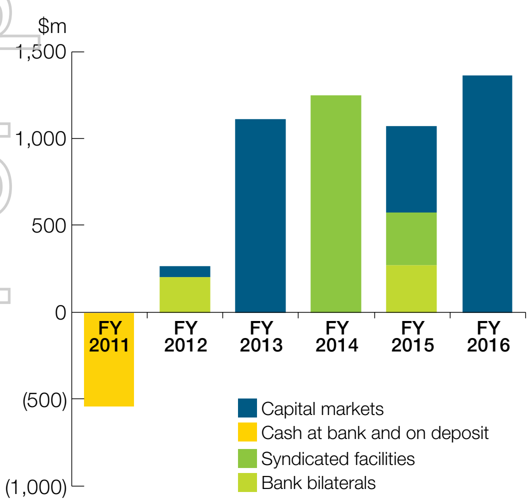
EQUITY MANAGEMENT

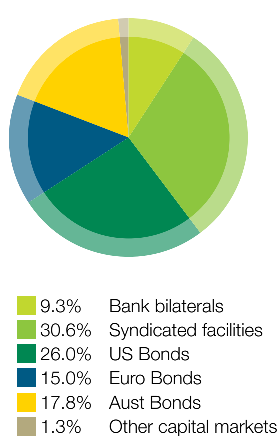
Over the year, shares on issue were stable, with 1,157 million shares on issue at 30 June 2011, made up of 1,006 million ordinary shares and 151 million partially protected ordinary shares.

DIVIDEND POLICY

Wesfarmers' dividend policy seeks to deliver growing dividends over time, with the declared amount reflective of the Group's current and projected cash position, profit generation and available franking credits. Consistent with this policy, a fully-franked full-year dividend of 150 cents per share was declared, an increase of 20.0 per cent on last year. The final dividend, to be paid on 30 September 2011, is not provided for in the accounts. Given a preference by many shareholders to receive dividends in the form of shares, the directors decided to continue the operation of the Dividend Investment Plan (the Plan). No discount applied to shares allocated under the Plan. In recognition of our capital structure and strong balance sheet, all shares issued under the Plan were acquired on-market by a broker and transferred to participants.

Wesfarmers seeks to deliver growing dividends over time.





Note: Reflects 30 June 2011 position.

Average debt tenor of three years across diversified sources of debt

RISK MANAGEMENT

The Group maintains and adheres to clearly defined policies covering areas such as liquidity risk, market risk (including foreign exchange, interest rate and commodity price risk) and credit risk. It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments be undertaken.

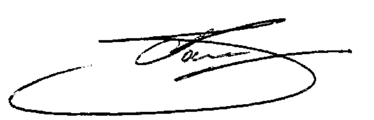
The main sources of foreign exchange risk include: the sale of export coal, denominated in US dollars; purchases in foreign currency, mainly retail inventory in US dollars; and current US dollar and Euro denominated debt.

Businesses exposed to foreign exchange risk use forward contracts to minimise currency exposure. US dollar and Euro denominated debt and associated interest costs are fully hedged at the time the debt is drawn down. The Group uses interest rate and cross currency interest rate swaps to manage interest rate risk. Interest rate swaps covering $2.5 billion of debt are currently in place for the 2012 financial year. Our annual corporate planning process includes an established framework for assessing broad business risk as well as considering risk mitigation.

INTERNAL CONTROL AND ASSURANCE

The Group maintains an internal audit function with a Group-wide mandate that is fully independent of the business operations to monitor and provide assurance to the Wesfarmers Board's Audit Committee and ultimately the Board as to the effectiveness of risk management and internal control systems.

The annual internal audit plan is developed within a combined assurance framework and applies a risk-based methodology to ensure that the Group's key risks are appropriately and regularly reviewed. The internal audit plan is approved by the Board. The internal audit function delivers the approved internal audit plan by engaging a single outsource audit provider. As part of the annual operating cycle, we also require each business to review and report on: legal liabilities; financial controls; information systems; environment, health and safety planning; and risk assessment and mitigation.



Terry Bowen Finance Director

Retail operations

Reinvestment in our retail businesses delivered improvements in value, quality and service.

Wesfarmers' retail operations are focused on driving efficiencies and reducing costs of doing business so that they can invest in a better customer offer.

PAGE 18

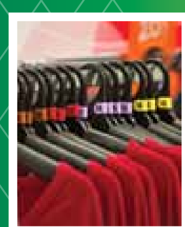
Coles

Coles employs more than 102,000 team members and manages approximately 18 million customer transactions a week.

PAGE 22

Home Improvement and Office Supplies

Bunnings and Officeworks are the leading retailers in home improvement and office supplies products in Australia.



PAGE 26

Target

Target is a retailer of fashion clothing and homewares with broad customer appeal.

PAGE 30

Kmart

Kmart is a retailer that offers the lowest prices possible on everyday items, every day of the year.

Coles

The Coles turnaround plan produced strong trading results in 2011 by improving quality, service and value. The business is now over halfway through the turnaround plan, in which it is focused on 'Delivering Consistently Well'.


Ian McLeod Coles Managing Director (left) with Store Manager Nathan Jones at the Coles Oakleigh store in Victoria

THE BUSINESS

Coles is a leading food, liquor and convenience retailer, with a presence in every Australian state and territory. The business operates more than 2,200 retail outlets across Coles, BiLo, 1st Choice Liquor Superstore, Liquorland, Vintage Cellars, Coles Express and Spirit Hotels.

The business employs more than 102,000 team members and handles approximately 18 million customer transactions a week.

STRATEGY

Coles seeks to give the people of Australia a shop they trust, delivering quality, service and value.

In 2010/11, Coles continued to improve efficiency and customer service, deliver effective value promotions, enhance its fresh food offer, accelerate store refurbishments with new store formats and automate stock ordering across the network.

RESULTS

The 2011 financial year saw Coles deliver operating revenue of $32.1 billion, up 6.9 per cent on the prior corresponding period. Earnings before interest and tax grew to $1,166 million, up 21.2 per cent on the previous year.

Food and liquor store sales were $25 billion, up 6.3 per cent on the previous year and comparable store sales growth was 6.3 per cent[1]. The results were driven by a strong focus on building customer trust through quality, service and value initiatives. The business saw a pleasing double digit increase in fresh food sales with customers responding to better quality fresh produce and greater availability.

A value focus and price reductions on everyday items drove customer transactions, while easy ordering and better ways of working improved stock availability.

Coles Liquor continued to provide strong value to customers through promotional activities, investment in new store formats for each brand and a new technology platform to drive internal efficiencies and sales.

Coles Express enjoyed a solid performance, driven by fuel volume growth, with revenue of nearly $6.8 billion, up 8.7 per cent on the previous year. Comparable fuel volumes increased by 2.3 per cent[1].

Convenience store sales, excluding fuel sales, rose 2.0 per cent[1], with comparable store sales growth of 0.9 per cent[1].

YEAR IN BRIEF

Coles recorded another year of business improvement and growth in 2010/11 and is over halfway through the second phase of its transformation plan.

In 2011, the business continued to deliver better value to customers and build trust in the Coles brand by responding to customer feedback and delivering quality products at low prices.

Coles lowered the prices of over 6,000 grocery items by an average of 10 per cent through its value campaign and engaged customers and schools with innovative programs and sponsorships, such as Feed your Family, Sports for Schools and Masterchef.

During the year, 30 Coles Brand and Coles Finest products achieved quality awards.

In response to customer preferences for food free of additives and higher animal welfare choices, Coles launched no added hormone butcher beef and lowered the price of free range eggs.

1 For the 52 week period 28 June 2010 to 26 June 2011.

GROWTH STRATEGIES

'Driving the Coles Difference'

- Culture of continuous improvement
- Strong customer trust and loyalty
- Strong operational efficiency
- Innovate and improve offer
- New stores, new categories
- Embed culture change and enhance team member development
- Build long-term relationships with our food and grocery suppliers
- Continue to support the local communities in which we operate

In response to customer preferences, this year Coles launched no added hormone butcher beef.

Key financial indicators

For the year ended 30 June	2008*	2009	2010	2011
Revenue ($m)	16,876	28,799	30,002	**32,073**
Earnings before interest and tax ($m)	475	831	962	**1,166**
Capital employed (R12) ($m)	14,952	15,163	14,830	**14,973**
Return on capital employed (%)	nm	5.5	6.5	**7.8**
Capital expenditure ($m)	351	606	683	**840**

nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.
* For the ownership period from 23 November 2007 to 30 June 2008.

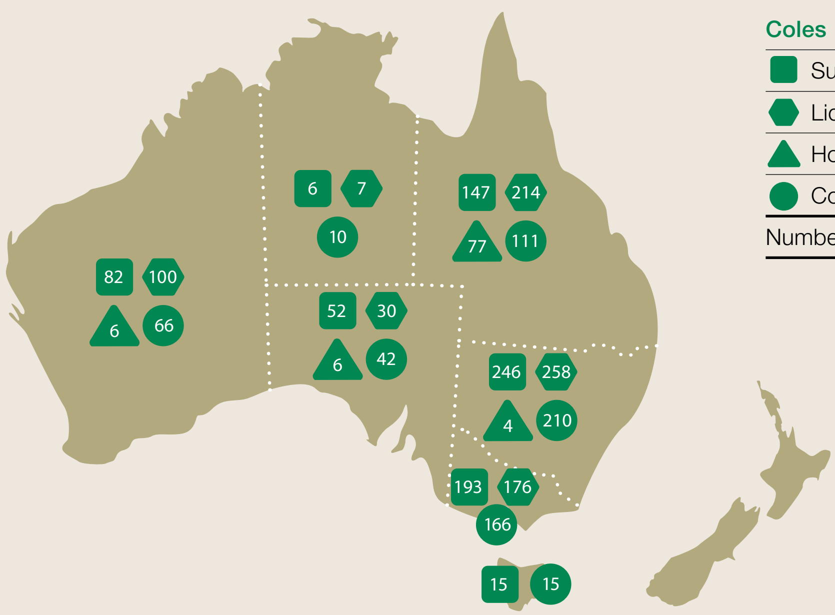
Revenue ($m)
$32,073

2011	32,073
2010	30,002
2009	28,799
2008*	16,876

EBIT ($m)
$1,166

2011	1,166
2010	962
2009	831
2008*	475

Business statistics



Coles

Supermarkets	741
Liquor stores	785
Hotels	93
Convenience stores	620
Number of team members	102,520

Coles continued to deliver better value to customers and build trust in the Coles brand.

Business websites

www.coles.com.au
www.colesonline.com.au
www.bilo.com.au
www.1stchoice.com.au
www.liquorland.com.au
www.liquorlanddirect.com.au
www.vintagecellars.com.au

Main image: Team member Jared Moore setting up signage at the 1st Choice Liquor Superstore in Tooronga, Victoria

The business expanded Coles Online shopping, which is now accessible to 85 per cent of Australia, including areas such as Alice Springs and Darwin. Coles also launched new products and services, including Coles Car Insurance and Home Insurance and Coles Mobile.

Coles continued to invest in its store network, adding 94 new format supermarkets, bringing the total number of new format stores to 144.

During the year, more than 25 Coles stores were affected by the Queensland floods and Cyclone Yasi – the worst affected of these were at Emerald, Fairfield and Ipswich. In June 2011, Coles Emerald and Fairfield were re-opened with the latest store design and a new store at Ipswich will be built in the coming year.

As part of improving on-shelf availability of stock, Coles' Easy Ordering system was implemented for all supermarkets, and store efficiency programs are streamlining stock replenishment and reducing stock loss.

BUSINESS SUSTAINABILITY

As part of managing our business responsibly, we continued to focus on ways to be more energy efficient. Coles' programs were aimed at reducing the energy consumed for refrigeration and lighting across its store network.

Together with Green Building Council of Australia, Coles worked to finalise a 'Greenstar' rating tool for future freehold supermarket developments. The first development to use the tool as a benchmark is our new store at Greenacre, New South Wales, which is under construction.

Coles is committed to sustainable agriculture, including best practice animal welfare practices, and works closely with all of our food and grocery suppliers to build long-term mutually beneficial relationships.

Coles announced a range of responsible sourcing initiatives in 2010/11, including a three year program with the WWF Australia, a leading authority on marine sustainability, to deliver sustainable seafood across Coles brands in fresh, frozen and canned fish.

Coles was also awarded a Good Egg Award from the RSPCA following a decision to phase out caged eggs by 2013.

Having a diverse and inclusive culture is a priority, and during the year Coles launched an Aboriginal and Torres Strait Islander Plan to be more representative of the communities it serves. Part of this plan is an indigenous employment program and cross-cultural awareness training which assists team members to better understand and respect Aboriginal culture.

The business continued to build safety leadership and raise safety awareness during the year. Close to 350,000 hours were invested in improving health and safety skills and knowledge through training. New methodology for calculating lost time due to injuries this year, and an increase in manual handling injuries at our supermarkets, led to a higher Lost Time Injury Frequency Rate of 16.98[1], up from 12.87 last year.

This year, Coles raised and contributed more than $22.3 million to community programs and emergency relief. Of this, $5.34 million was in aid of the Queensland Premier's Disaster Relief Appeal.

Another $7.1 million in sporting equipment was distributed to more than 7,600 schools across Australia as part of Sports for Schools and over 1.1 million kilograms of food was donated to people in need through Foodbank Australia, SecondBite and the Salvation Army.

OUTLOOK

In the coming year, the business will move into phase three of its turnaround plan where it will focus on 'Driving the Coles Difference' by creating a culture of continuous improvement; building strong customer trust and loyalty; delivering operational efficiency; innovating and improving its customer proposition; and delivering new stores with new categories.

1 Restated for a change in the LTIFR calculation to be consistent with the other divisions of Wesfarmers.

Home Improvement and Office Supplies

Bunnings and Officeworks are the leading retailers in home improvement and office supplies products in Australia.

Home Improvement: Bunnings

THE BUSINESS

Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand and a major supplier to project builders, commercial tradespeople and the housing industry.

Operating from a network of large warehouse stores, smaller format stores, trade centres and frame and truss manufacturing sites, Bunnings caters for consumer and commercial customers.

STRATEGY

Bunnings provides its customers with the widest range of home improvement and outdoor living products and is committed to delivering the best service and lowest prices every day. It sets out to attract high quality employees and to provide them with a safe and rewarding working environment.

Bunnings continues to expand and improve its store network through ongoing investment in existing outlets, innovative merchandising initiatives and new store openings. Bunnings has developed and continues to expand and enhance a network of trade centres to service major commercial customers.

RESULTS

Operating revenue from the Bunnings home improvement business increased by 5.7 per cent to $6.8 billion for the full year, with trading revenue increasing by 5.7 per cent. Earnings before interest and tax grew 10.2 per cent to $802 million.

Total store sales growth in Bunnings of 5.6 per cent was achieved during the year, with underlying store-on-store sales increasing by 3.0 per cent. Commercial sales were 5.1 per cent higher than in the comparative period.

Pleasing results were achieved in all Australian states and New Zealand, across all product ranges, driven by good execution of merchandising and operational strategies.

YEAR IN BRIEF

During the year 27 trading locations were opened: 11 warehouse stores, eight smaller format stores and eight trade centres. At year-end there were 194 warehouses, 59 smaller format stores and 36 trade centres operating across Australia and New Zealand. Investment in bringing current merchandising standards into older parts of the network continued, together with category-specific upgrade work across the whole network.

BUSINESS SUSTAINABILITY

During the year work continued towards long-term carbon footprint reduction initiatives to reduce energy usage and waste and to help educate our customers and team on sustainable living choices. Our carbon footprint increased by only 5.0 per cent, compared to net site growth of 6.0 per cent, with further reductions in carbon intensity planned. Water consumption remained a priority, with rainwater tanks continuing to be rolled out in new warehouse stores, and hand watering in selected nurseries. Water consumption remained at the same level as in the prior year.

Over the year, Bunnings supported more than 42,000 community activities through community group sausage sizzles, hands on do-it-yourself projects and renovations, local fundraising activities, community workshops and other activities. Support included in excess of 104,000 hours of team member support for activities and projects, product contributions and financial assistance. This involvement helped raise and contribute more than $26 million to local, regional and national charities and community organisations across Australia and New Zealand.

John Gillam Managing Director, Home Improvement and Office Supplies with team member Vania Ferreria at the Bunnings Warehouse in Caroline Springs, Victoria

GROWTH STRATEGIES

Home Improvement

Profitable sales growth: Key growth drivers are stronger customer service, enhancing the offer, investing in and expanding the network, and further developing a multi-channel commercial offer

Better stock flow and profitability: Improving the end-to-end supply chain

Stronger team engagement and development: Continue strong investments in product knowledge, investment and safety

Improving productivity and execution: Reduce the cost of doing business through systems development and other business improvement and productivity projects

Sustainability: Ongoing commitment to store-based community involvement work, reducing water and energy consumption and wastage, plus improved affordability of sustainability projects for customers

Office Supplies

Improve the customer offer: Develop new services, categories and ranges; more merchandising initiatives; and capitalise on emerging trends and technologies

Improve customer service: Listen to, learn from and act on customer feedback; build stronger customer relationships; more product knowledge training

Team development and engagement: Continue to focus on improving safety and delivering team programs that support and enhance the business strategy and underlying culture

Reduce costs and complexity: Rebuild an efficient and cost effective supply chain; reduce shrinkage; and continue to work on removing costs, duplication and complexity

Drive sales and profitability: Lift product range authority; expand and refresh the store network; improve stock management; and look after business customers better

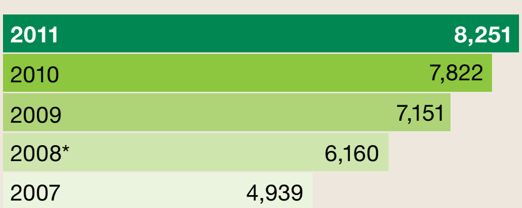
Bunnings caters for do-it-yourself customers, as well as builders and contractors, and provides the widest range of home improvement and outdoor living products at the lowest everyday prices.

Key financial indicators

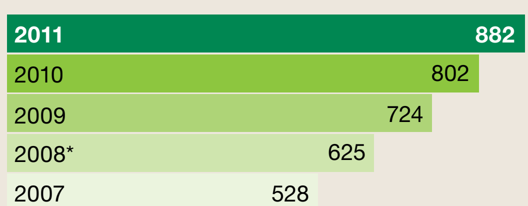
For the year ended 30 June	2007	2008*	2009	2010	2011
Revenue ($m)	4,939	6,160	7,151	7,822	**8,251**
Earnings before interest and tax ($m)	528	625	724	802	**882**
Capital employed (R12) – Home Improvement ($m)	1,879	1,925	2,185	2,398	**2,863**
Return on capital employed – Home Improvement (%)	28.1	31.2	30.2	30.4	**28.0**
Capital employed (R12) – Officeworks ($m)	nm	1,080	1,145	1,178	**1,195**
Return on capital employed – Officeworks (%)	nm	nm	5.7	6.3	**6.7**
Capital expenditure ($m)	196	302	378	446	**613**

nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.
* Officeworks' contribution for the ownership period from 23 November 2007 to 30 June 2008.

Revenue ($m)
$8,251



EBIT ($m)
$882



Disappointingly, safety performance did not improve during the year. The rolling 12 month All Injuries Frequency Rate increased marginally from 35.9 to 36.4. Safety receives a very high profile in the business through the B.S.A.F.E. program, and efforts will be increased in the 2012 financial year to achieve better safety outcomes.

OUTLOOK

The business is well positioned for continued sales growth in an increasingly competitive environment. The focus in the business remains on five growth drivers: service; category expansion and enhanced merchandising; network expansion and reinvestment; light and heavy commercial markets and the investment of productivity gains in lower prices to drive volume.

Business websites

www.bunnings.com.au

www.bunnings.co.nz

Office Supplies: Officeworks

THE BUSINESS

Officeworks is Australia's leading retailer and supplier of office products and solutions for home, business and education. Operating through an Australia-wide network of stores plus the www.officeworks.com.au website and customer service centre, Officeworks has a broad range of customers, including small-to-medium businesses, large corporates, students, teachers, education institutions and everyday personal shoppers.

The Office Supplies portfolio also includes Harris Technology, which caters predominantly for small-to-medium businesses and early adopter technology customers. Given Officeworks' focus on expanding its technology and technical services offer to business customers, the decision has been made to integrate the two businesses, which will occur as soon as practical.

STRATEGY

Officeworks aims to provide customers with the widest range of products and great service at the lowest price while providing a safe, rewarding and engaging place of work for all team members. Officeworks continues to grow and develop the business by improving the customer offer, opening more stores, refurbishing existing stores, and enhancing its website and customer service centre operations.

RESULTS

Operating revenue for the office supplies businesses was $1.5 billion for the full year, which was 4.4 per cent higher than in the previous year. Earnings before interest and tax grew 8.1 per cent to $80 million. Headline sales growth across the Officeworks store network for the year was 5.2 per cent, which was underpinned by strong transaction growth. The Officeworks business channel continued to gain traction with customers.

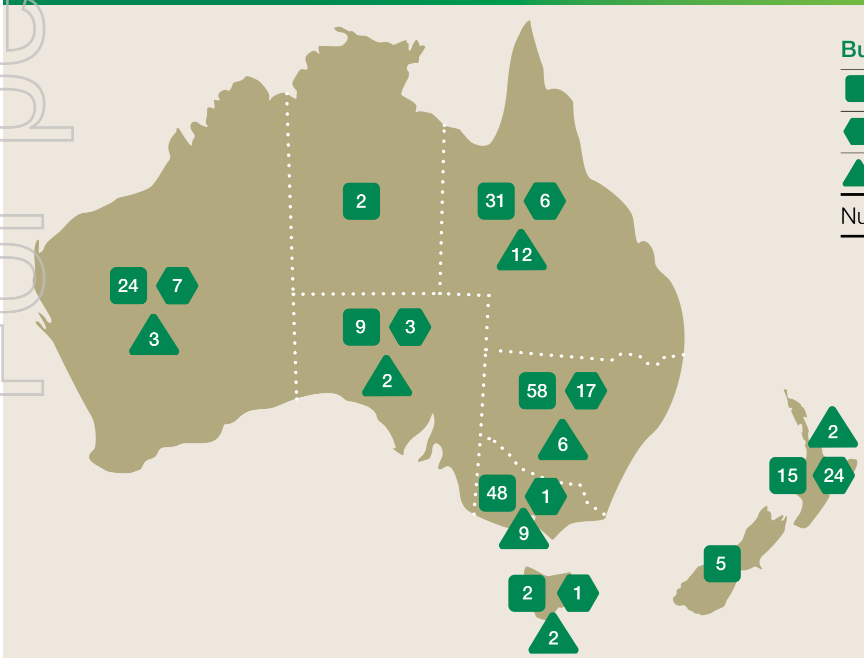
Harris Technology sales were adversely affected by a lack of confidence amongst its core customer base of small-to-medium sized businesses.

YEAR IN BRIEF

New products and services were added to the range, while the Officeworks website was further enhanced. The ongoing focus on improving customer service remained at the forefront of the agenda with a range of different initiatives rolled out.

During the year, 10 new Officeworks stores were opened and six Officeworks stores were fully upgraded. At year-end, there were 135 Officeworks stores and four Harris Technology business centres operating across the country. The primary focus remains on reinvigorating the business through a range of inter-linked strategic initiatives. Investment to further enhance the customer offer while expanding and renewing the store network will continue, as will work to lower costs and remove operational complexity. Growing the business-to-business offer will remain an area of focus while an ongoing investment in the Officeworks team will underpin all strategic initiatives.

Business statistics – Bunnings



Bunnings	
Warehouses	194
Smaller format stores	59
Trade centres	36
Number of team members	31,370

BUSINESS SUSTAINABILITY

Officeworks' commitment to social responsibility evolved further throughout the year. Contributions to the wellbeing of the communities in which we operate were made via initiatives such as Blue September and the introduction of the Helping Kids Grow reusable jute bags, with part of the proceeds going to the Australian Literacy and Numeracy Foundation. Fundraising for the Queensland Premier's Disaster Relief Appeal and numerous other national and local activities saw Officeworks contribute more than $1.3 million across the course of the year. Partnerships with Cartridges for Planet Ark and Mobile Muster resulted in over 110 tonnes and 700 kilograms, respectively, of waste diverted from landfill. Solar powered car park lighting has been trialled throughout the year, while the rollout of rainwater tanks continued. Power factor correction devices are now standard in all new stores.

The All Injury Frequency Rate for the period reduced from 47.2 to 36.2. The StaySafe program introduced in February 2009 operated in conjunction with the StayHealthy program to ensure that the health and wellbeing of Officeworks team members remained a priority.

OUTLOOK

Given the challenging economic and competitive landscape, moderate sales growth is expected throughout the 2012 financial year. Pressure on sales and margin is expected to continue. The focus on executing the strategic agenda will continue by improving the customer offer, expanding and upgrading the network, and reducing operational complexity and the cost of doing business.

The ongoing focus on improving customer service remained at the forefront of the agenda.

Business websites

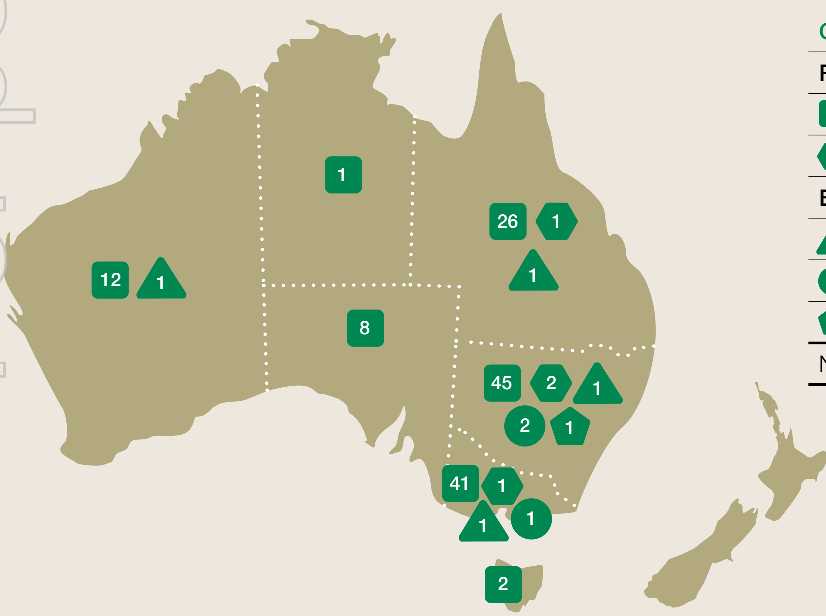
www.officeworks.com.au

www.ht.com.au

Far left image: Team member Jodie Zerafa in the paint department at the Bunnings Warehouse in Caroline Springs, Victoria

Above: Team member Zac Anthony at Officeworks in Fitzroy, Victoria

Business statistics – Officeworks



Officeworks and Harris Technology

Retail Stores	
Officeworks	135
Harris Technology	4
Business	
Fulfilment centres	4
Service centres	3
Print Hub	1
Number of team members	5,737

Target

Target posted a solid EBIT margin in a challenging trading period, with increased units sold compared to the prior year combined with tight management of expenses.

THE BUSINESS

Target is a mid-market retailer, appealing to a broad section of the Australian community across 291 Target and Target Country stores.

Target's core product ranges include ladieswear, intimate apparel, menswear, childrenswear and nursery, accessories and footwear, soft homewares, electrical, toys and other general merchandise.

The majority of clothing is Target branded, with national brands and licenses used to complement the Target range. Wherever possible Target seeks exclusive licenses and develops its own unique product to differentiate itself in the market.

The division employs 24,093 people and its stores can be found in metropolitan and regional areas in every state and territory. The stores range in size from Target branded selling floor areas of 2,200 to 8,800 square metre stores to Target Country branded selling floor areas of 300 to 1,700 square metre stores.

Target stores are typically located in suburban and large regional shopping centres. Target Country stores are located in rural and regional communities, offering a smaller range of Target merchandise with a focus on clothing for the family and soft homewares.

STRATEGY

Target's aim is to provide customers with a differentiated shopping experience that is easy and convenient, and a product offer that is great style, great quality and great value, all delivered with a great shopping experience.

There is continued focus on reinvesting in price to provide the customer with increased value without compromising quality.

Through the increased use of in-house design and development capabilities, Target will strengthen its position as a leading customer destination for fashionable clothing and homewares. This will be further embedded into everyday practice, and will enable the business to have greater control and improve speed to market in the development of new and differentiated product.

This disciplined approach extends to buying merchandise for the space available, improving the ability to flow product as customers want to buy it, resulting in better in-store presentation and stock handling efficiencies for stores and ultimately customers.

Increasing the store footprint and investing in the existing store network is still a key priority for the business, as it underpins the focus on providing an easy and convenient shopping experience. In addition, the business continues to expand its online retail offering and will further explore other alternate ways of servicing and communicating to customers with the increased use of technology.

RESULTS

Operating revenue for Target was $3.8 billion, with comparable store sales declining 1.2 per cent[1]. Earnings before interest and tax (EBIT) were $280 million, with an EBIT margin of 7.4 per cent.

In a challenging and highly competitive environment, Target's margin came under pressure as the market contracted and the prices of many items were affected by deflation. Margin was also lost as inventories were managed and cleared to ensure that the product offer remained fresh and relevant to the customer. Tight management of expenses could not offset this decline in revenue.

1 For the 52 week period 27 June 2010 to 25 June 2011.

Launa Inman Managing Director, Target with team member Fatima Kaya at the Target store in Chadstone, Victoria

GROWTH STRATEGIES

Profitable sales growth:

- Continue investment in the store portfolio with new stores and refurbishments
- Continue to explore alternative ways of communicating to customers with increased use of digital technology
- Launch of the first new store format, Urban by Target (South Yarra, Victoria), with additional locations planned

Product leader:

- Ongoing refinement of product presentation in stores and delivery of product to market
- Continue focus on core customer destination categories, supported by new and differentiated product development and speed to market improvements

In-store environment:

- Disciplined in-store presentation for ease of customer shopping

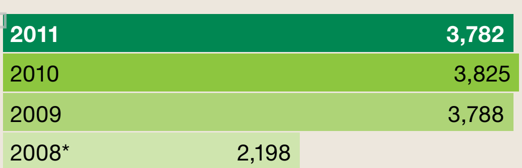
Target aims to offer customers a differentiated shopping experience that is easy and convenient.

Key financial indicators

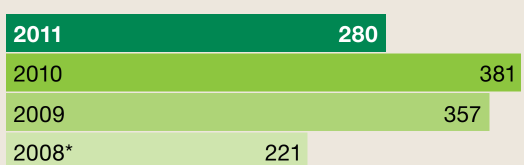
For the year ended 30 June	2008*	2009	2010	2011
Revenue ($m)	2,198	3,788	3,825	**3,782**
Earnings before interest and tax ($m)	221	357	381	**280**
Capital employed (R12) ($m)	3,352	3,441	3,264	**3,359**
Return on capital employed (%)	nm	10.4	11.7	**8.3**
Capital expenditure ($m)	60	91	91	**95**

nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.
* For the ownership period from 23 November 2007 to 30 June 2008.

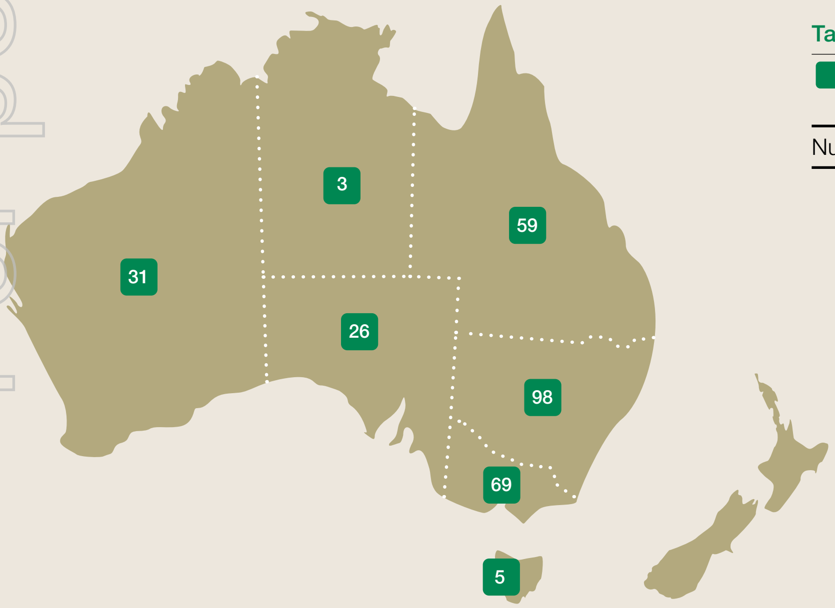
Revenue ($m)
$3,782



EBIT ($m)
$280



Business statistics



Target

Target stores (Includes 119 Target Country)	291
Number of team members	24,093

There is continued focus on reinvesting in price to provide the customer with increased value without compromising quality.

Business websites

www.target.com.au

Main image: Team member Cimmone Fuller dressing mannequins at the Target store in Chadstone, Victoria

Higher sales volumes were noted in the entry and medium price points, with inventory increased in these areas to meet this demand. Overall, the retail environment was challenging, with cautious customers shopping for value and requiring incentive to spend.

Sales in homewares and intimate apparel delivered positive growth for the year, as the customer responded positively to the quality and value of the homewares offering, and the expanded range of intimate apparel. Target's core destination departments for children – childrenswear and baby-related products – also had positive growth for the year, while ladieswear had a marginal decrease. Sales of electrical items declined compared to the previous year, with a significant decline in demand for videos, DVDs and interactive toys.

YEAR IN BRIEF

During the past year, three stores were opened (including two replacement stores). At the year-end, there were 172 full line Target stores and 119 Target Country stores.

Continued investment in the existing store network resulted in 65 store refurbishments, with a focus on Target Country stores. During the year, improved design layouts in Target stores, in response to customer feedback, included a new beauty area, Baby Shop and Cook Shop.

Consumers continued to be cautious, requiring significant incentive to spend, with value a key priority and higher sales volumes in entry and medium price points evident. In response, inventory was increased in these categories to meet this demand with no compromise in the quality of the product.

The product design and development capabilities continue to be embedded into everyday practice and will ensure Target's continued differentiation in the market.

BUSINESS SUSTAINABILITY

Sustainability remained a key priority at Target with a strong focus on advancing our team member safety and training, reviewing our environmental impact, and working closely with our key community partners.

During the year, we continued our commitment to providing and maintaining a safe and healthy environment for all team members, contractors, customers and visitors. We introduced a new training package for management team members, highlighting the importance of leadership in safety and continued to implement new equipment and modifications to reduce exposure to manual handling risks. This commitment led to a reduction in workplace incidents, reducing our Lost Time Injury Frequency Rate from 7.97 to 6.96.

We achieved a high response rate to our ongoing team survey with 87.4 per cent or 20,869 team members providing feedback on the level of team member engagement in the business.

A key highlight for the year was achieved in October 2010 when we reached $1 million raised for The Alannah and Madeline Foundation's Buddy Bags Program.

In the area of environmental performance, we continued to achieve success in reducing excess packaging from key merchandise areas. For example, by suppliers excluding cardboard inserts from slippers, we removed 15.8 tonnes of excess packaging, with further savings to be gained by other departments. Based on results from an energy efficiency trial, we identified an opportunity to reduce our energy consumption in stores by changing the temperature setting on the selling floor.

OUTLOOK

The challenging and competitive trading environment is expected to continue into the 2012 financial year.

Alternative customer offerings will continue to be explored, as the online range is expanded and the use of social media to communicate to customers increases.

Continued investment in the network is planned, with approximately 10 (net) new stores and 25 to 30 refurbishments in the 2012 financial year, including the opening of a new store format, Urban by Target.

Kmart

Following three years of change, Kmart is now offering all products at consistently low prices across the store, every day.

THE BUSINESS

Established more than 40 years ago, Kmart is one of Australia's largest discount department store retailers with 187 stores throughout Australia and New Zealand, product sourcing offices in Hong Kong, China, Bangladesh and India and 25,452 team members.

Key categories for Kmart include menswear, womenswear, childrenswear, beauty, footwear, toys and sporting, events and food, entertainment, newsagency and home.

Kmart Tyre & Auto Service is one of Australia's largest retail automotive service, repair and tyre businesses with 251 centres and is Australia's largest employer of mechanics and apprentice mechanics with a team of 1,410 people.

STRATEGY

This year, Kmart repositioned its offer by moving away from a high/low pricing model with excessive discounting; it has improved its supply chain; reduced administration costs; and increased research on key customers.

Customers were invited back into Kmart to see how the business has improved its stores and to experience team members who are focused on fast and friendly service.

This strategy has proven to be successful with the direction in the latter half of the year mainly targeted at getting ready to promote the 'new' Kmart to customers: A retailer that now offers the lowest prices possible on everyday items, every day of the year.

Another achievement in the past 12 months is the establishment of Kmart Australia Sourcing based in Hong Kong. The team is working hard to find the best suppliers from around the world who can deliver the volume and prices the business demands to ensure that customers can buy what they want, when they want it, at the lowest possible price.

RESULTS

Kmart's operating revenue for the year was $4.0 billion with underlying earnings before interest and tax of $201 million[1].

Comparable store sales growth for the year increased 0.3 per cent[2], with the business being reset from a promotional model to an everyday low price one.

While customer transactions and volumes continued to grow year on year, with customers responding to Kmart's everyday low price offer, this was offset by our reduced prices, which delivered modest top line growth.

During the year apparel, toys and home categories performed well. Selected hard goods categories declined due to a combination of maturing categories (such as music) and categories that traditionally performed well during promotions and heavy discounts.

BUSINESS SUSTAINABILITY

Reducing the number of injuries in all sites remains a key focus. Safety improvements introduced include providing improved materials handling equipment, new storage racks in selected stores and boom gates and safety rails to reduce the risk of falls from loading docks.

1 Excludes $3 million earnings related to Coles Group Asia overseas sourcing operations.

2 For the 52 week period 28 June 2010 to 26 June 2011.

Guy Russo Managing Director, Kmart with team member Caitlin Loyer at the Knox City Kmart store, Victoria

GROWTH STRATEGIES

Kmart is a low price retailer where families come first for the lowest prices on everyday items.

Customers are the number one focus, along with products, price, promotion, people, place (where we operate) and profit.

Kmart team members are focused on fast and friendly service.

Key financial indicators

For the year ended 30 June	2008*	2009	2010	2011
Revenue ($m)	2,454	3,998	4,019	**4,036**
Earnings before interest and tax ($m)Δ	111	109	196	**204**
Capital employed (R12) ($m)	996	1,038	873	**856**
Return on capital employed (%)	nm	10.5	22.5	**23.8**
Capital expenditure ($m)	41	63	79	**101**

nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.
* For the ownership period from 23 November 2007 to 30 June 2008.
Δ 2011 includes $3 million earnings related to Coles Group Asia overseas sourcing operations (2010: $6 million).

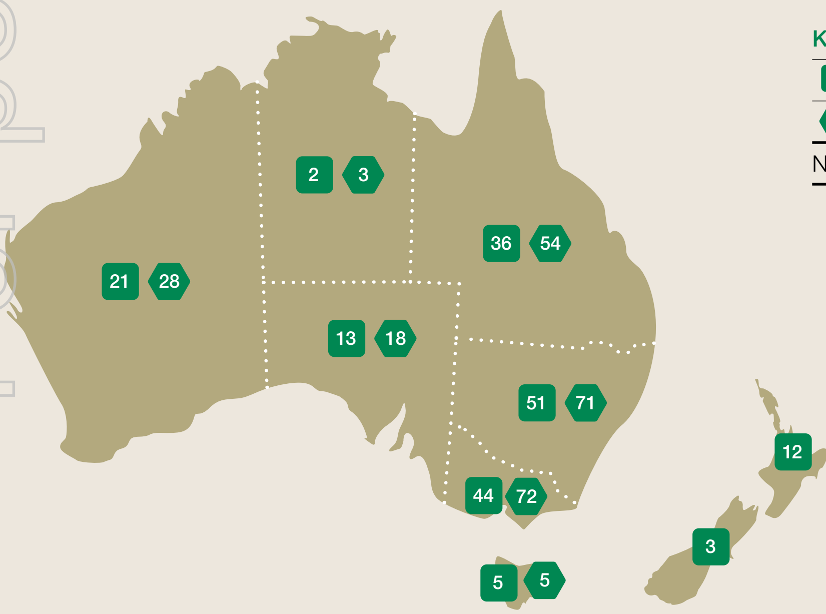
Revenue ($m)
$4,036

2011	**4,036**
2010	4,019
2009	3,998
2008*	2,454

EBIT ($m)
$204Δ

2011Δ	**204**
2010Δ	196
2009	109
2008*	111

Business statistics



Kmart

Kmart stores	187
Kmart Tyre & Auto Service centres	251
Number of team members	25,452

A range of initiatives has been identified to reduce energy use.

Business websites

www.kmart.com.au

www.kmart.co.nz

www.ktas.com.au

The aim for this past year was to reduce lost time injuries by 50 per cent. Unfortunately this target was not met with the business recording 167 lost time injuries for the year. This resulted in a 29 per cent reduction on the previous year.

The main focus areas from an environmental perspective have been reducing the amount of energy used and ensuring packaging is cost effective and meets the requirements of the Australian Packaging Covenant.

Significant improvements to the packaging of products have been made throughout the year. Some key highlights include:

- removing backing cards from kitchen utensils and bath mats, replacing them with a small sticker
- changing the way Kmart's Homemaker-branded kettle is packed to reduce packaging by 25 per cent
- moving from blister packs for power leads, power boards and audiovisual accessories to cardboard packaging or shelf-ready packaging
- removing the stuffing from footwear

A range of initiatives has been identified to reduce energy use including using natural light and natural ventilation, introducing more energy efficient lighting and being able to centrally control when and where energy is used. These initiatives will soon be trialled in selected stores. Initiatives to reduce water consumption and energy use have been incorporated in Kmart's New South Wales and Victorian distribution centres.

Reusable shopping bags are now made using 100 per cent recycled material.

Support for the annual Kmart Wishing Tree Appeal has increased, collecting more than 464,000 gifts, $295,000 in cash donations and $100,000 from the sale of Wishing Tree-branded merchandise.

Over 7,800 primary school students entered the 2010 Kmart's Art of Giving competition. To highlight the generosity of people willing to help others in need, the 2011 competition focuses on 'why helping others is important'.

More than $400,000 has been raised through Kmart's Coin Collection Program which supports the work of charities including Variety, the Children's Charity, TLC for kids and various local community groups. In addition, the business continues to support hundreds of schools, kindergartens and community groups through the provision of Kmart gift cards or products.

A comprehensive review of the business' Ethical Sourcing Program is being undertaken. Working closely with the Target team to ensure that both business programs are aligned, the updated program is due to be rolled out by the end of the 2011 calendar year.

Kmart continues to focus its attention on sustainable purchasing which includes sourcing ethically, supplier collaboration, meeting compliance standards, reputation management and process and reporting system improvements.

OUTLOOK

As Kmart continues its turnaround, delivery of low prices and value to families on everyday items has become embedded in its business operations. Customers have continued to respond to the 'new Kmart', with pleasing growth in customer transactions and volumes. The ongoing focus during the 2012 financial year is on connecting more customers with the 'new Kmart'.

Opportunity remains in having the right product across the entire store that connects with the customer, and operating as efficiently as possible, from sourcing to the shop floor.

While the business continues to be cautious about the short-term trading environment, further work to source product at lowest cost, and a focus on reducing the cost of doing business, remains a high priority for the business.

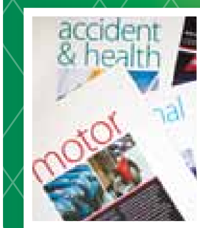
One new Kmart store and six Kmart Tyre & Auto Service stores are planned to open in the 2012 financial year.

Main image: Team member Bridget Mace at the Kmart store in Innaloo, Western Australia

Industrial and other businesses

Wesfarmers' industrial and insurance operations were resilient in challenging environments.

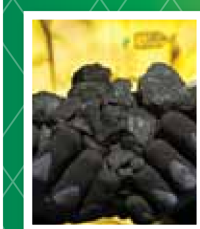
The industrial and insurance operations continue to provide growth opportunities.



Insurance

Providing insurance underwriting and broking operations across Australia, New Zealand and the United Kingdom.

PAGE 36



Resources

A significant Australian open-cut coal miner with operations in three states.

PAGE 40

Chemicals, Energy and Fertilisers

Operates chemical, gas and fertiliser businesses, servicing customers domestically and internationally.

PAGE 44

Industrial and Safety

A leading provider of industrial and safety products and services through nine businesses in Australia and New Zealand.

PAGE 48

Insurance

Wesfarmers Insurance provides insurance and risk management solutions to corporates, small-to-medium sized businesses, not-for-profit organisations and individuals across Australia, New Zealand and the United Kingdom.

THE BUSINESS

The insurance underwriting operations include WFI, Lumley Australia and Lumley New Zealand. The insurance broking operations are OAMPS Australia, OAMPS UK and Crombie Lockwood in New Zealand.

STRATEGY

The underwriting operations serve both direct and intermediary distribution channels. WFI distributes its insurance products and services directly to clients through a national network in rural and regional Australia, while the Australian and New Zealand Lumley operations focus on sales through brokers and other intermediaries with specialisation in the fleet and commercial motor, property and liability, engineering and marine sectors. Wesfarmers Insurance also provides personal motor and home insurance through retailers and other intermediaries such as Coles and Kmart Tyre & Auto Service and Westpac in New Zealand.

The broking businesses operate throughout Australia, New Zealand and the United Kingdom and service all aspects of clients' insurance and risk management needs. OAMPS and Crombie Lockwood are recognised as leaders in their respective markets, particularly to small and medium sized businesses and industry groups.

All activities are underpinned by the requirement to achieve satisfactory returns to shareholders in line with Wesfarmers' objective.

RESULTS

Wesfarmers Insurance earnings before interest, tax and amortisation (EBITA) declined to $30 million, compared with $131 million for the previous year, a decrease of 77.1 per cent. Operating revenue of $1.7 billion was an increase of 2.4 per cent.

The combined operating ratio for underwriting was 109.3 per cent and the EBITA margin for the broking businesses was 27.5 per cent.

Earnings before interest and tax for the year were $20 million. This included amortisation of intangibles of $10 million.

The decline in earnings was driven by the unprecedented number of catastrophe events in Australia and New Zealand. Event claims and reinsurance reinstatement costs exceeded allowances by $110 million. The impact of the unprecedented event claims has resulted in higher reinsurance costs for the 2012 financial year.

YEAR IN BRIEF

The unprecedented number of natural disasters in Australia and New Zealand has been extremely challenging for the insurance industry and has resulted in a record number of claims. The response by the teams across Wesfarmers Insurance to clients and business partners has been encouraging and a strong endorsement of the claims capabilities across the businesses.

Despite the difficult year, the underlying underwriting performance improved on the prior year. Further, broking operations generated growth in revenues and earnings.

Lumley's operations in Australia and New Zealand both delivered a below budget result primarily attributable to the net event claims and reinsurance reinstatement costs arising from the catastrophe events in Australia, including the floods in Queensland and Victoria and Cyclone Yasi, and the Christchurch earthquakes in New Zealand. The distribution of home and motor insurance through Coles continues to deliver sales ahead of expectations.

WFI was significantly affected by the catastrophe events in Australia with proportionately higher losses affecting rural and regional areas. WFI did, however, deliver strong growth in gross written premium with a high level of renewal business.

Rob Scott Managing Director, Wesfarmers Insurance with team member at the Rhodes Claims Centre, New South Wales

GROWTH STRATEGIES

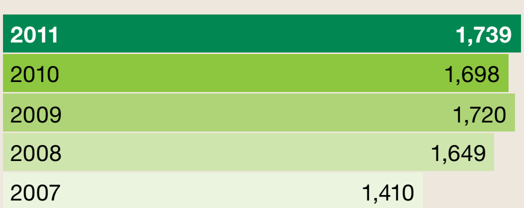
- **Improve and grow underwriting margin**
- **Sales growth in broking**
- **Focus on customer needs**
- **Further develop capabilities in personal lines**
- **Building the best team**
- **Leverage scale and capabilities**

In Australia, the underwriting operations serve both direct and intermediary distribution channels.

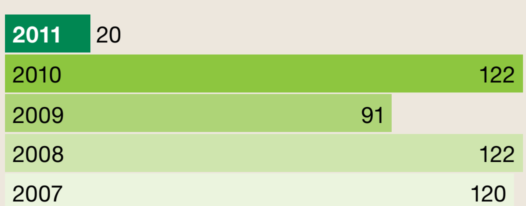
Key financial indicators

For the year ended 30 June	2007	2008	2009	2010	2011
Revenue ($m)	1,410	1,649	1,720	1,698	**1,739**
Earnings before interest and tax ($m)	120	122	91	122	**20**
Earnings before interest and tax and amortisation ($m)	130	135	103	131	**30**
Capital employed (R12) ($m)	764	1,146	1,337	1,343	**1,260**
Return on capital employed (%)	15.8	11.5	6.8	9.1	**1.6**
Capital expenditure ($m)	15	18	26	26	**47**

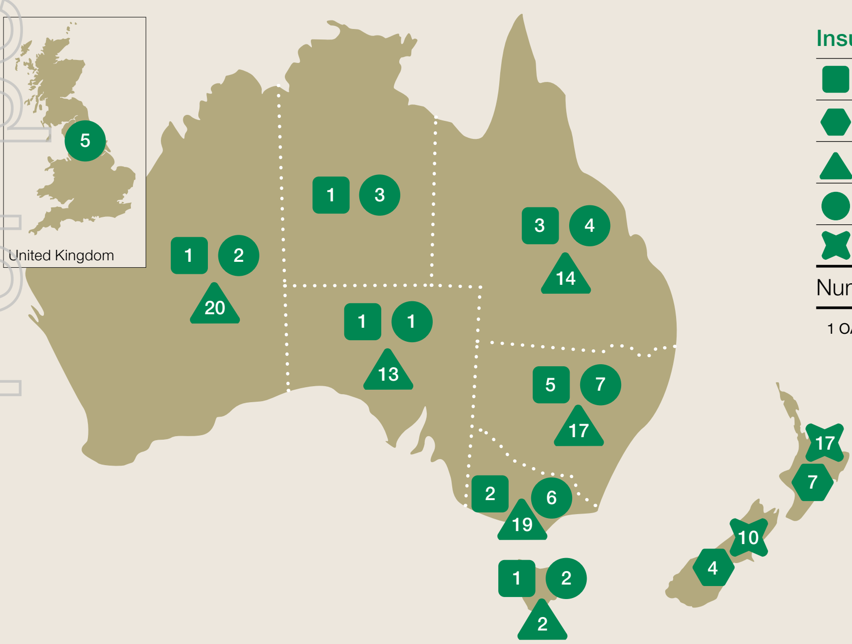
Revenue ($m)
$1,739



EBIT ($m)
$20



Business statistics



Insurance

Lumley Insurance Australia	14
Lumley General New Zealand	11
WFI	85
OAMPS[1]	31
Crombie Lockwood	27
Number of team members	3,684

1 OAMPS New Caledonia location not shown.

The business focused on several growth strategies and achieved important milestones this year.

Business websites

www.wesfarmersinsurance.com.au
www.wfi.com.au
www.lumley.com.au
www.lumley.co.nz
www.oamps.com.au
www.crombielockwood.co.nz
www.oamps.co.uk

Main image: Steve Van Leeuwen, Branch Manager OAMPS Parramatta, New South Wales, with Penrith Panthers client

Above: Claims Assist Adviser, Vanessa Burton

Insurance broking revenues and earnings were higher than those of the previous year, despite adverse currency movements. Premium funding also delivered a strong performance due to growth in client numbers and improved operating margins.

Crombie Lockwood continued to strengthen its position in the New Zealand corporate market and achieved solid revenue and earnings growth. The acquisition of FMR Risk in April 2011 has provided greater scale and capabilities, particularly in the corporate market.

OAMPS Australia reported strong growth in earnings driven by higher fee and commission income, increased revenue from premium funding and the realisation of cost efficiencies. New client wins during the final quarter also contributed to the positive result.

OAMPS UK increased fee and commission income in local currency but this was offset by higher employee costs associated with the expansion of the London markets team and an increase in operating costs associated with investment in improved capabilities. This investment is expected to generate increased earnings in the 2012 financial year.

The business focused on several growth strategies and achieved important milestones this year, most notably:

- the national rollout of a personal insurance offering distributed through Coles and Kmart Tyre & Auto Service with online transaction capabilities
- continued expansion of Lumley Australia's 'my.place' products to the broker market with strong new business growth
- the acquisition of FMR Risk in New Zealand – Crombie Lockwood is now the leading broker in New Zealand
- continued improvement in underlying underwriting performance in Australia and New Zealand
- improved sales effectiveness and investment in corporate capabilities for OAMPS Australia
- strong growth from premium funding including OAMPS' Monument facility.

BUSINESS SUSTAINABILITY

Our business sustainability depends primarily on the skills, commitment and behaviour of our employees. We continue to focus our efforts on attracting, retaining and developing the best industry talent and have undertaken key initiatives to ensure we keep improving our organisational capability.

During the last 12 months we have invested in our leadership and culture. We have continued to improve our management and governance processes, structures and policies to help ensure compliance with regulations. Strategy and risk oversight remain core functions of our leadership team.

The responsiveness of our teams to the record number of claims experienced from the recent natural disasters in Australia and New Zealand was a key focus over the past year. Our investment in claims capabilities and ongoing training and development is fundamental to delivering to our clients in their time of need.

We worked with the Insurance Council of Australia on a range of matters affecting the industry and the future of insurance in Australia. We also contributed to local communities where our businesses operate through our ongoing community support program.

OUTLOOK

In the absence of significant catastrophe events, the Insurance division is expected to generate higher earnings in the 2012 financial year. The impact of higher reinsurance costs from 1 July 2011 will, however, place pressure on underwriting margins. The division will continue to focus on enhancing underwriting capabilities and pricing in order to drive improvement in underlying performance. The underwriting operations will benefit from investments in capability and expected further growth in premium from electronic distribution of commercial lines, corporate commercial business and capitalising on the strong consumer response to the retail personal lines initiatives with Coles and Kmart Tyre & Auto Service. The broking businesses will focus on business improvements, organic growth, and selective bolt-on acquisitions across Australia, New Zealand and the United Kingdom.

Resources

Stronger export coal prices saw earnings increase 123.6 per cent on the previous year, notwithstanding the impact on production at the Curragh mine from major flooding in central Queensland. Export capacity expansions are proceeding at both the Curragh and Bengalla mines.

THE BUSINESS

Wesfarmers Resources is a significant Australian open-cut miner, with operations spanning three coal mines.

The division's operations comprise the Curragh mine in Queensland's Bowen Basin (metallurgical and steaming coal for export and domestic markets), the Premier Coal mine at Collie in Western Australia's south-west (steaming coal for domestic markets) and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales (steaming coal for both export and domestic markets).

STRATEGY

Wesfarmers Resources' vision is to be a high performance resource company delivering shareholder value through initiative, innovation and growth.

The division seeks to achieve this on a sustainable basis through: excellence in mining operations and customer relationships; the safety and development of our people; making a positive contribution to the communities in which the division operates; the pursuit of growth in shareholder value through expansion of existing mines; and, subject to appropriate opportunities, expansion of the division's portfolio through acquisition of additional mines and/or development of greenfields projects.

RESULTS

Revenue of $1.8 billion for the year was 25.6 per cent above the $1.4 billion recorded in the preceding year. Earnings before interest and tax of $369 million were 123.6 per cent higher than the $165 million earned last year.

Higher export prices from both the Curragh and Bengalla mines were the major factor in the improved result, notwithstanding the significant impact of major flooding in central Queensland and subsequent groundwater inflows to mining areas at Curragh which constrained metallurgical coal exports to 5.3 million tonnes for the year. (The previous year's results had also been affected by $85 million of locked-in foreign exchange losses dating back to late 2008, all of which were discharged before the commencement of the 2011 financial year.)

Curragh's Stanwell royalty cost (paid to the Queensland Government-owned Stanwell Corporation) was $113 million. Additionally, the division paid ordinary government royalties in Queensland, New South Wales and Western Australia totalling $116 million for the year.

Stewart Butel Managing Director, Wesfarmers Resources (right) with Laurie Morris at the Curragh mine in Blackwater, Queensland

GROWTH STRATEGIES

Mine expansions

Curragh: A decision was taken in November 2009 to invest $286 million to expand the Curragh mine to 8.0 – 8.5 million tonnes annual export capacity; expansion is now underway and due for completion in early 2012. A feasibility study with respect to a further expansion of Curragh to 10 million tonnes annual export capacity has commenced.

Bengalla: A decision was taken in November 2010 to invest $56 million (Wesfarmers' 40 per cent share) in expansion of the Bengalla mine to 9.3 million tonnes annual Run of Mine capacity, with that expansion also expected to be complete in early 2012. A feasibility study for further expansion of Bengalla to 10.7 million tonnes Run of Mine capacity has commenced.

Business optimisation: Continuous improvement of operations including safety, sustainable cost control and marketing.

Increase export sales: Maximise metallurgical coal export sales from the Curragh mine through efficiencies and market growth.

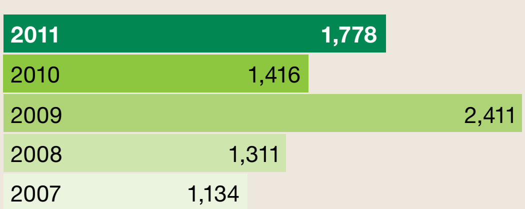
Portfolio growth: Evaluation of acquisitions and other 'step-out' opportunities – as an established large-scale Australian open-cut miner, this includes coal, other carbon-steel raw materials and energy.

Wesfarmers Resources aims to maximise metallurgical coal export sales from the Curragh mine through efficiencies and market growth.

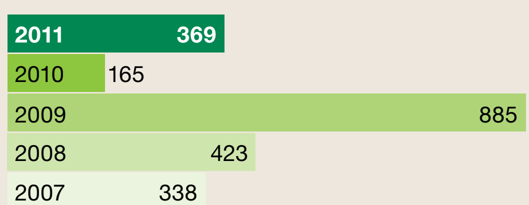
Key financial indicators

For the year ended 30 June	2007	2008	2009	2010	2011
Revenue ($m)	1,134	1,311	2,411	1,416	**1,778**
Earnings before interest and tax ($m)	338	423	885	165	**369**
Capital employed (R12) ($m)	870	984	1,075	1,146	**1,293**
Return on capital employed (%)	38.8	43.0	82.4	14.4	**28.5**
Capital expenditure ($m)	178	146	252	228	**372**

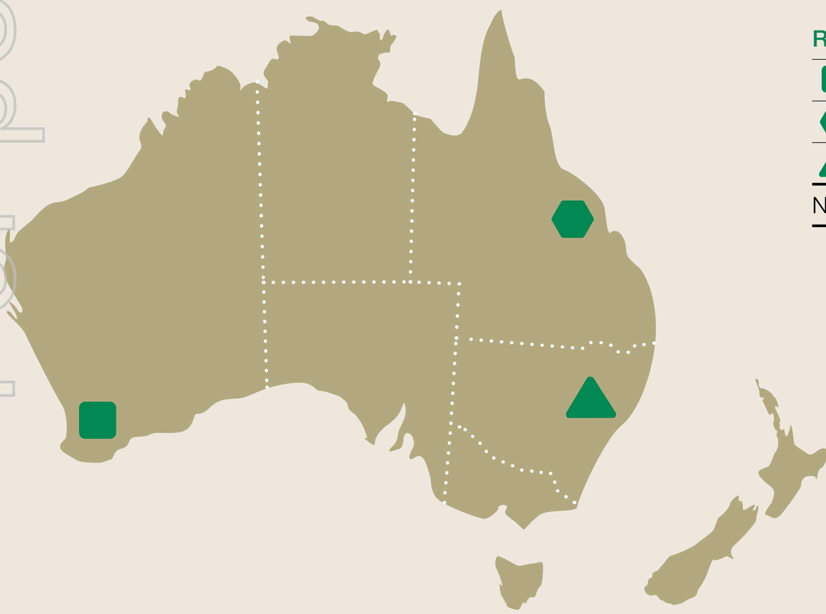
Revenue ($m)
$1,778



EBIT ($m)
$369



Business statistics



Resources	
Premier Coal	
Curragh	
Bengalla (40%)	
Number of team members	809

Earnings are expected to benefit in the coming financial year from increased production as flood rectification and recovery is completed at Curragh.

Business websites

www.wesresources.com.au

www.curragh.com.au

www.premiercoal.com.au

YEAR IN BRIEF

Curragh (Qld): Total production of 7.9 million tonnes (5.4 million tonnes of metallurgical coal and 2.5 million tonnes of steaming coal) was down 13.5 per cent on last year, reflecting the impact of significant flood events and associated groundwater inflow into mining areas. Coal sales volumes were closely aligned to production volumes and were 13.1 per cent below the sales volumes achieved last year. EBIT was up significantly on last year's result by 274.0 per cent due to higher export prices during the period.

Premier Coal (WA): Total production of 3.5 million tonnes was up 26.0 per cent on last year and sales of 3.6 million tonnes were up 37.2 per cent. Premier Coal became sole supplier to Verve Energy from 1 July 2010 and continued to develop the Premier Power Sales business. EBIT was down on the previous year due to lower prices received from Verve. A strategic review process with respect to future options for Premier Coal commenced in March 2011.

Bengalla (NSW) (Wesfarmers' 40 per cent share)**:** Production of 2.2 million tonnes was in line with last year. Sales volumes of 2.4 million tonnes were up 14.2 per cent on last year. EBIT remained strong and was up 40.8 per cent on the previous year's result, reflecting a higher export price environment.

BUSINESS SUSTAINABILITY

Throughout the 2011 financial year, action was taken at our sites to improve the efficiency of mining processes, to develop our people's capability, to support our local communities, to grow the business through expansion plans and to reduce our environmental footprint.

At the heart of our sustainability strategy is the safety and wellbeing of our employees. A focus for the year was on consolidating and improving upon the safety performance achieved in the previous year. The Lost Time Injury Frequency Rate (LTIFR) was reduced to 1.29 from 2.14. Curragh had a 20 per cent reduction in its LTIFR to 1.24. While this year's performance was positive, our aim remains to achieve zero workplace incidents.

Although we reduced our LTIFR by 38 per cent and achieved 474 days LTI free at our Premier Coal mine, sadly the death of a contract worker in a single light vehicle accident at our Curragh mine in August 2010 is a reminder that we must continue to focus on preventing workplace accidents.

Throughout the year diversity has been the subject of increased attention with Curragh implementing an Equity and Diversity Strategy, along with the development of an Aboriginal Employment and Engagement Strategy.

The division's community partnerships continued with extensions announced to our successful partnerships with Life Education Australia, Queensland Theatre Company, Blackwater International Coal Centre and The Smith Family. Curragh and Premier Coal continued to support numerous community-based organisations such as cultural and sporting associations, clubs, festivals and schools to help develop strong, vibrant and healthy communities in which they operate.

OUTLOOK

Earnings are expected to benefit in the coming financial year from increased production as flood rectification and recovery is completed at Curragh. Metallurgical coal sales from the Curragh mine are expected to be in the range of 6.8 to 7.2 million tonnes for the 2012 financial year, subject to mine operating performance and infrastructure constraints.

Consistent with global markets, 100 per cent of Curragh's metallurgical coal sales are now subject to quarterly price resets.

Main image: Construction of the coal handling and preparation plant at the Curragh mine in Blackwater, Queensland

Above: Curragh apprentices in the workshop with supervisor Wayne Coleman

Chemicals, Energy and Fertilisers

The division performed well throughout the year and made good progress with the proposed expansion of its ammonium nitrate capacity in Western Australia.

THE BUSINESS

From 1 July 2010, the Chemicals and Fertilisers division and the Energy division merged to form Wesfarmers Chemicals, Energy & Fertilisers. In addition Coregas, formerly part of the Energy division, became part of Wesfarmers Industrial and Safety.

The activities of Wesfarmers Chemicals, Energy & Fertilisers include the manufacture and marketing of chemicals for mining, minerals processing and industrial sectors through brands including CSBP, Australian Gold Reagents (75 per cent owned), Queensland Nitrates (50 per cent owned) and Australian Vinyls. The division also produces, markets and distributes liquefied petroleum gas (LPG) and liquefied natural gas (LNG) through its Kleenheat Gas business. The division also manufactures and markets broadacre and horticultural fertilisers through its CSBP brand and manufactures, markets and distributes industrial, medical and specialty gases through Air Liquide WA (40 per cent owned). In the 2011 financial year, the division also provided power generation for remote towns and mines through its enGen business[1].

STRATEGY

Develop a portfolio of successful and innovative industrial businesses that deliver satisfactory shareholder returns and continually strengthen our reputation for the management of health, safety and the environment.

RESULTS

Operating revenue of $1.6 billion was 4.5 per cent higher than last year, largely as a result of increased chemicals sales volumes and the impact of higher international LPG pricing. Earnings before interest and tax were $283 million, and included $42 million ($5 million in the previous year) from the finalisation of the Varanus Island gas disruption insurance claims.

This compared to earnings from the previous year of $196 million which included a $25 million fertiliser inventory writedown.

YEAR IN BRIEF

Chemicals

Excluding insurance proceeds, earnings from the chemicals businesses were in line with last year. Solid growth across most businesses was largely offset by increased gas input costs into sodium cyanide production, the higher Australian dollar which affected both sodium cyanide and Australian Vinyls and the continuing higher PVC input costs relative to selling prices experienced by Australian Vinyls.

Kleenheat

Excluding insurance proceeds, Kleenheat earnings were in line with the previous year. Lower content in the Dampier to Bunbury natural gas pipeline resulted in LPG production for the year being 161,651 tonnes, 14.0 per cent, lower than last year. This led to a reduction in export sales during the year. Higher domestic LPG sales volumes, higher international LPG pricing and cost reductions offset the lower export sales and the higher gas input costs since October 2010. LNG earnings (excluding insurance) were in line with the previous year.

Fertilisers

Despite fertiliser sales volumes being 6.5 per cent lower than last year, earnings from the business recovered from the previous year which was affected by significant carryover of highly-priced inventory. This resulted in a $25 million inventory writedown in December 2009, and low margin sales throughout the 2010 financial year.

Air Liquide WA (40 per cent)

Earnings were in line with the previous year.

Power generation[1]

Excluding insurance proceeds, enGen earnings were higher than last year as a result of increased design and construction project work.

Tom O'Leary Managing Director, Wesfarmers Chemicals, Energy and Fertilisers with team member Laurette McLoughlin at the Kleenheat Gas House in Joondalup, Western Australia

GROWTH STRATEGIES

- Invest in our businesses' capacity to meet the needs of our customers.
- Execute opportunities for growth in existing and new markets, including progressing the proposed ammonium nitrate expansion.
- Foster a culture that recognises that people are central to our success.
- Focus on sustainable operations for the benefit of our team members, customers and communities in which we operate.

1 On 31 August 2011, Wesfarmers completed the sale of enGen for $101 million.

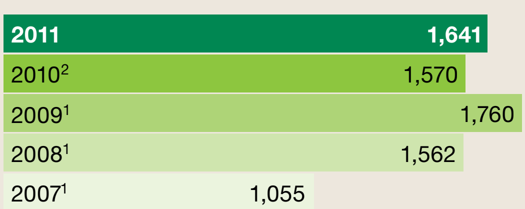
Divisional earnings were up 26.2 per cent on last year excluding insurance proceeds, as strong demand from the resource sector and higher fertiliser margins offset increased gas costs.

Key financial indicators

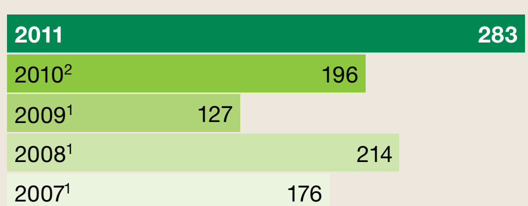
For the year ended 30 June	2007[1]	2008[1]	2009[1]	2010[2]	2011
Revenue ($m)	1,055	1,562	1,760	1,570	**1,641**
Earnings before interest and tax ($m)	176	214	127	196	**283**
Capital employed (R12) ($m)	1,026	1,728	2,022	1,371	**1,298**
Return on capital employed (%)	17.2	12.4	6.3	14.3	**21.8**
Capital expenditure ($m)	277	370	84	49	**63**

1 2007 to 2009 combines the results of the Energy (which included Coregas) and the Chemicals and Fertilisers divisions.
2 On July 2010, the Energy, and Chemicals and Fertilisers divisions merged to form WesCEF, and Coregas (formerly part of the Energy division) was transferred to the Industrial and Safety division. The 2010 figures have been restated to reflect WesCEF's post-merger operating structure.

Revenue ($m)
$1,641



EBIT ($m)
$283



Business statistics

Chemicals, Energy and Fertilisers

CSBP fertilisers	16
CSBP chemicals	6
AGR (75%)	3
Australian Vinyls	2
QNP (50%)	4
ALWA (40%)	8
Kleenheat Gas	49
enGen	20
Number of team members	1,472

A good start to the season has seen solid fertiliser sales volumes in the initial weeks of the 2012 financial year, but full-year earnings will depend on a good seasonal break in the second half and farmers' terms of trade.

Business websites

www.wescef.com.au

www.csbp.com.au

www.av.com.au

www.modwood.com.au

www.airliquidewa.com.au

www.kleenheat.com.au

www.engen.com.au

Main image: CSBP Area Manager Clynton Edwards with farmer Craig Dennis at Broomehill, Western Australia

Above: The ammonium nitrate despatch facility at CSBP in Kwinana, Western Australia

BUSINESS SUSTAINABILITY

The division continued its focus on the sustainable operation of its businesses for the benefit of team members, customers and the communities in which it operates. As at 30 June 2011 we employed 1,472 team members, excluding contractors but including casuals.

The division remains committed to the safe operation of its facilities in a way that minimises any adverse impact. A number of initiatives targeting key risk activities resulted in a reduction in Total Recordable Injuries from 67 in 2009/10 (excluding Coregas) to 55 in 2010/11. The Total Recordable Injury Frequency Rate also decreased from 17.6 in 2009/10 (excluding Coregas) to 15.8 this year.

In the 2011 financial year there were 16 reportable environmental events, a decrease of three on last year. In November 2010, CSBP released the Public Environmental Review document for its proposed ammonium nitrate expansion project for a 10 week public consultation period. The WA Environmental Protection Authority released its report and recommendations for the project in July 2011.

In January 2011, Kleenheat Gas announced the shutdown of the 110-year-old tempered liquid petroleum gas reticulation system in Armidale (New South Wales). Communication was provided about the shutdown, and a range of subsidies and incentives were offered to help customers convert to LPG alternatives.

In February 2011, CSBP started trials of nitrous oxide reduction technology in one of its nitric acid plants at Kwinana (Western Australia) to help reduce greenhouse gas emissions. Nitrous oxide emissions represent approximately half of the division's total carbon dioxide equivalent greenhouse emissions.

CSBP also completed design work and started fabrication of a regenerative thermal oxidiser that will broaden supply options for the superphosphate manufacturing operation at Kwinana and help reduce dependence on phosphate rock from Western Sahara.

Kleenheat Gas completed a trial of a patented dual-fuel system that converts existing diesel engines in heavy vehicles to operate on diesel and LNG. This provides lower operating costs and reduced emissions through the displacement of diesel by LNG.

EVOL LNG was awarded the WA Department of Mines and Petroleum Resources Safety – Dangerous Goods Innovation Company of the Year award. CSBP Fertilisers was awarded the Fertiliser Industry Federation of Australia's Platypus Environment Award for achievements in reducing nutrient levels in wastewater at CSBP's Kwinana operations.

The division also provided support to a range of community organisations, and continued support of Youth Focus, the Salvation Army, the Asthma Foundation WA and the Clontarf Foundation.

OUTLOOK

Strong demand for ammonia, ammonium nitrate and sodium cyanide is expected to continue, however a planned major 35 day shutdown of the ammonia plant will affect earnings in the 2012 financial year by approximately $15 million. Continued pressure on margins at Australian Vinyls is expected until the relativity between its raw material costs and PVC pricing returns to more typical levels. Similarly, continuation of a high Australian dollar will continue to impact on sodium cyanide and Australian Vinyls earnings.

Board consideration of the proposed ammonium nitrate capacity expansion at Kwinana is expected in the first half of the 2012 financial year.

LPG earnings will be affected by a full-year impact of increased domestic gas prices in Western Australia as well as new gas transport arrangements effective from July 2011. In addition, earnings will continue to be dependent on international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline which has, in recent times, trended to lower levels. As a result, next year's earnings are expected to be $25 to $30 million lower.

A good start to the season has seen solid fertiliser sales volumes in the initial weeks of the 2012 financial year, however, full-year earnings remain dependent upon a good seasonal break in the second half of the financial year and farmers' terms of trade.

Industrial and Safety

Strong sales momentum in contracts, projects, services and eBusiness was supported by strong delivery performance and customer service.

THE BUSINESS

Wesfarmers Industrial and Safety is the leading provider of industrial and safety products and services in Australia and New Zealand. It services customers across mining, oil and gas, construction and infrastructure, retail, manufacturing, health and government.

The division comprises nine businesses, including Blackwoods, the leading industrial supplier in Australia with an extensive national network and broad product range. Protector Alsafe, Bullivants and Total Fasteners complement Blackwoods with specialist market offers. Additionally, Coregas joined the division on 1 July 2010 with an industrial, medical and specialty gases offering. In New Zealand, Blackwoods Paykels Protector's generalist offer is complemented by three specialists: NZ Safety; Packaging House; and Safety Source.

The division operates from a network of 219 industrial and safety locations and 121 gas distribution points. The network is supported by large distribution centres, hundreds of external and internal sales resources, as well as eBusiness, websites and telesales channels.

STRATEGY

The businesses in the division support a diverse range of customer needs by providing security of supply of the broadest range of products, with strong delivery performance and customer service. They deliver cost efficiency through local and global procurement, supply chain and eBusiness solutions, as well as critical value-add services such as Vendor Managed Inventory, testing of lifting and rigging equipment, gas detection and occupational health and safety accredited training.

The division continues to strengthen its relationships with large customers by enhancing sales force effectiveness, broadening its product range and continuously improving its delivery performance. A key priority continues to be the expansion into higher growth sectors, and to complement organic growth with value-creating acquisitions.

Focusing on improving the use of working capital and process enhancements will continue to lower the cost of doing business, for our customers and our own businesses.

The division is committed to safety, sustainability and community support, while investing in its people.

RESULTS

The division delivered a strong result in the year, benefiting from the resurgence in the resource sector and major project activity. The result also reflected continuing improvements in business operations which have benefited from significant enhancements to business process efficiency. Operating revenue increased by 10.3 per cent to $1.6 billion.

Earnings before interest and tax increased by 20.3 per cent to $166 million. This result compared with the same period last year (adjusted to include Coregas) reflects earnings improvements in all businesses.

The rolling 12 month return on capital of 13.1 per cent improved from 10.5 per cent last year.

Olivier Chretien Managing Director, Wesfarmers Industrial and Safety with team member Joy Meredith at the Blackwoods branch in Darwin, Northern Territory

GROWTH STRATEGIES

- Increase share of customers' product and service spend through strong delivery performance and customer service, wider range and greater value proposition.
- Capture resource and infrastructure projects momentum.
- Ongoing diversification of the customer base.
- Continue Coregas improvements, leveraging existing customer relationships.
- Grow through acquisitions.
- Continue to improve supply chain and organisation effectiveness.
- Ongoing commitment to safety, sustainability and employee development.

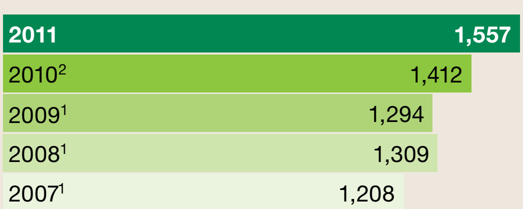
The Industrial and Safety division supplies a broad range of products and services to a diverse customer base.

Key financial indicators

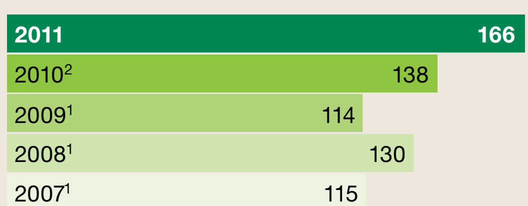
For the year ended 30 June	2007[1]	2008[1]	2009[1]	2010[2]	**2011**
Revenue ($m)	1,208	1,309	1,294	1,412	**1,557**
Earnings before interest and tax ($m)	115	130	114	138	**166**
Capital employed (R12) ($m)	734	775	808	1,312	**1,272**
Return on capital employed (%)	15.6	16.8	14.1	10.5	**13.1**
Capital expenditure ($m)	26	20	25	29	**32**

1 2007 to 2009 excludes the results of Coregas (formerly part of the Energy division).
2 Restated to reflect the current divisional structure.

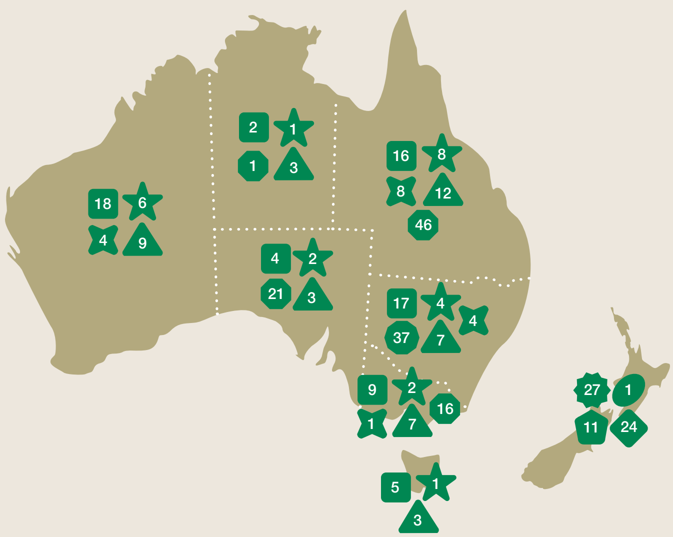
Revenue ($m)
$1,557



EBIT ($m)
$166



Business statistics



Industrial and Safety

Blackwoods	71
Protector Alsafe	44
Bullivants	24
Total Fasteners	17
Coregas[1]	121
Blackwoods Paykels Protector (NZ)	27
NZ Safety	24
Packaging House (NZ)	11
Safety Source	1
Number of team members	3,455

1 Includes 10 Coregas owned branches and 111 gas distribution points. Note: Blackwoods includes Bakers; Coregas includes Migomag; Joint Blackwoods Paykels Protector branches counted as single locations.

Delivering great customer service, delivery performance and security of supply.

Business websites

www.blackwoods.com.au
www.protectoralsafe.com.au
www.coregas.com
www.bullivants.com
www.totalfasteners.com.au
www.blackwoodsprotector.co.nz
www.nzsafety.co.nz
www.packaginghouse.co.nz
www.safetysource.co.nz

Main image: Coregas representative, Mayur Kora (right) with a customer in the gas supply room at Ipswich Hospital, Queensland

Above: Protector Alsafe Account Manager Natalie Page with client Brad Burge at the Francis Bay Marina, Darwin, Northern Territory

YEAR IN BRIEF

Sales growth was achieved in all business segments, with the best results being delivered by Blackwoods, Protector Alsafe and Bullivants. Regions with higher exposure to the resource sector and major project activity delivered the strongest growth, but pleasingly good results were achieved in most areas as the business benefited from the diversification of its customer base.

Good sales growth was achieved by Coregas, with a strengthening of the sales teams, a business restructure and the benefits of collaboration with other businesses in the division starting to show positive signs over recent months.

The New Zealand businesses showed improvement across the year, however they were affected by the subdued state of the New Zealand economy and the Christchurch earthquakes. A small gas detection business was acquired to expand the range of services.

Improving business portfolio performance also resulted from the divestment of Motion Industries and the merger of Blackwoods Paykels and Protector Safety in New Zealand.

The solid sales momentum was also supported by range expansion including industrial electrical in Blackwoods, and a strong growth in services. The division further improved its strong supplier relationships with leading industrial brands, enabling the businesses to support customer requirements and to bring new product ranges to the market.

During the year, the division significantly increased the proportion of eBusiness transactions with customers and this, combined with ongoing work on improving delivery performance, continues to strengthen its competitive position.

International supply chain capability continued to improve, with the opening of the multi-country consolidation distribution centre in Shenzhen, southern China. Supply chain improvements also resulted from technology investments and ongoing upgrades to the branch networks.

Focus on operational efficiency delivered cost and capital management improvements, contributing to improved returns.

BUSINESS SUSTAINABILITY

Safety continues to be a major focus, with further improvements in the All Injury Frequency Rate and Injury Severity measures over the year.

Progress has been made on energy, water and paper efficiency initiatives, and a program has been implemented to improve the environmental efficiency of new locations.

Attracting, retaining and developing quality employees remains a priority for the division. New initiatives focused on in-house recruitment, training and development, and gender diversity.

Community support through ongoing employee involvement, donations and financial contributions, included the floods in Queensland and Victoria, Cyclone Yasi, the Christchurch earthquakes, as well as national support for the Fred Hollows Foundation and its indigenous health program. Good progress was made on the division's Aboriginal strategy in Australia.

OUTLOOK

Operational improvements implemented over recent years have positioned the division well to support customer growth in key market sectors, meet delivery performance expectations, and continue to provide outstanding customer service, strengthening its market leading position.

Over the next year, the division is expected to continue to benefit from the sales momentum and project activity of major mining and oil and gas projects, and the ongoing diversification of its customer base. Cost pressures are expected with increased workforce retention challenges, especially in resource-related areas, and ongoing competitive margin pressure. Additionally, the outlook remains uncertain for a number of non-resource sectors and New Zealand.

The division will continue to target acquisition opportunities to complement organic growth.

Other activities

Wesfarmers is also a major investor in Gresham Partners, Wespine Industries and BWP Trust.

GRESHAM PARTNERS

Wesfarmers has a 50 per cent shareholding in Gresham Partners Group Limited, the holding company for the Gresham Partners investment banking operations. Gresham is a leading independent investment house focused primarily on the provision of financial advisory services, structured finance, and property and private equity funds management.

In addition, Wesfarmers is a participant in the Gresham Private Equity wholesale investment funds with underlying investments in mining services, retail, logistics and other specialist sectors.

During the 2011 financial year, Gresham Private Equity Funds recorded a loss of $60 million due to downward non-cash revaluations following a difficult year for some of the funds' trading businesses and generally lower industry valuation multiples.

Gresham participated in a number of significant corporate advisory transactions during the year, including mergers and acquisitions, corporate restructurings and refinancings on behalf of a range of domestic and international clients.

Its property funds management business, which is the manager of three established funds with total capital commitments of more than $325 million, continued to support a range of projects primarily in New South Wales, Victoria and Queensland.

WESPINE INDUSTRIES

The 50 per cent-owned Wespine Industries, which operates a plantation softwood sawmill in Dardanup in Western Australia, contributed earnings of $7 million after tax, a 16.7 per cent increase on last year. Despite a weakening housing market and competitive pressure on prices, Wespine achieved record sales into the Western Australian market and improved profitability by focusing on customer service, product rationalisation and stock management combined with cost control.

After a good safety performance in recent years, with no Lost Time Injuries (LTIs) recorded during the period September 2008 to September 2010, three LTIs were incurred in the year to June 2011.

Wespine is targeting a reduction in total recordable injuries in an endeavour to improve overall safety performance.

The weak local housing market, combined with continued import competition driven by the strong Australian dollar and subdued housing construction in overseas markets, is expected to put downward pressure on sales and earnings in the coming months.

BWP TRUST (FORMERLY BUNNINGS WAREHOUSE PROPERTY TRUST)

Wesfarmers' investment in BWP Trust contributed earnings of $19 million, compared to $27 million recorded last year.

The Trust was established in 1998 with a focus on warehouse retailing properties and, in particular, Bunnings Warehouses leased to Bunnings Group Limited. BWP Management Limited, the responsible entity for the Trust, is a wholly-owned subsidiary of Wesfarmers Limited.

Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly-owned subsidiary, 23.3 per cent of the total units issued by the Trust.

In March 2011, the Trust conducted a $242 million acquisition of a portfolio of 13 Bunnings Warehouse properties and development sites from Bunnings Group Limited. In conjunction with this acquisition, the Trust also changed its name from 'Bunnings Warehouse Property Trust' to 'BWP Trust', in recognition of having established its own position as a premium commercial real estate investment product.

The Trust's current portfolio consists of a total of 70 properties: 60 established Bunnings Warehouses; two Bunnings Warehouse with other showrooms; one Bunnings distribution centre; three development sites for Bunnings Warehouses; three office/warehouse industrial properties; and one retail/bulky goods showrooms complex.

Sustainability

Wesfarmers is committed to operating its businesses in a sustainable way, and continually strives for improvement to benefit all of its stakeholders.

WESFARMERS' SUSTAINABILITY PRIORITIES

With businesses spanning a wide range of industries – from retail operations to coal mining – Wesfarmers is acutely aware of its obligations to the communities in which it operates. Wesfarmers has long recognised the value of social, environmental and financial outcomes, understanding that these are all required to meet our objective of delivering satisfactory returns to our shareholders. Each year, Wesfarmers publishes a comprehensive sustainability report, which details a full account of the company's sustainability policies, practices and performance. This year's report will be available in November, and is the fourteenth such document.

As part of our commitment to a sustainable future, we have identified five key areas of focus which each of the Group's businesses – while providing different goods and services and making their own particular economic and social contributions – has oriented their sustainability efforts around:

- the importance of people
- carbon emissions reduction and energy management
- community partnerships and investment
- a reduced overall environmental footprint
- a strong economic contribution.

This approach provides a structure under which consistently sustainable outcomes can be delivered across the Wesfarmers Group, while a very wide and diverse range of sustainability activities are pursued by the various businesses.

THE IMPORTANCE OF PEOPLE

With approximately 200,000 employees – we are one of Australia's largest private sector employers – Wesfarmers is committed to continually improving our people-related policies and procedures and our talent management systems. Our employees are crucial to our success, and while each of our businesses is ultimately responsible for the management and development of its people, there are a number of overarching principles and practices across the Group. These include a consistent performance-based remuneration system for senior executives and management systems that focus on increasing the number and capacity of our high-potential people. Ongoing investment in the development of all of our people is critical in enabling individuals to achieve their potential and for our businesses to deliver sound results. In the 2011 financial year, more than 2.2 million hours was invested on training and development across the Group.

Our commitment to safety for our employees, customers and visitors is absolute and we have a number of systems in place to focus on, and drive, safety performance in our businesses. The Group's LTIFR was 12.8 compared to 11.0 in the previous year, indicating that there is a lot more to be done, and we will continue to prioritise this across all of our businesses.

A diverse workforce is of significant social and commercial value and Wesfarmers recognises the importance of being an inclusive employer. Gender diversity has been and continues to be a priority for the Group. As at 30 June 2011, approximately 57 per cent of our employees are female. Two of our eight non-executive directors (25 per cent), 22 per cent of Wesfarmers' senior executives (general manager level or above), and 26 per cent of all management and professional employees across the Group are female.

In 2009 Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP), which as its central tenet had a focus on ensuring that Aboriginal people have access to employment opportunities in our businesses. The Group has a long-term objective to have a workforce that reflects the representation of Aboriginal people in the broader community. Each division now has its own plan and programs to ensure that Aboriginal people feel welcomed in our businesses as customers, team members and citizens.

CARBON EMISSIONS REDUCTION AND ENERGY MANAGEMENT

In Australia, climate change remains at the forefront of public debate, and Wesfarmers has contributed cooperatively and collaboratively with governments where appropriate. We remain committed to reducing our environmental footprint and enhancing our energy efficiency. In as much as this is increasingly becoming an environmental imperative, it also generates commercial benefits. As we invest in new technologies and systems that contribute to the transition to a lower carbon economy, our businesses are improving their environmental outcomes with a commercial focus.

Many energy efficiency initiatives throughout the Group are starting to become evident in reducing our base carbon footprint. In 2010/11 our direct (Scope 1) and indirect (Scope 2) emissions reduced by 1.4 per cent to 5,530,508 tonnes carbon dioxide equivalent compared to last year. This reduction was largely the result of energy efficiency actions in our businesses, offset to an extent by business growth, although it also reflects the business disruption caused by the floods in Queensland in early 2011.

Wesfarmers submitted its third report under the *Energy Efficiency Opportunities Act 2006* (EEO) in December 2010.

We continue to develop systems for monitoring and recording energy use and greenhouse gas emissions to comply with the *National Greenhouse and Energy Reporting Act 2007* (the NGER Act). These systems contribute to the effective planning and managing of a wide range of energy efficiency and conservation initiatives across the Group, which will assist us when the pending constraints on carbon emissions are introduced. In October 2010 we submitted our second report under the NGER Act, and this report and the EEO report are available at www.wesfarmers.com.au

COMMUNITY PARTNERSHIPS AND INVESTMENT

Our businesses interact with millions of people every day, and making a positive contribution to the communities in which we work underpins our licence to operate. One aspect of contributing positively is through community partnerships and investments.

Wesfarmers focuses its key partnerships on the arts, indigenous development, medical research and education in Australia and New Zealand. However, Wesfarmers also responded to several significant natural disasters over the past year affecting local communities. In particular, the floods in Queensland devastated nearly three quarters of that state, with a large loss of life and damage to homes, properties and businesses. Many of our employees were affected, either directly or indirectly. Wesfarmers donated $5 million to the Queensland Premier's Disaster Relief Appeal, and our businesses made significant contributions of their own. The earthquakes in Christchurch were also devastating to the people of New Zealand, and in the immediate aftermath Wesfarmers donated NZ$1 million to assist in the re-building effort.

Wesfarmers supports a number of Australia's leading arts companies through the Wesfarmers Arts sponsorship program. Our commitment to the arts stems from a belief that a vibrant cultural sector makes a positive contribution to the life of a community.

In an initiative that is the first of its kind in Australia, in July 2010 we launched the Wesfarmers Arts National Indigenous Fellowships at the National Gallery of Australia. This annual program sees 12 young and emerging indigenous curators from across Australia awarded scholarships to work intensively with the curators and collections of the National Gallery, in a long-term professional development mentoring program. In September 2011 the program was recognised by an Australian Business Arts Foundation Award for innovation.

In 2010/11 through our existing sustainability report external assurance and using the London Benchmark Group verification process, Wesfarmers assessed its direct community support (including cash, in-kind and product support) to be $34.3 million. This is a 76 per cent increase in our contributions compared to last year, in part because of the one-off contributions to the natural disasters described above, as well as an increase in both our direct and indirect general community partnerships. At a grass-roots level, our individual businesses all run their own programs and partnerships, contributing a further $43.4 million in indirect community investment.

A REDUCED OVERALL ENVIRONMENTAL FOOTPRINT

Reducing our environmental footprint is a key focus of our individual businesses. In addition to Wesfarmers' carbon and energy focus, the planning and management of issues such as water usage; packaging; emissions to air; solid and liquid waste; and land rehabilitation are directed at reducing the company's overall environmental footprint.

Across the Group there were many energy efficiency initiatives introduced in 2010/11. Some of the key initiatives during the year included significant progress made by Bunnings towards procuring timber from only accredited sources for its stores; enhanced recycling systems in several of our retail operations; and continuing a program to install night blinds on upright freezers in Coles supermarkets. Packaging also remains a key focus for our retail stores, and many have introduced new initiatives to limit the amount of waste to landfill.

More information

More information regarding Wesfarmers activities can also be found at:

- Carbon Disclosure Project www.cdproject.net
- Dow Jones Sustainability Index www.sustainability-index.com
- Australian Packaging Covenant www.packagingcovenant.org.au
- Energy Efficiency Opportunities Act www.energyefficiencyopportunities.gov.au
- National Greenhouse and Energy Reporting Act in Australia www.climatechange.gov.au/reporting

Sustainability performance

Greenhouse gas emissions
(tonnes carbon dioxide equivalent)

2011	6,193,319
2010*#	6,132,809
2009#	6,546,026
2008Δ#	6,318,650

* The reduction in FY10 is primarily due to more accurate measurement of refrigerant gas emissions in Coles, and nitrous oxide emissions in WesCEF.

Δ Includes the former Coles group except Officeworks.

Energy use
(million gigajoules)

2011	33.4
2010*#	32.4
2009#	29.8
2008Δ	31.1

* The increase in full-year 2010 is primarily due to the full-year availability of gas supplies to our Western Australian industrial businesses.

Δ Includes the former Coles group except Officeworks.

Water use
(megalitres)

2011	11.6
2010*	12.2
2009	9.7
2008#	10.0

* Increase due to improved reporting.

\# Data have been re-stated from those reported previously as a result of external assurance audits that happen after the annual report is published. These data were published in the 2010 Sustainability Report.

Our commitment to the arts stems from a belief that a vibrant cultural sector makes a positive contribution to the life of a community.

Above: Wesfarmers Arts National Indigenous Fellows with Franchesca Cubillo (third from left), Senior Curator Aboriginal and Torres Strait Islander Art, National Gallery of Australia

Far left: Bunnings team member Tosca Kamperman with Forest Stewardship Council approved timber furniture

A STRONG ECONOMIC CONTRIBUTION

Wesfarmers seeks to maximise its contribution to the economy through long-term growth that increases overall economic activity and its capacity to generate additional direct and indirect employment. In 2010/11, Wesfarmers paid $6,790 million in salaries, wages and other benefits to employees.

Through the taxes it pays, the company plays its part in enabling governments to invest in better development-focused infrastructure and social support networks. In 2010/11, Wesfarmers paid $1,287 million in taxes and royalties to government.

By providing dividends and other investment returns to the company's owners – its shareholders – Wesfarmers contributes to individual wealth generation and to a more prosperous general community.

The company's businesses all continue to improve the processes supporting the verification and auditing of suppliers, particularly in Asia, to ensure that our sourcing of products and services is responsible.

WESFARMERS SUSTAINABILITY REPORT

Our 2011 Sustainability Report, to be published in November, contains much more detail – and specific data – on all of the above priorities.

Lost time injury frequency rate
(LTIFR)

2011	12.8
2010	11.0
2009#	13.1
2008^	9.9

^ Excludes Coles and Officeworks.

Community contributions
($m)

	Direct, in-kind and product.	Community raised contributions supported by Wesfarmers.	Total
2011	34.3	43.4	77.7
2010#	19.6	26.2	45.8
2009	25.8	31.8	57.6

Data have been re-stated from that reported previously as a result of external assurance audits that happen after the annual report is published. This data was published in the 2010 Sustainability Report.

Board of Directors

BOB EVERY, AGE 66

Chairman

Status and term: Appointed in 2006 as a non-executive director (independent) and appointed Chairman in November 2008. Chairman of the Remuneration and Nomination committees and member of the Audit Committee.

Skills and experience: Bachelor of Science degree, Doctorate of Philosophy (Metallurgy) from the University of New South Wales and is a Fellow of the Australian Academy of Technological Sciences and Engineering. Bob was the Chairman of the New Zealand-based listed company Steel and Tube Holdings Limited and a director of OneSteel Limited. Other executive positions previously held include Managing Director of Tubemakers of Australia Limited, President of BHP Steel, and Managing Director and Chief Executive Officer of OneSteel Limited, a position from which he retired in May 2005. Bob's considerable experience as both an executive officer and a director of major Australian companies has given him a good insight into, and understanding of, the roles and responsibilities of both senior management and directors.

Directorships of listed entities (last three years)
- Chairman of Boral Limited (appointed May 2010, previously Deputy Chairman with initial appointment in September 2007)
- Chairman of Iluka Resources Limited (appointed March 2004 – resigned May 2010)

Other directorships/offices (current and recent)
- Chairman Redkite
- Director of O'Connell Street Associates Pty Limited
- Director of OCA Services Pty Limited
- Fellow of AICD

RICHARD GOYDER, AGE 51

Managing Director

Status and term: Appointed in 2002 as an executive director (non-independent). Attends committee meetings by invitation.

Skills and experience: Bachelor of Commerce degree from the University of Western Australia. Completed the Advanced Management Programme at the Harvard Business School in 1998. Richard joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited. He has held a number of commercial positions in Wesfarmers' Business Development Department including General Manager. In 1999 Richard was Managing Director of Wesfarmers Dalgety Limited, which subsequently became Wesfarmers Landmark Limited, a position he retained until his appointment as Finance Director of Wesfarmers Limited in 2002. He was appointed Deputy Managing Director and Chief Financial Officer of Wesfarmers Limited in 2004 and assumed the role of Managing Director and Chief Executive Officer in July 2005.

Directorships of listed entities (last three years)
- Nil

Other directorships/offices (current and recent)
- Director of a number of Wesfarmers Group subsidiaries
- Director of Gresham Partners Holdings Ltd
- Director of Fremantle Football Club Limited
- Member of the University of Western Australia Business School Advisory Board
- Chairman of Scotch College Council
- Director of the Business Council of Australia
- Advisory Council Member of the Juvenile Diabetes Research Foundation
- Council Member of the Australian Business Arts Foundation
- Fellow of AICD

TERRY BOWEN, AGE 44

Finance Director

Status and term: Appointed in 2009 as an executive director (non-independent). Attends committee meetings by invitation.

Skills and experience: Bachelor of Accountancy degree and Fellow of CPA Australia. Terry has held a number of finance positions with Tubemakers of Australia Limited, culminating in his appointment as General Manager Finance. Terry joined Wesfarmers in 1996 and undertook various roles with Wesfarmers Landmark Limited, where he was appointed Chief Financial Officer, until its acquisition by AWB Limited in 2003. He was then appointed the inaugural Chief Financial Officer for Jetstar Airways, prior to rejoining Wesfarmers as Managing Director, Wesfarmers Industrial and Safety in November 2005. Terry became Finance Director, Coles in 2007 and is currently the Wesfarmers Finance Director, a position he has held since May 2009.

Directorships of listed entities (last three years)
- Nil

Other directorships/offices (current and recent)
- Director of a number of Wesfarmers Group subsidiaries
- Director of Gresham Partners Holdings Ltd
- Member of the National Executive of the Group of 100 Inc
- Member of the Curtin University School of Accounting Advisory Board
- Director of the Western Australian Institute for Medical Research Incorporated
- Director of the Western Australian Opera Company Incorporated

COLIN CARTER OAM, AGE 68

Status and term: Appointed in 2002 as a non-executive director (independent). Member of the Remuneration and Nomination committees.

Skills and experience: Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School. Colin has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas.

Directorships of listed entities (last three years)
- SEEK Limited (appointed March 2005)

Other directorships/offices (current and recent)
- Director of World Vision Australia
- Director of the Ladder Project
- President of the Geelong Football Club Limited
- Member of the Board of the Cape York Institute for Indigenous Policy and Leadership
- Ambassador to the Federal Government's Indigenous Employment Initiative
- An adviser to, and former Senior Partner of, the Boston Consulting Group
- Fellow of AICD

JAMES GRAHAM AM, AGE 63

Status and term: Appointed in 1998 as a non-executive director (non-independent). Member of the Remuneration and Nomination committees.

Skills and experience: Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney, a Master of Business Administration from the University of New South Wales and a Fellow of the Australian Academy of Technological Sciences and Engineering. James has had an active involvement in the growth of Wesfarmers since 1976 in his roles as Managing Director of Gresham Partners Limited since 1985 and previously as Managing Director of Rothschild Australia Limited and a director of Hill Samuel Australia Limited.

Directorships of listed entities (last three years)
- Nil

Other directorships/offices (current and recent)
- Managing Director of the Gresham Partners Group
- Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research
- Director of Wesfarmers General Insurance Limited
- Former Chairman of the Darling Harbour Authority in New South Wales
- Former Chairman of Rabobank Australia Limited and Rabobank New Zealand Limited
- Fellow of AICD

TONY HOWARTH AO, AGE 59

Status and term: Appointed in 2007 as a non-executive director (independent). Chairman of the Audit Committee and member of the Nomination Committee.

Skills and experience: Senior Fellow of the Financial Services Institute of Australia. Tony has more than 30 years experience in the banking and finance industry. He has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited. Tony is also Adjunct Professor (Financial Management) at the University of Western Australia Business School.

Directorships of listed entities (last three years)
- Chairman of Mermaid Marine Australia Limited
- Chairman of Home Building Society Limited (delisted December 2007) (appointed June 2003 and resigned July 2010)
- Deputy Chairman of Bank of Queensland Limited (appointed December 2007 – resigned July 2010)
- AWB Limited (appointed March 2005 – resigned December 2010)

Other directorships/offices (current and recent)
- Chairman of St John of God Health Care Inc
- Senator of the University of Western Australia
- Chairman of the Committee for Perth Limited
- Member of the Rio Tinto WA Future Fund
- Member of the University of Western Australia Business School Advisory Board
- Director and Immediate Past President of the Australian Chamber of Commerce and Industry
- Director of the Chamber of Commerce and Industry of Western Australia (Inc)
- Director of West Australian Rugby Union Inc
- Director of Amber Holdings (appointed March 2011)
- Fellow of AICD

Front: Vanessa Wallace, Richard Goyder, Bob Every, Terry Bowen and Tony Howarth
Back: Wayne Osborn, Charles Macek, Colin Carter, Diane Smith-Gander and James Graham

CHARLES MACEK, AGE 64

Status and term: Appointed in 2001 as a non-executive director (independent). Member of the Audit, Nomination and Remuneration committees.

Skills and experience: Bachelor of Economics degree and a Master of Administration from Monash University. Charles is the Chairman of the Sustainable Investment Research Institute Pty Limited, Racing Information Services Australia Pty Limited, and the Vice-Chairman of the (IFRS) Advisory Council (formerly the Standards Advisory Council of the International Accounting Standards Board). He is also a member of the investment committee of Unisuper Limited, the AICD Corporate Governance Committee, and the (ASIC) External Advisory Panel. With a long career in financial services, working at a senior executive level, Charles brings extensive experience in formulating strategy and advising on off-shore and on-shore investment opportunities.

Directorships of listed entities (last three years)
- Telstra Corporation Limited (appointed November 2001 – retired November 2009)

Other directorships/offices (current and recent)
- Director of Thoroughbred Trainers Service Centre Limited
- Member of the Marsh and McLennan Companies, Inc. Australian Advisory Board
- Director of Earthwatch Institute Australia
- Fellow of AICD

WAYNE OSBORN, AGE 60

Status and term: Appointed in 2010 as a non-executive director (independent). Member of the Remuneration and Nomination committees.

Skills and experience: Diploma of Engineering (Electrical) from the Gordon Institute of Technology, a Master of Business Administration from Deakin University and is a Member of the Institution of Engineers, Australia. Wayne started his career in telecommunications and moved to the iron ore industry in the mid-1970s. He joined Alcoa in 1979 and worked in a variety of roles and locations across the Australian business, including accountability for Alcoa's Asia Pacific operations, prior to being appointed Managing Director in 2001. Wayne was appointed Chairman of the Australian Institute of Marine Science in 2010. He has an interest in whale conservation and wildlife photography and was elected an International Fellow of the New York-based Explorers Club in 2004. His work in support of the arts through the Australian Business Arts Foundation was recognised with the 2007 WA Business Leader Award.

Directorships of listed entities (last three years)
- Director of Leighton Holdings Limited
- Director of Iluka Resources Limited

Other directorships/offices (current and recent)
- Chairman of Thiess Pty Ltd
- Trustee of the Western Australian Museum Board
- Fellow of the Australian Academy of Technological Sciences and Engineering
- Director of Amber Holdings (appointed March 2011)
- Fellow of AICD

DIANE SMITH-GANDER, AGE 53

Status and term: Appointed in 2009 as a non-executive director (independent). Member of the Audit and Nomination committees.

Skills and experience: Bachelor of Economics degree from the University of Western Australia and a Master of Business Administration from the University of Sydney. Diane has over 11 years experience as a banking executive, which culminated in her appointment as the head of Westpac Banking Corporation's Business and Technology Solutions and Services Division. Before rejoining Westpac, she was a Partner with McKinsey & Company in the USA, where she led major transformation projects and had exposure to a wide variety of businesses in areas such as financial services, pharmaceuticals and retail.

Directorships of listed entities (last three years)
- Transfield Services Limited (appointed October 2010)

Other directorships/offices (current and recent)
- Director of the NBN Co Limited (National Broadband Network)
- Outgoing Chair of Basketball Australia Limited
- Former Chair of the NBL Commission of Basketball Australia Limited
- Former Chair of the Australian Sports Drug Agency
- Director of Co-operative Bulk Handling Limited and CBH Grain Limited
- Member of the University of Western Australia Business School Advisory Board
- Fellow of AICD

VANESSA WALLACE, AGE 48

Status and term: Appointed in 2010 as a non-executive director (independent). Member of the Audit and Nomination committees.

Skills and experience: Bachelor of Commerce degree from the University of New South Wales and a Master of Business Administration from the IMD Switzerland. Vanessa currently leads Booz & Company's financial services practice in Australia, New Zealand and South East Asia and previously led the strategy practice. She has held multiple governance roles at the highest level within Booz's global partnership. She is an experienced management consultant who has been with Booz & Company for over 20 years. She is actively involved in the firm's customer, channels and markets activities which focus on areas such as customer experience, offer design and channels to market across a number of industries. She has had hands on experience in mergers and acquisitions and post merger integration.

Directorships of listed entities (last three years)
- Nil

Other directorships/offices (current and recent)
- Member of Board of Directors Booz & Company (2008 – 2010)
- Director of Booz & Company (Australia) Ltd a number of group subsidiaries and related companies in Australia, New Zealand, Indonesia and Thailand
- Chairman's Council of the Australian Chamber Orchestra Pty Ltd
- Member of AICD

Corporate governance statement

The Board of Wesfarmers Limited is committed to providing a satisfactory return to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interests of the company and its stakeholders.

The Board is a strong advocate of good corporate governance as evidenced by the policies and practices outlined below.

INTRODUCTION

This corporate governance statement outlines Wesfarmers' corporate governance policies and practices for the year ended 30 June 2011, and at the date of this report.

The corporate governance framework of Wesfarmers operates according to a series of governance charters and policies which have been adopted by the Board. The Board recognises that corporate governance is not a static concept, and it regularly reviews and updates the company's governance charters and policies by reference to corporate governance developments and best practice in Australia and overseas.

Compliance with Australian corporate governance standards
In recognition of the revisions made to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Principles') in 2010, the Board approved a Group Diversity Policy during the year. Wesfarmers is implementing strategies to achieve the objectives set under that policy and, over the course of the 2012 financial year, will measure the progress in achieving them.

In accordance with the disclosure requirements of the ASX Listing Rules, the Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2011 follow the recommendations contained in the ASX Principles.

Access to information
Corporate governance documentation, including the charters or policies referred to in this statement, together with a checklist cross-referencing the ASX Principles to the relevant sections of this statement and elsewhere in the annual report, are published in the corporate governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

ROLE AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

Functions of the Board
The role of the Board is to oversee and guide the management of Wesfarmers and its businesses with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes their separate functions and responsibilities. The key responsibilities of the Board are set out in the diagram opposite.

Functions of management
The Wesfarmers Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers leadership team (which comprises the direct reports to the Wesfarmers Managing Director, divisional managing directors and the Executive General Manager, Business Development). The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

The key responsibilities of the Wesfarmers Managing Director are to:

- manage and administer the day-to-day operations of Wesfarmers and its businesses in accordance with the strategy, business plans and policies approved by the Board;
- oversee and evaluate the performance of senior executives and develop succession plans for the appointment of senior executives;
- develop Wesfarmers' annual budget and ensure that the financial reports present a true and fair view of Wesfarmers' financial condition and operational results and are in accordance with the relevant accounting standards;
- continue to develop strategies for Wesfarmers, its businesses and management, and make recommendations to the Board on such strategies;
- oversee the maintenance of and review effectiveness of the risk management frameworks and internal control systems;
- keep the Board fully informed about material developments; and
- exercise such additional powers as are delegated to the Wesfarmers Managing Director by the Board from time to time.

BOARD RESPONSIBILITIES

Executive personnel

- Appointing and removing the Wesfarmers Managing Director and approving the terms of engagement.
- Ratifying the appointment and removal of senior executives and approving their remuneration.
- Monitoring the performance of the Wesfarmers Managing Director and senior executives, and monitoring implementation of strategic initiatives.

Corporate strategy

- Approving the Group's corporate strategy and performance objectives.
- Monitoring implementation and progress of corporate strategy.
- Approving major capital expenditure, capital management initiatives, acquisitions and disposals.
- Reviewing and monitoring financial results and progress against budget objectives.

Risk and compliance

- Approving the Group's risk management framework and accountability systems.
- Reviewing, ratifying and monitoring the Group's systems of internal controls, codes of conduct and legal compliance.
- Appointing and removing the Company's external auditors (on recommendation from the Audit Committee).

Stakeholder communications

- Approving shareholder communications.
- Monitoring and overseeing the timeliness and accuracy of information provided to shareholders and financial markets.
- Monitoring the Group's interactions with shareholders and the broader community.

Evaluation of the performance of senior executives

Senior executives, comprising members of the Wesfarmers leadership team, who have an incentive or 'at risk' component to their total remuneration package, have defined performance conditions which are set at the start of the plan year for the annual and long-term incentive plans. Annual incentives are based on the achievement of annual performance conditions, heavily weighted to return and earnings-based measures and also include non-financial goals which seek to achieve corporate objectives. Long-term incentives for the 2011 financial year are a share grant with a future three year performance hurdle based on growth in return on equity. Shareholder approval will be obtained for share grants to executive directors.

For the annual incentive plan, incentive awards are determined after the preparation of the financial statements each year (in respect of the financial measures) and after a review of performance against non-financial measures by the Wesfarmers Managing Director (and in the case of the Managing Director, by the Board) at the end of the financial year. The Board confirms final annual incentive awards based on overall personal and financial performance after the reviews are completed in August each year. The potential future development of an executive is discussed on an annual basis, along with any training required to enhance the prospects of the development objectives being achieved and progression within Wesfarmers. Annual performance reviews for the 2011 financial year have been undertaken in accordance with the process described above.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration policies, including, in particular, the policies governing senior executive remuneration.

STRUCTURE AND COMPOSITION OF THE BOARD

Wesfarmers is committed to ensuring that the composition of the Board continues to comprise directors who bring an appropriate mix of skills, experience, expertise and diversity (including gender diversity) to Board decision making.

The Board is currently comprised of 10 directors, with eight non-executive directors. The Board is of the view that its current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's corporate objectives.

Mr Archie Norman, who has significant retail experience, was appointed in 2009 as an advisor to the Board on retail issues. In this role, Mr Norman attends Board meetings on a regular basis, as well as the Board's annual planning session. Mr Norman has had a major role in helping guide the turnaround of the former Coles group businesses.

The non-executive directors are:

Director	Year of appointment	Period of office as at September 2011
Bob Every	2006	5 years and 7 months
Colin Carter	2002	8 years and 11 months
James Graham	1998	13 years and 4 months
Tony Howarth	2007	4 years and 2 months
Charles Macek	2001	9 years and 11 months
Wayne Osborn	2010	1 year and 6 months
Diane Smith-Gander	2009	2 years and 1 month
Vanessa Wallace	2010	1 year and 2 months

The executive directors are:

Director	Year of appointment	Period of office as at September 2011
Richard Goyder	2002	9 years and 1 month
Terry Bowen	2009	2 years and 4 months

The skills and experience of the company's directors are detailed on pages 56 and 57 of this annual report.

Independence of the Chairman

The Chairman is elected from the independent non-executive directors. The responsibilities of the Chairman are set out in the Board Charter, and include the following:

- maintain effective communication between the Board and management;
- lead the Board;
- ensure the efficient organisation and conduct of the Board's function;
- brief all directors in relation to issues arising at Board meetings;
- chair general meetings of Wesfarmers; and
- exercise such specific and express powers as are delegated to the Chairman by the Board from time to time.

Bob Every is the present serving Chairman and further information about Dr Every is set out on page 56 of this annual report.

Director independence

Directors are expected to bring views and judgement to the Board's deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

The Board regularly reviews the independence of each non-executive director in light of the relevant information disclosed to the Board.

The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, annually and as appropriate.

The test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a director's judgement is based on the nature of the relationship and the circumstances of that director. Materiality is considered from the perspective of the company, the director, and the person or entity with which the director has a relationship.

The Board has reviewed the position and associations of all directors in office as at the date of this report and considers that:

- seven of the eight non-executive directors are independent; and
- Mr Graham is deemed not to be independent by virtue of his position as Managing Director of Gresham Partners Limited, which acts as an investment adviser to the company.

Details of Mr Graham's association with the company are set out in note 34 on page 165 of this annual report. The Board has determined that the relationship does not interfere with Mr Graham's exercise of independent judgement and believes that his appointment is in the best interests of Wesfarmers because of the substantial knowledge and expertise he brings to the Board.

Retirement and re-election

The Constitution of Wesfarmers requires one third of the directors, other than the Wesfarmers Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board during the year (as a casual vacancy or as an addition to the Board) are required to have their appointment confirmed at the next annual general meeting.

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Board support for directors retiring by rotation and seeking re-election is not automatic. The performance of the directors seeking re-election is considered by the Board to enable it to make a recommendation to shareholders.

Wesfarmers also expects directors to voluntarily review their membership of the Board from time to time, taking into account other commitments, length of service, age, qualifications and expertise relevant to the company's business.

Under the Board Charter, the Chairman must retire from this position at the expiration of 10 years unless the Board decides otherwise. In addition, the appointment is formally reviewed at the end of each three year period.

Skills, experience and diversity of the Board

The Nomination Committee has been delegated responsibility to:

- periodically assess the skill set required to discharge the Board's duties, having regard to the strategic direction of the Wesfarmers Group and assessing the skills currently represented on the Board; and
- regularly review and make recommendations to the Board regarding the structure, size and composition of the Board (including the mix of skills, knowledge and experience); and the effectiveness of the Board as a whole.

Nomination and appointment of new directors

The Nomination Committee makes recommendations to the Board with respect to new director appointments, whether it be to appoint a new director to fill a vacancy on the Board or to complement the existing Board. Where appropriate, external consultants are engaged to assist in searching for candidates.

If a candidate is recommended by the Nomination Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must have their appointment confirmed at the next annual general meeting by the shareholders.

In addition, the Board Charter requires a director to hold, directly or indirectly, a minimum of 1,000 ordinary shares in Wesfarmers within two months of their appointment and at all times during the director's period of office.

Induction of new directors and ongoing director development

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including their duties, rights and responsibilities; the time commitment envisaged; expectations regarding involvement with committee work; and their responsibilities with respect to acting in a capacity other than as a director of Wesfarmers.

As part of a comprehensive induction program covering Wesfarmers' financial, strategic, operational and risk management position, the new director meets with the Chairman, the Audit Committee Chairman, the Wesfarmers Managing Director, divisional managing directors and other key executives to gain an insight into the values and culture of Wesfarmers. The program also includes site visits to some of Wesfarmers' key operations.

All directors are expected to maintain the skills required to discharge their obligations to the company.

On an ongoing basis, directors are provided with papers, presentations and briefings on matters which may affect the business or operations of Wesfarmers. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company, as arranged by the Nomination Committee or otherwise. Subject to prior approval by the Company Secretary, the reasonable cost of continuing education and training is met by Wesfarmers.

To assist the directors in maintaining an appropriate level of knowledge of the operations of the company, directors undertake site visits each year to a number of Wesfarmers' businesses.

Board access to information and independent advice

All directors have unrestricted access to employees of Wesfarmers and its businesses and, subject to the law, access to all company records and information held by Wesfarmers employees and external advisers.

Each director, the Board and the Board committees may obtain independent professional advice at Wesfarmers' expense, as considered reasonable and necessary, subject to prior consultation with the Chairman.

Directors are entitled to reimbursement of all reasonable costs where a request for reimbursement of the cost of such advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required from the Chairman of the Audit Committee.

Conflicts of interest

Directors are required to avoid conflicts of interest and immediately inform the Board should a conflict of interest arise. Directors are also required to advise of any relevant interest that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of Wesfarmers. A director is required to notify the company of any new material personal interest or if there is any change in the nature or extent of a previously disclosed interest.

OPERATION OF THE BOARD

Committees of the Board

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Gresham Mandate Review Committee as standing committees to assist the Board in the discharge of its responsibilities. All directors have a standing invitation to attend committee meetings.

These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's Charter):

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity); or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.

Details of the membership, composition and responsibilities of each committee are detailed on page 62.

Performance evaluation

The Nomination Committee is responsible for scheduling at least annually a performance review of the individual directors and formal performance reviews of the Board and its committees at least every two years. The Board then undertakes an evaluation process to review performance. A Board committee performance review was conducted in December 2010 and a Board performance review was conducted in July 2011, both of which were facilitated by an external consultant.

A comprehensive process for the evaluation of the performance of senior executives, comprising members of the Wesfarmers leadership team, is conducted by the Wesfarmers Managing Director on an annual basis (and, in the case of the Wesfarmers Managing Director, by the Board). The results of this review are used by the Remuneration Committee in determining remuneration outcomes. The performance of all executive directors and senior executives was reviewed during the reporting period in accordance with this process.

Remuneration

Full details of the remuneration paid to non-executive and executive directors and senior executives are set out in the remuneration report on pages 72 to 87 of this annual report.

	Audit Committee	Remuneration Committee	Nomination Committee	Gresham Mandate Review Committee
Members	• Mr Tony Howarth (Chairman) • Dr Bob Every • Mr Charles Macek • Ms Diane Smith-Gander • Ms Vanessa Wallace	• Dr Bob Every (Chairman) • Mr Colin Carter • Mr James Graham • Mr Charles Macek • Mr Wayne Osborn	• Dr Bob Every (Chairman) • Mr Colin Carter • Mr James Graham • Mr Tony Howarth • Mr Charles Macek • Mr Wayne Osborn • Ms Diane Smith-Gander • Ms Vanessa Wallace	Any two of: • Mr Colin Carter • Mr Charles Macek • Ms Diane Smith-Gander
Composition	The Committee must comprise: • only non-executive directors; • at least three members; • a majority of non-executive directors who satisfy the criteria for independence; • members who have an understanding of financial statements and general accounting principles; and • at least one member who has financial experience. It must be chaired by an independent chair, who is not Chairman of the Board.	The Committee must comprise: • only non-executive directors; and • at least three members.	The Committee must comprise all non-executive directors.	The Committee must comprise such members as the Board determines from time to time.
Responsibilities include	• reviewing financial accounts of the company and discussion of the accounts with the external auditors and management prior to their submission to the Board for approval; • reviewing any changes in accounting policies or practices and subsequent effects on the financial accounts of the company; • reviewing with management the terms of the external audit engagement in order to make recommendations to the Board; • reviewing and assessing non-audit services to be provided by the external auditor; • monitoring and assessing the systems for internal compliance and control, legal compliance and risk management; • advising on the appointment, performance and remuneration of the external auditor; and • reviewing and monitoring the company's continuous disclosure policies and procedures.	• reviewing and making recommendations to the Board on: – the remuneration of non-executive directors (including fees, travel and other benefits); – the level of remuneration of executive directors and direct reports to the Wesfarmers Managing Director (including equity grants and plan participation); – new executive incentive plans and amendments to existing plans; • determining, on the recommendation of the Wesfarmers Managing Director, the level of remuneration of other executives; • ensuring remuneration packages across the Group are equitable and making recommendations to the Board as appropriate, including remuneration by gender; • assisting the Chairman of the Board in the annual performance review of the Wesfarmers Managing Director; • approving new employee incentive plans and amendments to existing plans; and • overseeing preparation of the annual remuneration report and recommending the report to the Board for approval.	• reviewing Board and committee composition and recommending new appointments to the Board and the committees; • identifying the steps to be taken to ensure a diverse range of candidates is considered in selecting new directors; • ensuring an effective induction program for directors; • reviewing Board succession plans to ensure an appropriate mix of skills, experience and diversity is maintained; • reviewing and making recommendations to the Board on the operation and performance of the Board and its Committees; and • making recommendations for the removal of Directors.	• considering and approving the mandate agreement terms and all fees payable to Gresham Partners Limited group of companies where they are to be appointed advisers to the company; and • reporting on the approved mandate terms and fees to the Board.
Attendance	Details of meeting attendance for members of each committee are set out in the directors' report on page 68 of this annual report.			

GOVERNANCE POLICIES

Board Code of Conduct

The Board has adopted a Board Code of Conduct to guide the directors and promote high ethical and professional standards and responsible decision-making. This code embraces the values of honesty, integrity, enterprise, excellence, accountability, fairness, independence and equality of shareholder opportunity. The principles are supported by guidelines for their interpretation.

A summary of the Board Code of Conduct is published in the corporate governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Code of Ethics and Conduct

In addition, Wesfarmers has adopted a Code of Ethics and Conduct for all employees (including directors). This code details policies, procedures and guidelines aimed at ensuring that the highest ethical standards, corporate behaviour and accountability are maintained across Wesfarmers.

The managing directors and chief financial officers of each division are required to report annually to the Audit Committee on their division's compliance with the code.

Whistleblower protection

The Whistleblower Policy of Wesfarmers has been adopted to promote and support a culture of honest and ethical behaviour, corporate compliance and good corporate governance.

This policy encourages employees and contractors to raise any concerns and report instances of unethical, illegal, fraudulent or undesirable conduct either internally with management within his or her division or with a Protected Disclosure Officer, or externally via a telephone helpline managed by an independent third party. Wesfarmers is committed to absolute confidentiality and fairness in all matters raised and will support and protect those who report violations in good faith. The Audit Committee is responsible for overseeing compliance with this policy.

Diversity Policy

Wesfarmers recognises the social and commercial value of diversity and strives to create a work environment which is inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference.

While Wesfarmers is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group. The Board approved a Diversity Policy during the year, which has particular focus on improving gender balance in the workplace and increasing the representation of women in management roles. Wesfarmers' approach to gender diversity is based on the following objectives:

- fostering an inclusive culture;
- improving talent management;
- enhancing recruitment practices; and
- ensuring pay equity.

The Board is overseeing the implementation of strategies to achieve these objectives and, over the course of the 2012 financial year, will measure the progress in achieving them.

Details on female representation at the Board, senior executive and Group level are set out in the sustainability section on page 53 of this annual report.

A copy of the Diversity Policy is published on the governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

As part of Wesfarmers' commitment to diversity, the company strives to make its businesses a place where Aboriginal and Torres Strait Islander people feel welcome and valued, as employees, customers and citizens. To do this, Wesfarmers has a Reconciliation Action Plan, which outlines specific measurable actions to be undertaken across the Wesfarmers Group, targeting employment and community engagement.

As a large employer, Wesfarmers can provide Aboriginal and Torres Strait Islander peoples with greater opportunities to participate in the country's economic prosperity, through sustainable employment and support through community partnership programs. The Wesfarmers Reconciliation Action Plan acts as an 'umbrella' document to the Aboriginal strategies developed in each of the company's business divisions. More details about the Wesfarmers Reconciliation Action Plan can be found on the community and sustainability section of the company's website at www.wesfarmers.com.au/community-a-sustainability/community.html

Share Trading Policy

The Share Trading Policy of Wesfarmers states that all employees and directors of the Group are expressly prohibited from trading in Wesfarmers' securities, or securities in other entities in which Wesfarmers has an interest, if they are in possession of 'inside information'.

Directors and senior executives are generally prohibited from trading in the company's securities during 'black out' periods (which are the periods from the close of books to the announcement of the full-year or half-year results). Trading during these periods may only be permitted with prior approval of the Chairman in exceptional circumstances (such as severe financial hardship), subject at all times to the general prohibition on insider trading.

Outside of these periods, a director or senior executive who intends to buy or sell shares must:

- advise the Company Secretary of their intention to trade; and
- confirm that they do not hold unpublished inside information.

Directors, senior executives and their closely related parties are prohibited from entering into arrangements that have the effect of limiting exposure to risk in relation to an element of their remuneration. In addition, they must advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting the company's securities.

A copy of the Share Trading Policy is published on the governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Market Disclosure Policy

Wesfarmers understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a comprehensive Market Disclosure Policy.

Under the Market Disclosure Policy, the Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and coordinating the disclosure of information by the company to the ASX and for administering the policy and the Group's continuous disclosure education program.

The Company Secretary is also responsible for referring matters to the Board's Disclosure Committee, comprising the Wesfarmers Managing Director, the Finance Director and the Group General Counsel. Matters referred to the Disclosure Committee, and decisions made by the committee, are recorded and referred to the Board at its next meeting.

The Market Disclosure Policy, and the associated training and education program, are reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board.

A copy of the Market Disclosure Policy is published on the governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Shareholder Communications Policy

The Board has developed a strategy for engaging and communicating with shareholders, key aspects of which are set out below.

The Communications Policy of Wesfarmers promotes the communication of information to shareholders through the distribution of an annual report and announcements through the ASX and the media regarding changes in its businesses, and the Chairman's address at the annual general meeting.

The company produces an annual shareholder review, an easy to read summary of the annual report. A number of shareholders have elected to receive the review in place of the annual report, or have elected to receive electronic communications in respect of their shareholdings.

The company encourages and welcomes shareholder participation at general meetings, with the annual general meeting being the major forum for shareholders to ask questions about the performance of the company and provide valuable feedback.

Wesfarmers conducts live webcasts of company general meetings as well as major institutional investor and analyst briefings, which are available on the company's website. The company provides shareholders with the opportunity to receive email alerts of significant announcements and advises of the availability of reports on the company's website.

A copy of the Communications Policy is published on the governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

INTEGRITY IN FINANCIAL REPORTING

Role of the Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting.

The membership and responsibilities of the Audit Committee are set out on page 62 of this annual report.

The Audit Committee maintains direct, unfettered access to external auditors, Group Assurance (internal audit) and management.

The Finance Director, the Group General Counsel, the Executive General Manager Group Accounting, Assurance and Risk, the General Manager Group Assurance, the Company Secretary, the external auditor (Ernst & Young), and any other persons considered appropriate, attend meetings of the Audit Committee by invitation.

The Audit Committee Charter is published on the governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Role of the external auditor

Appointment and rotation of auditor

The company's external auditor is Ernst & Young. The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit Committee.

The lead audit partner is required to rotate after a maximum of five years. Mr Greg Meyerowitz is the lead audit partner for Ernst & Young, and was appointed on 3 June 2009.

If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

Independence declaration

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2011.

The independence declaration forms part of the directors' report and is provided on page 71 of this annual report.

Restrictions on the performance of non-audit and assurance-related services

The Board has considered the nature of the non-audit and assurance-related services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of fees paid (or payable) to Ernst & Young for non-audit and assurance-related services provided to the Wesfarmers Group in the year ended 30 June 2011 are set out in the directors' report on page 70 of this annual report.

Attendance of external auditors at annual general meetings

The lead audit partner of Ernst & Young attends and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report at the company's annual general meeting.

BOARD

- Approving the Group's risk management framework and accountability systems
- Reviewing, ratifying and monitoring the Group's systems of risk management and internal control at least annually

WESFARMERS MANAGING DIRECTOR AND FINANCE DIRECTOR

- Providing a declaration to the Board regarding the financial reports
- Assessing and providing assurance to the Board that the Group's risk management and internal control systems are operating effectively in all material respects

AUDIT COMMITTEE

- Assisting the Board in oversight of the Group's risk management systems
- Approving the internal audit charter and annual internal audit plan
- Ensuring the adequacy of the internal control environment and reviewing internal audit reports prepared by Group Assurance
- Reviewing the Group Risk Compliance Report prepared by management

MANAGEMENT

- Implementing and maintaining risk management and internal control systems
- Preparing divisional Risk Compliance Reports (approved by each divisional board)
- Preparing consolidated Group Risk Compliance Report setting out key risks and the controls and processes implemented to mitigate these risks (approved by the Wesfarmers leadership team)
- Reporting to the Board on the adequacy of the systems and processes in place to manage material business risks

GROUP RISK AND ASSURANCE

- Monitoring the effectiveness of risk management systems through a single outsourced audit provider
- Preparing internal audit reports and reporting to the Audit Committee on the adequacy of risk management and the internal control environment
- Facilitating the annual risk compliance reporting and preparing the Group Risk Compliance report for review by the Audit Committee

RISK MANAGEMENT

Risk is an accepted part of doing business and Wesfarmers is committed to the identification, monitoring and management of material business risks associated with its business activities across the Group to create long-term shareholder value.

Risk Management Policy

The Risk Management Policy of Wesfarmers was approved by the Board. The policy details the overarching risk management controls that are embedded in the Group's risk management framework and reporting systems, including:

- guidelines and limits for approval of all expenditure, including capital expenditure and investments;
- a Group compliance program supported by approved guidelines and standards covering safety, the environment, legal liability, risk identification, quantification and reporting, and financial reporting controls;
- a comprehensive risk financing program, including risk transfer to external insurers;
- policies and procedures for the management of financial risk and treasury operations;
- annual budgeting and monthly reporting systems for all businesses;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the Group.

A copy of the Risk Management Policy is published in the corporate governance section of the company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

This policy is reviewed periodically.

Risk management oversight and responsibility

The division of the key risk management functions is set out in the diagram above.

Risk certification

Financial risk

The Wesfarmers Managing Director and the Finance Director provided a written statement to the Board in accordance with section 295A of the *Corporations Act 2001*.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Wesfarmers Managing Director and the Finance Director that the declaration was founded on a sound system of risk management and internal control and that the system was operating effectively in all material aspects in relation to financial reporting risks.

This statement was also signed by the Executive General Manager Group Accounting, Assurance and Risk.

Non-financial risk

Management within each division is required to have in place effective risk management policies, programs and internal control systems to manage the material business risks of the division in accordance with Wesfarmers' risk management framework.

Divisional management is ultimately responsible for the relevant division's internal control and risk management systems.

Management has reported to the Audit Committee on the effectiveness of the internal control and risk management systems throughout the year, and management of its material business risk.

In addition, the Insurance division's Australian licensed insurers are subject to the Australian Prudential Regulatory Authority reporting obligations. These reporting obligations, including a requirement to lodge Risk Management Strategies and Insurance Liability Valuation Reports, have been complied with.

Financial statements

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Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 2 to 65 forms part of the directors' report for the financial year ended 30 June 2011 and is to be read in conjunction with the following information:

Results and dividends

YEAR ENDED 30 JUNE	**2011 $m**	2010 $m
Profit		
Profit attributable to members of the parent entity	**1,922**	1,565
Dividends		
The following dividends have been paid by the Company or declared by the directors since the commencement of the financial year ended 30 June 2011:		
(a) out of the profits for the year ended 30 June 2010 on the fully-paid ordinary shares and partially protected shares:		
(i) fully-franked final dividend of 70 cents per share paid on 30 September 2010 (as disclosed in last year's directors' report)	**810**	694
(b) out of the profits for the year ended 30 June 2011 and retained earnings on the fully-paid ordinary shares and partially protected shares:		
(i) fully-franked interim dividend of 65 cents (2010: 55 cents) per share paid on 31 March 2011	**752**	636
(ii) fully-franked final dividend of 85 cents (2010: 70 cents) per share to be paid on 30 September 2011	**983**	810

Principal activities

The principal activities of entities within the consolidated entity during the year were:

- retailing operations including supermarkets, general merchandise and specialty department stores;
- fuel, liquor and convenience outlets;
- retailing of home improvement and outdoor living products and supply of building materials;
- retailing of office and technology products;
- coal mining and production;
- gas processing and distribution;
- insurance;
- industrial and safety product distribution;
- chemicals and fertilisers manufacture; and
- investments.

There have been no significant changes in the nature of these activities during the year.

Directors

The directors in office at the date of this report are:

- R L Every (Chairman)
- R J B Goyder (Group Managing Director)
- T J Bowen (Finance Director)
- C B Carter
- J P Graham
- A J Howarth
- C Macek
- W G Osborn
- D L Smith-Gander
- V M Wallace (Director from 6 July 2010)

All directors served on the Board for the period from 1 July 2010 to 30 June 2011, except for V M Wallace who was appointed on 6 July 2010.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 56 and 57 of this annual report.

The following director resigned or retired during the year:

- D C White resigned as a director on 9 November 2010 (appointed as a director in May 1990).

Directors' report

Wesfarmers Limited and its controlled entities

Directors' shareholdings

Securities in the Company or in a related body corporate in which directors had a relevant interest as at the date of this report are:

	BWP Trust (units)	Wesfarmers Limited (shares)
T J Bowen	–	333,918
C B Carter	–	27,948
R L Every	–	28,373
R J B Goyder*	–	816,916
J P Graham	13,013	957,712
A J Howarth	–	13,239
C Macek	–	20,571
W G Osborn	–	2,300
D L Smith-Gander	–	12,089
V M Wallace	–	1,538

* R J B Goyder also holds 100,000 performance rights. The performance rights were issued pursuant to the Group Managing Director Long Term Incentive Plan. Each performance right is a right to acquire a fully-paid ordinary share subject to satisfaction of a performance condition which is based on return on equity. For further details, please see the remuneration report on pages 72 to 87 of this annual report.

D C White resigned on 9 November 2010. At the date of his resignation he had 13,466 Wesfarmers Limited shares and no BWP Trust units.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2011 and the number of meetings attended by each director:

	Board		Audit Committee		Remuneration Committee		Nomination Committee		Gresham Mandate Review Committee	
	(A)[1]	(B)[2]	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Current directors										
T J Bowen	8	8								
C B Carter	8	8			4	4	2	2	1	1
R L Every	8	8	7	7	4	4	2	2		
R J B Goyder	8	8								
J P Graham	8	8			4	4	2	2		
A J Howarth	8	8	7	7			2	2		
C Macek	8	8	7	7	4	4	2	2	1	1
W G Osborn	8	8			4	4	2	2		
D L Smith-Gander	8	8	7	7			2	2	1	1
V M Wallace[3]	8	8	7	7			2	2		
Previous directors										
D C White[4]	4	4	3	3			1	1	1	1

Notes:

1 (A) = number of meetings eligible to attend.
2 (B) = number of meetings attended.
3 V M Wallace was appointed as a director on 6 July 2010.
4 D C White resigned as a director on 9 November 2010.

Insurance and indemnification of directors and officers

During or since the end of the financial year, the Company has paid premiums in respect of a contract insuring all directors and officers of Wesfarmers Limited and its related entities against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

In accordance with the Company's Constitution, the Company has entered into Deeds of Indemnity, Insurance and Access with each of the directors of the Company. These Deeds:

- indemnify a director to the full extent permitted by law against any liability incurred by the director:
  - as an officer of the Company or of a related body corporate; and
  - to a person other than the Company or a related body corporate, unless the liability arises out of conduct on the part of the director which involves a lack of good faith;
- provide for insurance against certain liabilities incurred as a director; and
- provide a director with continuing access, while in office and for a specific period after the director ceases to be a director, to certain company documents which relate to the director's period in office.

In addition, the Company's Constitution provides for the indemnity of officers of the Company or its related bodies corporate from liability incurred by a person in that capacity.

No indemnity payment has been made under any of the documents referred to above during or since the end of the financial year.

Indemnification of auditors

The Company's auditor is Ernst & Young.

The Company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

During the financial year:

- the Company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young; and
- there were no officers of the Company who were former partners or directors of Ernst & Young, whilst Ernst & Young conducted audits of the Company.

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 72 to 87 of this annual report.

Options

No options over unissued shares in the Company were in existence at the beginning of the financial year or granted during, or since the end of the financial year.

Company Secretary

Linda Kenyon was appointed as Company Secretary of Wesfarmers Limited in April 2002.

Linda holds Bachelor of Laws and Bachelor of Jurisprudence degrees from the University of Western Australia and is a Fellow of Chartered Secretaries Australia. She joined Wesfarmers in 1987 as legal counsel and held that position until 2000 when she was appointed Manager of Bunnings Property Management Limited, the responsible entity for the listed BWP Trust. Linda is also Company Secretary of a number of Wesfarmers Group subsidiaries.

Review of results and operations

The operations of the consolidated entity during the financial year and the results of those operations are reviewed on pages 2 to 52 of this annual report and in the accompanying financial statements. This review includes information on the financial position of the consolidated entity and its business strategies and prospects for future financial years. In the opinion of the directors, disclosure of further material relating to those matters is likely to result in unreasonable prejudice to the interests of the Company and the consolidated entity. That material has therefore been omitted from the review.

Significant changes in the state of affairs

Particulars of the significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- revenue up from $51,827 million to $54,875 million
- profit for the year up from $1,565 million to $1,922 million
- dividends per share up from $1.25 to $1.50

- total assets up from $39,236 million to $40,814 million
- shareholders' equity up from $24,694 million to $25,329 million
- net borrowings up from $4,035 million to $4,343 million
- net cash flows from operating activities down from $3,327 million to $2,917 million

Significant events after the balance date

The following significant events have arisen since the end of the financial year:

Dividend

On 18 August 2011, a fully-franked final dividend of 85 cents per share resulting in a dividend payment of $983 million was declared for payment on 30 September 2011.

Premier Coal

Short-listed interested parties are currently finalising detailed due diligence. The sale of Premier Coal is subject to an acceptable final offer being received, execution of a Sale and Purchase Agreement, and the satisfaction of a number of conditions precedent. In the event that the sale process is not successful or is discontinued, the classification and the carrying value of assets and liabilities will be reassessed.

Energy Generation Pty Ltd

On 18 July 2011, Wesfarmers announced the sale of its remote power generation business enGen to Energy Developments Limited for $101 million. On 31 August 2011, Wesfarmers completed the sale of enGen and expects to recognise a before tax gain on sale of approximately $40 million. The final sale proceeds and gain on sale are subject to finalisation of the completion accounts.

Coregas Pty Ltd

Coregas owns and operates an Air Separation Unit at the BlueScope Steel Limited facility in Port Kembla, New South Wales. On 22 August 2011, BlueScope announced the shutdown of its Port Kembla No. 6 Blast Furnace. Coregas is discussing with BlueScope the implications of the shutdown and, depending on the outcome of these discussions, there may be an impairment of the Coregas asset. This is not expected to be material to the Group.

Likely developments and expected results

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to elsewhere in this report, particularly on pages 10 to 52 of this annual report. In the opinion of the directors, disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the Company and the consolidated entity. That material has therefore been omitted from the directors' report.

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2011 and received, or is due to receive, the following amounts for the provision of these services:

	$'000
Tax compliance	634
Assurance related	1,092
Other	536
TOTAL	2,262

The Audit Committee has, following the passing of a resolution of the committee, provided the Board with written advice in relation to the provision of non-audit services by Ernst & Young.

The Board has considered the Audit Committee's advice, and the non-audit services provided by Ernst & Young, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001* for the following reasons:

- the non-audit service s provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the Company;
- all non-audit services were subject to the corporate governance procedures and policies adopted by the Company and have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- there is no reason to question the veracity of the auditor's independence declaration (a copy of which has been reproduced on page 71).

Directors' report

Wesfarmers Limited and its controlled entities

The directors received the following declaration from Ernst & Young:

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
Perth
21 September 2011

Environmental regulation and performance

The activities of the consolidated entity are subject to environmental regulation by various authorities throughout Australia and New Zealand.

Licences granted to the consolidated entity regulate the management of air and water quality, the storage and carriage of hazardous materials, the disposal of wastes and other environmental matters associated with the consolidated entity's operations.

During the year there have been no known material breaches of the consolidated entity's licence conditions.

Proceedings on behalf of the Company

No proceedings have been brought on behalf of the Company, nor have any applications been made in respect of the Company under section 237 of the *Corporations Act 2001*.

Corporate governance

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's corporate governance statement is on pages 58 to 65 of this annual report.

Corporate information

Wesfarmers Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company's registered office and principal place of business is 11th Floor, Wesfarmers House, 40 The Esplanade, Perth, Western Australia.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Directors' report

Remuneration report 2011 (audited)

Wesfarmers Limited and its controlled entities

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2011 OVERVIEW

The Wesfarmers Limited Board is committed to an executive remuneration framework that is focused on driving a performance culture by rewarding executive performance for the achievement of the Company's short-term and long-term strategy and business objectives and, ultimately, generating satisfactory returns for shareholders. This report explains how Wesfarmers' performance for the 2011 financial year has driven remuneration outcomes for senior executives.

Key changes

A summary of the key changes to remuneration-related matters approved for the 2011 financial year is set out below:

Non-executive directors

Following a freeze on non-executive director fees in the 2010 financial year, fees were increased effective 1 January 2011.

Executive directors and senior executives

Fixed annual remuneration

Following a freeze on remuneration increases in the 2010 financial year, senior executive fixed annual remuneration increased effective 1 October 2010, based on business and individual performance and aligned to market remuneration levels.

Incentive arrangements

A comprehensive review of the Wesfarmers Long Term Incentive Plan (WLTIP) was undertaken during the year, with the Board approving various enhancements for the 2011 allocation to be undertaken later this year, including:

- introducing relative Total Shareholder Return (TSR) as a second performance metric;
- extending the performance period to four years; and
- increasing the level of performance required for full vesting in relation to both performance hurdles to the 75th percentile of the comparator group.

Shareholder approval will be sought at the 2011 Annual General Meeting for 2011 WLTIP allocations proposed to be made to the Group Managing Director and the Finance Director.

Other changes

The Board, through the Remuneration Committee, has reviewed and further developed a number of Executive Remuneration Guiding Principles, which will be used to guide all future reviews and the development of executive remuneration plans and policies.

In light of the recent changes made to the *Corporations Act 2001* relating to the use of external remuneration consultants, the Board has reviewed and reaffirmed Wesfarmers' procedures and protocols (at both Board and management level) regarding the engagement of external remuneration consultants.

Overview of remuneration components

Remuneration component		Participants: Non-executive directors	Participants: Group Managing Director	Participants: Finance Director / senior executives	Participants: Coles executives
Fixed	Fixed Annual Remuneration		✓ (page 77)	✓ (page 77)	✓ (page 77)
	Fees	✓ (page 74)			
Annual incentive			✓ (page 77)	✓ (page 77)	✓ (page 77)
Long-term incentive			✓ (legacy grant under GMD Rights Plan – page 84)	✓ (WLTIP – page 78)	✓ (CLTIP – page 80)
Post-employment arrangements	Superannuation	✓ (page 74)	✓ (page 85)	✓ (page 85)	✓ (page 85)

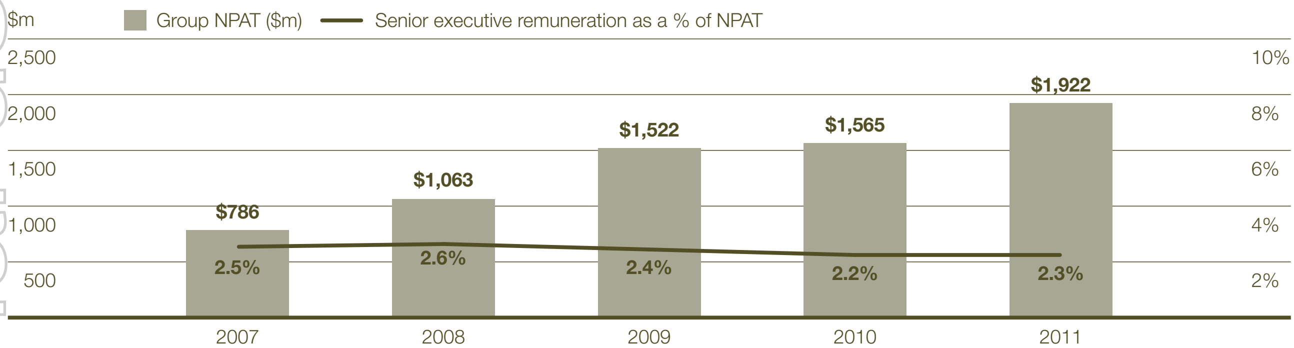
Link to 2011 financial performance

Wesfarmers' 2011 financial year performance saw earnings improvements across most divisions. The financial performance for the Coles, Home Improvement and Office Supplies, Industrial and Safety, and Chemicals, Energy and Fertilisers divisions, met or exceeded financial targets set by the Board for 2011. This resulted in the annual incentive plan delivering at or above target awards for the executive directors and for senior executives in those divisions. The financial performance for the Target, Kmart, Insurance and Resources divisions were below target levels, which was reflected in the annual incentives for senior executives in those divisions. Overall, the Wesfarmers Group minimum performance level was achieved.

A number of senior executives also received an allocation of shares this year under the WLTIP, linking a part of their at-risk remuneration to achieving strong relative growth in return on equity for shareholders.

The graph below shows the link between company performance and reward, and measures Group Net Profit After Tax (NPAT) against senior executive total remuneration, as reported in the 2007 to 2011 annual reports.

Group NPAT against senior executive total remuneration



Group Managing Director

Mr Goyder's total reported remuneration for the 2011 financial year is $6.9 million, which is 12.8 per cent lower than for 2010, primarily due to no remuneration amount being recognised in relation to long-term incentive awards, i.e. the Group Managing Director Long Term Incentive Plan (Rights Plan) and the WLTIP. The total reported remuneration comprises fixed remuneration (cash salary), non-monetary benefits and post-employment benefits (including superannuation) of $3.4 million and an annual incentive cash payment of $2.0 million, totalling $5.4 million. Mr Goyder's reported remuneration also includes an accounting expense of $1.5 million in relation to the deferred share component of his 2010 and 2011 annual incentive, as shown in the table on page 85.

The performance rights previously granted to Mr Goyder in 2008 under the Rights Plan did not satisfy the challenging performance condition set at the time of the initial grant, which requires a return on equity of 12.5 per cent to be achieved in two consecutive years prior to 30 June 2014. The earliest possible vesting date for these performance rights is now 30 June 2013. Mr Goyder did not receive a long-term incentive grant for the 2011 financial year.

The Board is proposing that, with effect from the allocation to be made in November 2011, the Group Managing Director (Group MD) will participate in the WLTIP. This will ensure that there is alignment between the performance incentives of the Group MD and his direct reports and that performance targets are in place following the final test under the Rights Plan in 2014. Accordingly, the Board believes that it is in shareholders' interests to provide the Group MD with a long-term incentive, which will be eligible to vest in June 2015. Shareholders will be asked to approve a 2011 WLTIP at the 2011 Annual General Meeting.

Managing Director, Coles division

As previously disclosed, the Managing Director, Coles division, participates in the Coles Long Term Incentive Plan (CLTIP), which is a special-purpose plan designed to incentivise and reward the Managing Director for implementing turnaround strategies which generate significant returns to Wesfarmers and its shareholders. For the 2011 financial year, having delivered a 21.2 per cent increase in divisional earnings before interest and tax (EBIT) and a 20.0 per cent increase in return on capital, compared to the 2010 financial year, $10.0 million has been contributed to the award pool under the CLTIP for the Coles Managing Director, with an associated accounting accrual of $11.1 million (being the amount included in the remuneration disclosures this year). Further detail is shown in the table on page 85.

This benefit under the CLTIP, when aggregated with Mr McLeod's fixed remuneration (cash salary), non-monetary benefits and post-employment benefits (including superannuation) and an annual cash incentive reflecting achievement of challenging performance conditions linked to 2011 performance of the Coles division, has resulted in a total reported remuneration for Mr McLeod of $15.6 million.

Directors' report
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Wesfarmers Limited and its controlled entities

SECTION 1: DIRECTORS AND SENIOR EXECUTIVES

The remuneration report sets out the remuneration information for the Key Management Personnel (KMP), which encompasses the non-executive directors, the executive directors (comprising the Group MD and the Finance Director) and those executives who have authority and responsibility for planning, directing and controlling the activities of a major revenue-generating division of Wesfarmers. For the 2011 financial year, the details of the senior executives set out in the report also include the five executives who received the highest remuneration within the Company and the Group.

Executive directors	
R J B Goyder	Group Managing Director (Group MD)
T J Bowen	Finance Director
Senior executives	
S A Butel	Managing Director, Resources division
J C Gillam	Managing Director, Home Improvement and Office Supplies division
L K Inman	Managing Director, Target division
I J W McLeod	Managing Director, Coles division
G Russo	Managing Director, Kmart division
R G Scott	Managing Director, Insurance division

Non-executive directors	
R L Every	Chairman (non-executive)
C B Carter	Director (non-executive)
J P Graham	Director (non-executive)
A J Howarth	Director (non-executive)
C Macek	Director (non-executive)
W G Osborn	Director (non-executive)
D L Smith-Gander	Director (non-executive)
V M Wallace	Director (non-executive) – appointed 6 July 2010
D C White	Director (non-executive) – resigned 9 November 2010

SECTION 2: NON-EXECUTIVE DIRECTORS

Policy

Wesfarmers policy regarding fees for non-executive directors is intended to:

- be market competitive – aim to set fees at a level competitive with non-executive directors in the ASX 25 and taking into account the time commitment of overseeing the large and diverse business that is the Wesfarmers Group now and into the future; and
- safeguard independence – to not include any performance-related element, to preserve the independence of non-executive directors.

To create alignment with shareholders' interests, non-executive directors have the facility to acquire shares out of their fees through a share acquisition plan. Further details regarding the plan are set out on page 75 of this report.

The Board periodically reviews the level of fees paid to non-executive directors and seeks independent advice in that regard.

The Company makes superannuation contributions on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations and each director may sacrifice part of their fee in return for a further superannuation contribution by the Company. No additional benefits are paid to non-executive directors upon retirement from office.

Non-executive director fees

Total fees, including committee fees, are set within the maximum aggregate of $3,000,000 approved by shareholders at the 2007 Annual General Meeting. The table below provides details of Board and committee fees (inclusive of superannuation) for the 2011, 2010 and 2009 financial years and current committee membership. Members of the Nomination Committee do not receive any additional fees.

While no increase was made to fees in the 2010 financial year given the challenging economic environment, to ensure fees maintain at the median of ASX 25, fees paid to non-executive directors were increased effective 1 January 2011.

Main Board (current)	2011 $	2010 $	2009 $
Chairman – R L Every	**570,000**	540,000	540,000
Members – all non-executive directors	**190,000**	170,000	170,000
Audit Committee (current)			
Chairman – A J Howarth	**60,000**	50,000	50,000
Members – R L Every, C Macek, D L Smith-Gander, V M Wallace	**40,000**	30,000	30,000
Remuneration Committee (current)			
Chairman – R L Every	**50,000**	30,000	30,000
Members – C B Carter, J P Graham, C Macek, W G Osborn	**25,000**	15,000	15,000

Non-executive director remuneration for 2011

The fees paid or payable to the non-executive directors in relation to the 2011 financial year are set out below:

Non-executive director		Fees and allowances $	Short-term benefits [1] $	Post-employment benefits – superannuation [2] $	Total $
C B Carter	**2011**	**184,800**	**9,592**	**15,200**	**209,592**
	2010	170,539	9,880	14,461	194,880
R L Every	**2011**	**614,800**	**9,592**	**15,200**	**639,592**
	2010	585,539	9,880	14,461	609,880
J P Graham [3]	**2011**	**297,800**	**9,592**	**–**	**307,392**
	2010	278,600	9,880	–	288,480
A J Howarth	**2011**	**195,360**	**9,592**	**39,640**	**244,592**
	2010	181,099	9,880	38,901	229,880
C Macek	**2011**	**216,033**	**9,592**	**18,740**	**244,365**
	2010	182,000	9,880	18,000	209,880
W G Osborn	**2011**	**184,800**	**9,592**	**15,200**	**209,592**
	2010	46,342	217	3,930	50,489
D L Smith-Gander	**2011**	**199,800**	**9,592**	**15,200**	**224,592**
	2010	141,363	5,874	27,685	174,922
V M Wallace	**2011**	**197,700**	**9,592**	**15,027**	**222,319**
	2010	–	–	–	–
Former non-executive director					
P A Cross [4]	**2011**	**–**	**–**	**–**	**–**
	2010	126,250	8,750	12,500	147,500
D C White [5]	**2011**	**64,507**	**3,469**	**7,463**	**75,439**
	2010	180,000	9,880	20,000	209,880
TOTAL	**2011**	**2,155,600**	**80,205**	**141,670**	**2,377,475**
	2010	1,891,732	74,121	149,938	2,115,791

1 The benefit included in this column is director and officer insurance.
2 Superannuation contributions are made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations. This includes any part of a non-executive director's fees which have been sacrificed into superannuation.
3 J P Graham's fees are paid to Gresham Partners Limited for participation on the boards of Wesfarmers Limited, Wesfarmers Insurance Pty Ltd and Wesfarmers General Insurance Limited. Of the fees above, $209,592 (2010: $194,880) relate to the parent company.
4 P A Cross resigned as a director on 24 March 2010, therefore remuneration details are shown for comparative purposes only.
5 D C White resigned as a director on 9 November 2010.

Non-executive director share acquisition plan

In order to maintain alignment with shareholders' interests, Wesfarmers operates a post-tax share purchase plan for non-executive directors under the Wesfarmers Employee Share Acquisition Plan (WESAP). Participation in the plan is voluntary and enables non-executive directors to use their fees (after deduction of taxation and superannuation) to acquire Wesfarmers shares. Shares are purchased on-market, on a monthly basis (except during blackout periods) and are subject to a 12 month trading restriction, during which time the shares are held by the plan trustee. The plan operated from 1 July 2010 to 30 June 2011 and will continue to operate in the 2012 financial year. No allocations were made under the plan in the 2011 financial year.

SECTION 3: EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Remuneration policy and principles

The Board considers it essential to have a remuneration framework which reflects the diversified nature of the Wesfarmers business and is structured to reward executives for performance at a Group level and, for divisional executives, also at a divisional level.

During the 2011 financial year, the Remuneration Committee further developed the guiding principles which assist with the determination of executive remuneration. These principles are used as a reference when considering remuneration plans and policies that apply to senior executives. The overriding objective is to provide satisfactory returns to shareholders and the remuneration principles are focused on driving the leadership performance and behaviours consistent with achieving this objective.

Wesfarmers' remuneration policy for senior executives is guided by the following key principles:

– ownership aligned – remuneration arrangements generally encourage Wesfarmers' senior executives to behave like long-term 'owners' through performance-based equity plans to increase shareholdings. The mix of remuneration components and the measures used in the performance incentive plans were chosen to ensure there is a strong link between remuneration earned and the achievement of sustainable performance that leads to satisfactory returns for shareholders;
– performance focused – generally remuneration arrangements reward strategic, operational and financial performance of the business. A significant proportion of each executive's remuneration is dependent upon Wesfarmers' success and individual performance;
– core consistency and market competitiveness – a core common set of remuneration practices will generally apply to all senior executive roles. However, differential management will be applied by the Remuneration Committee to meet specific needs. Wesfarmers positions fixed remuneration and incentives to be competitive with executives in ASX 25 companies, with an opportunity for highly competitive total remuneration for superior performance; and
– open and fit for purpose – remuneration arrangements can be innovative to respond to business and operational needs. However, all remuneration arrangements for KMP will be communicated to key stakeholders in an open and transparent manner.

The Remuneration Committee and external remuneration consultants

The Remuneration Committee is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Group, including in particular, the policies governing the remuneration of senior executives. Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, which is available in the Corporate Governance section of the Company's website at www.wesfarmers.com.au.

The Remuneration Committee seeks external advice to assist setting the structure and levels of remuneration for senior executives, including the Group MD. During the year, the Committee engaged PricewaterhouseCoopers (PwC) to provide assistance on remuneration matters, including the supply of market benchmarking data, advice on executive market remuneration practices, specific advice regarding the potential structure of long-term incentives for the Group MD and remuneration-related governance updates.

Following the changes that were made to the *Corporations Act 2001* effective 1 July 2011, the committee reviewed and approved enhancements to Wesfarmers' procedures and protocols (at both Board and management level) regarding the engagement of and interaction with external remuneration consultants to ensure ongoing compliance with the legislation and, in particular, to ensure that any remuneration recommendation is free from undue influence by the member or members of the KMP to whom it relates.

Components of executive remuneration

The executive remuneration framework consists of the following components:

– base salary (called Fixed Annual Remuneration or 'FAR') – in setting FAR, reference is made to the median of salaries for executives in ASX 25 companies, with further consideration given to business and individual performance as well as the ability to retain key talent. Additional sector or industry-specific data is also taken into consideration in benchmarking the senior executives where appropriate; and
– incentive or 'at risk' components are set at levels competitive with ASX 25 companies 'at target' and provide for highly competitive at risk remuneration for superior performance. These include:
  (1) **annual incentives** – an incentive based on the achievement of annual performance conditions, heavily weighted to return and earnings-based measures and also including non-financial goals which seek to achieve corporate objectives. This incentive comprises both a cash component, which is paid following the end of the applicable financial year, and a restricted share component, which is subject to forfeiture in the 12 months following grant and which is restricted for a minimum of three years; and
  (2) **long-term incentives** – a share grant plan with a future performance hurdle. In relation to grants to be made in the 2012 financial year, the four year performance hurdles will comprise growth in return on equity (ROE) and relative TSR, in order to ensure a strong link with the creation of shareholder value. Wesfarmers also operates a specific plan, linked to the turnaround of the Coles division, for select Coles executives.

Wesfarmers' mix of fixed and at risk components for each of the executives disclosed in the remuneration report, as a percentage of total target annual remuneration for the 2011 financial year, is as follows:

	Total target annual remuneration	
	Fixed remuneration %	Incentive or 'at risk' %
Group MD [1]	33	67
Managing Director, Coles division [2]	15	85
Other senior executives	40	60

1 As the Group MD did not receive a long-term incentive grant in the 2011 financial year, the total target remuneration shown is that for the 2012 financial year, being FAR plus annual incentive and long-term incentive at target of 100 per cent of FAR.

2 The long-term incentive target for the Managing Director Coles reflects the actual CLTIP award contribution for the 2011 financial year.

Fixed Annual Remuneration

Fixed Annual Remuneration (FAR) consists of base salary and statutory superannuation contributions.

No increases were made to fixed remuneration in the 2010 financial year reflective of the challenging economic environment. In order to ensure executive remuneration levels remain market competitive within the comparator benchmark group, the Board approved FAR increases effective 1 October 2010.

Executive directors and senior executives may also elect to have a combination of benefits provided out of their FAR, including additional superannuation and the provision of a motor vehicle. The value of any non-cash benefits provided to them includes the costs of any fringe benefits tax payable by Wesfarmers as a result of providing the benefit.

Annual incentives

Annual incentive – actual performance 2011 financial year

Wesfarmers' 2011 financial year performance saw earnings improvements across most divisions. The financial performance for the Coles, Home Improvement and Office Supplies, Industrial and Safety, and Chemicals, Energy and Fertilisers divisions, met or exceeded financial targets set by the Board for 2011. This resulted in the annual incentive plan delivering at or above target awards for the executive directors and for senior executives in those divisions. The financial performance for the Target, Kmart, Insurance and Resources divisions were below target levels, which was reflected in the annual incentives for senior executives in those divisions. Overall, the Wesfarmers Group minimum performance level was achieved.

Specific information relating to the actual annual incentive awards is set out in the table on page 83.

What is the annual incentive and who participates?	The annual incentive provides, upon satisfaction of applicable performance conditions, a cash award up to 60 per cent of FAR, with the balance (if any) provided in the form of restricted shares. All senior executives are eligible to receive an annual incentive.

What is the amount the executive can earn?

Senior executives (including Group MD)	
% of target performance	% of FAR received
≤ 92.5% or 95%, depending on the division	0%
100%	60% (100% for the Group MD)
≥ 105% or 110%, depending on the division	120%
Pro-rata between these points	

What were the performance conditions for the 2011 financial year?

Measures	Group MD	Senior executives	
		Divisional executives	Group executives
Group financial measures (i.e. Group NPAT)	30% with a Group ROE hurdle gate	Not applicable	50% to 60%
Divisional financial measures (i.e. EBIT, return on capital and other specific divisional objectives)	30% on Coles turnaround	50% to 80%	Not applicable
Non-financial measures (i.e. agreed objectives, safety, diversity and talent management)	40%	20% to 50%	40% to 50%

Why were these performance conditions chosen?	The financial performance measures were chosen principally because of their impact on ROE, which is a contributor to achievement of satisfactory returns to shareholders of the Wesfarmers Group. The non-financial performance measures have been set to drive leadership performance and behaviours consistent with achieving the Group's long-term objectives in areas including safety, diversity and succession planning and talent management. In addition, due to the significant turnaround effort required, the Group MD has a separate performance measure which is dependent on the improvement in annual performance of the Coles division.
When are the performance conditions tested?	Incentive awards are determined after the preparation of the financial statements each year (in respect of the financial measures) and after a review of performance against non-financial measures by the Group MD (and in the case of the Group MD, by the Board) at the end of the financial year. The Board confirms final awards based on overall personal and Group performance. In accordance with the terms of the plan, the Board has discretion to make adjustments to the performance conditions. Annual incentive cash payments and deferred restricted share awards are generally made in September, after the reviews are completed.
What are the key terms of the restricted shares?	A portion of the incentive (i.e. any payment above 60 per cent of FAR for senior executives and the Group MD) is allocated in the form of restricted (deferred) shares. The Board believes the deferral of part of the short-term incentive links the value of part of the annual incentive to sustainable longer-term performance. The shares are subject to forfeiture if the executive resigns within one year of the share allocation. The shares are subject to a three year trading restriction while the executive remains an employee of Wesfarmers and the executive can elect for an additional restriction for up to seven years.

Long-term incentive plans

Summary of plans

Plan	Participants	Performance / service period	Discussion
Wesfarmers Long Term Incentive Plan (WLTIP)	Senior executives	3 years (2010 – 2013)	Page 78
Coles Long Term Incentive Plan (CLTIP)	Managing Director, Coles division and select Coles senior executives	5 years (2008 – 2013)	Page 80
Group Managing Director Long Term Incentive Plan (Rights Plan) – legacy plan	Group MD	3 to 6 years (2008 to 2014)	Page 84

Wesfarmers Long Term Incentive Plan (WLTIP)

Changes for 2011 WLTIP allocations (for shares allocated during the 2012 financial year)

Following a comprehensive review of Wesfarmers' long-term incentive arrangements, including comparing the Company's arrangements with those of other ASX 25 companies, the Board has approved the following enhancements to the WLTIP for the 2011 allocation:

– the shares will be subject to a four year forward-looking performance period rather than the current three year period;
– in addition to the compound annual growth rate (CAGR) in ROE (which will have a 75 per cent weighting for the 2011 allocation), a new relative TSR performance condition has been introduced (with a 25 per cent weighting); and
– Wesfarmers' TSR and CAGR in ROE must exceed the 50th percentile of the TSR and CAGR in ROE of the S&P/ASX 50 Index at which point 50 per cent of the applicable shares will vest. Full vesting will occur at the 75th percentile, with pro-rata vesting on a straight line basis between these points.

It is proposed that, with effect from the allocation to be made in November 2011, the Group MD will participate in the WLTIP. This will ensure that there is alignment between the performance incentives of the Group MD and his direct reports, and that performance targets are in place following the final test under the Rights Plan in 2014. Accordingly, the Board believes it is in shareholders' interests to provide the Group MD with a long-term incentive, which will be eligible to vest in June 2015. Shareholders will be asked to approve a 2011 WLTIP allocation to both of the executive directors at the 2011 Annual General Meeting.

2010 WLTIP (for shares allocated during the 2011 financial year)

WLTIP allocations to the KMP participants (other than the executive directors) were made in November 2010 and are set out in the table on page 83 of this report.

What is the WLTIP and who participates?	The WLTIP links long-term executive reward with ongoing creation of shareholder value through the annual allocation of shares, subject to satisfaction of long-term performance conditions. All senior executives, other than the Coles division executives, participate in the WLTIP. As indicated above, it is proposed the Group MD will, subject to shareholder approval, participate in the WLTIP allocation in 2011.
How is the WLTIP allocation determined?	Target performance will generally result in an allocation that is 80 per cent of FAR (although the Group MD may recommend a greater allocation up to 160 per cent of FAR to reward exceptional performance).
What is the performance condition and performance period?	Shares are allocated to participating executives and only vest upon achievement of the three year performance condition. The performance period for the 2010 WLTIP is from 1 July 2010 to 30 June 2013. Wesfarmers' CAGR in ROE over the performance period must exceed the 50th percentile of the CAGR in ROE of the S&P/ASX 50 Index, measured over the performance period, before shares vest.
Why was this performance condition chosen and when is it tested?	The Board considers CAGR in ROE is an appropriate performance hurdle on the basis that it: – is a key metric to measure Wesfarmers' long-term success as it contains clear links to shareholder value creation and is a key driver of business success; and – is an internal measure that an executive can influence and avoids the unintended consequences of share market volatility. Following the completion of the performance period, the Board tests the performance condition upon finalisation of the annual accounts.
What happens in the event of a change of control?	The Board has discretion to waive the performance condition attached to the shares in the event of a change of control.
What happens if the executive ceases employment during the performance period?	Shares allocated to executives in 2010 are subject to a three year forfeiture condition where the executive resigns or is terminated for cause or poor performance prior to 30 June 2013. In addition, the shares remain restricted until November 2013 while the executive remains employed by Wesfarmers. The shares are held in trust for this period. At the end of the restriction period (and subject to shares not being forfeited) the executive is free to sell or transfer the shares. If an executive ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the executive will generally be entitled to a pro-rata number of shares based on achievement of the ROE hurdle over the performance period up to ceasing employment.
What WLTIP shares have vested in the 2011 financial year?	The 2009 WLTIP has a performance period to 30 June 2011, which required Wesfarmers' CAGR in ROE over the relevant performance period to exceed the 50th percentile of the CAGR in ROE of the S&P/ASX 50 Index before any shares vest. The results of Wesfarmers' CAGR in ROE for the performance period against the comparator group have been calculated and verified, and the performance condition was met in full with Wesfarmers' CAGR in ROE at the 71st percentile. The number of shares that have vested under the 2009 WLTIP is shown in the table on page 84.

Coles Long Term Incentive Plan (CLTIP)

CLTIP award

The CLTIP is a special purpose incentive plan that is designed to reward key executives hired to develop and implement turnaround strategies and plans for the Coles business. At the end of Mr McLeod's third year, the Coles division continues to show encouraging earnings growth and is meeting Wesfarmers' expectations in line with its ambitious five year plan.

Coles divisional EBIT of $1,166 million exceeded the minimum target for 2011 under the CLTIP, with performance highlights including:

- Coles division EBIT growth of 21.2 per cent against the 2010 financial year;
- Coles division revenue (excluding fuel sales) growing to $25,958.2 million (approximately $1.5 billion higher than the 2010 financial year);
- Coles division return on capital (ROC) increasing to 7.8 per cent (up from 6.5 per cent in the 2010 financial year); and
- Coles division exceeding key health of business factors including new store formats, customer and employee satisfaction score improvements and on-shelf availability of fresh and grocery products.

As indicated in prior years, the turnaround of the Coles division following its acquisition by Wesfarmers in November 2007 presents a significant opportunity to the Group. To ensure Coles generates acceptable levels of shareholder return for Wesfarmers over the longer term, the CLTIP was designed to attract top global talent, and to reward executives who contribute to the turnaround.

<table>
<tr><td>What is the CLTIP and who participates?</td><td colspan="2">This plan provides an increasing incentive pool over the life of the CLTIP to the Managing Director Coles division and a select number of key executives within the Coles division, for generating earnings beyond an annual EBIT threshold set by the Board.</td></tr>
<tr><td>What is the performance period and when do awards become payable?</td><td colspan="2">This plan operates from 1 July 2008 to 30 June 2013 for the initial participants, aligned to Wesfarmers' five year period for the Coles turnaround. Annual performance awards are made over this period based on performance. These awards are accumulated in an award pool for each participant, which is progressively paid out from 2011 through to 2013, subject to ongoing service with the Coles division.

In accordance with the terms of the plan, 40 per cent of the total award pool accumulated for each participant over the 2009, 2010 and 2011 financial years becomes payable following the end of the 2011 financial year, with an additional amount payable from cumulative awards on 30 June 2012 and the balance on 30 June 2013.</td></tr>
<tr><td rowspan="3">How is the annual award pool contribution determined and what are the performance conditions?</td><td colspan="2">In each year of the plan, an award opportunity is determined by reference to the Coles division's EBIT performance for the year against the targets approved by the Board.

Contributions to the award pool for each participant commence once EBIT performance for a year reaches a threshold level (which is set at an average of 94 per cent of the business plan EBIT target in each year). No award pool contribution is made for a year if this threshold level is not achieved. The size of the contribution to the award pool for each participant increases as the Coles division's EBIT increases. In order to encourage exceptional performance, there is no upper limit on the size of the award pool.

Once a contribution is made to the award pool for each participant, the actual entitlement out of that pool is determined by performance against the following conditions applicable to each year of the plan:</td></tr>
<tr><td>Financial (80 per cent)</td><td>Non-financial (20 per cent)</td></tr>
<tr><td>– Annual growth in Coles revenue (excluding fuel sales) against targets
– Return on capital invested by Wesfarmers against targets</td><td>– Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning</td></tr>
<tr><td>Why were these performance conditions chosen?</td><td colspan="2">These performance conditions have been selected to provide incentives for achieving annual milestones in the multi-year turnaround of the Coles division which are, in addition to the EBIT improvements, important indicators of a long-term structural turnaround in the Coles business.

In particular, these conditions were chosen as:
– sustainable profit growth from Coles is a key driver of Wesfarmers' TSR;
– maximising revenue growth in the competitive retail markets in which Coles operates is a key indicator of the market attractiveness of, and the quality of management of, Coles' offer which in turn is a key contributor to future profitability; and
– achieving a satisfactory return on capital invested in Coles correlates closely with shareholders receiving satisfactory returns over time.

The Board retains discretion to review and, where appropriate, amend the applicable performance conditions to take account of changed circumstances.

Noting the five year turnaround period, an additional performance condition relating to key management succession planning applies to the 2012 and 2013 financial years.</td></tr>
</table>

When is performance determined?	Performance against each of the financial targets (EBIT, revenue growth and ROC performance of the Coles division) is determined annually by the Board upon finalising the financial statements. The Board also annually assesses performance against the non-financial conditions in August, at which time the actual award for each participant is determined.
Are awards payable in cash or shares?	At least 50 per cent of the award made available to participants each year is payable in cash. At the election of participants earlier in the year, up to 50 per cent of any award available to a participant in relation to the 2011 financial year could have been taken in the form of Wesfarmers shares, which will generally be restricted and remain subject to forfeiture in specified circumstances until 30 June 2013. Mr McLeod did not elect to take any part of his 2011 CLTIP award in the form of shares. As at the date of this report the number of Wesfarmers Limited shares held by Mr McLeod in his own right is 64,217.
What happens in the event of a change of control of Wesfarmers or the sale of the Coles division?	The Board may determine that the restrictions applicable to accrued awards under CLTIP do not apply in the event of a change of control. In the event of the sale of the Coles division, the Board has discretion to vest all or part of the award for the year in which the sale occurs.
What happens if the executive ceases employment during the performance period?	If Wesfarmers terminates a participant's employment (other than for cause) all accrued awards vest at that time. If a participant resigns before 30 June 2012, 60 per cent of any accrued awards (i.e. referable to the 2009, 2010 and 2011 financial years) will be forfeited. If resignation occurs between 30 June 2012 and 30 June 2013, 40 per cent of any awards accrued over the first four years of the plan (not paid out) will be forfeited.
What are the specific targets under the CLTIP for future years?	The financial targets for the Coles division are aligned to the five year turnaround of this business as approved by the Board following the acquisition of Coles. As will be apparent from the financial figures disclosed in each of the 2009, 2010 and also this remuneration report, the targets for EBIT growth, revenue growth and ROC have all been set at challenging rates of growth over the first three years of the plan and, in the Board's opinion, the targets for 2012 and 2013 will present even more challenging hurdles to the CLTIP participants.
What amount was contributed to the award pool in relation to 2011 for Mr McLeod and what amount remains available to him in future years of the CLTIP?	The 2011 contribution to the award pool in respect of Mr McLeod was \$10.0 million for achievement above the minimum business plan for Coles. The CLTIP is performance-based and contribution to the award pool in respect of Mr McLeod in the first three years has been \$25.2 million, i.e. \$6.8 million in the 2009 financial year, \$8.4 million in the 2010 financial year and \$10.0 million in the 2011 financial year. Assuming the current Board approved business plan for Coles, which presents progressively more challenging performance hurdles, is achieved, the average amount that could be allocated to the award pool for Mr McLeod over the final two years of the plan is approximately \$7.8 million per annum. The actual amount contributed, if any, to the award pool in future years will be based on actual EBIT achieved.
What amount was payable to Mr McLeod in the 2011 financial year?	Mr McLeod became entitled on 1 July 2011 to a payment of 40 per cent of the \$25.2 million cumulative award pool. Upon successful performance against the applicable targets for the 2012 financial year, a further contribution will be made to the award pool and Mr McLeod will become entitled on 1 July 2012 to a further payment of 60 per cent of the then balance of the award pool.
What amount is shown as remuneration for Mr McLeod in relation to the 2011 financial year?	Recognising that performance awards under the CLTIP are made annually, and the payment of awards is subject to an ongoing service condition, an amount of the award pool is accrued in each year of the CLTIP. The accounting accrual for the 2011 financial year in relation to Mr McLeod's potential awards earned over the first three years of operation of the CLTIP (as shown in the table on page 85) was \$11.1 million. This compares to the amount of \$4.4 million accrued in relation to the award pool created in the 2010 financial year (when there was still three years of the five year service condition to be completed). The accounting accrual reflects the amortisation of contributions to the award pool as required under accounting standards over the period of the CLTIP, which, as indicated above, remains subject to an ongoing service condition.

SECTION 4: SERVICE AGREEMENTS

The remuneration and other terms of employment for the executive directors and senior executives are covered in formal employment contracts. All service agreements are for unlimited duration, except for Mr McLeod, who is employed under a five year service agreement (expiring 30 June 2013).

A number of the employment contracts of senior executives have been entered into or materially amended since 24 November 2009 (the date that the new termination payments limits were introduced into the *Corporations Act 2001*) and are drafted to comply with the new legislative limits on termination payments. A number of employment contracts (including for Mr McLeod) were entered into prior to 24 November 2009 and are 'grandfathered' for the purposes of the new laws. Wesfarmers intends honouring its contractual commitments to those executives to the extent permitted by law.

Name	Notice periods / Termination payment
R J B Goyder	12 months notice (or payment in lieu) May be terminated immediately for serious misconduct
I J W McLeod	12 months notice by either party except during the final year of his contract (between 1 July 2012 and 30 June 2013), in which case notice is for the balance of the contract If terminated by the Company between 1 July 2011 and 30 June 2013, Mr McLeod is, in general, entitled to a termination payment equal to 12 months' FAR in addition to his 12 months notice (or payment in lieu) May be terminated immediately for serious misconduct
T J Bowen [1]	Three months notice by either party (or payment in lieu) May be terminated immediately for serious misconduct
Other senior executives [1]	Three months notice by either party and six months notice in the case of redundancy (or payment in lieu) May be terminated immediately for serious misconduct

1 As outlined on page 84, a portion of the retention incentive previously earned for satisfying the applicable service condition, equal to nine months FAR, is payable to these executives at the time of termination of employment (except in the case of termination for serious misconduct).

SECTION 5: REMUNERATION TABLES

2011 annual incentive plan results

The table below indicates whether the minimum performance level for each performance measure was achieved. Incentive payments begin upon exceeding the minimum performance level, which for financial measures is set at 92.5 per cent or 95 per cent of budget for the year, and for non-financial measures is a strong improvement on the previous year. A tick indicates that the minimum performance level was achieved in the 2011 financial year, a cross indicates that the minimum performance level was not achieved and N/A indicates not applicable.

	Financial measures				Non-financial measures
Name	Group NPAT, ROE	Divisional EBIT	Divisional ROC	Divisional sales, cash flow, store growth	Agreed objectives, diversity, talent management and safety
R J B Goyder	✓	✓	✓	✓	✓
T J Bowen	✓	N/A	N/A	N/A	✓
S A Butel	N/A	✓	✓	N/A	✓
J C Gillam	N/A	✓	✓	N/A	✓
L K Inman	N/A	✗	✗	✗	✓
I J W McLeod	N/A	✓	✓	✓	✓
G Russo	N/A	✗	✓	✗	✓
R G Scott	N/A	✗	✗	N/A	✓

Awards under the 2011 annual incentive plan

Name	Total annual incentive award [1] $ total	Total incentive awarded (% of maximum award) [2] Year ended 30 June 2011
R J B Goyder	$3,449,031	86.1%
T J Bowen	$1,150,924	59.9%
S A Butel	$547,575	47.3%
J C Gillam	$1,027,932	66.4%
L K Inman	$276,705	17.9%
I J W McLeod [3]	$2,305,840	96.1%
G Russo	$298,609	22.6%
R G Scott	$577,000	48.1%

1 Annual incentive awards for the 2011 financial year were paid in cash to a maximum of 60 per cent of FAR, with the balance deferred into shares. Detail of the portion of the total annual incentive paid in cash is set out in the table on page 85 (under the column titled short-term benefits, short-term incentive) and detail of the remainder of the total annual incentive allocated in shares is set out in the table below.

2 The maximum annual incentive payment a KMP can earn for the 2011 financial year is 120 per cent of FAR. Any amount not earned/awarded is not paid to the executive (and is forfeited). The annual incentive payment for senior executives for target performance is 60 per cent of FAR, and 100 per cent of FAR for the Group MD.

3 I J W McLeod is employed on a fixed term employment contract and is not mandatorily required to defer a portion of annual incentive into shares and therefore does not appear in the table below.

Shares allocated under the 2011 annual incentive plan

The table below sets out shares allocated to executive directors and senior executives under the annual incentive plan during the 2011 financial year. The shares are subject to a three year trading restriction while the executive remains an employee of Wesfarmers and subject to forfeiture if the executive resigns employment within one year of the share allocation. These shares form part of the total annual incentive amount above, with the remainder of the annual incentive paid in cash.

Name	Date allocated [1]	Number allocated [1]	Value at allocation [2]	Share price at allocation
R J B Goyder	9 September 2011	46,723	$1,445,610	$30.94
T J Bowen	9 September 2011	6,170	$190,900	$30.94
J C Gillam	9 September 2011	8,207	$253,925	$30.94

1 The number of shares awarded is determined based upon the share price at the date of allocation. For accounting purposes, the service period for the 2011 annual incentive plan commenced on 1 July 2010 and the grant date is the date of allocation.

2 45.6 per cent of the value is shown in the table on page 85 (under the column titled share-based payments, value of shares – short-term incentive) as the 2011 annual incentive mandatory deferral into shares commenced vesting from 1 July 2010 and is subject to forfeiture if the executive resigns prior to 9 September 2012, as described above.

Shares allocated under the long-term incentive plan

2010 WLTIP

The table below sets out shares allocated to senior executives during the 2011 financial year (2010 WLTIP allocation). No shares were granted to the Group MD or the Finance Director under the WLTIP during the 2011 financial year.

Name	Date allocated [1]	Number allocated [1]	Value at allocation [2]	Share price at allocation
S A Butel	19 November 2010	20,718	$689,978	$33.30
J C Gillam	19 November 2010	14,593	$485,996	$33.30
L K Inman	19 November 2010	11,410	$379,991	$33.30
G Russo	19 November 2010	26,423	$879,974	$33.30
R G Scott	19 November 2010	12,611	$419,988	$33.30

1 The number of shares awarded is determined based upon the share price at the date of allocation. For accounting purposes, the service period for the 2010 WLTIP commenced on 1 July 2010 and the grant date is the date of allocation.

2 33.3 per cent of the value is shown under share-based payments as the 2010 WLTIP annual grant is subject to a three year performance period and forfeiture if the executive resigns prior to 30 June 2013, as described on page 83.

2009 WLTIP

The table below sets out the number of shares that have vested under the 2009 WLTIP. Refer to page 79 for further details.

Name	Vested during the year	Forfeited during the year
S A Butel	19,203	–
L K Inman	34,788	–
G Russo	17,394	–
R G Scott	22,264	–

Awards under the Group Managing Director Rights Plan – 2008 grant

During 2008, the Group MD was granted 100,000 performance rights under the Rights Plan. For the performance rights granted to the Group MD to vest, ROE for the Group must exceed 12.5 per cent per annum sustained over a consecutive two year period during the performance period (which ends on 30 June 2014). Given that the threshold performance condition was not met this year, the earliest possible vesting date for these performance rights is now 30 June 2013.

Details of the grant made on 30 September 2008 (grant date) are set out in the table below.

Executive director	Held at 1 July 2010 [1]	Vested during the year	Forfeited during the year	Held at 30 June 2011
R J B Goyder	100,000	–	–	100,000

1 Based on the probability of reaching the ROE hurdle of 12.5 per cent, no expense was recognised in the 2011 financial year.

Shares allocated under the retention incentive plan – 2010 allocation

As outlined in last year's report (page 160), the Board crystallised the Company's liability under its legacy retention incentive plan, which provided participants with a progressive service-based incentive over the first five years of employment with the Group. Except in the case of the Group MD, a portion of the retention incentive previously earned for satisfying the applicable service condition, equal to nine months FAR, was maintained in its present form and is payable to these executives at the time of termination of employment (except in the case of termination for serious misconduct). A number of participants who had not completed five years of service with the Group at that time were allocated restricted shares in relation to the part of the five year service condition not completed as at 30 June 2010. These shares are subject to forfeiture where the participant resigns, is summarily dismissed or breaches a material provision of their service agreement prior to the forfeiture date indicated in the table below.

Details of the shares held by senior executives under the retention incentive plan during the 2011 financial year are set out in the table below.

Name	Held at 1 July 2010	Vested during the year [1]	Forfeited during the year	Forfeiture date	Held at 30 June 2011
S A Butel	22,730	11,365	–	11 September 2011	22,730
L K Inman	61,768	20,590	–	23 November 2012	61,768
G Russo	62,285	7,927	–	1 October 2013	62,285
R G Scott	26,355	13,177	–	1 July 2012	26,355

1 Shares vest on an annual basis under these arrangements, but continue to be restricted and subject to forfeiture until the fifth anniversary of employment (noted as the forfeiture date above). The allocation of restricted shares for unvested entitlements is recognised for accounting purposes over the remaining service period, and shown in the table on page 85 (under the column titled share-based payments, value of shares, other).

Executive director and senior executive remuneration for 2011

	Short-term benefits				Post-employment benefits		Share-based payments [1]		Termination benefits	Total	Percentage performance related [2]
	Cash salary [3] $	Short-term incentive $	Non-monetary benefits [4] $	Other [4] $	Super-annuation $	Other benefits [5] $	Value of shares – short-term incentive, cash settled long-term incentive & other $	Value of shares – long-term incentive $	Termination payments $	$	%
Executive directors											
R J B Goyder (Group Managing Director)											
2011	**3,170,173**	**2,003,400**	**149,360**	**9,592**	**48,357**	**55,650**	**1,499,208**	**–**	**–**	**6,935,740**	**50.5%**
2010	3,001,597	1,890,000	115,738	9,880	48,360	52,500	840,000	1,999,996	–	7,958,071	59.4%
T J Bowen (Finance Director)											
2011	**1,551,643**	**960,000**	**11,537**	**9,592**	**23,357**	**101,666**	**487,061**	**943,999**	**–**	**4,088,855**	**58.5%**
2010	1,243,307	900,000	12,035	328,880	23,360	1,013,418	400,000	1,743,998	–	5,664,998	53.7%
Senior executives											
S A Butel (Managing Director, Resources division)											
2011	**800,059**	**547,575**	**49,477**	**9,592**	**48,357**	**222,333**	**644,000**	**505,765**	**–**	**2,827,158**	**60.0%**
2010	593,806	414,000	49,477	9,880	48,360	76,833	147,200	763,487	–	2,103,043	63.0%
J C Gillam (Managing Director, Home Improvement and Office Supplies division)											
2011	**1,224,143**	**774,000**	**2,349**	**55,703**	**23,357**	**149,000**	**414,460**	**1,105,837**	**–**	**3,748,849**	**61.2%**
2010	1,096,640	672,000	9,267	115,058	23,360	18,667	298,667	1,743,998	–	3,977,657	68.2%
L K Inman (Managing Director, Target division)											
2011	**1,216,032**	**276,705**	**24,578**	**9,592**	**41,772**	**51,500**	**1,361,667**	**1,187,028**	**–**	**4,168,874**	**67.8%**
2010	1,139,716	750,000	24,578	9,880	46,421	451,518	261,667	1,535,486	–	4,219,266	60.4%
I J W McLeod (Managing Director, Coles division)											
2011	**1,932,333**	**2,305,840**	**150,392**	**109,592**	**15,200**	**33,333**	**11,080,000**	**–**	**–**	**15,626,690**	**85.7%**
2010	1,941,518	1,462,810	105,699	109,880	14,461	33,333	4,380,000	–	–	8,047,701	72.6%
G Russo [6] (Managing Director, Kmart division)											
2011	**1,049,935**	**298,609**	**3,423**	**9,592**	**48,357**	**18,333**	**1,016,873**	**1,192,033**	**–**	**3,637,155**	**68.9%**
2010	–	–	–	–	–	–	–	–	–	–	–
R G Scott [6] (Managing Director, Insurance division)											
2011	**901,237**	**577,000**	**116,705**	**9,592**	**15,200**	**166,667**	**728,952**	**990,849**	**–**	**3,506,202**	**65.5%**
2010	–	–	–	–	–	–	–	–	–	–	–
Former KMP											
K D Gordon (Director, Industrial divisions – resigned 13 November 2009)											
2011	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2010	326,480	376,000	23,166	3,681	9,733	55,284	–	1,521,720	119,365	2,435,429	77.9%
TOTAL											
2011	**11,845,555**	**7,743,129**	**507,821**	**222,847**	**263,957**	**798,482**	**17,232,221**	**5,925,511**	**–**	**44,539,523**	
2010	9,343,064	6,464,810	339,960	587,139	214,055	1,701,553	6,327,534	9,308,685	119,365	34,406,165	

1 Share-based payments: Refer to page 77 for detailed disclosures under the annual incentive plan and pages 78 to 81 for the various long-term incentive plans.

The amounts included for the 'Value of shares – short-term incentives' includes the portion of the 2011 annual incentive that has been deferred into shares and is recognised for accounting purposes over the performance and forfeiture periods, together referred to as the service period. Refer to page 83 for additional information. For accounting purposes, the 2010 short-term incentive shares continue to be expensed in the 2011 financial year as these shares are subject to performance and forfeiture conditions. Further details of the 2010 short-term incentive are provided on page 161 of the 2010 annual report.

The amount for I J W McLeod relates to the cash settled award made for the period under the CLTIP, refer to page 80 for additional information.

The amounts for S A Butel, L K Inman, G Russo and R G Scott include shares under the retention incentive plan, now closed, which are subject to future service periods. The allocation of restricted shares for unvested entitlements are recognised for accounting purposes over the remaining service period. Refer to page 84 of the 2011 annual report and page 160 of the 2010 annual report for additional information.

The amounts included for the 'Value of shares – long-term incentives' for the 2010 WLTIP are detailed on page 83. For accounting purposes, the 2008 WLTIP multi-year performance grant and 2009 WLTIP continue to be expensed in the 2011 financial year as these shares are subject to performance and forfeiture conditions, together referred to as the service period. Further details of the 2008 WLTIP allocations are provided on page 172 of the 2009 annual report, and 2009 WLTIP allocations are provided on page 163 of the 2010 annual report.

2 Percentage performance related is the sum of the short-term incentive and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year, as compared to the target percentage of remuneration at risk shown on page 77.

3 The amount of the individual components of fixed remuneration may vary depending on the elections made by executives.

4 Short-term benefits, non-monetary benefits, include the cost to the Company of providing parking, vehicle, health insurance, life insurance and travel. Short-term benefits, other, includes the cost of director and officer insurance, housing allowance and living away from home allowance.

5 Post-employment benefits, other benefits, include the long service leave accrual for the year and the retention incentive accrual (equal to nine months FAR) from last year to this year, which is payable upon termination of employment (described on page 160 of the 2010 annual report).

6 No comparative information is shown for G Russo and R G Scott as these executives were not disclosed as senior executives in the 2010 financial year.

SECTION 6: OTHER INFORMATION

Share trading policy

Wesfarmers' share trading policy prohibits executive directors and senior executives from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under an employee share plan for so long as the shares remain subject to a restriction on disposal under the plan. Strict compliance with the share trading policy is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

The share trading policy requires Wesfarmers directors and senior executives to advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting the Company's securities. The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and require disclosure to the market.

Company performance

The table below summarises details of Wesfarmers' earnings (shown in the form of earnings per share and NPAT) and the consequences of that performance on shareholder value for the financial year and the previous four financial years in the form of dividends, changes in share price, any returns of capital and return on equity (in accordance with the requirements of the *Corporations Act 2001*).

Financial year ended 30 June	2007	2008	2009	2010	2011
Net profit after tax (NPAT) ($m)	786	1,063 [1]	1,522 [2]	1,565	1,922
Dividends per share (cents)	225	200	110	125	150
Closing share price ($ as at 30 June)	45.73	37.30	22.76	28.67	31.90 [3]
Earnings per share (cents) [4]	195.2	174.2	158.5 [2]	135.7	166.7
Return on equity (rolling 12) (%)	25.1	8.6	7.3 [2]	6.4	7.7
Capital returns per share (cents)	–	–	–	–	–

1 Restated due to finalisation of acquisition accounting for the Coles group.
2 Restated due to a change in accounting policy for coal rebates payable and rights to mine.
3 Weighted average closing share price as at 30 June 2011 (WES $31.85, WESN $32.25).
4 2007 and 2008 earnings per share restated for the entitlement offers.

Directors' report
Remuneration report 2011 (audited)
Wesfarmers Limited and its controlled entities

Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 173 of this annual report for Ernst & Young's report on the remuneration report.

This directors' report, including the remuneration report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.

R L Every
Chairman

R J B Goyder
Managing Director
Perth, 21 September 2011

Income statement

for the year ended 30 June 2011 –
Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
REVENUE			
Sale of goods		**52,891**	49,865
Rendering of services		**1,622**	1,620
Interest – other		**145**	149
Other		**217**	193
		54,875	51,827
EXPENSES			
Raw materials and inventory		**(36,515)**	(34,411)
Employee benefits expense	4	**(7,116)**	(6,828)
Net insurance claims, reinsurance and commissions		**(1,283)**	(1,165)
Freight and other related expenses		**(895)**	(822)
Occupancy-related expenses	4	**(2,151)**	(2,077)
Depreciation and amortisation	4	**(923)**	(917)
Other expenses	4	**(3,004)**	(2,982)
		(51,887)	(49,202)
Other income	4	**259**	149
Finance costs	4	**(526)**	(654)
Share of (losses)/profits of associates	14	**(15)**	95
Profit before income tax		**2,706**	2,215
Income tax expense	5	**(784)**	(650)
Profit attributable to members of the parent		**1,922**	1,565
Earnings per share (cents per share)	6		
– basic for profit for the year attributable to ordinary equity holders of the parent		**166.7**	135.7
– diluted for profit for the year attributable to ordinary equity holders of the parent		**166.3**	135.5

Statement of comprehensive income

for the year ended 30 June 2011 –
Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2011 $m	2010 $m
Profit attributable to members of the parent		**1,922**	1,565
Other comprehensive income			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		**(3)**	(32)
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		**3**	3
Tax effect		**(1)**	(1)
Cash flow hedge reserve			
Unrealised gains/(losses) on cash flow hedges		**301**	(41)
Realised (gains)/losses transferred to net profit		**(97)**	150
Realised losses transferred to non-financial assets		**176**	169
Ineffective hedge losses transferred to net profit		**–**	51
Tax effect	5	**(114)**	(99)
Other comprehensive income for the year, net of tax		**265**	200
Total comprehensive income for the year, net of tax, attributable to members of the parent		**2,187**	1,765

Balance sheet

as at 30 June 2011 –
Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2011 $m	2010 $m
ASSETS			
Current assets			
Cash and cash equivalents	8	**897**	1,640
Trade and other receivables	9	**2,149**	1,767
Inventories	10	**4,987**	4,658
Derivatives	27	**184**	75
Investments backing insurance contracts, reinsurance and other recoveries	11	**1,543**	1,384
Other	12	**458**	150
Total current assets		**10,218**	9,674
Non-current assets			
Receivables	9	**9**	28
Available-for-sale investments	13	**17**	19
Investment in associates	14	**471**	468
Deferred tax assets	5	**437**	608
Property, plant and equipment	15	**8,302**	7,542
Intangible assets	16	**4,353**	4,328
Goodwill	16	**16,227**	16,206
Derivatives	27	**233**	127
Investments backing insurance contracts, reinsurance and other recoveries	11	**471**	192
Other	17	**76**	44
Total non-current assets		**30,596**	29,562
Total assets		**40,814**	39,236
LIABILITIES			
Current liabilities			
Trade and other payables	18	**5,059**	4,603
Interest-bearing loans and borrowings	19	**266**	304
Income tax payable		**345**	167
Provisions	20	**1,166**	1,176
Insurance liabilities	21	**1,532**	1,307
Derivatives	27	**96**	107
Other	22	**258**	188
Total current liabilities		**8,722**	7,852
Non-current liabilities			
Payables	18	**24**	9
Interest-bearing loans and borrowings	19	**4,613**	5,049
Provisions	20	**1,092**	1,070
Insurance liabilities	21	**803**	408
Derivatives	27	**208**	138
Other	22	**23**	16
Total non-current liabilities		**6,763**	6,690
Total liabilities		**15,485**	14,542
Net assets		**25,329**	24,694
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	23	**23,286**	23,286
Employee reserved shares	23	**(41)**	(51)
Retained earnings	24	**1,774**	1,414
Reserves	25	**310**	45
Total equity		**25,329**	24,694

Cash flow statement

for the year ended 30 June 2011 –
Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2011 $m	2010 $m
Cash flows from operating activities			
Receipts from customers		**58,408**	55,528
Payments to suppliers and employees		**(54,661)**	(51,299)
Dividends and distributions received from associates		**20**	19
Interest received		**149**	145
Borrowing costs		**(472)**	(616)
Income tax paid		**(527)**	(450)
Net cash flows from operating activities	8	**2,917**	3,327
Cash flows from investing activities			
Net acquisition of insurance deposits		**76**	(62)
Payments for property, plant and equipment and intangibles		**(2,062)**	(1,656)
Proceeds from sale of property, plant and equipment		**216**	30
Proceeds from sale of controlled entities		**20**	1
Net investments in associates and joint ventures		**(38)**	4
Acquisition of subsidiaries, net of cash acquired		**(88)**	(13)
Net cash flows used in investing activities		**(1,876)**	(1,696)
Cash flows from financing activities			
Proceeds from borrowings		**3,291**	1,380
Repayment of borrowings		**(3,523)**	(2,177)
Proceeds from exercise of in-substance options under the employee share plan	23	**5**	7
Equity dividends paid		**(1,557)**	(1,325)
Net cash flows used in financing activities		**(1,784)**	(2,115)
Net decrease in cash and cash equivalents		**(743)**	(484)
Cash and cash equivalents at beginning of year		**1,640**	2,124
Cash and cash equivalents at end of year	8	**897**	1,640

Statement of changes in equity

for the year ended 30 June 2011 –
Wesfarmers Limited and its controlled entities

CONSOLIDATED	Note	Attributable to equity holders of the parent Issued capital $m	Employee reserved shares $m	Retained earnings $m	Hedging reserve $m	Other reserves $m	Total equity $m
Balance at 1 July 2009		23,286	(62)	1,179	(307)	152	24,248
Net profit for the year		–	–	1,565	–	–	1,565
Other comprehensive income							
Exchange differences on translation of foreign operations	25	–	–	–	–	(32)	(32)
Changes in the fair value of available-for-sale assets, net of tax	25	–	–	–	–	2	2
Changes in the fair value of cash flow hedges, net of tax	25	–	–	–	230	–	230
Total other comprehensive income for the year, net of tax		–	–	–	230	(30)	200
Total comprehensive income for the year, net of tax		–	–	1,565	230	(30)	1,765
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	23	–	7	–	–	–	7
Equity dividends	7,23	–	4	(1,330)	–	–	(1,326)
		–	11	(1,330)	–	–	(1,319)
Balance at 30 June 2010		23,286	(51)	1,414	(77)	122	24,694
Balance at 1 July 2010		**23,286**	**(51)**	**1,414**	**(77)**	**122**	**24,694**
Net profit for the year		**–**	**–**	**1,922**	**–**	**–**	**1,922**
Other comprehensive income							
Exchange differences on translation of foreign operations	25	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Changes in the fair value of available-for-sale assets, net of tax	25	**–**	**–**	**–**	**–**	**2**	**2**
Changes in the fair value of cash flow hedges, net of tax	25	**–**	**–**	**–**	**266**	**–**	**266**
Total other comprehensive income for the year, net of tax		**–**	**–**	**–**	**266**	**(1)**	**265**
Total comprehensive income for the year, net of tax		**–**	**–**	**1,922**	**266**	**(1)**	**2,187**
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	23	**–**	**5**	**–**	**–**	**–**	**5**
Equity dividends	7,23	**–**	**5**	**(1,562)**	**–**	**–**	**(1,557)**
		–	**10**	**(1,562)**	**–**	**–**	**(1,552)**
Balance at 30 June 2011		**23,286**	**(41)**	**1,774**	**189**	**121**	**25,329**

Notes to the financial statements

for the year ended 30 June 2011 –
Wesfarmers Limited and its controlled entities

1: Corporate information

The financial report of Wesfarmers Limited (referred to as 'Wesfarmers' or 'the Company') for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 21 September 2011. Wesfarmers is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of Wesfarmers Limited and its subsidiaries ('the Group') are described in note 3.

2: Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investments held by associates, financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest million dollars ($000,000) unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with the *Corporations Act 2001*, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('the AASB') that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2010. The adoption of these standards gave rise to new policies being adopted, but did not have material effect on the financial statements of the Group. Refer to policy note (ai) for the Standards and Interpretations relevant to Wesfarmers that have been adopted.

A number of Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2011. The effect of these new or amended Accounting Standards is expected to give rise to additional disclosures and new policies being adopted. Refer to policy note (aj) for the Standards and Interpretations relevant to Wesfarmers that are not yet effective and have not been early adopted.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group.

A list of controlled entities at year-end is contained in note 32.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses, and profit and losses resulting from intra-group transactions have been eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are accounted for by the parent at cost less any allowance for impairment.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

(d) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has had a significant effect on the amounts recognised in the financial statements:

Income tax

The Group has unrecognised benefits relating to carried forward capital losses, which can only be offset against eligible capital gains. These benefits are detailed in note 5. The Group has exercised its judgement that at this stage it has not identified probable future eligible capital gains that will be available to utilise the tax assets.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets including goodwill and intangibles with indefinite useful lives

The Group determines whether assets including goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The recoverable amounts of the cash generating units have been determined using cash flow projections, as well as other supplementary information, based on an appropriate valuation model which incorporates Wesfarmers' corporate plans covering a five year period.

2: Summary of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

On 2 July 2010, the Australian Government announced the key features of a new Mineral Resources Rent Tax (MRRT) that is proposed to be applicable to the coal and iron ore sectors from 1 July 2012. On 24 March 2011, the government announced its acceptance of all 94 recommendations of the Policy Transition Group regarding the new resource taxation reforms. Draft legislation for the introduction of the MRRT was released for public comment on 10 June 2011. The introduction of the MRRT, as currently proposed, is not expected to lead to an impairment of Wesfarmers' coal mining businesses based on current best estimates.

On 10 July 2011, the Australian Government announced the 'Securing a Clean Energy Future – the Australian Government's Climate Change Plan' which was supported by the release of much of the supporting draft legislation on 28 July 2011. While the announcement and supporting draft legislation provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of parliament. Notwithstanding that the introduction of a carbon pricing mechanism will lead to a change in assumptions used for the purpose of impairment testing, it is not expected to lead to an impairment being recognised based on current best estimates.

Insurance liabilities – outstanding insurance claims

The estimation of outstanding claim liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments and claim handling costs incurred to the reporting date. Each class of business is usually examined separately and some or all of the following will be considered for each class in projecting future claim payments:

- historical trends in the development and incidence of the number of claims reported, number of claims finalised, claim payments and reported incurred costs;
- exposure details, including policy counts, sums insured, earned premiums and policy limits;
- claim frequencies and average claim sizes;
- the legislative framework, legal and court environments, and social and economic factors that may impact upon each class of business;
- historical and likely future trends in standard inflationary pressures relating to commodity prices and wages;
- historical and likely future trends of inflationary pressures in addition to price or wage inflation, termed superimposed inflation;
- historical and likely future trends of expenses associated with managing claims to finalisation;
- reinsurance recoveries available under contracts entered into by the insurer;
- historical and likely future trends of recoveries from sources such as subrogation and third party actions; and
- insurer specific, relevant industry data and more general economic data is utilised in the estimation process.

Projected future claim payments and associated claim handling costs are discounted to a present value as required using appropriate risk-free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries, is undertaken.

This projection is typically made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate as not. Where possible and appropriate, multiple actuarial methods will be applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. In addition, the projections obtained from various methods assist in setting the range of possible outcomes. The most appropriate method, or even a blend of methods, is selected taking into account the characteristics of the class of business and the extent of the development of each past accident period.

Where there is no suitable body of claims experience available in relation to a particular event, additional data is obtained and analysed, and valuation methodologies and assumptions are adopted to mitigate, as far as possible, these additional sources of uncertainty.

As an estimate of future outcomes, the net central estimate of outstanding claims liability is subject to uncertainty. Uncertainty is examined for each class of business and expressed as a volatility of the net central estimate. The volatility for each class is derived after consideration of stochastic modelling and benchmarking to industry analysis.

As the volatility for each class of business is partially correlated with other classes, when combined across the entire Group, the overall volatility will be less than the sum of the individual classes.

With an estimate of the overall volatility for general insurance business, a range of risk margins associated with a probability of the total net provision for outstanding claims liabilities proving adequate may be produced.

Refer to note 21 for further details.

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

2: Summary of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions, which require the use of management judgement, are the variables affecting estimated costs to sell and the expected selling price. These key assumptions are reviewed annually.

Estimation of useful lives of assets

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. These judgements are supported by consultation with internal technical experts. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

Useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

Customer cards and gift vouchers

The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers. Expected redemption rates are reviewed annually. Any reassessment of the expected redemption rates in a particular year will affect the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing).

Long service leave

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in salaries and wages;
- future on-cost rates; and
- experience of employee departures and period of service.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Prior to 30 June 2009, business combinations were accounted for using the purchase method, with transaction costs directly attributable to the acquisition forming part of the acquisition costs.

(f) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue from lay-by transactions is recognised as part of revenue from sale of goods at the date upon which the customer satisfies all payment obligations and takes possession of the merchandise. Revenue from the sale of gift cards is recognised when the card is redeemed and the customers purchase goods by using the card, or when the customer card is no longer expected to be redeemed, based on an analysis of historical non-redemption rates.

The Group operates a loyalty points program, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for products, subject to a minimum number of points being obtained.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Rendering of services

Revenue is recognised for services that have been rendered to a buyer by reference to stage of completion.

2: Summary of significant accounting policies (continued)

(f) Revenue (continued)

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established. Pre-acquisition dividends received are offset against the cost of the investment.

Operating lease rental revenue

Operating lease revenue consists of rentals from investment properties and sub-lease rentals. Rentals received under operating leases and initial direct costs are recognised on a straight line basis over the term of the lease.

Insurance premium revenue

Refer to policy note (ag) for treatment of insurance premium revenue.

(g) Finance costs

Finance costs are recognised as an expense when incurred, with the exception of interest charges attributable to major projects with substantial development and construction phases.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate, excluding non-interest costs, applicable to the Group's outstanding borrowings during the year, in this case 8.39 per cent (2010: 8.28 per cent) as disclosed in note 26.

Provisions and other payables are discounted to their present value when the effect of the time value of money is material. The carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as a discount adjustment in finance costs.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether: the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and whether the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and released to earnings on a straight line basis over the lease term.

Fixed rate increases to lease payments, excluding contingent or index-based rental increases, such as Consumer Price Index, turnover rental and other similar increases, are recognised on a straight line basis over the lease term.

An asset or liability is recognised for the difference between the amount paid and the lease expense released to earnings on a straight line basis.

(i) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less, excluding deposits held as investments by the insurance business.

In accordance with local laws, all broking receipts are held in separate insurance broking bank accounts and approved investments. Disbursements of these monies can only be made in accordance with local laws. Amounts held, by entities within the consolidated entity, in these accounts and investments outstanding at balance sheet date are included in cash and cash equivalents.

For the purposes of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables generally have terms up to 30 days, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability and impairment are assessed on an ongoing basis at a divisional level. Individual debts that are known to be uncollectable are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

2: Summary of significant accounting policies (continued)

(k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a weighted average basis;
- manufactured finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Work in progress also includes run-of-mine coal stocks for the Resources division, consisting of production costs of drilling, blasting and overburden removal; and
- retail and wholesale merchandise finished goods – purchase cost on a weighted average basis, after deducting any settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are recognised as a reduction in the cost of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and cross currency interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as effective cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of cross currency interest rate swap contracts is calculated by reference to current forward exchange rates and forward interest rates for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value, and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, is terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

2: Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedging (continued)

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(m) Derecognition of financial assets and financial liabilities

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

A financial liability is derecognised when the obligation under the liability is discharged, is cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(n) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses are not reversed.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

(o) Foreign currency translation

Both the functional and presentation currency of Wesfarmers Limited and its Australian subsidiaries is Australian dollars. The functional currency of overseas subsidiaries is listed in note 32.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Wesfarmers Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

2: Summary of significant accounting policies (continued)

(p) Investment in associates

The Group's investments in its associates are accounted for using the equity method of accounting. The associates are entities in which the Group has significant influence and which are neither subsidiaries nor jointly controlled assets.

Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The consolidated income statement reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of comprehensive income.

The reporting dates of the associates and the Group may vary, whereupon management accounts of the associate for the period to the Group's balance date are used for equity accounting. The associates' accounting policies are consistent with those used by the Group for like transactions and events in similar circumstances.

An associate owns investment properties which are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss of the associate, in the year in which they arise. This is consistent with the Group's policy.

(q) Interest in jointly controlled assets

The Group has interests in joint ventures that are jointly controlled assets. The Group recognises its share of the assets, liabilities, expenses and income from the use and output of the jointly controlled asset.

(r) Income tax

Current tax assets and liabilities for the current and prior reporting periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognised, other than where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2: Summary of significant accounting policies (continued)

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

– where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at cost less accumulated depreciation on buildings.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

– Buildings	20–40 years
– Plant and equipment	3–40 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Expenditure carried forward in respect of mining areas of interest in which production has commenced is amortised over the life of the mine, based on the rate of depletion of the economically recoverable reserves.

Amortisation is not charged on expenditure carried forward in respect of areas of interest in the development phase in which production has not yet commenced.

Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(u) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent writedown of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of material discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

(v) Investments and other financial assets

Financial assets in the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

2: Summary of significant accounting policies (continued)

(v) Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. Interest earned while holding available-for-sale financial investments is reported as interest revenue using the effective interest rate. Dividends earned while holding available-for-sale financial investments are recognised in the income statement as 'other income' when the right of payment has been established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined by reference to the current market value of another instrument which is substantially the same, or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(w) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which goodwill relates.

Impairment testing is performed each year for cash generating units to which goodwill and indefinite life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16.

Each unit or group of units to which the goodwill is so allocated:

– represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
– is not larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. When the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit or group of cash generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

2: Summary of significant accounting policies (continued)

(x) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year-end.

Intangible assets with indefinite lives are tested for impairment annually, either individually or at the cash generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed each reporting period to determine whether infinite useful life assessment continues to be supportable. If not, the change in useful life assessment from infinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Trade names

Useful lives
Indefinite and finite

Amortisation method used
Amortised over the period of expected future benefit on a straight line basis

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists

Contractual and non-contractual relationships

Useful lives
Finite (up to 15 years)

Amortisation method used
Amortised over the period of expected future benefit on a straight line basis

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end

Software

Useful lives
Finite (up to seven years)

Amortisation method used
Amortised over the period of expected future benefit on a straight line basis

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end

Gaming licences

Useful lives
Indefinite

Amortisation method used
No amortisation

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists

Liquor licences

Useful lives
Indefinite

Amortisation method used
No amortisation

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists

(y) Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

2: Summary of significant accounting policies (continued)

(y) Impairment (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses, on assets other than goodwill, may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(z) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on terms up to 60 days.

Other payables also include the liability for customer cards and gift vouchers. The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers. Expected redemption rates are reviewed annually. Any reassessment of expected redemption rates in a particular year will affect the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing).

(aa) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(ab) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not already reflected in the cash flows.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Mine and plant rehabilitation

Provision is made for the Group's estimated liability under specific legislative requirements and the conditions of its licences and leases for future costs (at discounted amounts) expected to be incurred rehabilitating areas of operation. The liability includes the cost of reclamation of the site using existing technology, including plant removal and landfill costs. This provision is recognised immediately at the time of disturbance or when development of the asset occurs.

Restructure

A provision for restructuring is recognised for the expected costs associated with restructuring once a present obligation exists.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ac) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in provisions and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit valuation method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Expenses which are consequential to the employment of the employees (for example, payroll tax associated with employee entitlements) are also recognised as a liability and included in the amount for employee entitlements.

2: Summary of significant accounting policies (continued)

(ad) Pensions benefits

Defined contribution plan

Contributions to superannuation funds are charged to the income statement when due.

Defined benefit plan

The Group contributes to a defined benefit pension scheme. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised directly in equity.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

(ae) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently five plans in place to provide these benefits:

- the Wesfarmers Employee Share Plan (WESP), which provides benefits to all employees. The last issue under this plan was in December 2004;
- the Wesfarmers Long Term Incentive Plan (WLTIP), which provides benefits to senior executives. The first issue under this plan was in October 2005;
- the Coles Long Term Incentive Plan (CLTIP), which provides above average rewards for above average performance in turning around the Coles division's performance over the first five years of Wesfarmers' ownership for the Coles' Managing Director and a small number of Coles senior executives;
- the Group Managing Director Long Term Incentive Plan ('Rights Plan'), which provides rewards for exceptional long-term performance for the Group Managing Director only; and
- the Wesfarmers Employee Share Acquisition Plan (WESAP), which provides benefits to all qualifying employees. The first allocation under this plan was in October 2009.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Wesfarmers Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity where applicable, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that are expected to ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The WESP is accounted for as an 'in-substance' option plan due to the limited recourse nature of the loan. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Shares in the Group held under the WESP are classified and disclosed as employee reserved shares and deducted from equity.

The Group also provides benefits to certain executives under the CLTIP, in the form of cash-settled share-based payments, whereby executives can make an election to receive an award in cash. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the executives, which will be the fair value at settlement date.

2: Summary of significant accounting policies (continued)

(af) Contributed equity

Ordinary shares and price protected ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

The Group operates a dividend investment plan. An issue of shares under the dividend investment plan results in an increase in issued capital, unless the Group elects to purchase the required number of shares on-market which in effect would not give rise to a change in issued capital.

(ag) Insurance activities

Insurance premium revenue

Premium revenue comprises amounts charged to policy holders, excluding taxes collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium funding activities is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Unearned premium

Unearned premium is calculated based on the term of the risk which closely approximates the pattern of risks underwritten.

At each balance date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a prepayment at balance date.

Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; insurance claims incurred but not reported (IBNR); insurance claims incurred but not enough reported (IBNER); and estimated claims handling costs.

The expected future payments are discounted to present value using a risk-free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85 per cent.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries on paid claims, reported claims not yet paid, IBNR and IBNER are recognised as revenue.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims.

Deferred acquisition costs

A portion of acquisition costs relating to unearned premiums is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Commissions paid in respect of premium funding activities are amortised over the expected life of the loan using the effective interest rate method. Commissions paid in respect of general insurance activities are capitalised as a deferred acquisition cost and are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Insurance investments

As part of its investment strategy, the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Group has determined that all bank bills, short-term deposits and insurance receivables held by underwriting entities are held to back general insurance contracts. These assets have been valued at fair value through the income statement.

Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(ah) Earnings per share

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2: Summary of significant accounting policies (continued)

(ah) Earnings per share (continued)

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ai) New and revised Accounting Standards and Interpretations

All new and amended Australian Accounting Standards and Interpretations mandatory as of 1 July 2010 to the Group have been adopted, including:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]*.

  The main amendment to AASB 117 *Leases* is the removal of the specific guidance regarding classifying leases relating to land so that only the general guidance remains. This change does not have a material effect on the Group's financial statements.

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions*.

  The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular:

  - the scope of AASB 2 *Share-based Payment*; and
  - the interaction between AASB 2 and other standards.

  An entity that receives goods or services in a share-based payment arrangement must account for those goods or services regardless of which entity in the group settles the transaction, or whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. As a result, Interpretation 8 and Interpretation 11 have been withdrawn. These amendments did not result in a change in accounting policy for the Group.

- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 and 139]*.

  The amendments:

  - limit the scope of the measurement choices of non-controlling interests to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interest are measured at fair value;
  - require an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner, i.e. allocate between consideration and post combination expenses;
  - clarify that contingent consideration from a business combination that occurred before the effective date of AASB 3 *Business Combinations (Revised)* is not restated; and
  - clarify that the revised accounting for loss of significant influence or joint control (from the issue of AASB 3 (Revised)) is only applicable prospectively.

  These amendments did not have a material effect on the Group's financial statements.

(aj) Australian accounting standards and interpretations issued but not adopted

The standards and interpretations relevant to Wesfarmers that have not been early adopted, which are not expected to give rise to material changes in the Group's financial statements, are:

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127]*: applicable to annual reporting periods beginning on or after 1 July 2013.

  AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the replacement of AASB 139.

  The main changes from AASB 139 are as follows:

  - financial assets are classified based on (a) the objective of the entity's business model for managing the financial assets; (b) the characteristics of the contractual cash flows;
  - AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

2: Summary of significant accounting policies (continued)

(aj) Australian accounting standards and interpretations issued but not adopted (continued)

- financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

In addition, the requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follows:

- the change attributable to changes in credit risk is presented in other comprehensive income; and
- the remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in profit or loss, the effects of the changes in credit risk are also presented in profit or loss.

The adoption of AASB 9 will affect the Group's classification and measurement of financial assets and liabilities as described above. The effect of the new standard on the Group's financial statements will continue to be assessed as the standard evolves and each phase is completed and released.

- AASB 2009-12 *Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]*: applicable to annual reporting periods beginning on or after 1 July 2011.

  This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations and is not expected to have a material effect on the Group's financial statements.

- AASB 124 *Related Party Disclosures (Revised)*: applicable to annual reporting periods beginning on or after 1 July 2011.

  The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself). This will only affect the disclosure of the Group's financial statements.

- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*: applicable to annual reporting periods beginning on or after 1 July 2011.

  These amendments arise from the issuance of *Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)* and related to defined benefit pension plans. The requirements of IFRIC 14 meant that entities subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.

  The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made. The amendment is not expected to have a material effect on the Group's financial statements.

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]*: applicable to annual reporting periods beginning on or after 1 July 2011.

  The amendments:

  - emphasise the interaction between the AASB 7 *Financial Instruments: Disclosures* quantitative and qualitative disclosure requirements and the nature and extent of risks associated with financial statements;
  - clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements; and
  - provide guidance to illustrate how to apply disclosure principles in AASB 134 *Interim Financial Reporting* for significant events and transactions.

  These amendments are not expected to have a material effect on the Group's financial statements.

- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets [AASB 1 and 7]*: applicable to annual reporting periods beginning on or after 1 July 2011.

  The amendments increase the disclosure requirements for transactions involving transfers of financial assets. The amendments require enhancements to the existing disclosures in AASB 7, where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

  These amendments are not expected to have a material effect on the Group's financial statements.

- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]*: applicable to annual reporting periods beginning on or after 1 July 2012.

  These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate Interpretation 121 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.

  These amendments will not result in a change in accounting policy for the Group.

2: Summary of significant accounting policies (continued)

(aj) Australian accounting standards and interpretations issued but not adopted (continued)

– AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (AASB 1, 5, 101, 107, 108, 121, 128, 132 and 134 and Interpretations 2, 112 and 113]* and AASB 1054 *Australian Additional Disclosures*: applicable to annual reporting periods beginning on or after 1 July 2011.

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

These amendments are not expected to have a material effect on the Group's financial statements.

– AASB 10 *Consolidated Financial Statements*: applicable to annual reporting periods beginning on or after 1 July 2013.

The new standard introduces a new definition of control of an entity, which widens the scope of the standard. It also introduces new disclosure requirements for interests in other entities.

The new standard is not expected to have a material effect on the Group's financial statements.

– AASB 11 *Joint Arrangements*: applicable to annual reporting periods beginning on or after 1 July 2013.

The new standard classifies a joint arrangement as either a joint operation or a joint venture, based on the contractual rights and obligations of that joint arrangement. It also requires a joint venture (previously called a jointly controlled entity) to be accounted for using the equity method.

The new standard is not expected to have a material effect on the Group's financial statements.

– AASB 12 *Disclosure of Interests in Other Entities*: applicable to annual reporting periods beginning on or after 1 July 2013.

The new standard includes all of the disclosures that are required related to an entity's involvement with other entities (such as subsidiaries, joint arrangements, associates and structured entities).

This will only affect the disclosure of the Group's financial statements.

– IFRS 13 *Fair Value Measurement*: applicable to annual reporting periods beginning on or after 1 July 2013.

The new standard defines fair value, sets out in a single Standard a framework for measuring fair value and requires disclosures about fair value measurements. The measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

The new standard is not expected to have a material effect on the Group's financial statements.

– IAS 1 *Presentation of Financial Statements*: applicable to annual reporting periods beginning on or after 1 July 2012.

The amendments to the Standard include:

- preserves the option to present profit or loss and other comprehensive income in two statements;
- items of other comprehensive income that may be reclassified to profit or loss in the future are presented separately from items that would never be reclassified; and
- title of statement of comprehensive income renamed to statement of profit or loss and other comprehensive income.

This will only affect the disclosure of the Group's financial statements.

– IAS 19 *Employee Benefits*: applicable to annual reporting periods beginning on or after 1 July 2013.

The amendments to the Standard include:

- actuarial gains and losses recognised immediately in other comprehensive income;
- expected return on plan assets recognised in profit or loss calculated based on rate used to discount the defined benefit obligation; and
- the definition of short-term employee benefits has been modified to refer to 'expected to be wholly settled' in place of the currently used 'due to be settled'.

The new standard is expected to have an immaterial effect on the balance and classification of the Group's employee benefit provisions and will result in a change in accounting policy.

The Group expects to adopt these standards and interpretations in the 2012 and subsequent financial reports; however, they are not expected to have a significant effect on the financial statements of the Group.

3: Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision makers) monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. The types of products and services from which each reportable segment derives its revenues are disclosed below. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is presented differently from operating profit or loss in the consolidated financial statements.

Interest income and expenditure are not allocated to operating segments, as this type of activity is managed on a group basis.

Revenue and earnings of various divisions are affected by seasonality and cyclicality as follows:

- for retail divisions, particularly Kmart and Target, earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period;
- for the Resources division, the majority of the entity's coal contracted tonnages are renewed on an annual basis from April each calendar year and subject to price renegotiation on a quarterly or annual basis which, depending upon the movement in prevailing coal prices, can result in significant changes in revenue and earnings throughout the financial year; and
- for the Chemicals, Energy and Fertilisers division, earnings are typically much greater in the June half of the financial year due to the impact of the Western Australian winter season break on fertiliser sales.

Transfer prices between business segments are set at an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

The Chemicals and Fertilisers, and Energy divisions merged from 1 July 2010, and Coregas was transferred to the Industrial and Safety division. These changes are expected to better leverage common customer relationships and improve on the delivery of growth opportunities. Reporting of results in accordance with the new structure commenced from 1 July 2010, including comparatives in both the segment note and internal reporting.

The operating segments and their respective types of products and services are as follows:

Retail

Coles

- Supermarket retailer;
- Liquor retailer, including hotel portfolio;
- Retail of fuel and operation of convenience stores; and
- Coles property business operator.

Home Improvement and Office Supplies

- Retail building material and home and garden improvement products;
- Servicing project builders and the housing industry; and
- Office supplies products.

Target

- Retail of apparel, homewares and general merchandise, including accessories, electricals and toys.

Kmart

- Retail of apparel and general merchandise, including toys, leisure, entertainment, home and consumables; and
- Provision of automotive service, repairs and tyre service.

Insurance

Insurance

- Supplier of specialist rural and small business regional insurance;
- Supplier of general insurance through broking intermediaries; and
- Supplier of insurance broking services.

Industrial

Resources

- Coal mining and development; and
- Coal marketing to both domestic and export markets.

Chemicals, Energy and Fertilisers

- Manufacture and marketing of chemicals for industry, mining and mineral processing;
- Manufacture and marketing of broadacre and horticultural fertilisers;
- National marketing and distribution of LPG and LNG;
- LPG and LNG extraction for domestic and export markets;
- Manufacture, marketing and distribution of industrial, medical and specialty gases; and
- Electricity supply to mining operations and regional centres.

Industrial and Safety

- Supplier and distributor of maintenance, repair and operating (MRO) products;
- Manufacture and marketing of industrial gases and equipment; and
- Specialised supplier and distributor of industrial safety products and services.

Other

- Forest products: non-controlling interest in Wespine Pty Ltd, which manufactures products to service the wholesale timber market in Australia;
- Property: includes a non-controlling interest in BWP Trust (formerly Bunnings Warehouse Property Trust), which acquires properties suitable for retail property development and investment;
- Investment banking: non-controlling interest in Gresham Partners Group Limited, which is an investment bank providing financial advisory and investment management services; and
- Private equity investment: non-controlling interests in Gresham Private Equity Fund No. 2 and Gresham Private Equity Fund No. 3, which are closed-end private equity funds targeting larger size private equity transactions in the areas of management buy-outs, expansion capital and corporate restructuring.

3: Segment information (continued)

	COLES [1]		HOME IMPROVEMENT AND OFFICE SUPPLIES		RESOURCES [2]		INSURANCE [3]	
	2011 $m	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m
Segment revenue	**32,073**	30,002	**8,251**	7,822	**1,778**	1,416	**1,739**	1,698
Segment result								
Earnings before interest, tax, depreciation, amortisation (EBITDA)	**1,567**	1,364	**1,004**	916	**488**	285	**47**	146
Depreciation and amortisation	**(401)**	(402)	**(122)**	(114)	**(119)**	(120)	**(27)**	(24)
Earnings before interest, tax (EBIT)[4]	**1,166**	962	**882**	802	**369**	165	**20**	122
Finance costs								
Profit before income tax expense								
Income tax expense								
Profit attributable to members of the parent								
Assets and liabilities								
Segment assets	**19,083**	18,350	**5,183**	4,703	**1,936**	1,657	**4,325**	3,641
Investments in associates	**32**	32	**–**	–	**–**	–	**–**	–
Tax assets								
Total assets								
Segment liabilities	**3,546**	3,113	**769**	752	**471**	413	**2,959**	2,264
Tax liabilities								
Interest-bearing liabilities								
Total liabilities								
Other segment information								
Capital expenditure [7]	**840**	683	**613**	446	**372**	228	**47**	26
Share of net profit or loss of associates included in EBIT	**–**	–	**–**	–	**–**	–	**–**	–
Non-cash expenses other than depreciation and amortisation	**92**	91	**160**	147	**77**	69	**24**	24

1 Coles division includes the food, liquor, convenience and Coles property businesses.

2 Resources 2011 result was affected by higher export coal sales pricing during the year which contributed to the improvement in results, notwithstanding the adverse effects and interruptions to production caused by wet weather and flooding events encountered in north Queensland throughout the year. The result also includes $134 million of realised hedge gains (2010: losses of $20 million) in relation to foreign exchange forward contracts and Stanwell rebate expense of $113 million (2010: $156 million). This segment includes the Premier Coal assets and liabilities held for sale; refer to note 12 for further details.

3 Insurance division's 2011 decline in earnings was driven by the unprecedented number of catastrophe events in Australia and New Zealand.

4 The Group's retail divisions earnings were affected by severe flood and storm events, particularly the Queensland floods and Cyclone Yasi, together with earthquakes in Christchurch, New Zealand. Writedowns of damaged plant, equipment and inventory, prior to insurance recoveries, are $66 million largely arising in the Coles and Bunnings divisions. Insurance recoveries of $62 million have been recognised in relation to property damage, of which $20 million relates to the self-insurance program. Insurance recoveries associated with the disruption to operations are subject to an ongoing quantification process.

5 On 20 April 2010, Wesfarmers announced that the Chemicals and Fertilisers, and Energy divisions will merge to form a new division and Coregas will transfer to the Industrial and Safety division. Reporting of results in accordance with the new structure commenced from 1 July 2010, including comparatives in both the segment note and internal reporting. 2011 includes insurance proceeds on the Varanus Island claim of $42 million (2010: $5 million).

6 2011 includes interest revenue of $38 million (2010: $65 million), share of profit/(loss) of associates of $(33) million (2010: $77 million) and corporate overheads of $102 million (2010: $96 million).

7 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is $2,062 million (2010: $1,656 million).

KMART		TARGET		INDUSTRIAL AND SAFETY		CHEMICALS, ENERGY AND FERTILISERS[5]		OTHER[6]		CONSOLIDATED	
2011 $m	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m
4,036	4,019	**3,782**	3,825	**1,557**	1,412	**1,641**	1,570	**18**	63	**54,875**	51,827
268	254	**348**	449	**192**	168	**379**	293	**(138)**	(89)	**4,155**	3,786
(64)	(58)	**(68)**	(68)	**(26)**	(30)	**(96)**	(97)	**–**	(4)	**(923)**	(917)
204	196	**280**	381	**166**	138	**283**	196	**(138)**	(93)	**3,232**	2,869
										(526)	(654)
										2,706	2,215
										(784)	(650)
										1,922	1,565
1,543	1,487	**3,974**	3,930	**1,265**	1,224	**1,461**	1,704	**1,136**	1,464	**39,906**	38,160
–	–	**–**	–	**–**	–	**81**	70	**358**	366	**471**	468
										437	608
										40,814	39,236
535	624	**489**	513	**246**	219	**274**	283	**972**	841	**10,261**	9,022
										345	167
										4,879	5,353
										15,485	14,542
101	79	**95**	91	**32**	29	**63**	49	**7**	3	**2,170**	1,634
–	–	**–**	–	**–**	–	**18**	18	**(33)**	77	**(15)**	95
1	4	**45**	48	**23**	70	**5**	12	**7**	12	**434**	477

Geographical locations

Revenue by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

	2011	2010
Australia	**53,642**	50,623
New Zealand	**1,174**	1,162
Other foreign countries	**59**	42
Total revenue	**54,875**	51,827

The analysis of the location of non-current assets other than financial instruments, deferred tax assets and pension assets is as follows:

	2011	2010
Australia	**28,401**	27,713
New Zealand	**939**	856
Other foreign countries	**84**	15
Total non-current assets	**29,424**	28,584

4: Revenue and expenses

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Employee benefits expense		
Remuneration, bonuses and on-costs	**6,536**	6,311
Amounts provided for employee entitlements	**475**	441
Share-based payments expense	**105**	76
	7,116	6,828
Occupancy-related expenses		
Minimum lease payments	**1,722**	1,661
Other	**429**	416
	2,151	2,077
Depreciation and amortisation		
Depreciation	**752**	735
Amortisation of intangibles	**95**	86
Amortisation other	**76**	96
	923	917
Other expenses included in the income statement		
Impairment of freehold property	**10**	10
Impairment of plant, equipment and other assets	**17**	71
Total impairment charge	**27**	81
Government mining royalties	**116**	98
Stanwell rebate	**113**	156
Repairs and maintenance	**415**	382
Utilities and office expenses	**932**	900
Self-insurance expenses	**187**	195
Other	**1,214**	1,170
	3,004	2,982
Other income		
Gains on disposal of property, plant and equipment	**15**	4
Gain on sale of controlled entities	**3**	8
Other income	**241**	137
	259	149
Finance costs		
Interest expense	**423**	493
Ineffective interest rate swap losses	**–**	51
Discount rate adjustment	**64**	64
Amortisation of debt establishment costs	**15**	25
Other including bank facility and settlement fees	**24**	21
	526	654
Insurance underwriting result		
Premium revenue	**1,398**	1,386
Outwards reinsurance premium expense	**(278)**	(297)
Net premium revenue	**1,120**	1,089
Claims expense – undiscounted	**(1,625)**	(929)
Discount effect	**3**	2
Reinsurance and other recoveries revenue – undiscounted	**847**	262
Discount effect	**2**	(5)
Net claims incurred	**(773)**	(670)
Acquisition costs	**(258)**	(236)
Other underwriting expenses	**(130)**	(124)
Net underwriting expenses	**(388)**	(360)
Underwriting result	**(41)**	59

Net claims incurred relating to risks borne in previous years are not material.

5: Income tax

The major components of income tax expense are:

	CONSOLIDATED 2011 $m	2010 $m
Income statement		
Current income tax		
Current income tax charge	**773**	612
Adjustments in respect of current income tax of previous years	**(36)**	(9)
Deferred income tax		
Relating to origination and reversal of temporary differences	**47**	47
Income tax expense reported in the income statement	**784**	650
Statement of recognised income and expense		
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of cash flow hedges	**114**	99
Income tax expense reported in equity	**114**	99
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**2,706**	2,215
At the statutory income tax rate of 30 per cent (2010: 30 per cent):	**812**	665
Adjustments in respect of current income tax of previous years	**(36)**	(9)
Additional Federal Government Investment Allowance deductions	**–**	(26)
Non-deductible writedown of investments	**16**	17
Share of associated companies net profit after tax	**(8)**	(8)
Tax on undistributed associates' profit	**4**	4
Other	**(4)**	7
Income tax expense reported in the income statement	**784**	650
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Balance sheet		
Deferred tax assets		
Provisions	**231**	256
Employee benefits	**298**	292
Accrued and other payables	**63**	86
Borrowings	**–**	28
Insurance liabilities	**21**	19
Doubtful debts	**18**	14
Derivatives	**91**	75
Deferred income	**21**	16
Trading stock	**111**	110
Fixed assets	**177**	188
Share issue costs	**9**	16
Assets classified as held for sale	**(15)**	–
Gross deferred income tax assets	**1,025**	1,100
Amount netted against deferred tax liabilities	**(588)**	(492)
Net deferred tax assets	**437**	608

	CONSOLIDATED 2011 $m	2010 $m

5: Income tax (continued)

Deferred income tax (continued)

	2011 $m	2010 $m
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**215**	197
Mining assets recognised for accounting purposes	**56**	46
Derivatives	**125**	62
Borrowings	**47**	–
Accrued income and other	**55**	63
Warehouse stock	**20**	19
Intangible assets	**94**	104
Deferred acquisition costs	**8**	1
Assets classified as held for sale	**(32)**	–
Gross deferred income tax liabilities	**588**	492
Amount netted against deferred tax assets	**(588)**	(492)
Net deferred tax liabilities	**–**	–
Income statement		
Provisions	**24**	6
Employee benefits	**(13)**	(22)
Doubtful debts	**5**	(4)
Depreciation and amortisation	**13**	1
Derivatives	**5**	14
Insurance liabilities	**(2)**	3
Intangible assets	**3**	31
Stock	**–**	(4)
Mining assets recognised for accounting purposes	**(3)**	3
Accruals and other	**15**	19
Deferred tax expense	**47**	47
Unrecognised deferred tax asset in respect of capital losses in Australia – available indefinitely subject to meeting relevant statutory tests	**226**	220

Tax consolidation

Wesfarmers and its 100 per cent owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers is the head entity of the tax consolidated group. Members of the group have entered into a tax funding agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. In addition, the tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is considered remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

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6: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares (including partially protected shares) outstanding during the year (excluding employee reserved shares).

Diluted earnings per share amounts are calculated as above with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

Wesfarmers partially protected shares (PPS) are ordinary shares that confer rights on holders that are the same in all respects as those conferred by other ordinary shares. In addition, PPS provide a level of downside price protection in that they may provide holders with up to an additional 0.25 ordinary shares per PPS, in certain circumstances at the expiration of a specified period. Full details and other terms and conditions applicable to the PPS are available from the Company website www.wesfarmers.com.au.

Basic and dilutive earnings per share calculations are as follows:

	CONSOLIDATED	
	2011 $m	2010 $m
Profit attributable to members of the parent	**1,922**	1,565
	shares (m)	shares (m)
Weighted average number of ordinary shares for basic earnings per share	**1,153**	1,153
Effect of dilution – employee reserved shares	**3**	2
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,156**	1,155
	cents	cents
Earnings per share (cents per share)		
– basic for profit for the year attributable to ordinary equity holders of the parent	**166.7**	135.7
– diluted for profit for the year attributable to ordinary equity holders of the parent	**166.3**	135.5

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the normal conversion of employee reserved shares (treated as in-substance options) to unrestricted ordinary shares and the conversion of partially protected ordinary shares to ordinary shares.

7: Dividends paid and proposed

	CONSOLIDATED	
	2011 $m	2010 $m
Declared and paid during the period (fully-franked at 30 per cent)		
Final franked dividend for 2010: $0.70 (2009: $0.60)	**810**	694
Interim franked dividend for 2011: $0.65 (2010: $0.55)	**752**	636
	1,562	1,330
Proposed and not recognised as a liability (fully-franked at 30 per cent)		
Final franked dividend for 2011: $0.85 (2010: $0.70)	**983**	810
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for debits and credits arising from the payment of income tax payable and from recognised dividends receivable or payable	**(10)**	144
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	**(421)**	(347)

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares, which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

8: Cash and cash equivalents

	CONSOLIDATED 2011 $m	2010 $m
Cash on hand and in transit	**264**	237
Cash at bank and on deposit	**536**	1,318
Insurance broking trust accounts	**97**	85
	897	1,640

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation of net profit after tax to net cash flows from operations	2011 $m	2010 $m
Net profit	**1,922**	1,565
Adjustments		
Depreciation and amortisation	**923**	917
Impairment and writedowns of assets	**27**	81
Net loss on disposal of non-current assets	**35**	56
Share of associates' net losses/(profits)	**15**	(95)
Dividends and distributions received from associates	**20**	19
Discount adjustment in borrowing costs	**64**	64
Amortisation of debt establishment costs, net of amounts paid	**15**	18
Ineffective interest rate swap losses, net of amounts paid	**3**	13
Non-cash issue of shares recognised in earnings	**–**	21
Other	**(66)**	(25)
Changes in assets and liabilities		
(Increase)/decrease in inventories	**(347)**	2
(Increase) in trade and other receivables	**(249)**	(213)
(Increase) in reinsurance and other recoveries	**(506)**	(12)
(Increase)/decrease in prepayments	**(63)**	42
Increase in trade and other payables	**396**	596
Decrease in deferred tax assets	**71**	58
(Increase) in other assets	**(17)**	(2)
(Decrease)/increase in provisions	**(117)**	65
Increase in other liabilities	**605**	17
Increase in current tax payable	**186**	140
Net cash flows from operating activities	**2,917**	3,327

Non-cash financing and investing activities	2011 $m	2010 $m
Issue of share capital under employee incentive plans recognised in earnings	**–**	21

9: Trade and other receivables

	CONSOLIDATED 2011 $m	2010 $m
Current		
Trade receivables	**1,560**	1,373
Allowance for credit losses	**(54)**	(52)
Finance advances and loans	**218**	195
Related party receivables – associates	**–**	1
Other debtors	**425**	250
	2,149	1,767
Non-current		
Finance advances and loans	**5**	22
Other debtors	**4**	6
	9	28

Refer to note 26 for information on the risk management policy of the Group and the credit quality of the Group's trade receivables. Reinsurance and other recoveries have been disclosed separately in note 11.

Impaired trade receivables

As at 30 June 2011, current trade receivables of the Group with a nominal value of $54 million (2010: $52 million) were impaired. The amount of the allowance account was $54 million (2010: $52 million).

Movements in the allowance account for credit losses were as follows:

	2011 $m	2010 $m
Carrying value at beginning of year	**52**	50
Allowance for credit losses recognised during the year	**10**	13
Receivables written off during the year as uncollectable	**(7)**	(7)
Unused amount reversed	**(1)**	(4)
Carrying value at end of year	**54**	52

Trade receivables past due but not impaired

As at 30 June 2011, trade receivables of $274 million (2010: $268 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or other indicators of impairment.

The ageing analysis of these trade receivables is as follows:

	2011 $m	2010 $m
Under three months	**220**	185
Three to six months	**40**	63
Over six months	**14**	20
	274	268

With respect to trade receivables which are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Finance advances and loans

Finance advances and loans consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A risk assessment process is used for new loan applications which ranges from conducting credit assessments to relying on the assessments of financial risk provided by credit insurers.

All finance advances and loans are current and not impaired.

Related party receivables

For terms and conditions of related party receivables, refer to note 34.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

	CONSOLIDATED 2011 $m	2010 $m
10: Inventories		
Raw materials	**97**	78
Work in progress	**48**	93
Finished goods	**4,842**	4,487
Total inventories at the lower of cost and net realisable value	**4,987**	4,658

Inventories recognised as an expense for the year ended 30 June 2011 totalled $38,616 million (2010: $36,887 million).

11: Investments backing insurance contracts, reinsurance and other recoveries

The following disclosures relate to the general insurance companies that comprise the Insurance division:

	CONSOLIDATED 2011 $m	2010 $m
Current		
Bank bills	**–**	359
Term deposits	**988**	705
Other	**–**	1
Investments backing insurance contracts	**988**	1,065
Reinsurance and other recoveries	**555**	319
	1,543	1,384
Non-current		
Reinsurance and other recoveries	**471**	192
	471	192

Investments backing insurance contracts

Investments backing insurance contracts are all financial assets at fair value through profit or loss.

Reinsurance and other recoveries

The division reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. The division's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the division's reinsurance management strategy;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on the division's maximum event retention; and
- exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

The reinsurance counterparty risk is managed with reference to an analysis of an entity's credit rating. Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a strong credit rating. Credit risk exposures are calculated regularly and ratings are reviewed by management on a regular basis.

The following table provides information about the quality of the division's credit risk exposure in respect of reinsurance recoveries on outstanding claims at the balance date. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

11: Investments backing insurance contracts, reinsurance and other recoveries (continued)

	CREDIT RATING					
	AAA $m	AA $m	A $m	BBB $m	Not rated $m	Total $m
YEAR ENDED 30 JUNE 2011						
Reinsurance recoveries on outstanding claims	**12**	**401**	**412**	**–**	**6**	**831**
Amounts due from reinsurers on paid claims	**–**	**13**	**24**	**–**	**–**	**37**
	12	**414**	**436**	**–**	**6**	**868**
YEAR ENDED 30 JUNE 2010						
Reinsurance recoveries on outstanding claims	–	164	152	–	77	393
Amounts due from reinsurers on paid claims	–	9	14	–	–	23
	–	173	166	–	77	416

The remaining reinsurance and other recoveries relate to third party insurance recoveries. Remaining reinsurance and other recoveries are both current and non-current, and not impaired.

	CONSOLIDATED	
	2011 $m	2010 $m
12: Other current assets		
Deferred acquisition costs	**124**	125
Prepayments	**92**	25
Assets classified as held for sale (a)	**223**	–
Other financial assets	**19**	–
	458	150
Movements in deferred acquisition costs:		
Carrying value at beginning of year	**125**	135
Acquisition costs deferred	**151**	117
Costs charged to profit or loss	**(130)**	(119)
Other movements	**(22)**	(8)
Carrying value at end of year	**124**	125

(a) On 17 March 2011, Wesfarmers announced it was exploring options for its thermal coal interests in the Collie Basin which forms part of the Resources division, including the potential divestment of all its shares in its wholly owned subsidiaries Wesfarmers Premier Coal Limited and Wesfarmers Char Pty Ltd ('Premier Coal').

On 7 April 2011, certain materials including an Information Memorandum and mine plans were provided to interested parties who were asked to provide a non-binding indication of value and confirm interest in the sale process based on these materials. Several indications of value from interested parties were received that were in excess of the carrying value of Premier Coal.

From 7 April 2011, the assets and liabilities of Premier Coal have been reclassified as held for sale within other current assets and other current liabilities. In the event that the sale process is not successful or is discontinued, the classification and the carrying value of assets and liabilities will be reassessed. At 30 June 2011, the assets and liabilities of the disposal group are as follows:

	2011 $m
ASSETS	
Property, plant and equipment [1]	210
Inventories	13
Receivables and other assets	17
Net deferred tax asset/(liability)	(17)
Assets classified as held for sale	**223**
LIABILITIES	
Trade and other payables	16
Provisions	51
Liabilities directly associated with assets held for sale	**67**
Net assets attributable to disposal group held for sale	**156**

1 Includes mineral lease and development costs of $75 million.

Details of the sale process subsequent to year-end are provided at note 29.

13: Available-for-sale investments

	CONSOLIDATED 2011 $m	2010 $m
Shares in listed companies at fair value	–	2
Shares in unlisted companies at fair value	17	17
	17	19

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value for listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

There are no individually material investments at 30 June 2011.

The fair value of the unlisted available-for-sale investments has been estimated using appropriate valuation techniques based on assumptions where the fair value cannot be determined by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in reserves are reasonable and the most appropriate at balance sheet date. In addition, management believes that changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

14: Investments in associates

	CONSOLIDATED 2011 $m	2010 $m
Shares and units in associates	462	459
Loans to associates at cost	9	9
	471	468
Fair value of listed investments in associates		
BWP Trust (formerly Bunnings Warehouse Property Trust)	222	183
Share of associates' commitments		
Capital commitments	63	11
Lease commitments	5	6
Other commitments	–	9

Associate	Principal activity	OWNERSHIP 2011 %	2010 %
Air Liquide WA Pty Ltd	Industrial gases	40.0	40.0
Albany Woolstores Pty Ltd	Wool handling	35.0	35.0
Bengalla Agricultural Company Pty Limited	Agriculture	40.0	40.0
Bengalla Coal Sales Company Pty Limited	Sales agent	40.0	40.0
Bengalla Mining Company Pty Limited	Management company	40.0	40.0
BWP Trust (formerly Bunnings Warehouse Property Trust)	Property investment	23.3	23.1
Gresham Partners Group Limited	Investment banking	50.0	50.0
Gresham Private Equity Funds	Private equity fund	(a)	(a)
HAL Property Trust	Property ownership	50.0	50.0
Queensland Nitrates Management Pty Ltd	Chemical manufacture	50.0	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	50.0	50.0
Wespine Industries Pty Ltd	Pine sawmillers	50.0	50.0

Each of the above entities is incorporated in Australia and has a reporting date of 30 June with the exception of Gresham Partners Group Limited which has a reporting date of 30 September and the Bengalla companies that have a reporting date of 31 December.

(a) Gresham Private Equity Funds

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 and 3 amounts to greater than 50.0 per cent, they are not controlled entities as the consolidated entity does not have the capacity to govern decision making in relation to their financial and operating policies. Such control requires a unitholders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds. Gresham Private Equity Fund No. 3 is subject to future capital calls.

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SHARE OF REVENUES		SHARE OF PROFIT/(LOSS)		SHARE OF ASSETS		SHARE OF LIABILITIES		CARRYING AMOUNT	
2011 $m	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m	**2011 $m**	2010 $m
25	23	**6**	6	**12**	11	**6**	6	**5**	5
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**–**	–	**–**	–
24	22	**19**	27	**284**	233	**55**	52	**214**	168
25	34	**1**	1	**54**	54	**12**	15	**29**	26
–	1	**(60)**	43	**130**	184	**8**	4	**122**	179
–	–	**–**	–	**15**	14	**–**	–	**15**	15
–	–	**–**	–	**–**	–	**–**	–	**–**	–
68	70	**12**	12	**123**	124	**48**	61	**68**	56
46	47	**7**	6	**33**	35	**24**	25	**9**	10
188	197	**(15)**	95	**651**	655	**153**	163	**462**	459

15: Property, plant and equipment

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Freehold land		
Cost	**1,370**	1,040
Net carrying amount	**1,370**	1,040
Net carrying amount at beginning of year	**1,040**	748
Additions	**324**	177
Transfers	**118**	127
Assets classified as held for sale	**(4)**	–
Disposals	**(94)**	(3)
Acquisitions of controlled entities	**2**	–
Impairment charge	**(10)**	(10)
Exchange differences	**(6)**	1
Net carrying amount at end of year	**1,370**	1,040
Buildings		
Cost	**880**	715
Accumulated depreciation and impairment	**(102)**	(103)
Net carrying amount	**778**	612
Net carrying amount at beginning of year	**612**	478
Additions	**147**	118
Transfers	**139**	32
Assets classified as held for sale	**(9)**	–
Disposals	**(98)**	(3)
Acquisitions of controlled entities	**1**	–
Depreciation expense	**(12)**	(14)
Exchange differences	**(2)**	1
Net carrying amount at end of year	**778**	612
Assets in course of construction included above	**146**	71
Leasehold improvements		
Cost	**886**	689
Accumulated depreciation and impairment	**(262)**	(215)
Net carrying amount	**624**	474
Net carrying amount at beginning of year	**474**	441
Additions	**141**	91
Transfers	**66**	20
Disposals	**(6)**	(4)
Impairment reversal/(charge)	**1**	(2)
Amortisation expense	**(52)**	(72)
Net carrying amount at end of year	**624**	474
Assets in course of construction included above	**151**	28

15: Property, plant and equipment (continued)

	CONSOLIDATED 2011 $m	2010 $m
Plant, vehicles and equipment		
Cost	**8,703**	8,031
Accumulated depreciation and impairment	**(3,597)**	(3,128)
Net carrying amount	**5,106**	4,903
Net carrying amount at beginning of year	**4,903**	4,767
Additions	**1,466**	1,142
Transfers	**(323)**	(198)
Assets classified as held for sale	**(122)**	–
Disposals	**(70)**	(75)
Acquisitions of controlled entities	**4**	1
Sale of business	**(3)**	–
Impairment charge	**(6)**	(14)
Depreciation expense	**(740)**	(721)
Exchange differences	**(3)**	1
Net carrying amount at end of year	**5,106**	4,903
Assets in course of construction included above	**695**	466
Mineral lease and development costs		
Cost	**564**	683
Accumulated depreciation and impairment	**(140)**	(170)
Net carrying amount	**424**	513
Net carrying amount at beginning of year	**513**	478
Additions	**6**	48
Transfers	**–**	(1)
Assets classified as held for sale	**(75)**	–
Rehabilitation provision asset increment	**4**	12
Amortisation expense	**(24)**	(24)
Net carrying amount at end of year	**424**	513
Assets in course of construction included above	**–**	3
Total		
Cost	**12,403**	11,158
Accumulated depreciation and impairment	**(4,101)**	(3,616)
Net carrying amount	**8,302**	7,542

Refer to note 19 for assets pledged as security.

Property, plant and equipment impairments recognised

During the year a $10 million (2010: $10 million) impairment charge has been recognised in relation to property held by the Coles division as a result of a decline in rental yields used to determine the recoverable amount.

16: Intangible assets and goodwill

	Goodwill $m	Trade names $m	Contractual and non-contractual relationships $m	Software $m	Gaming and liquor licences $m	Total $m
YEAR ENDED 30 JUNE 2011						
Cost	**16,279**	**3,808**	**155**	**560**	**148**	**20,950**
Accumulated amortisation and impairment	**(52)**	**(8)**	**(45)**	**(265)**	**–**	**(370)**
Net carrying amount	**16,227**	**3,800**	**110**	**295**	**148**	**20,580**
Net carrying amount at beginning of year	**16,206**	**3,794**	**86**	**299**	**149**	**20,534**
Additions	**–**	**–**	**7**	**69**	**3**	**79**
Transfers	**–**	**–**	**–**	**9**	**–**	**9**
Disposals	**(10)**	**–**	**–**	**(1)**	**(6)**	**(17)**
Acquisitions of controlled entities	**52**	**9**	**29**	**1**	**1**	**92**
Amortisation for the year	**–**	**(3)**	**(10)**	**(82)**	**–**	**(95)**
Impairment reversal	**–**	**–**	**–**	**–**	**1**	**1**
Exchange differences	**(21)**	**–**	**(2)**	**–**	**–**	**(23)**
Net carrying amount at end of year	**16,227**	**3,800**	**110**	**295**	**148**	**20,580**
YEAR ENDED 30 JUNE 2010						
Cost	16,258	3,799	122	482	149	20,810
Accumulated amortisation and impairment	(52)	(5)	(36)	(183)	–	(276)
Net carrying amount	16,206	3,794	86	299	149	20,534
Net carrying amount at beginning of year	16,273	3,795	100	320	150	20,638
Additions	–	1	1	50	6	58
Transfers	–	–	–	3	–	3
Acquisitions of controlled entities	10	–	–	–	–	10
Amortisation for the year	–	(2)	(10)	(74)	–	(86)
Impairment charge	(48)	–	–	–	(7)	(55)
Exchange differences	(29)	–	(5)	–	–	(34)
Net carrying amount at end of year	16,206	3,794	86	299	149	20,534

16: Intangible assets and goodwill (continued)

	CONSOLIDATED 2011 $m	2010 $m
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of intangibles		
Home Improvement and Office Supplies		
– Bunnings	**1**	1
– Officeworks	**160**	160
Industrial and Safety	**9**	9
Coles	**2,965**	2,953
Kmart	**268**	268
Target	**531**	531
	3,934	3,922

Trade names: the brand names included above have been assessed as having indefinite lives on the basis of strong brand strength, ongoing expected profitability and continuing support. The brand name incorporates complementary assets such as store formats, networks and product offerings.

Gaming and liquor licences: gaming and liquor licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.

	2011 $m	2010 $m
Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Chemicals, Energy and Fertilisers	**15**	15
Home Improvement and Office Supplies		
– Bunnings	**850**	848
– Officeworks	**799**	799
Industrial and Safety		
– Blackwoods Australia	**308**	308
– Coregas	**252**	252
– Other	**156**	149
Insurance		
– Lumley Australia	**434**	434
– Other	**493**	493
Coles	**10,228**	10,216
Kmart	**273**	273
Target	**2,419**	2,419
	16,227	16,206

16: Intangible assets and goodwill (continued)

Key assumptions used in impairment calculations

The recoverable amounts of the cash generating units have been determined using cash flow projections based on Wesfarmers' corporate plans and business forecasts using a fair value less costs to sell or value in use methodology as required by Australian Accounting Standards. Wesfarmers' corporate plans are developed annually with a five year outlook. Supplemental business forecasts are also used where appropriate in determining the recoverable value of a business unit.

Where a value in use methodology has been used, these plans have been adjusted to exclude the costs and benefits of expansion capital and have been prepared on the understanding that many actual outcomes will differ from assumptions used in the calculations.

Cash flows beyond the five year period are extrapolated using the estimated growth rates, which are based on the Group's estimates taking into consideration past historical performance as well as expected long-term operating conditions. Growth rates do not exceed the long-term average growth rate for the business in which the cash generating unit operates.

Discount rates are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs.

Other assumptions are determined with reference to external sources of information and use consistent and conservative estimates for such variables such as terminal cash flow multiples.

The impairment calculations have been prepared for the purpose of determining whether the cash generating units' carrying values do not exceed their recoverable amounts, but do not purport to be market valuations of the relevant business operations.

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the carrying values of cash generating units to exceed their recoverable amounts.

Outlined below are the key assumptions used for assessing the recoverable amounts of the Coles and Target cash generating units, being the two cash generating units for which the carrying amount of goodwill and intangible assets with indefinite useful lives are significant in comparison with the total carrying amount of Wesfarmers' goodwill and intangible assets with indefinite useful lives.

Key assumptions used in fair value less costs to sell calculations

	COLES		TARGET	
	2011	2010	**2011**	2010
Discount rate (post-tax)	**8.2%**	9.2%	**9.2%**	9.5%
Growth rate beyond five year financial plan	**3.0%**	2.9%	**3.0%**	3.2%
Perpetuity factor for calculation of terminal value (1/(discount rate – growth rate))	**19.2**	16.0	**16.1**	15.9
Headroom as a percentage of the cash generating unit's net asset carrying value	**38.8%**	16.4%	**21.7%**	33.6%

Other key assumptions include retail sales, EBIT margin and inflation rate (which are based on past experience and external sources of information) and a program of business improvement strategies, in particular for Coles which is undergoing a substantial transition program, including store upgrades (which are based on management projections).

The recoverable amount of the Coles and Target cash generating units currently exceed their carrying value. The recoverable amount could be reduced should changes in the following key assumptions occur:

i. Trading conditions – The cash flows are based on the forecast improved operating and financial performance of each division, which have been derived from the 2011 Wesfarmers' corporate plan as well as supplemental information. Although the timing of the cash flows arising from these improvements are influenced by general market conditions, Wesfarmers believes the magnitude of the longer-term cash flows will be far less affected. This view is based on the likely longer-term improvement trends in the business (i.e. increasing sales, profitability and cash flows) and the inherent value of the network, especially for Coles once such a network has been revitalised. Notwithstanding this, should such improvements not occur, the impact on the cash flows could result in a reduction of the recoverable amount to below the carrying value.

ii. Discount rate – The discount rate for each division has been determined based on the weighted average cost of capital with reference to the prevailing risk-free and borrowing rates, and with consideration to the risk associated with each division. Consequently, should these rates increase, the discount rate would also increase. An increase in the discount rate of over 2.0% (2010: 1.0%) for Coles and 2.4% (2010: 2.0%) for Target would result in a reduction of the recoverable amount to below the carrying value.

17: Other non-current assets

	CONSOLIDATED 2011 $m	2010 $m
Deferred acquisition costs	**3**	9
Defined benefit asset	**5**	4
Other financial assets	**36**	–
Investment property	**6**	6
Prepaid rent	**13**	14
Other	**13**	11
	76	44
Movements in deferred acquisition costs:		
Carrying amount at beginning of year	**9**	–
Acquisition costs deferred during the year	**3**	9
Costs charged to profit or loss	**(9)**	–
Carrying amount at end of year	**3**	9

18: Trade and other payables

	2011 $m	2010 $m
Current		
Trade payables	**5,059**	4,603
	5,059	4,603
Non-current		
Other creditors and accruals	**24**	9
	24	9

19: Interest-bearing loans and borrowings

	CONSOLIDATED 2011 $m	2010 $m
Current		
Unsecured		
Term loans (a), (b)	**–**	99
Other bank loans	**201**	205
Commercial paper	**65**	–
	266	304
Non-current		
Unsecured		
Term loans (a), (b)	**1,813**	2,607
Corporate bonds (c)	**2,800**	2,442
	4,613	5,049
Total interest-bearing loans and borrowings	**4,879**	5,353
Financing facilities available		
Total facilities		
Term loans (a), (b)	**2,772**	2,728
Other bank loans	**532**	515
Commercial paper	**340**	350
Bank bills	**450**	600
	4,094	4,193
Facilities used at balance date		
Term loans (a), (b)	**1,822**	2,728
Other bank loans	**201**	205
Commercial paper	**65**	–
	2,088	2,933
Facilities unused at balance date		
Term loans (a), (b)	**950**	–
Other bank loans	**331**	310
Commercial paper	**275**	350
Bank bills	**450**	600
	2,006	1,260
Total facilities	**4,094**	4,193
Facilities used at reporting date	**2,088**	2,933
Facilities unused at reporting date	**2,006**	1,260

Repayment obligations in respect of the amount of the facilities utilised are included in maturities of financial liabilities tables in note 26.

19: Interest-bearing loans and borrowings (continued)

Funding activities

In the year ended 30 June 2011, a new $2,500 million revolving syndicated bank facility was established to replace the existing $2,500 million syndicated facility. In addition, $604 million (US$650 million) in bonds were issued into the US 144A bond market. The new funding arrangements entered into during the year had the effect of extending the Group's debt maturity profile and improving liquidity. In the year ended 30 June 2011, total interest-bearing loans and borrowings decreased to $4,879 million from $5,353 million on 30 June 2010. Wesfarmers' syndicated credit facility contains financial covenants that are required to be met. As at 30 June 2011, Wesfarmers has complied with these covenants.

The syndicated credit facility requires that wholly owned subsidiaries of Wesfarmers representing at least five per cent of EBITDA or total assets of the Wesfarmers Group are guarantors and that the guarantor group represents at least 90 per cent of the Group's total assets and 90 per cent of the EBITDA of the Group. The EBITDA and total assets of regulated subsidiaries (subsidiaries which are restricted from giving upstream guarantees including under law, regulation or administrative practice) are excluded from the calculations of EBITDA and total assets of the Group, except to the extent that they do grant guarantees. Insurance underwriting subsidiaries are not permitted to guarantee the senior debt facility due to insurance regulatory restrictions.

The carrying amount of the syndicated bank loan is net of remaining capitalised debt fees directly attributable to the establishment of the facility. These will be released to earnings based on the effective interest rate while the loan remains outstanding.

(a) Term loan – bilateral facility

As at 30 June 2011, bank bilateral funding facilities of $272 million were in place and fully drawn.

(b) Term loan – syndicated facility

On 21 December 2010, Wesfarmers entered into a $2,500 million revolving syndicated facility arranged by 16 domestic and international banks from the existing banking group. The facility comprises two $1,250 million tranches maturing in December 2013 and December 2014, respectively. As at 30 June 2011, the limit on this facility was $2,500 million and $1,550 million remains drawn against this facility. The purpose of the revolving facility is to provide funding for general corporate purposes, including ongoing working capital requirements and to fund the ongoing liquidity requirements of the Group. Interest is payable at a rate calculated as the Australian bank bill swap rate plus a margin. The margin is subject to change based on the Company's Standard & Poor's credit rating. The revolving facility replaced the existing $2,500 million syndicated facility, of which $1,750 million and $750 million were due to mature in December 2011 and December 2012, respectively.

(c) Corporate bonds

During May 2011, Wesfarmers issued US bonds with a face value of $604 million (US$650 million) and maturing on 18 May 2016. Interest on these bonds is payable semi-annually in arrears at 2.983 per cent per annum. After the effect of hedging, Wesfarmers pays interest on these bonds at a rate of 126 basis points over the Australian bank bill swap rate. If both Moody's and Standard & Poor's cease to rate the notes (excluding Coles notes) investment grade during a change of control transaction, each holder of the notes has the right to require Wesfarmers to purchase all or a portion of the holder's notes at a purchase price equal to 101 per cent of the principal amount thereof, plus accrued and unpaid interest.

On 4 March 2010, Wesfarmers announced the issue of $756 million (€500 million), maturing on 10 July 2015 under its Euro Medium Term Note program with pricing after the effect of hedging of 228 basis points over the Australian bank bill swap rate. Settlement of the transaction was on 10 March 2010.

Wesfarmers issued $400 million fixed rate domestic bonds and $100 million floating rate domestic bonds in September 2009. Both domestic bonds mature in September 2014. Interest is charged semi-annually in arrears on the fixed rate domestic bonds, at 8.25 per cent per annum. Interest is charged quarterly in arrears on the floating domestic bonds at the Australian bank bill swap rate plus a margin of 260 basis points.

As a result of the acquisition of the Coles group, Wesfarmers entered into financing arrangements with Coles group's note holders during the year ended 30 June 2008. The medium-term fixed rate notes outstanding have a principal of $400 million and mature on 25 July 2012. Interest on these notes is payable semi-annually in arrears at six per cent per annum.

Wesfarmers issued US bonds in April 2008, with a face value of $711 million (US$650 million), maturing on 10 April 2013. Interest on these bonds is payable semi-annually in arrears at 6.998 per cent per annum. After the effect of hedging, Wesfarmers pays interest on these bonds at a rate of 398 basis points over the Australian bank bill swap rate. If both Moody's and Standard & Poor's cease to rate the notes (excluding Coles notes) investment grade during a change of control transaction, each holder of the notes has the right to require Wesfarmers to purchase all or a portion of the holder's notes at a purchase price equal to 101 per cent of the principal amount thereof plus accrued and unpaid interest. In addition, if there is a downgrade to the credit ratings assigned to the notes (excluding Coles notes) by Moody's or Standard & Poor's (to BBB- or Baa3 or below), the interest rate on the notes will increase.

Derivative contracts are held to hedge future foreign exchange translation and currency interest rate risks in relation to US and European bonds. Refer to note 27 for further details.

Assets pledged as security

A controlled entity has issued a floating charge over assets, capped at $80 million, as security for payment obligations to a trade creditor. The assets are excluded from financial covenants in all debt documentation.

	CONSOLIDATED 2011 $m	2010 $m

20: Provisions

	2011 $m	2010 $m
Current		
Employee benefits	**863**	827
Workers' compensation	**91**	89
Self-insured risks	**46**	58
Mine and plant rehabilitation	**–**	3
Restructuring and make good	**45**	101
Surplus leased space	**9**	9
Off-market contracts	**59**	54
Other	**53**	35
	1,166	1,176
Non-current		
Employee benefits	**139**	146
Workers' compensation	**286**	256
Self-insured risks	**82**	69
Mine and plant rehabilitation	**167**	172
Restructuring and make good	**15**	19
Surplus leased space	**27**	17
Off-market contracts	**262**	321
Other	**114**	70
	1,092	1,070
Total provisions	**2,258**	2,246

Provisions have been calculated using discount rates between five per cent and six per cent (2010: between five per cent and six per cent), except as outlined below.

Workers' compensation and self-insured risks

The Group is self-insured for costs relating to workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported, prior to reporting date.

These provisions are determined on a discounted basis, using an actuarially determined method, which is based on various assumptions including, but not limited to, future inflation, investment return, average claim size and claim administration expenses. These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers' compensation or claims expense (either increasing or decreasing the expense).

Mine and plant rehabilitation

In accordance with mining lease agreements and Group policies, obligations exist to remediate areas where mining activity has taken place. Work is ongoing at various sites and in some cases will extend over periods beyond 20 years. Provisions have generally been calculated assuming current technologies. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates to aid with comparability.

20: Provisions (continued)

Restructuring and make good

These provisions relate principally to:

- the closure of retail outlets or distribution centres;
- the disaggregation of shared services and supply chain within the former Coles group divisions;
- restructuring; and
- associated redundancies.

Provisions are recognised where steps have been taken to implement the restructuring plan, including discussions with affected personnel.

Surplus leased space

The surplus leased space provision covers future payments for leased premises, which are onerous, net of actual and expected sub-leasing revenue, and relates to commitments of up to six years (2010: seven years). Actual lease payments may vary from the amounts provided where alternate uses are found for these premises, including attraction of new tenants.

Off-market contracts

In existence at the date of acquisition of Coles group by Wesfarmers were a number of contracts. Changes in market conditions had resulted in the original terms of the contract becoming unfavourable in comparison to market supply conditions present at the date of acquisition. The obligation for the discounted future above market payments has been provided for, calculated using a discount rate of nine per cent. The value of the contract is updated for key underlying assumptions, such as volume/capacity factors, as these become known and is released to earnings over the period of the contract.

CONSOLIDATED	Workers' compensation $m	Self-insured risks $m	Mine and plant rehabilitation $m	Restructuring and make good $m	Surplus leased space $m	Off-market contracts $m	Other $m	Total $m
YEAR ENDED 30 JUNE 2011								
Carrying amount at beginning of year	**345**	**127**	**175**	**120**	**26**	**375**	**105**	**1,273**
Arising during year	**114**	**35**	**5**	**16**	**19**	**–**	**52**	**241**
Utilised	**(100)**	**(40)**	**(3)**	**(78)**	**(12)**	**(78)**	**(38)**	**(349)**
Acquisition of controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**63**	**63**
Liabilities directly associated with assets held for sale	**–**	**–**	**(23)**	**–**	**–**	**–**	**(10)**	**(33)**
Discount rate adjustment	**18**	**6**	**9**	**2**	**3**	**24**	**–**	**62**
Fair value adjustment	**–**	**–**	**4**	**–**	**–**	**–**	**(5)**	**(1)**
Carrying amount at end of year	**377**	**128**	**167**	**60**	**36**	**321**	**167**	**1,256**
YEAR ENDED 30 JUNE 2010								
Carrying amount at beginning of year	336	104	147	97	23	423	86	1,216
Arising during year	91	59	15	68	10	–	70	313
Utilised	(99)	(42)	(8)	(49)	(8)	(70)	(51)	(327)
Discount rate adjustment	17	6	9	4	1	22	–	59
Fair value adjustment	–	–	12	–	–	–	–	12
Carrying amount at end of year	345	127	175	120	26	375	105	1,273

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
21: Insurance liabilities		
The following disclosures relate to the general insurance companies that comprise the Wesfarmers Insurance division:		
Unearned insurance premiums		
Current	**766**	762
Non-current	**95**	35
	861	797
Carrying amount at beginning of year	**797**	784
Deferral of premium on contracts written during year	**770**	694
Earning of premiums deferred in prior years	**(706)**	(681)
Carrying amount at end of year	**861**	797
Outstanding insurance claims		
Current	**766**	545
Non-current	**708**	373
	1,474	918
Outstanding insurance claims		
Gross central estimate of outstanding claims liabilities	**1,444**	885
Discount to present value	**(91)**	(66)
Claim handling expenses	**52**	34
Risk margin	**69**	65
	1,474	918
Total insurance liabilities		
Current	**1,532**	1,307
Non-current	**803**	408
	2,335	1,715

	CONSOLIDATED Gross $m	CONSOLIDATED Reinsurance and other recoveries $m	CONSOLIDATED 2011 Net $m	CONSOLIDATED 2010 Net $m
Movement in outstanding insurance claims				
Carrying amount at beginning of year	**918**	**(416)**	**502**	513
Incurred claims recognised in profit or loss	**1,613**	**(825)**	**788**	669
Net claim payments	**(1,057)**	**326**	**(731)**	(681)
Other	**–**	**(3)**	**(3)**	1
Carrying amount at end of year	**1,474**	**(918)**	**556**	502

The liability adequacy test (LAT) as at 30 June 2011 has resulted in an overall deficit for the division's portfolio of $56 million (2010: $36 million).

21: Insurance liabilities (continued)

Actuarial assumptions and methods

The following are the key assumptions used in determining outstanding insurance claims:

	AUSTRALIA		NEW ZEALAND	
	2011	2010	**2011**	2010
Weighted average term to settlement (years)	**1.8**	1.7	**1.3**	1.3
Superimposed inflation rate	**2.0%–5.0%**	2.0%–5.0%	**–**	–
Discount rate	**4.92%**	4.69%	**3.22%**	3.68%
Discounted mean term (years)	**1.6**	1.6	**1.2**	1.3
Risk margin	**15.3%**	15.5%	**14.4%**	17.1%

Weighted average term to settlement (years)

The average weighted term to payment is calculated separately by class of business and is based on historic settlement patterns.

Superimposed inflation rate

Insurance costs are subject to inflationary pressures over time.

There is a tendency for claim costs, particularly for the liability classes, to increase at levels in excess of standard inflationary pressures. This can be due to a number of factors including court awards and precedents and social and environmental pressures. This is often termed superimposed inflation and is analysed and forecasted separately from wage inflation.

Discount rate

The outstanding claims liabilities are discounted at a rate equivalent to that inherent in a portfolio of riskless fixed interest securities with coupon and redemption cash flows exactly matching the projected inflation claim cash flows.

All outstanding claims liabilities are discounted to present value using a risk-free rate based on the Commonwealth Government bond yield curve.

Discounted mean term (years)

Discounted mean term is defined as the weighted average term to settlement, where the weights are the discounted payments at each payment date.

Risk margin

The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimate for each class.

The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 85 per cent. The probability of adequacy at 30 June 2011 is approximately 85 per cent (2010: 85 per cent), which is within the Group's internal target range of 85 per cent to 90 per cent.

General insurance risk management policies and procedures

The financial condition and operation of the division is affected by a number of key risks including:

- insurance risk;
- credit risk;
- market risk; and
- liquidity risk.

The division's policies and procedures in respect of managing insurance and liquidity risks are set out below. Policies and procedures in respect of managing the other key risks are disclosed in note 26.

In accordance with Prudential Standards, the Insurance Board and senior management of the division have developed, implemented and maintain a sound prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the division's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the division. Annually, the Insurance Board certifies that adequate strategies have been put in place to monitor those risks, that the division has systems in place to ensure compliance with legislative and prudential requirements and that the Insurance Board has satisfied itself as to the compliance with the RMS and REMS.

21: Insurance liabilities (continued)

General insurance risk management policies and procedures (continued)

(a) Insurance risk

Insurance risk arises from the uncertainty of cash flows from insurance contracts, changes in which may result in financial loss or an inability to meet liabilities as and when they fall due.

The division seeks to control insurance risk and thereby reduce the volatility of earnings. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

The key processes in place to mitigate risk include:

- The maintenance and use of management information systems, which provide up-to-date, reliable data on the risks to which the business is exposed at any point in time.
- The use of models based on historical data to inform premium setting and actuarial models to monitor claims patterns.
- The setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk.
- The monitoring of natural disasters such as earthquakes, floods, storms and other catastrophes. Exposure to such risks is monitored using catastrophe models.
- The use of reinsurance to limit the division's exposure to large single claims and accumulation of claims that arise from the same event.
- The monitoring of reinsurers' credit risk policies to control exposure to reinsurance counterparty default.
- The management of assets and liabilities with respect to the expected pattern of claims payments with the maturity dates of assets.
- The reduction in variability in loss experience through diversification over classes of insurance business and geographical segments.

Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the division. The majority of direct insurance contracts written are entered into on standard forms. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

Concentration of insurance risk

The division's exposure is diversified across classes of business with risk spread across Australia and New Zealand. Specific processes for monitoring identified concentrations are set out below:

Risk	Source of concentration	Risk management measures
An accumulation of losses arising from a natural peril (e.g. earthquake)	Insured property and motor concentrations	Accumulation risk modelling, reinsurance protection
A large property loss	Fire or collapse affecting one building or a group of adjacent buildings	Maximum acceptance limits, property risk grading, reinsurance protection
Multiple classes of business in the one event	Response by a multitude of the division's policies to the one event, for example a construction liability and professional indemnity policy	Purchase of reinsurance clash

21: Insurance liabilities (continued)

General insurance risk management policies and procedures (continued)

(b) Liquidity risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The division is exposed to daily calls on its available cash resources from policy claims. The division manages this risk in accordance with the division's investment policy whereby a minimum percentage of investments and cash are held in liquid, short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations.

For the division's underlying activities, the division limits the risk of liquidity shortfalls resulting from mismatch in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims. The division maintains a strong liquidity position, with a portfolio of highly marketable assets that can be easily liquidated in the event of unforeseen interruption of cash flow.

The maturity profile of the division's discounted net outstanding claims provision is analysed below.

CONSOLIDATED	<3 months, or on demand $m	>3-<6 months $m	>6-<12 months $m	>1-<2 years $m	>2-<3 years $m	>3-<4 years $m	>4-<5 years $m	>5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities $m
YEAR ENDED 30 JUNE 2011										
Gross outstanding claims	**336**	**196**	**234**	**295**	**209**	**105**	**40**	**59**	**1,474**	**1,474**
Reinsurance and other recoveries	**(179)**	**(121)**	**(152)**	**(201)**	**(152)**	**(68)**	**(13)**	**(32)**	**(918)**	**(918)**
Net outstanding claims provision	**157**	**75**	**82**	**94**	**57**	**37**	**27**	**27**	**556**	**556**
YEAR ENDED 30 JUNE 2010										
Gross outstanding claims	254	120	171	128	81	53	36	75	918	918
Reinsurance and other recoveries	(114)	(51)	(52)	(69)	(39)	(24)	(17)	(50)	(416)	(416)
Net outstanding claims provision	140	69	119	59	42	29	19	25	502	502

21: Insurance liabilities (continued)

Claims development table

The following table shows the development of the estimated ultimate incurred cost for the public liability and workers' compensation classes of business in Australia for the five most recent accident years. The estimated ultimate incurred cost at each point in time consists of the payments to date plus the actuarial estimate of outstanding claims. The subsequent components in the table provide a breakdown of the current estimate of ultimate incurred cost between payments to date and the various components of the outstanding claims liability.

	CONSOLIDATED ACCIDENT YEAR						
Ultimate claims cost estimate	Prior $m	2007 $m	2008 $m	2009 $m	2010 $m	**2011 $m**	Total $m
At end of accident year	–	69	70	94	92	**104**	429
One year later	–	60	90	90	85	**–**	325
Two years later	–	71	82	90	–	**–**	243
Three years later	–	68	82	–	–	**–**	150
Four years later	–	74	–	–	–	**–**	74
Current estimate of ultimate claims cost	–	74	82	90	85	**104**	435
Cumulative payments	–	(49)	(46)	(39)	(27)	**(13)**	(174)
Undiscounted central estimate	14	25	36	51	58	**91**	275
Discount to present value	(1)	(2)	(4)	(5)	(6)	**(11)**	(29)
Discounted central estimate	13	23	32	46	52	**80**	246
Claims handling expense	1	1	2	3	3	**4**	14
Risk margin	2	4	6	8	9	**13**	42
Net outstanding claims liabilities	16	28	40	57	64	**97**	302
Reinsurance and other recoveries	26	19	12	23	18	**19**	117
Gross outstanding claims liabilities	42	47	52	80	82	**116**	419

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recovery bases to give the most meaningful insight into the impact on the income statement.

22: Other liabilities

	CONSOLIDATED	
	2011 $m	2010 $m
Deferred coal revenue		
Current	**5**	7
Non-current	**2**	2
	7	9
Liabilities directly associated with assets held for sale		
Current	**67**	–
Other		
Current	**186**	181
Non-current	**21**	14
	207	195
Total		
Current	**258**	188
Non-current	**23**	16
	281	204

Premier assets of $223 million and liabilities of $67 million were reclassified as current assets and current liabilities directly associated with assets held for sale. Refer to note 12 for further details.

	CONSOLIDATED 2011 $m	2010 $m
23: Contributed equity		
Issued capital – ordinary shares (a)	**23,286**	23,286
Employee reserved shares (b)	**(41)**	(51)
	23,245	23,235

(a) Issued capital – ordinary shares

All ordinary shares are fully-paid. Fully-paid ordinary shares (including employee reserved shares) carry one vote per share and carry the right to dividends.

Each partially protected ordinary share confers rights on a partially protected shareholder that are the same in all respects as those conferred by an ordinary share on an ordinary shareholder on an equal basis. In addition, partially protected ordinary shares provide a level of downside share price protection. Refer to note 6 for key terms and conditions. Full terms and conditions are available from the Company website www.wesfarmers.com.au.

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares, which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers shares sold on the Australian Securities Exchange calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

	Ordinary		Partially protected		Total contributed equity	
Movement in shares on issue	Thousands	$m	Thousands	$m	Thousands	$m
At 1 July 2009	1,005,127	16,911	151,945	6,375	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	41	2	(41)	(2)	–	–
At 30 June 2010	**1,005,168**	**16,913**	**151,904**	**6,373**	**1,157,072**	**23,286**
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	**508**	**21**	**(508)**	**(21)**	**–**	**–**
At 30 June 2011	**1,005,676**	**16,934**	**151,396**	**6,352**	**1,157,072**	**23,286**

(b) Employee reserved shares

Movement in employee reserved shares on issue	Thousands	$m
At 1 July 2009	4,773	62
Exercise of in-substance options	(468)	(7)
Dividends applied	–	(4)
At 30 June 2010	**4,305**	**51**
Exercise of in-substance options	**(525)**	**(5)**
Dividends applied	**–**	**(5)**
At 30 June 2011	**3,780**	**41**

Shares issued to employees under the share loan plan referred to in note 36 (termed as 'employee reserved shares') are fully-paid via a limited recourse loan to the employee from the parent and a subsidiary, and as such the arrangement is accounted for as in-substance options. Loans are repaid from dividends declared, capital returns and cash repayments. Once the loan is repaid in full, the employee reserved shares are converted to unrestricted ordinary shares.

23: Contributed equity (continued)

(c) Capital management

The Board is responsible for monitoring and approving the capital management process. Wesfarmers defines capital as shareholders' equity and net debt. When managing capital, the objective is to ensure that Wesfarmers continues as a going concern as well as maintaining optimal returns to shareholders and benefits for other stakeholders. In addition, Wesfarmers aims to maintain a stable investment grade capital structure, ensuring low cost of capital is available to the Group.

In order to manage the short and long-term capital structure, the Group adjusts the amount of ordinary dividends paid to shareholders, maintains a dividend investment plan, returns capital to shareholders, raises capital from shareholders and arranges debt to fund working capital requirements, capital expenditure and acquisitions. Wesfarmers' dividend policy reflects free cash flow generation, profit generation, availability of franking credits and seeks to deliver growing dividends over time.

Wesfarmers continues to maintain investment grade credit ratings. On 9 March 2011, Standard & Poor's raised Wesfarmers' rating from BBB+ (positive) to A- (stable) based on an improved operating and financial profile. On 24 March 2011, Moody's affirmed Wesfarmers' Baa1 rating and changed its rating outlook from stable to positive. An investment grade credit rating allows Wesfarmers to access global debt capital markets as required.

Some subsidiaries in the Insurance division are general insurance companies, which are subject to externally imposed capital requirements set and monitored by regulatory bodies. These subsidiaries have been ring-fenced and maintain a level of solvency deemed sufficient by Standard & Poor's to support at least an A- rating.

Wesfarmers regularly monitors its capital requirements using various benchmarks, with the main measures being cash interest cover, debt cover and fixed charges cover. Cash interest cover is calculated as earnings before interest, tax, depreciation and amortisation divided by net cash interest paid (excluding interest revenue earned in any Insurance business). Debt cover is calculated by dividing total net financial debt by earnings before interest, tax, depreciation and amortisation. The fixed charges cover is calculated by dividing earnings before interest, tax, depreciation and amortisation plus minimum lease payments by finance costs, net of discount adjustment, plus the minimum lease payments. These ratios may be subject to further adjustment by external parties, such as banks and ratings agencies, in line with their own practices.

Cash interest cover, debt cover and fixed charges cover were as follows:

	CONSOLIDATED	
	2011 $m	2010 $m
Cash interest cover		
Profit before income tax	**2,706**	2,215
Finance costs	**526**	654
Depreciation and amortisation	**923**	917
EBITDA	**4,155**	3,786
Net cash interest paid	**436**	553
Cash interest cover	**9.5**	6.8
Debt cover		
Total interest-bearing debt	**4,879**	5,353
Less: cash and cash equivalents	**897**	1,640
Net financial debt	**3,982**	3,713
EBITDA	**4,155**	3,786
Debt cover	**1.0**	1.0
Fixed charges cover		
EBITDA	**4,155**	3,786
Minimum lease payments	**1,722**	1,661
EBITDA plus minimum lease payments	**5,877**	5,447
Finance costs, net of discount adjustment, plus minimum lease payments	**2,184**	2,251
Fixed charges cover	**2.7**	2.4

Details of externally imposed capital requirements are contained in note 19.

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
24: Retained earnings		
Balance as at 1 July	**1,414**	1,179
Net profit	**1,922**	1,565
Dividends	**(1,562)**	(1,330)
Balance as at 30 June	**1,774**	1,414

25: Reserves

CONSOLIDATED	Restructure tax reserve $m	Capital reserve $m	Foreign currency translation reserve $m	Hedging reserve $m	Available-for-sale reserve $m	Total $m
Balance at 1 July 2009	150	24	(24)	(307)	2	(155)
Gains and losses on financial instruments recognised in equity	–	–	–	(41)	3	(38)
Tax effect of revaluation	–	–	–	12	(1)	11
Realised losses transferred to balance sheet/net profit	–	–	–	319	–	319
Tax effect of transfers	–	–	–	(96)	–	(96)
Ineffective hedge losses transferred to net profit – gross	–	–	–	51	–	51
Tax effect of ineffective cash flow hedges	–	–	–	(15)	–	(15)
Currency translation differences	–	–	(32)	–	–	(32)
Balance at 30 June 2010	150	24	(56)	(77)	4	45
Gains and losses on financial instruments recognised in equity	**–**	**–**	**–**	**301**	**3**	**304**
Tax effect of revaluation	**–**	**–**	**–**	**(90)**	**(1)**	**(91)**
Realised losses transferred to balance sheet/net profit	**–**	**–**	**–**	**79**	**–**	**79**
Tax effect of transfers	**–**	**–**	**–**	**(24)**	**–**	**(24)**
Currency translation differences	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Balance at 30 June 2011	**150**	**24**	**(59)**	**189**	**6**	**310**

Nature and purpose of reserves

Restructure tax reserve

The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 ownership simplification plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.

Capital reserve

The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Available-for-sale reserve

The available-for-sale reserve records fair value changes on available-for-sale investments.

26: Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise syndicated and other bank loans, bank accepted bills, commercial paper, corporate bonds and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are:

– liquidity risk;

– market risk (including foreign currency, interest rate and commodity price risk); and

– credit risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 2 to the financial statements.

(a) Liquidity risk

Wesfarmers maintains a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of the principal. Wesfarmers aims to spread maturities to avoid excessive refinancing in any period.

Liquidity risk is managed centrally by Group Treasury, by considering over a period of time the operating cash flow forecasts of the underlying businesses and accessing the debt and equity capital markets. Wesfarmers continues to maintain investment grade credit ratings from Moody's and Standard & Poor's.

Wesfarmers aims to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. At 30 June 2011, the Group had unutilised committed debt facilities of $2,006 million (2010: $1,260 million). Unutilised committed debt facilities includes backup liquidity for the Group's commercial paper programs through committed commercial paper standby facilities, of which $275 million was available at 30 June 2011 (2010: $350 million). Refer to note 19 for the financing facilities used and unused. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets.

Liquidity risk disclosures for insurance liabilities are included in note 21.

Maturities of financial liabilities

The following tables analyse the Group's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid.

For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables, and have been estimated using forward interest rates applicable at the reporting date.

Derivative cash flows exclude accruals recognised in trade and other payables.

Refer to note 28 for further details on contingent liabilities.

26: Financial risk management objectives and policies (continued)

(a) Liquidity risk (continued)

CONSOLIDATED	<3 months, or on demand $m	>3-<6 months $m	>6-<12 months $m	>1-<2 years $m	>2-<3 years $m	>3-<4 years $m	>4-<5 years $m	>5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities $m
YEAR ENDED 30 JUNE 2011										
Non-derivatives										
Trade and other payables	**4,893**	**151**	**19**	**10**	**6**	**1**	**–**	**3**	**5,083**	**5,083**
Loans and borrowings before swaps	**19**	**247**	**–**	**1,054**	**1,250**	**1,072**	**1,487**	**–**	**5,129**	**4,879**
Expected future interest payments on loans and borrowings	**89**	**88**	**172**	**312**	**216**	**129**	**40**	**–**	**1,046**	**–**
Total non-derivatives	**5,001**	**486**	**191**	**1,376**	**1,472**	**1,202**	**1,527**	**3**	**11,258**	**9,962**
Derivatives										
Hedge interest rate swaps (net settled)	**2**	**9**	**13**	**22**	**1**	**–**	**–**	**–**	**47**	**45**
Non-hedge interest rate swaps (net settled)	**1**	**1**	**2**	**2**	**1**	**–**	**–**	**–**	**7**	**6**
Cross currency interest rate swaps (gross settled)										
– (inflow)	**(1)**	**(19)**	**(31)**	**(746)**	**(48)**	**(50)**	**(1,538)**	**–**	**(2,433)**	**169**
– outflow	**9**	**39**	**78**	**870**	**98**	**101**	**1,418**	**–**	**2,613**	**–**
Net cross currency interest rate swaps	**8**	**20**	**47**	**124**	**50**	**51**	**(120)**	**–**	**180**	**169**
Hedge foreign exchange contracts (gross settled)										
– (inflow)	**(776)**	**(642)**	**(738)**	**(813)**	**(400)**	**(241)**	**(46)**	**–**	**(3,656)**	**(333)**
– outflow	**757**	**614**	**662**	**685**	**333**	**202**	**46**	**–**	**3,299**	**–**
Net foreign exchange contracts	**(19)**	**(28)**	**(76)**	**(128)**	**(67)**	**(39)**	**–**	**–**	**(357)**	**(333)**
Total derivatives	**(8)**	**2**	**(14)**	**20**	**(15)**	**12**	**(120)**	**–**	**(123)**	**(113)**
YEAR ENDED 30 JUNE 2010										
Non-derivatives										
Trade and other payables	4,412	181	10	6	1	1	–	1	4,612	4,612
Loans and borrowings before swaps	208	111	–	1,641	1,869	–	772	718	5,319	5,353
Expected future interest payments on loans and borrowings	31	86	183	330	240	123	95	15	1,103	–
Total non-derivatives	4,651	378	193	1,977	2,110	124	867	734	11,034	9,965
Derivatives										
Hedge interest rate swaps (net settled)	17	14	30	41	25	2	–	–	129	95
Non-hedge interest rate swaps (net settled)	13	15	5	8	2	–	–	–	43	28
Cross currency interest rate swaps (gross settled)										
– (inflow)	–	(27)	(27)	(96)	(922)	(32)	(33)	(869)	(2,006)	(73)
– outflow	28	30	59	117	813	58	59	746	1,910	–
Net cross currency interest rate swaps	28	3	32	21	(109)	26	26	(123)	(96)	(73)
Hedge foreign exchange contracts (gross settled)										
– (inflow)	(890)	(566)	(666)	(761)	(574)	(251)	(133)	–	(3,841)	(6)
– outflow	871	553	661	779	587	254	132	–	3,837	–
Non-hedge foreign exchange contracts (gross settled)										
– (inflow)	(84)	–	–	–	–	–	–	–	(84)	(1)
– outflow	83	–	–	–	–	–	–	–	83	–
Net foreign exchange contracts	(20)	(13)	(5)	18	13	3	(1)	–	(5)	(7)
Total derivatives	38	19	62	88	(69)	31	25	(123)	71	43

26: Financial risk management objectives and policies (continued)

(b) Market risk

Foreign currency risk

The Group's primary currency exposures are in relation to US dollars and arise from sales or purchases by a division in currencies other than the division's functional currency.

As a result of operations in New Zealand, the Group's balance sheet can be affected by movements in the AUD/NZD exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in NZ dollars in New Zealand.

The Group requires all divisions to hedge foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. Before hedging, the divisions are also required to take into account their competitive position. The hedging instrument must be in the same currency as the hedged item. Divisions are not permitted to speculate on future currency movements.

The objective of Wesfarmers' policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons:

– protection of competitive position; and

– greater certainty of earnings due to protection from sudden currency movements.

The Group aims to hedge approximately 45 per cent to 55 per cent (over five years) of its foreign currency sales for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to June 2016. Such foreign currency purchases arise predominantly in the Resources division.

The Group aims to hedge approximately 70 per cent to 100 per cent of its non-capital expenditure related foreign currency purchases for which firm commitments or highly probable forecast transactions exist, up to 12 months forward. The Group currently hedges 100 per cent of capital expenditure related foreign currency purchases to match expected payment dates and these may extend beyond 12 months. The current hedge contracts extend out to January 2013. Such foreign currency purchases arise predominantly in the retail, Chemicals, Energy and Fertilisers, and Industrial and Safety divisions.

Refer to note 27 for details of outstanding foreign exchange derivative contracts used by the Group to manage exposure to foreign exchange risk as at 30 June 2011.

The Group's exposure of its financial instruments to the US dollar, Euro and NZ dollar (prior to hedging contracts) at the reporting date were as follows:

	2011			2010		
CONSOLIDATED	**USD A$m**	**EUR A$m**	**NZD A$m**	USD A$m	EUR A$m	NZD A$m
Financial assets						
Cash and cash equivalents	**55**	**6**	**76**	64	–	52
Trade and other receivables	**118**	**5**	**166**	93	2	205
Reinsurance and other recoveries	**–**	**–**	**452**	–	–	48
Finance advances and loans	**–**	**–**	**78**	–	–	71
Cross currency interest rate swap	**5**	**–**	**–**	103	–	–
Hedge foreign exchange derivative assets	**403**	**–**	**–**	86	–	–
Financial liabilities						
Trade and other payables	**162**	**15**	**214**	117	7	157
Interest-bearing loans and borrowings	**1,236**	**673**	**273**	809	733	208
Cross currency interest rate swap	**83**	**91**	**–**	–	30	–
Insurance liabilities	**–**	**–**	**628**	–	–	216
Hedge foreign exchange derivative liabilities	**68**	**2**	**–**	74	3	–
Non-hedge foreign exchange derivative liabilities	**–**	**–**	**–**	1	–	–

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange risk exposures existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements.

The following rates have been used in performing the sensitivity analysis:

	2011			2010		
	Actual	**+10%**	**–10%**	Actual	+10%	–10%
US dollar	**1.07**	**1.18**	**0.96**	0.85	0.94	0.77
Euro	**0.74**	**0.81**	**0.67**	0.70	0.77	0.63

The impact on profit and equity is estimated by relating the hypothetical changes in the US dollar and Euro exchange rate to the balance of financial instruments at the reporting date. Foreign currency risks, as defined by AASB 7 *Financial Instruments: Disclosures*, arise on account of financial instruments being denominated in a currency that is not the functional currency in which the financial instrument is measured.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration and the impact is not material to the Group. Therefore, no sensitivity analysis is performed for exposure to the NZ dollar as the amount is immaterial to the Group.

The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

– the impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit;

– to the extent that the foreign currency denominated derivatives on balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not affect profit; and

– movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net effect on profit.

At 30 June 2011, had the Australian dollar moved against the US dollar and Euro, as illustrated in the table above, with all other variables held constant, the Group's profit after tax and other equity would have been affected by the change in value of its financial assets and financial liabilities, as follows:

		AUD/USD +10%		**AUD/USD –10%**			**AUD/EUR +10%**		**AUD/EUR –10%**	
CONSOLIDATED	**USD exposure A$m**	**Impact on profit A$m**	**Impact on equity A$m**	**Impact on profit A$m**	**Impact on equity A$m**	**EUR exposure A$m**	**Impact on profit A$m**	**Impact on equity A$m**	**Impact on profit A$m**	**Impact on equity A$m**
YEAR ENDED 30 JUNE 2011										
Financial assets										
Cash and cash equivalents	**55**	**(4)**	**–**	**4**	**–**	**6**	**–**	**–**	**–**	**–**
Trade and other receivables	**118**	**(8)**	**–**	**9**	**–**	**5**	**–**	**–**	**–**	**–**
Hedge foreign exchange derivative assets	**335**	**–**	**55**	**–**	**(70)**	**–**	**–**	**–**	**–**	**–**
Financial liabilities										
Trade and other payables	**162**	**11**	**–**	**(13)**	**–**	**15**	**1**	**–**	**(1)**	**–**
Interest-bearing loans and borrowings	**1,236**	**79**	**–**	**(97)**	**–**	**673**	**44**	**–**	**(54)**	**–**
Cross currency interest rate swap	**78**	**(79)**	**(5)**	**97**	**6**	**91**	**(44)**	**–**	**54**	**–**
Hedge foreign exchange derivative liabilities	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**(4)**	**–**	**5**
Net impact		**(1)**	**50**	**–**	**(64)**		**1**	**(4)**	**(1)**	**5**

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

CONSOLIDATED	USD exposure A$m	AUD/USD +10% Impact on profit A$m	AUD/USD +10% Impact on equity A$m	AUD/USD –10% Impact on profit A$m	AUD/USD –10% Impact on equity A$m	EUR exposure A$m	AUD/EUR +10% Impact on profit A$m	AUD/EUR +10% Impact on equity A$m	AUD/EUR –10% Impact on profit A$m	AUD/EUR –10% Impact on equity A$m
YEAR ENDED 30 JUNE 2010										
Financial assets										
Cash and cash equivalents	64	(4)	–	5	–	–	–	–	–	–
Trade and other receivables	93	(6)	–	7	–	2	–	–	–	–
Financial liabilities										
Trade and other payables	117	7	–	(9)	–	7	1	–	(1)	–
Interest-bearing loans and borrowings	809	54	–	(73)	–	733	49	–	(62)	–
Cross currency interest rate swap	(103)	(54)	–	73	–	30	(49)	–	62	–
Hedge foreign exchange derivative assets	(10)	–	107	–	(133)	3	–	(3)	–	4
De-designated foreign exchange derivative liabilities*	(1)	(2)	–	2	–	–	–	–	–	–
Net impact		(5)	107	5	(133)		1	(3)	(1)	4

* Non-hedge foreign exchange derivative liabilities do not impact profit or equity as there are equal and opposite derivatives in place.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.

The Group's policy is to limit the Group's exposure to adverse fluctuations in interest rates which could erode Group profitability and adversely affect shareholder value. The policy requires that an interest rate risk management (IRRM) plan be developed based on cash flow forecasts. A committee comprising senior management meets periodically to review the IRRM plan and make interest rate hedging recommendations, which are provided to the Finance Director for approval. The Group's interest rate hedging profile is regularly reported to the Wesfarmers Board and senior executives.

To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. At 30 June 2011, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 41 per cent of the Group's core borrowings are exposed to movements in variable rates (2010: approximately 25 per cent). Refer to note 27 for details of outstanding interest rate swap derivative contracts used to manage the Group's interest rate risk as at 30 June 2011.

From a Group perspective, any internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Although Wesfarmers has issued US and Euro bonds, cross currency swaps are in place which remove any exposure to US and Euro interest rates. These cross currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.

As at the reporting date, the Group had the following financial assets and liabilities with exposure to interest rate risk. Interest on financial instruments, classified as floating rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. Other financial instruments of the Group that are not included in the following table are non-interest bearing and are therefore not subject to interest rate risk.

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

	CONSOLIDATED			
	2011		2010	
	Balance $m	Weighted average interest rate %	Balance $m	Weighted average interest rate %
Financial assets				
Fixed rate				
Finance advances and loans	**223**	**9.94**	217	9.75
Loans to associates	**9**	**7.00**	9	7.00
Weighted average effective interest rate on fixed rate assets		**9.83**		9.64
Floating rate				
Investments backing insurance contracts	**988**	**5.43**	1,065	4.94
Cash assets	**633**	**3.33**	1,403	4.45
Weighted average effective interest rate on floating rate assets		**4.61**		4.66
Total weighted average effective interest rate on financial assets at balance date		**5.26**		5.08
Financial liabilities				
Fixed rate				
Term loans	**1,813**	**9.34**	2,525	9.65
Corporate bonds	**495**	**6.85**	392	6.00
Weighted average effective interest rate on fixed rate liabilities		**8.81**		9.16
Floating rate				
Term loans	**–**	**–**	181	7.05
Other unsecured bank loan	**201**	**4.16**	205	4.67
Commercial paper	**65**	**3.51**	–	–
Corporate bonds	**2,305**	**7.66**	2,050	7.84
Weighted average effective interest rate on floating rate liabilities		**7.28**		7.51
Total weighted average effective interest rate on financial liabilities at balance date		**8.00**		8.41
Total weighted average effective interest rate on financial liabilities during the year		**8.39**		8.28

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Group profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements.

The results of the sensitivity analysis are driven by three main factors, as outlined below:

– for unhedged floating rate financial instruments, any increase or decrease in interest rates will impact profit;

– to the extent that derivatives form part of an effective cash flow hedge relationship, there will be no impact on profit and any increase/(decrease) in the fair value of the underlying derivative instruments will be deferred in equity; and

– movements in the fair value of derivatives in an effective fair value hedge relationship will be recognised directly in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. If interest rates had moved and with all other variables held constant, profit after tax and equity would have been affected as follows:

CONSOLIDATED	2011 Impact on profit A$m	2011 Impact on equity A$m	2010 Impact on profit A$m	2010 Impact on equity A$m
Australian variable interest rate +100bps (2010: +100bps)	**(10)**	**17**	(3)	32
Australian variable interest rate –100bps (2010: –100bps)	**10**	**(17)**	3	(32)

Commodity price risk

The Group's exposure to commodity price risk arises largely from coal price fluctuations which impact its coal mining operations. Excluding the foreign exchange risk component, which is managed as part of the Group's overall foreign exchange risk management policies and procedures referred to previously, this exposure is not hedged as the coal type predominantly sold by the Group is not a readily traded commodity on a market exchange.

No sensitivity analysis is provided for the Group's coal and gas 'own use contracts' as they are outside the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. Such contracts are to buy or sell non-financial items and were entered into, and continue to be held, for the purpose of the receipt or delivery of the non-financial item, in accordance with the division's expected purchase, sale or usage requirements.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk related to trade and other receivables

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties. Depending on the division, credit terms are generally 14 to 30 days from date of invoice. It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, trade and other receivables balances are monitored on an ongoing basis.

An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. The Group's exposure to bad debts is not significant and default rates have historically been very low.
An ageing of trade receivables past due is included in note 9. The carrying amounts of the Group's trade and other receivables are denominated in Australian dollars, US dollars or NZ dollars. Since the Group trades only with recognised third parties, no requests or requirement for collateral covering trade and other receivables balances have been made.

The following concentrations of the maximum credit exposure of current trade and other receivables are shown for the consolidated entity:

	2011	2010
Chemicals, Energy and Fertilisers	**7.7%**	8.2%
Resources	**6.3%**	6.3%
Corporate	**1.2%**	4.5%
Home Improvement and Office Supplies	**10.1%**	9.1%
Industrial and Safety	**9.2%**	9.6%
Insurance	**52.0%**	53.9%
Coles	**11.9%**	6.9%
Kmart	**1.3%**	1.3%
Target	**0.3%**	0.2%
	100.0%	100.0%

26: Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with Board approved policy. Investments of surplus funds are made only with approved counterparties or counterparties rated AA- or higher by Standard & Poor's. Surplus funds are invested within credit limits assigned to each counterparty, unless appropriate approval is provided. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when the Group provides a guarantee to another party. Details of contingent liabilities are disclosed in note 28. There are no significant concentrations of credit risk within the Group.

(d) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are as follows:

		CARRYING AMOUNT		FAIR VALUE	
CONSOLIDATED	Note	2011 $m	2010 $m	2011 $m	2010 $m
Financial assets					
Cash	8	**897**	1,640	**897**	1,640
Trade receivables	9	**1,506**	1,321	**1,506**	1,321
Finance advances and loans	9	**223**	217	**223**	217
Receivables from associates	9	**–**	1	**–**	1
Other debtors	9	**429**	256	**429**	256
Investments backing insurance contracts					
Bank bills	11	**–**	359	**–**	359
Term deposits	11	**988**	705	**988**	705
Other	11	**–**	1	**–**	1
Reinsurance and other recoveries	11	**1,026**	511	**1,026**	511
Available-for-sale investments	13	**17**	19	**17**	19
Loans to associates	14	**9**	9	**9**	9
Forward currency contracts	27	**403**	85	**403**	85
Interest rate swaps	27	**9**	14	**9**	14
Cross currency interest rate swaps	27	**5**	103	**5**	103
Financial liabilities					
Trade payables	18	**5,059**	4,603	**5,059**	4,603
Other creditors and accruals	18	**24**	9	**24**	9
Interest-bearing loans and borrowings					
Syndicated bank loans	19	**1,813**	2,706	**1,813**	2,706
Unsecured bank loans	19	**201**	205	**201**	205
Commercial paper	19	**65**	–	**65**	–
Corporate bonds	19	**2,800**	2,442	**2,829**	2,468
Forward currency contracts	27	**70**	78	**70**	78
Interest rate swaps	27	**60**	137	**60**	137
Cross currency interest rate swaps	27	**174**	30	**174**	30

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Other financial assets/liabilities

Market values have been used to determine the fair value of listed available-for-sale investments using a quoted market price. The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

26: Financial risk management objectives and policies (continued)

(d) Fair values (continued)

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

Valuation of financial instruments

For financial instruments measured at fair value, the Group uses the following to categorise the method used:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments, as well as the methods used to estimate fair value, are summarised in the table below:

CONSOLIDATED	Quoted market price (Level 1) $m	Valuation technique – market observable inputs (Level 2) $m	Valuation technique – non-market observable inputs (Level 3) $m	Total $m
YEAR ENDED 30 JUNE 2011				
Financial assets measured at fair value				
Available-for-sale investments				
Shares in unlisted companies at fair value	–	–	17	17
Investments backing insurance contracts				
Term deposits	–	988	–	988
Derivative instruments				
Forward currency contracts	–	403	–	403
Interest rate swaps	–	9	–	9
Cross currency interest rate swaps	–	5	–	5
Total financial assets measured at fair value	–	1,405	17	1,422
Financial liabilities measured at fair value				
Interest-bearing loans and borrowings				
Corporate bonds	–	2,305	–	2,305
Derivative instruments				
Forward currency contracts	–	70	–	70
Interest rate swaps	–	60	–	60
Cross currency interest rate swaps	–	174	–	174
Total financial liabilities measured at fair value	–	2,609	–	2,609

There were no transfers between Level 1 and Level 2 during the year.

There have been no Level 3 fair value movements during the year.

26: Financial risk management objectives and policies (continued)

(d) Fair values (continued)

CONSOLIDATED	Quoted market price (Level 1) $m	Valuation technique – market observable inputs (Level 2) $m	Valuation technique – non-market observable inputs (Level 3) $m	Total $m
YEAR ENDED 30 JUNE 2010				
Financial assets measured at fair value				
Available-for-sale investments				
Shares in listed companies at fair value	2	–	–	2
Shares in unlisted companies at fair value	–	–	17	17
Investments backing insurance contracts				
Bank bills	–	359	–	359
Term deposits	–	705	–	705
Other	–	1	–	1
Derivative instruments				
Forward currency contracts	–	85	–	85
Interest rate swaps	–	14	–	14
Cross currency interest rate swaps	–	103	–	103
Total financial assets measured at fair value	2	1,267	17	1,286
Financial liabilities measured at fair value				
Interest-bearing loans and borrowings				
Corporate bonds	–	1,950	–	1,950
Derivative instruments				
Forward currency contracts	–	78	–	78
Interest rate swaps	–	137	–	137
Cross currency interest rate swaps	–	30	–	30
Total financial liabilities measured at fair value	–	2,195	–	2,195

There were no transfers between Level 1 and Level 2 during the year.

There have been no Level 3 fair value movements during the year.

27: Hedging activities

Foreign exchange contracts

The terms of the forward currency contracts have been negotiated to match the terms of the underlying hedged items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in the foreign exchange rates.

Instrument	Notional amount	Average rate	Expiry	Hedge type	FAIR VALUE 2011 $m	FAIR VALUE 2010 $m
Foreign exchange forwards	2011: US$2,039.5 million (2010: US$2,197.8 million)	AUD/USD = 0.9037 (2010: AUD/USD = 0.8665)	July 2010 to June 2016	Cash flow hedge – forward sales contracts relating mainly to USD coal and LPG sales and have maturities out to June 2016	**403**	(22)
	2011: US$1,178.7 million (2010: US$887.8 million)	AUD/USD = 1.0199 (2010: AUD/USD = 0.8822)	July 2010 to October 2012	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to October 2012	**(66)**	31
	2011: €47.3 million (2010: €49.0 million)	AUD/EUR = 0.7166 (2010: AUD/EUR = 0.6558)	July 2010 to January 2013	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to January 2013	**(2)**	(3)
	2011: NZ$42.6 million (2010: NZ$19.0 million)	NZD/USD = 0.7780 (2010: NZD/USD = 0.6950)	July 2010 to June 2012	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to June 2012	**(2)**	–
					333	6

Interest rate swap contracts

The terms of the interest rate contracts match the terms of the underlying debt items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in interest rates. Note, de-designated hedges that have equal and opposite offsetting hedges are not disclosed below.

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE 2011 $m	FAIR VALUE 2010 $m
Interest rate swaps	AUD 2011: $2,100 million (2010: $2,525 million)	Receive BBSW or BBSY floating Pay 7.3% fixed (2010: 7.1%)	October 2010 to October 2013	Cash flow hedge – to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to floating rate bank bill, term loans or commercial paper debt	**(54)**	(93)
	AUD 2011: nil (2010: $400 million)	Receive BBSW or BBSY floating Pay nil fixed (2010: 6.6%)	October 2012 to October 2013	Cash flow hedge – delay start interest rate swaps to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to term loan debt starting from 1 October 2010	**–**	(16)
	AUD 2011: $400 million (2010: $400 million)	Receive 8.25% fixed (2010: 8.25% fixed) Pay BBSW floating	September 2014	Fair value hedge – to swap the 2014 $400 million AUD bond from a fixed rate to floating rate exposure	**5**	8
	AUD 2011: $510 million (2010: $436 million)	Receive 5.9% fixed (2010: 6.0%) Pay BBSW floating	July 2011 to June 2021	Fair value hedge – to hedge the exposure to changes in the fair value of the outstanding insurance claims (a recognised liability) attributable to changes in fixed interest rates	**4**	6
					(45)	(95)

27: Hedging activities (continued)

Cross currency interest rate swap contracts

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE 2011 $m	FAIR VALUE 2010 $m
Fixed for floating cross currency interest rate swap	USD 2011: US$650 million (2010: US$650 million)	Receive 6.998% fixed (2010: 6.998%) Pay BBSW plus 3.979% floating (2010: 3.979%)	April 2013	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the US dollar LIBOR benchmark curve for the term of the hedged bond and cross currency interest rate swap (CCIRS)	**(11)**	(1)
				Fair value hedge – to eliminate variability in the changes in the fair value of the remaining portion of coupon and principal cash flows of the US dollar bond, due to changes in spot foreign exchange rates and currency interest rates	**(72)**	104
					(83)	103
Fixed for floating cross currency interest rate swap	EUR 2011: €500 million (2010: €500 million)	Receive 3.875% fixed (2010: 3.875%) Pay BBSW plus 2.295% floating (2010: 2.295%)	July 2015	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the Euribor benchmark curve for the term of the hedge bond and CCIRS	**(9)**	(7)
				Fair value hedge – to eliminate variability in the changes in the fair value of the portion of coupon based on the Euribor benchmark curve due to changes in spot foreign exchange rates and interest rates	**(82)**	(23)
					(91)	(30)
Fixed for floating cross currency interest rate swap	USD 2011: US$650 million (2010: nil)	Receive 2.983% fixed (2010: nil) Pay BBSW plus 1.265% floating (2010: nil)	May 2016	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the US dollar LIBOR benchmark curve for the term of the hedged bond and CCIRS	**8**	–
				Fair value hedge – to eliminate variability in the changes in the fair value of the remaining portion of coupon and principal cash flows of the US dollar bond, due to changes in spot foreign exchange rates and currency interest rates	**(3)**	–
					5	–
					(169)	73
Total derivatives in effective hedge relationships					**119**	(16)

27: Hedging activities (continued)

Total derivatives comprise:

	FAIR VALUE 2011 $m	2010 $m
Current assets		
Forward currency contracts – cash flow hedges	**180**	68
Forward currency contracts classified as held for trading*	**–**	1
Interest rate swaps – fair value hedges	**4**	6
Total current assets	**184**	75
Non-current assets		
Forward currency contracts – cash flow hedges	**223**	16
Cross currency interest rate swap – cash flow hedge	**8**	(1)
Cross currency interest rate swap – fair value hedge	**(3)**	104
Interest rate swaps – fair value hedges	**5**	8
Total non-current assets	**233**	127
Current liabilities		
Forward currency contracts – cash flow hedges	**(62)**	(31)
Interest rate swaps – cash flow hedges	**(32)**	(57)
Interest rate swaps classified as held for trading*	**(2)**	(19)
Total current liabilities	**(96)**	(107)
Non-current liabilities		
Forward currency contracts – cash flow hedges	**(8)**	(47)
Cross currency interest rate swap – cash flow hedge	**(20)**	(7)
Cross currency interest rate swap – fair value hedge	**(154)**	(23)
Interest rate swaps – cash flow hedges	**(22)**	(52)
Interest rate swaps classified as held for trading*	**(4)**	(9)
Total non-current liabilities	**(208)**	(138)
Total derivatives	**113**	(43)

* Derivative instruments classified as held for trading primarily consist of derivatives previously in effective hedge relationships but no longer satisfy the requirements for hedge accounting. These derivative instruments are in offsetting relationships to minimise the effect on earnings.

28: Commitments and contingencies

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Operating lease commitments – Group as lessee		
The Group has entered into commercial leases on office, retail and distribution properties, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings, the lease terms range from one year to 25 years and have various renewal or purchase options, escalation clauses, termination rights and residual liability clauses.		
Future minimum rentals payable under non-cancellable operating leases not included within this financial report were as follows:		
Within one year	**1,610**	1,477
Greater than one year but not more than five years	**5,057**	4,776
More than five years	**5,056**	4,882
	11,723	11,135
Operating lease commitments – Group as lessor		
Contracted non-cancellable future minimum lease payments expected to be received in relation to non-cancellable sub-leases not included in this financial report were as follows:		
Within one year	**8**	19
Greater than one year but not more than five years	**14**	42
More than five years	**2**	15
	24	76
Capital commitments		
Commitments arising from contracts for capital expenditure contracted for at balance date not included in this financial report were as follows:		
Within one year	**301**	236
Greater than one year but not more than five years	**242**	391
	543	627
Commitments arising from agreements to invest in Gresham Private Equity Funds contracted for at balance date not included in this financial report were as follows:		
Due within one year	**74**	85
Other expenditure commitments		
Contracted other expenditure commitments not included in this financial report were as follows:		
Within one year	**97**	88
Greater than one year but not more than five years	**299**	344
More than five years	**69**	133
	465	565

28: Commitments and contingencies (continued)

	CONSOLIDATED	
	2011 $m	2010 $m
Commitments relating to jointly controlled assets		
At 30 June 2011, the Group's share of the Bengalla Joint Venture commitments was $74 million (2010: $1 million), principally relating to the acquisition of plant and equipment, all of which is payable within one year. The Group's share of the Kwinana Sodium Cyanide Joint Venture capital commitments was $1 million (2010: $2 million), relating to the acquisition of plant and equipment, all of which is payable within one year. The Group's share of the HAL Property Trust commitments was $25 million (2010: $1 million), relating to the acquisition of plant and equipment.		
Share of capital commitments of the joint venture asset:		
Due within one year	**100**	4
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	**1,044**	1,065

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

On acquisition of the Coles group, Wesfarmers assumed responsibility for the guarantees entered into by the Coles group relating to the sale of its Myer business in June 2006, under which Coles group had guaranteed the performance of certain lease agreements held by Myer Ltd. The guarantees amount to $27 million (2010: $35 million). The fair value of these guarantees is not considered to be material and has not been recognised in this financial report.

Other

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

29: Events after the balance sheet date

Dividend

A fully-franked dividend of 85 cents per share resulting in a dividend payment of $983 million was declared for a payment date of 30 September 2011. The dividend has not been provided for in the 30 June 2011 full-year financial statements.

Premier Coal

Short-listed interested parties are currently finalising detailed due diligence. The sale of Premier Coal is subject to an acceptable final offer being received, execution of a Sale and Purchase Agreement, and the satisfaction of a number of conditions precedent. In the event that the sale process is not successful or is discontinued, the classification and the carrying value of assets and liabilities will be reassessed.

Energy Generation Pty Ltd

On 18 July 2011, Wesfarmers announced the sale of its remote power generation business enGen to Energy Developments Limited for $101 million. On 31 August 2011, Wesfarmers completed the sale of enGen and expects to recognise a before tax gain on sale of approximately $40 million. The final sale proceeds and gain on sale are subject to finalisation of the completion accounts.

Coregas Pty Ltd

Coregas owns and operates an Air Separation Unit at the BlueScope Steel Limited facility in Port Kembla, New South Wales. On 22 August 2011, BlueScope announced the shutdown of its Port Kembla No. 6 Blast Furnace. Coregas is discussing with BlueScope the implications of the shutdown and, depending on the outcome of these discussions, there may be an impairment of the Coregas asset. This is not expected to be material to the Group.

30: Interest in jointly controlled assets

The Group has the following interests in joint ventures in Australia:

Joint venture	Principal activity	INTEREST 2011 %	INTEREST 2010 %
Sodium Cyanide JV	Sodium cyanide manufacture	**75**	75
Bengalla JV	Coal mining	**40**	40
Kwinana Industrial Gases JV	Oxygen and nitrogen manufacture	**40**	40
HAL Property Trust	Property ownership	**50**	50

The share of the assets, revenue and expenses of the jointly controlled assets, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Current assets		
Cash and cash equivalents	**3**	5
Inventories	**12**	13
Other	**4**	7
Total current assets	**19**	25
Non-current assets		
Property, plant and equipment	**245**	269
Total non-current assets	**245**	269
Total assets	**264**	294
Revenue	**360**	289
Costs of sales	**(217)**	(178)
Administrative expenses	**(11)**	(5)
Profit before income tax	**132**	106
Income tax expense	**(40)**	(31)
Net profit	**92**	75

Refer to note 28 for detail on capital commitments. There were no impairment losses in the jointly controlled assets.

31: Parent disclosures

	PARENT 2011 $m	PARENT 2010 $m
ASSETS		
Current assets	**7,856**	7,892
Non-current assets	**22,452**	22,377
Total assets	**30,308**	30,269
LIABILITIES		
Current interest-bearing loans and borrowings	**–**	111
Other current liabilities	**771**	649
Total current liabilities	**771**	760
Non-current interest-bearing loans and borrowings	**4,218**	4,658
Non-current other liabilities	**822**	513
Total non-current liabilities	**5,040**	5,171
Total liabilities	**5,811**	5,931
Net assets	**24,497**	24,338
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**23,280**	23,280
Employee reserved shares	**(37)**	(48)
Retained earnings	**1,146**	1,035
Restructure tax reserve	**150**	150
Hedging reserve	**(42)**	(79)
Total equity	**24,497**	24,338
Profit attributable to members of the parent	**1,673**	1,655
Total comprehensive income for the year, net of tax, attributable to members of the parent	**1,711**	1,757
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	**364**	361

Wesfarmers Limited has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

Wesfarmers is party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

Refer to note 33 for details of the Wesfarmers Deed of Cross Guarantee.

Capital commitments

There were no commitments arising from contracts for capital expenditure contracted for at balance date not included in this financial report (2010: nil).

32: Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	Country of incorporation	Functional currency	BENEFICIAL INTEREST 2011 %	2010 %
AALARA Risk Management Pty Ltd	Australia	AUD	**50**	50
A.C.N. 003 921 873 Pty Limited	Australia	AUD	**100**	100
ACN 008 734 567 Pty Ltd (formerly Motion Industries Pty Ltd)	Australia	AUD	**100**	100
A.C.N. 082 931 486 Pty Ltd	Australia	AUD	**100**	100
ACN 081 459 878 Pty Ltd (formerly FPT Australia Pty Limited)	Australia	AUD	**100**	100
A.C.N. 112 719 918 Pty Ltd	Australia	AUD	**100**	100
All Transport Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
ALW Newco Pty Limited	Australia	AUD	**100**	100
Andearp Pty Ltd	Australia	AUD	**100**	100
Arana Hills Properties Pty Limited	Australia	AUD	**100**	100
Australian Gold Reagents Pty Ltd	Australia	AUD	**75**	75
Australian Graphics Pty Ltd	Australia	AUD	**100**	100
Australian Grocery Holdings Pty Ltd	Australia	AUD	**100**	100
Australian International Insurance Limited +	Australia	AUD	**100**	100
Australian Liquor Group Ltd +	Australia	AUD	**100**	100
Australian Taxi Insurance Underwriting Agency Pty Ltd	Australia	AUD	**100**	100
Australian Underwriting Holdings Limited +	Australia	AUD	**100**	100
Australian Underwriting Services Pty Ltd	Australia	AUD	**100**	100
Australian Vinyls Corporation Pty Ltd +	Australia	AUD	**100**	100
AVC Holdings Pty Ltd +	Australia	AUD	**100**	100
AVC Trading Pty Ltd +	Australia	AUD	**100**	100
Bakop Pty Ltd	Australia	AUD	**100**	100
Barrier Investments Pty Ltd	Australia	AUD	**100**	100
BBC Hardware Limited +	Australia	AUD	**100**	100
BBC Hardware Properties (NSW) Pty Ltd	Australia	AUD	**100**	100
BBC Hardware Properties (Vic) Pty Ltd	Australia	AUD	**100**	100
Bi-Lo Pty Limited +	Australia	AUD	**100**	100
Brian Pty Ltd	Australia	AUD	**100**	100
Bullivants Lifting and Industrial Products Pty Limited	Australia	AUD	**–**	100
Bullivants Pty Limited +	Australia	AUD	**100**	100
Bunnings Group Limited +	Australia	AUD	**100**	100
Bunnings Limited #	New Zealand	NZD	**100**	100
Bunnings Management Services Pty Ltd	Australia	AUD	**100**	100
Bunnings Manufacturing Pty Ltd	Australia	AUD	**100**	100
Bunnings (NZ) Limited @	New Zealand	NZD	**100**	–
Bunnings (Northern Territory) Pty Ltd	Australia	AUD	**–**	100
Bunnings Properties Pty Ltd	Australia	AUD	**100**	100
Bunnings Pulp Mill Pty Ltd	Australia	AUD	**100**	100
BWP Management Limited (formerly Bunnings Property Management Limited) <	Australia	AUD	**100**	100
Byrne Watkinson Kaye Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
C S Holdings Pty Limited +	Australia	AUD	**100**	100
Campbells Hardware & Timber Pty Limited	Australia	AUD	**100**	100
Car Rental Risk Management Services Pty Ltd	Australia	AUD	**100**	100
CGNZ Finance Limited	New Zealand	NZD	**100**	100
Charlie Carter (Norwest) Pty Ltd +	Australia	AUD	**100**	100
Chemical Holdings Kwinana Pty Ltd +	Australia	AUD	**100**	100
Clarkson Shopping Centre Pty Ltd	Australia	AUD	**100**	100
CMFL Services Ltd +	Australia	AUD	**100**	100
CMNZ Investments Pty Ltd	Australia	AUD	**100**	100
CMPQ (CML) Pty Ltd	Australia	AUD	**100**	100
CMPQ (PEN) Pty Ltd	Australia	AUD	**100**	100
CMTI Pty Ltd	Australia	AUD	**100**	100

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST 2011 %	2010 %
Co-operative Wholesale Services Ltd	Australia	AUD	**100**	100
Colac Food Processors Pty Ltd @	Australia	AUD	**100**	–
Coles Ansett Travel Pty Ltd	Australia	AUD	**97.5**	97.5
Coles Group Asia Pty Ltd +	Australia	AUD	**100**	100
Coles Group Deposit Services Pty Ltd	Australia	AUD	**100**	100
Coles Group Employee Share Plan Pty Ltd	Australia	AUD	**100**	100
Coles Group Finance Limited +	Australia	AUD	**100**	100
Coles Group Finance (USA) Pty Ltd	Australia	AUD	**100**	100
Coles Group International Pty Ltd	Australia	AUD	**100**	100
Coles Group Limited +	Australia	AUD	**100**	100
Coles Group New Zealand Holdings Limited	New Zealand	NZD	**100**	100
Coles Group Properties Holdings Ltd +	Australia	AUD	**100**	100
Coles Group Properties Pty Ltd	Australia	AUD	**100**	100
Coles Group Property Developments Ltd +	Australia	AUD	**100**	100
Coles Group Superannuation Fund Pty Ltd	Australia	AUD	**100**	100
Coles Group Supply Chain Pty Ltd +	Australia	AUD	**100**	100
Coles LD Australia Pty Ltd	Australia	AUD	**100**	100
Coles Melbourne Ltd +	Australia	AUD	**100**	100
Coles Online Pty Ltd	Australia	AUD	**100**	100
Coles Properties WA Ltd +	Australia	AUD	**100**	100
Coles Retail Group Pty Ltd	Australia	AUD	**100**	100
Coles Stores (New Zealand) Limited	New Zealand	NZD	**100**	100
Coles Supercentres Pty Ltd	Australia	AUD	**100**	100
Coles Supermarkets Australia Pty Ltd +	Australia	AUD	**100**	100
Comnet Pty Ltd	Australia	AUD	**100**	100
Comprehensive Holiday Insurance (Underwriting Agents) Pty Ltd	Australia	AUD	**100**	100
ConsortiumCo Pty Ltd	Australia	AUD	**100**	100
Coo-ee Investments Pty Limited @	Australia	AUD	**100**	–
Coregas Pty Ltd +	Australia	AUD	**100**	100
Crombie Lockwood (NZ) Limited #	New Zealand	NZD	**100**	100
CSA Retail (Finance) Pty Ltd	Australia	AUD	**100**	100
CSBP Ammonia Terminal Pty Ltd	Australia	AUD	**100**	100
CSBP Limited +	Australia	AUD	**100**	100
Cuming Smith and Company Limited +	Australia	AUD	**100**	100
Curragh Coal Sales Co Pty Ltd	Australia	AUD	**100**	100
Curragh Queensland Mining Pty Ltd	Australia	AUD	**100**	100
Dairy Properties Co-operative Limited	Australia	AUD	**100**	100
Dennison & Associates Pty Ltd	Australia	AUD	**100**	100
Direct Fulfilment Group Pty Ltd	Australia	AUD	**100**	100
e.colesgroup Pty Ltd +	Australia	AUD	**100**	100
e.tailing (Coles Group) Pty Ltd	Australia	AUD	**100**	100
Eastfarmers Pty Ltd	Australia	AUD	**100**	100
ELH Services Limited #	United Kingdom	GBP	**100**	100
ELOL Limited #	United Kingdom	GBP	**–**	100
Energy Generation Pty Ltd +	Australia	AUD	**100**	100
Eskdale Holdings Pty Ltd	Australia	AUD	**100**	100
Eureka Operations Pty Ltd +	Australia	AUD	**100**	100
FBP Awards Fund Pty Ltd	Australia	AUD	**100**	50
FIF Investments Pty Limited	Australia	AUD	**100**	100
Financial Network Card Services Pty Ltd	Australia	AUD	**100**	100
Fitzgibbons Hotel Pty Ltd	Australia	AUD	**100**	100
Fitzinn Pty Ltd	Australia	AUD	**100**	100
Fosseys (Australia) Pty Ltd	Australia	AUD	**100**	100
Fraser MacAndrew Ryan Limited @	New Zealand	NZD	**100**	–
Fulthom Pty Limited	Australia	AUD	**100**	100

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST 2011 %	2010 %
G J Coles & Coy Pty Limited	Australia	AUD	**100**	100
Gault Armstrong Kemble Pty Ltd	Australia	AUD	**100**	100
Gault Armstrong SARL	New Caledonia	XPF	**100**	100
GBPL Pty Ltd	Australia	AUD	**100**	100
General Merchandise & Apparel Group Pty Ltd	Australia	AUD	**100**	100
GPML Pty Ltd	Australia	AUD	**100**	100
Grocery Holdings Pty Ltd +	Australia	AUD	**100**	100
Guidel Pty Ltd	Australia	AUD	**100**	100
Hadrill Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Harris Technology (NZ) Pty Ltd	Australia	AUD	**100**	100
Harris Technology Pty Ltd +	Australia	AUD	**100**	100
Hedz No 2 Pty Ltd	Australia	AUD	**100**	100
Hedz No 3 Pty Ltd	Australia	AUD	**100**	100
Hedz No 4 Pty Ltd	Australia	AUD	**100**	100
Hedz No 5 Pty Ltd	Australia	AUD	**100**	100
Hedz No 6 Pty Ltd	Australia	AUD	**100**	100
Hedz No 7 Pty Ltd	Australia	AUD	**100**	100
Hotel Wickham Investments Pty Ltd	Australia	AUD	**100**	100
HouseWorks Co Pty Ltd	Australia	AUD	**100**	100
Howard Smith Limited +	Australia	AUD	**100**	100
Howard Smith Nominees Pty Limited	Australia	AUD	**100**	100
HT (Colesgroup) Pty Ltd	Australia	AUD	**100**	100
Ibert Pty Limited	Australia	AUD	**–**	100
Idobent Pty Ltd	Australia	AUD	**100**	100
J Blackwood & Son Pty Ltd +	Australia	AUD	**100**	100
J Blackwood & Son Steel & Metals Pty Ltd	Australia	AUD	**–**	100
Katies Fashions (Aust) Pty Limited	Australia	AUD	**100**	100
Kleenheat Gas House Franchising Pty Ltd	Australia	AUD	**100**	100
Kmart Australia Limited +	Australia	AUD	**100**	100
Knox Liquor Australia Pty Ltd	Australia	AUD	**100**	100
Kwinana Nitrogen Company Proprietary Limited	Australia	AUD	**100**	100
Lawvale Pty Ltd	Australia	AUD	**100**	100
LHG Pty Ltd +	Australia	AUD	**100**	100
LHG2 Pty Ltd +	Australia	AUD	**100**	100
LHG3 Pty Ltd	Australia	AUD	**100**	100
Liftco Pty Limited +	Australia	AUD	**100**	100
Liquorland (Australia) Pty Ltd +	Australia	AUD	**100**	100
Liquorland (Qld) Pty Ltd +	Australia	AUD	**100**	100
Loadsafe Systems Pty Ltd	Australia	AUD	**–**	100
Loggia Pty Ltd +	Australia	AUD	**100**	100
Loyalty Pacific (Hong Kong) Limited	Hong Kong	HKD	**100**	50
Loyalty Pacific Pty Ltd	Australia	AUD	**100**	50
Lumley Corporation Pty Limited +	Australia	AUD	**100**	100
Lumley Finance (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley General Insurance (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Insurance Group Limited	Australia	AUD	**100**	100
Lumley Investments (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Life (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Management Services Pty Limited	Australia	AUD	**100**	100
Lumley Services (NZ) Limited #	New Zealand	NZD	**–**	100
Lumley Superannuation Pty Limited	Australia	AUD	**100**	100
Lumley Technology Pty Ltd	Australia	AUD	**100**	100
Manacol Pty Limited +	Australia	AUD	**100**	100
Masters Hardware Limited @	New Zealand	NZD	**100**	–
Masters Home Improvement Limited @	New Zealand	NZD	**100**	–

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST 2011 %	2010 %
Mawhinney Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Meredith Distribution (NSW) Pty Ltd	Australia	AUD	**100**	100
Meredith Distribution Pty Ltd	Australia	AUD	**100**	100
MIB Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Millars (WA) Pty Ltd	Australia	AUD	**100**	100
Modwood Technologies Pty Ltd	Australia	AUD	**100**	100
Monument Finance Limited #	New Zealand	NZD	**100**	100
Monument Insurance (NZ) Limited #	New Zealand	NZD	**100**	100
Morley Shopping Centre Pty Limited	Australia	AUD	**100**	100
Multimedia Services Pty Ltd	Australia	AUD	**100**	100
Mycar Automotive Pty Ltd	Australia	AUD	**100**	100
Newmart Pty Ltd +	Australia	AUD	**100**	100
now.com.au Pty Ltd	Australia	AUD	**100**	100
NZ Finance Holdings Pty Limited	New Zealand	NZD	**100**	100
OAMPS (UK) Limited #	United Kingdom	GBP	**100**	100
OAMPS Agency Pty Ltd	Australia	AUD	**100**	100
OAMPS Consulting Pty Ltd	Australia	AUD	**100**	100
OAMPS Corporate Risk Pty Ltd	Australia	AUD	**100**	100
OAMPS Credit Limited	Australia	AUD	**51**	51
OAMPS Gault Armstrong Pty Ltd	Australia	AUD	**100**	100
OAMPS Insurance Brokers Ltd +	Australia	AUD	**100**	100
OAMPS Life Solutions Ltd	Australia	AUD	**100**	100
OAMPS Ltd +	Australia	AUD	**100**	100
OAMPS Special Risks Ltd #	United Kingdom	GBP	**100**	100
OAMPS Sports Services Pty Limited	Australia	AUD	**100**	100
OAMPS Superannuation Ltd	Australia	AUD	**–**	100
OAMPS Superannuation Management Pty Ltd	Australia	AUD	**–**	100
Officeworks Businessdirect Pty Ltd +	Australia	AUD	**100**	100
Officeworks Superstores NZ Limited	New Zealand	NZD	**100**	100
Officeworks Superstores Pty Ltd +	Australia	AUD	**100**	100
Offshore Market Placements Limited #	New Zealand	NZD	**100**	100
OHES Environmental Limited #	United Kingdom	GBP	**100**	100
OMP Insurance Brokers Ltd +	Australia	AUD	**100**	100
ORZO Pty Limited	Australia	AUD	**100**	100
Osmond Hotel Pty Ltd	Australia	AUD	**100**	100
Outfront Liquor Services Pty Ltd	Australia	AUD	**100**	100
Pacific Liquor Wholesalers Pty Ltd	Australia	AUD	**100**	100
Pailou Pty Ltd +	Australia	AUD	**100**	100
Parks Insurance Pty Ltd	Australia	AUD	**100**	100
Patrick Operations Pty Ltd	Australia	AUD	**100**	100
Penneys Pty Limited	Australia	AUD	**100**	100
Petersen Bros Pty Ltd	Australia	AUD	**100**	100
Philip Murphy Melbourne Pty Ltd	Australia	AUD	**100**	100
Philip Murphy Niddrie Pty Ltd	Australia	AUD	**100**	100
Philip Murphy Toorak Pty Ltd	Australia	AUD	**100**	100
Philip Murphy Wine & Spirits Pty Ltd	Australia	AUD	**100**	100
Powertrain Pty Limited	Australia	AUD	**100**	100
Premier Power Sales Pty Ltd	Australia	AUD	**100**	100
Price Point Pty Ltd	Australia	AUD	**100**	100
Procurement Online Pty Ltd	Australia	AUD	**100**	100
Protector Alsafe Pty Ltd +	Australia	AUD	**100**	100
PT Blackwoods Indonesia @	Indonesia	USD	**100**	–
PTF Training Limited	United Kingdom	GBP	**100**	100
Q.R.L. Insurance Finance Agency Pty Ltd	Australia	AUD	**50**	50
R & N Palmer Pty Ltd	Australia	AUD	**100**	100

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST 2011 %	2010 %
Relationship Services Pty Limited @	Australia	AUD	**100**	–
Retail Australia Consortium Pty Ltd	Australia	AUD	**100**	100
Retail Investments Pty Ltd	Australia	AUD	**100**	100
Ronell Pty Ltd	Australia	AUD	**100**	100
Roval Lifting and Industrial Products Pty Limited	Australia	AUD	**–**	100
SBS Rural IAMA Pty Limited	Australia	AUD	**100**	100
Sellers (SA) Pty Ltd	Australia	AUD	**100**	100
Share Nominees Limited	Australia	AUD	**100**	100
Sorcha Pty Ltd	Australia	AUD	**100**	100
Sotico Pty Ltd	Australia	AUD	**100**	100
Sportsure Pty Ltd	Australia	AUD	**50**	50
StateWest Power Pty Ltd	Australia	AUD	**100**	100
Target Australia Pty Ltd +	Australia	AUD	**100**	100
The Builders Warehouse Group Pty Limited	Australia	AUD	**100**	100
The Franked Income Fund	Australia	AUD	**100**	100
The Grape Management Pty Ltd +	Australia	AUD	**100**	100
Theo's Liquor Pty Ltd	Australia	AUD	**100**	100
Tickoth Pty Ltd	Australia	AUD	**100**	100
Tooronga Holdings Pty Ltd	Australia	AUD	**100**	100
Tooronga Shopping Centre Pty Ltd	Australia	AUD	**100**	100
TotalGuard Pty Limited	Australia	AUD	**100**	100
Tyremaster (Wholesale) Pty Ltd	Australia	AUD	**100**	100
Tyremaster Pty Ltd	Australia	AUD	**100**	100
Ucone Pty Ltd +	Australia	AUD	**100**	100
Universal Underwriting Services Pty Limited	Australia	AUD	**100**	100
Valley Investments Pty Ltd +	Australia	AUD	**100**	100
Vigil Underwriting Agencies Pty Ltd	Australia	AUD	**100**	100
Viking Direct Pty Limited	Australia	AUD	**100**	100
W F Broking (UK) Limited	United Kingdom	GBP	**100**	100
W4K.World 4 Kids Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Agribusiness Limited +	Australia	AUD	**100**	100
Wesfarmers Bangladesh Gas Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Bengalla Limited +	Australia	AUD	**100**	100
Wesfarmers Bioenergy Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Broking (NZ) Limited	New Zealand	NZD	**100**	100
Wesfarmers Bunnings Limited +	Australia	AUD	**100**	100
Wesfarmers Char Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Chemicals, Energy & Fertilisers Limited (formerly Wesfarmers Energy Limited) +	Australia	AUD	**100**	100
Wesfarmers Coal Resources Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Curragh Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Energy (Gas Sales) Limited +	Australia	AUD	**100**	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Federation Insurance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Fertilizers Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Finance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Gas Limited +	Australia	AUD	**100**	100
Wesfarmers General Insurance Limited	Australia	AUD	**100**	100
Wesfarmers Holdings Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Industrial & Safety Holdings NZ Limited #	New Zealand	NZD	**100**	100
Wesfarmers Industrial & Safety NZ Limited #	New Zealand	NZD	**100**	100
Wesfarmers Industrial and Safety Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Insurance Investments Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Insurance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Investments Pty Ltd	Australia	AUD	**100**	100

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST 2011 %	2010 %
Wesfarmers Kleenheat Elpiji Limited <	Bangladesh	BDT	**69**	69
Wesfarmers Kleenheat Gas Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers LNG Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Loyalty Management Pty Ltd @	Australia	AUD	**100**	–
Wesfarmers LPG Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Premier Coal Limited +	Australia	AUD	**100**	100
Wesfarmers Private Equity Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Provident Fund Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Railroad Holdings Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Resources Limited +	Australia	AUD	**100**	100
Wesfarmers Retail Holdings Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Retail Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Risk Management Limited #	Bermuda	AUD	**100**	100
Wesfarmers Risk Management (Singapore) Pte Ltd	Singapore	SGD	**100**	100
Wesfarmers Securities Management Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Sugar Company Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Superannuation Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Transport Indonesia Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Transport Limited +	Australia	AUD	**100**	100
Weskem Pty Ltd	Australia	AUD	**100**	100
Westralian Farmers Co-operative Limited	Australia	AUD	**100**	100
Westralian Farmers Superphosphates Limited +	Australia	AUD	**100**	100
WFCL Investments Pty Ltd	Australia	AUD	**100**	100
Wideland Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Wideland Life Insurance Agency Pty Ltd	Australia	AUD	**100**	100
WI Premium Funding Limited +	Australia	AUD	**100**	100
WIS International Pty Ltd @	Australia	AUD	**100**	–
WIS Solutions Pty Ltd	Australia	AUD	**100**	100
WPP Holdings Pty Ltd	Australia	AUD	**100**	100
Wyper Brothers Pty Limited	Australia	AUD	**–**	100
X-WIS Pty Ltd	Australia	AUD	**–**	100
XCC (Retail) Pty Ltd	Australia	AUD	**100**	100
ZIB Credit Trust	Australia	AUD	**51**	51
ZIB Group Holdings Company Limited +	Australia	AUD	**100**	100
ZIB Holdings Pty Limited +	Australia	AUD	**100**	100
ZIB Insurance Brokers Holdings Limited +	Australia	AUD	**100**	100
ZIB Insurance Trust	Australia	AUD	**100**	100

@ Entity acquired/incorporated during the year.
\# Audited by firms of Ernst & Young International.
< Audited by other firms of accountants.
\+ An ASIC approved Deed of Cross Guarantee has been entered into by Wesfarmers Limited and these entities. Refer note 33 for further details.

Wesfarmers Limited, incorporated in Australia, is the ultimate Australian parent entity and the ultimate parent of the Group.

33: Deed of Cross Guarantee

Pursuant to the Wesfarmers Deed of Cross Guarantee ('the Deed') and in accordance with ASIC Class Order 98/1418, the subsidiaries identified with a '+' in note 32 are relieved from the requirements of the *Corporations Act 2001* relating to the preparation, audit and lodgement of their financial reports.

The subsidiaries identified with a '+' in note 32 and Wesfarmers Limited, together referred to as the 'Closed Group', either originally entered into the Deed on 27 June 2008 or have subsequently joined the Deed by way of an assumption deed. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group. The entity joining the Closed Group by way of an assumption deed dated 27 June 2011 is:

– Charlie Carter (Norwest) Pty Ltd ACN 009 425 209.

The consolidated income statement of the entities that are members of the Closed Group is as follows:

	New Deed 2011 $m	Previous Deed 2010 $m
Consolidated income statement		
Profit from continuing operations before income tax	**2,635**	1,852
Income tax expense	**(762)**	(569)
Net profit for the year	**1,873**	1,283
Retained earnings at beginning of year	**685**	930
Adjustment for companies transferred into/out of the Closed Group	**(43)**	(197)
Total available for appropriation	**2,515**	2,016
Dividends provided for or paid	**(1,562)**	(1,331)
Retained earnings at end of year	**953**	685

33: Deed of Cross Guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

	New Deed 2011 $m	Previous Deed 2010 $m
Consolidated balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**740**	1,633
Trade and other receivables	**1,487**	1,300
Inventories	**4,789**	4,464
Derivatives	**182**	69
Other	**359**	71
Total current assets	**7,557**	7,537
Non-current assets		
Receivables	**715**	934
Investment in controlled entities	**4,880**	4,925
Available-for-sale investments	**1**	1
Investment in associates	**178**	133
Deferred tax assets	**438**	574
Property, plant and equipment	**7,924**	7,192
Intangible assets and goodwill	**20,236**	20,158
Derivatives	**233**	127
Other	**37**	35
Total non-current assets	**34,642**	34,079
Total assets	**42,199**	41,616
LIABILITIES		
Current liabilities		
Trade and other payables	**5,108**	6,517
Interest-bearing loans and borrowings	**415**	99
Income tax payable	**327**	129
Provisions	**1,058**	1,077
Derivatives	**96**	107
Other	**314**	186
Total current liabilities	**7,318**	8,115
Non-current liabilities		
Payables	**4,496**	3,082
Interest-bearing loans and borrowings	**4,613**	5,051
Provisions	**1,063**	1,108
Derivatives	**208**	138
Other	**22**	59
Total non-current liabilities	**10,402**	9,438
Total liabilities	**17,720**	17,553
Net assets	**24,479**	24,063
EQUITY		
Issued capital	**23,286**	23,286
Employee reserved shares	**(41)**	(51)
Retained earnings	**953**	685
Reserves	**281**	143
Total equity	**24,479**	24,063

34: Related party transactions

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Associates		
Management fees received	**8**	7
Profit on sale of rental properties	**5**	–
Operating lease rent paid	**83**	76
Financial advisory fees paid	**3**	–
Agreed reimbursement for completion of upgrades	**6**	–
Sale of gift cards on commercial terms	**18**	33
Payments for customer loyalty programs	**20**	33
Loans receivable	**9**	9

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd and BWP Trust (formerly Bunnings Warehouse Property Trust), to the consolidated entity on normal commercial terms and conditions for staff and other services provided to the associates.

Rent for retail warehouses has been paid by the consolidated entity to an associated entity, the BWP Trust. During the year, the BWP Trust acquired rental properties from the consolidated entity and gains and losses were made on disposal, a portion of which was eliminated in the consolidated accounts under equity accounting.

Mr Graham, a director of Wesfarmers, has a majority shareholding interest in a company which jointly owns Gresham Partners Group Limited on an equal basis with a wholly owned subsidiary of Wesfarmers. A partly owned subsidiary of Gresham Partners Group Limited has provided financial advisory services to Wesfarmers and was paid fees of $924,996 in 2011 (2010: $9,000).

Ms Wallace, a director of Wesfarmers, is a partner of Booz & Company. Booz & Company has provided consultancy services to Wesfarmers and was paid fees of $1,701,179 in 2011.

Loans have been made to an associated entity. Loans are subordinated to a syndicate of project financing banks and neither is repayable nor interest-bearing until a number of financial covenants have been achieved.

Other minor loans have also been made to associates.

35: Auditor's remuneration

The auditor of Wesfarmers Limited is Ernst & Young (Australia).

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Amounts received or due and receivable by Ernst & Young (Australia) for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated group	**6,499**	6,469
– other services in relation to the entity and any other entity in the consolidated group		
– tax compliance	**507**	561
– assurance related	**1,092**	1,076
– other	**536**	14
	8,634	8,120
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
– an audit or review of the financial report of subsidiaries	**598**	598
– other services in relation to the entity and any other entity in the consolidated group		
– tax compliance	**127**	14
	725	612
Amounts received or due and receivable by non Ernst & Young audit firms for:		
– other	**31**	35
	9,390	8,767

36: Share-based payment plans

Wesfarmers Employee Share Plan (WESP)

The WESP was approved by shareholders in April 1985, with the last issue under the plan being made in December 2004. Under the plan, all permanent employees over 18 years of age continuously employed by the Group for a minimum period of one year were invited annually to apply for a specified number of fully-paid ordinary shares in the Company, funded by a limited-recourse interest-free loan from the Group.

Under the plan, shares were allotted at the weighted average price of Wesfarmers Limited shares posted on the Australian Securities Exchange one week up to and including the day of allotment. The shares are not subject to any specific vesting conditions.

The employee's obligation for repayment of the loans is limited to the dividends declared and capital returns by the Company and, in the event the employee ceases employment, the market price achieved on the sale of the shares held as security by the Company for the loans.

The plan is accounted for as an in-substance option plan, with the contractual life of each option equivalent to the estimated loan life and no maximum term. Repayment of the loan constitutes exercise of the option, with the exercise price being the remaining loan balance per share.

The following table sets out the number and weighted average exercise prices (WAEP) of and movements in in-substance share options during the year:

	2011		2010	
	Number Thousands	**WAEP**	Number Thousands	WAEP
Outstanding and exercisable at the beginning of the year	**4,305**	**$11.94**	4,773	$12.91
Exercised during the year	**(525)**	**$10.04**	(468)	$12.61
Outstanding and exercisable at the end of the year	**3,780**	**$10.83**	4,305	$11.94
Weighted average share price for Wesfarmers Limited		**$32.20**		$28.55
The weighted average exercise prices (after reductions for dividends paid, returns of capital and voluntary payments) for in-substance options issued during the following years ended 30 June are:				
2001		**$6.97**		$7.77
2002		**$9.64**		$10.98
2003		**$11.95**		$13.34
2004		**$25.10**		$26.54

Wesfarmers Long Term Incentive Plan (WLTIP)

The WLTIP was introduced in September 2005. Under the plan in 2011, eligible senior executives were invited to receive fully-paid ordinary shares in the Company subject to the achievement of future performance hurdles based both on the Group achieving a benchmark growth rate in return on equity against a comparative group of companies and continuation of employment. Eligibility is dependent upon an in-service period and being a permanent employee.

Shares may be either acquired on-market, issued by the parent or forfeited shares reissued. During the current financial year, 467,349 shares were acquired on-market and 22,987 forfeited shares reissued, with the cost being expensed over the vesting period from 1 July 2010 to 30 June 2013. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares acquired on-market, issued or reissued.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2011	2010
Shares acquired under the plan	**490,336**	580,419
Fair value per share	**$33.53**	$28.74

36: Share-based payment plans (continued)

Wesfarmers Employee Share Acquisition Plan (WESAP)

The WESAP was introduced in October 2009. Under the plan, all eligible employees are invited to acquire fully-paid ordinary shares in the Company. The shares are either acquired under a salary sacrifice arrangement, or are granted as an award subject to the achievement of a performance hurdle based on the Group achieving a benchmark net profit after tax performance against a comparative group of companies. Eligibility for an award of shares is dependent upon an in-service period with a participating division and being a permanent employee.

The Plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 83A of the *Income Tax Assessment Act 1997* (as amended) for Australian resident employees.

Shares may be either acquired on-market or issued by the parent. During the current financial year, 2,540,290 award shares were acquired on-market by the parent and 76,817 forfeited shares were reissued, with the cost being expensed over the vesting period from 1 July 2010 to 30 November 2013. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares issued.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2011	2010
Shares acquired under the plan	**2,617,107**	2,790,833
Fair value per share	**$33.15**	$28.74

Coles Long Term Incentive Plan (CLTIP)

The Group provides benefits to certain executives under the CLTIP, in the form of cash-settled share-based payments, whereby executives can make an election to receive an award in cash. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the executives, which will be the fair value at settlement date. During the current financial year, 66,808 shares were acquired on-market, with the cost being expensed over the vesting period from 1 July 2008 to 30 June 2013. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares acquired on-market.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2011	2010
Shares acquired under the plan	**66,808**	–
Fair value per share	**$33.30**	–

37: Pension plan

The Group operated a defined benefit pension plan (the 'Pension Plan') during the year. The Pension Plan provides for a Closed Group of life pensioners only, hence there are no active defined liabilities in the Pension Plan. All other members receive benefits on an accumulation basis.

The Group has a legal obligation to ensure the Pension Plan remains in a satisfactory financial position but no legal right to benefit from any surplus, except to the extent a contribution holiday can be taken.

Actuarial gains and losses are recognised directly in retained earnings.

The following disclosure is for funds related to the defined benefit plan:

	CONSOLIDATED	
	2011 $m	2010 $m
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**38**	38
Interest cost	**2**	2
Benefits paid	**(3)**	(3)
Transfers	**–**	(1)
Actuarial losses	**–**	1
Curtailment gain	**–**	1
Closing defined benefit obligation	**37**	38
Changes in the fair value of the defined benefits portion of plan assets are as follows:		
Opening fair value of plan assets	**42**	43
Expected return	**2**	2
Benefits paid	**(2)**	(3)
Transfers	**–**	(1)
Actuarial gains	**–**	1
Closing fair value of plan assets	**42**	42
The fair value of plan assets does not include amounts relating to the Group's own financial instruments nor any property or other assets used by the Group.		
Net expense recognised in profit or loss:		
Interest cost	**2**	2
Expected return on plan assets	**(2)**	(2)
Curtailment loss	**–**	1
Defined benefit plan expense	**–**	1
Benefit asset recognised in the balance sheet:		
Defined benefit obligation	**(37)**	(38)
Fair value of plan assets	**42**	42
Net benefit asset	**5**	4

The principal actuarial assumptions used in determining pension benefit obligations are:

	2011 %	2010 %
Discount rate	**5.10**	5.10
Expected rate of return on plan assets	**5.30**	5.10
Expected pension increase rate	**2.50**	2.50

38: Director and executive disclosures

Details of key management personnel during the year ended 30 June 2011

Non-executive directors

C B Carter
R L Every
J P Graham
A J Howarth
C Macek
W G Osborn
D L Smith-Gander
V M Wallace (appointed non-executive director 6 July 2010)

Executive directors

R J B Goyder (Group Managing Director)
T J Bowen (Finance Director)

Senior executives

S A Butel, Managing Director, Resources division
J C Gillam, Managing Director, Home Improvement and Office Supplies division
L K Inman, Managing Director, Target division
I J W McLeod, Managing Director, Coles division

Former key management personnel

D C White (resigned as non-executive director 9 November 2010)

Compensation of key management personnel

The remuneration disclosures are provided in sections one to six of the remuneration report on pages 72 to 87 of this annual report designated as audited and forming part of the directors' report.

	CONSOLIDATED	
	2011 $'000	2010 $'000
Short-term benefits	**19,589**	18,701
Post-employment benefits	**956**	2,066
Termination benefits	**–**	119
Share-based payments	**19,229**	15,636
	39,774	36,522

38: Director and executive disclosures (continued)

Holdings of equity instruments in Wesfarmers Limited of key management personnel

Wesfarmers Limited ordinary shares and partially protected ordinary shares

Shares – 30 June 2011	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Non-executive directors				
C B Carter	**27,133**	**–**	**815**	**27,948**
R L Every	**24,736**	**–**	**137**	**24,873**
J P Graham	**947,640**	**–**	**20,712**	**968,352**
A J Howarth	**10,720**	**–**	**2,519**	**13,239**
C Macek	**21,571**	**–**	**–**	**21,571**
W G Osborn	**1,202**	**–**	**–**	**1,202**
D L Smith-Gander	**11,847**	**–**	**242**	**12,089**
V M Wallace	**1,000**	**–**	**–**	**1,000**
Executive directors				
R J B Goyder[1]	**714,359**	**55,834**	**–**	**770,193**
T J Bowen	**301,008**	**26,740**	**–**	**327,748**
Senior executives				
S A Butel	**140,385**	**30,502**	**(15,503)**	**155,384**
J C Gillam	**344,602**	**34,445**	**–**	**379,047**
L K Inman	**275,336**	**28,802**	**–**	**304,138**
I J W McLeod	**63,418**	**–**	**799**	**64,217**
Former key management personnel				
D C White[2]	**58,739**	**–**	**32**	**58,771**
	2,943,696	**176,323**	**9,753**	**3,129,772**

1 R J B Goyder also holds 100,000 performance rights. Refer to the remuneration report for performance conditions.
2 Ceased to be non-executive director, executive director or key management personnel during the 2011 financial year.

38: Director and executive disclosures (continued)

Holdings of equity instruments in Wesfarmers Limited of key management personnel (continued)

Shares – 30 June 2010	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Non-executive directors				
C B Carter	26,363	–	770	27,133
R L Every	24,736	–	–	24,736
J P Graham	1,247,463	–	(299,823)	947,640
A J Howarth	8,462	–	2,258	10,720
C Macek	21,271	–	300	21,571
W G Osborn	–	–	1,202	1,202
D L Smith-Gander	–	–	11,847	11,847
D C White	58,151	–	588	58,739
Executive directors				
R J B Goyder	714,359	–	–	714,359
T J Bowen	301,008	–	–	301,008
Senior executives				
S A Butel	98,452	41,933	–	140,385
J C Gillam	344,602	–	–	344,602
L K Inman	178,780	96,556	–	275,336
I J W McLeod	63,097	–	321	63,418
Former key management personnel				
P A Cross [1]	15,437	–	1,000	16,437
K D Gordon [1]	224,278	–	(29,874)	194,404
	3,326,459	138,489	(311,411)	3,153,537

1 Ceased to be non-executive director, executive director or key management personnel during the 2010 financial year.

Other transactions and balances with key management personnel

Refer to note 34 in relation to transactions with Booz & Company, of which V M Wallace is a partner.

Refer to note 34 in relation to transactions with Gresham Partners Group Limited, of which J P Graham is a director.

From time to time, directors of the Company or its controlled entities, or their director-related entities, may purchase goods or services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:

   1.1 the financial statements, notes and the additional disclosures included in the directors' report, designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

      (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   1.2 the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 2(b); and

   1.3 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group comprising the Company and the controlled entities marked '+' as identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 33.

On behalf of the Board:

Bob Every

R L Every
Chairman

Richard Goyder

R J B Goyder
Managing Director
Perth, 21 September 2011

Independent auditor's report

to the members of Wesfarmers Limited

Report on the financial report

We have audited the accompanying financial report of Wesfarmers Limited, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Wesfarmers Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 72 to 87 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth, 21 September 2011

Liability limited by a scheme approved under Professional Standards Legislation

Annual statement of coal resources and reserves

as at 30 June 2011

Coal resources

The table below details the coal resources for the Wesfarmers Group, as at 30 June 2011:

						Coal resources tonnes (millions)				Resource quality		
Mine	Ownership	Beneficial interest	Location of tenement	Likely mining method	Coal type	Measured	Indicated	Inferred	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	341	127	67	535	7.1	19.9	0.60
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	426	143	151	720	17.6	28.4	0.55
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut and underground	Metallurgical and steaming	12	18	53	83	18.6	26.2	0.57

Resource notes:

1 Premier's in situ resource quality is on a 25 per cent moisture basis.
2 Premier's minimum seam thickness for resources is 0.35 metres.
3 Curragh's in situ resource quality is on an air-dried basis.
4 Bengalla's coal resources are **in addition** to coal reserves.
5 Curragh and Premier's coal resources **are inclusive** of coal reserves.
6 Bengalla's in situ resource quality is on an air-dried basis.
7 Bengalla's resources as stated incorporate 100 per cent of the site resources, with Wesfarmers Bengalla Limited's beneficial interest being 40 per cent.
8 An estimated 310 million tonnes of the resources reported for Curragh, while within the Curragh North Mining Lease, require agreement with Stanwell Corporation for Curragh to access.

Coal reserves

The table below details the coal reserves for the Wesfarmers Group, as at 30 June 2011:

						Coal reserves tonnes (millions)			Reserve quality inclusive of loss and dilution		
Mine	Ownership	Beneficial interest	Location of tenement	Likely mining method	Coal type	Proved	Probable	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	111	27	138	8.7	19.1	0.62
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	236	5	241	21.5	24.5	0.51
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut	Steaming	158	10	168	25.9	23.3	0.59

Reserve notes:

1 Premier's reserve qualities are on a 26.5 per cent moisture basis.
2 An estimated 77 million tonnes of the reserves reported for Premier will be sold under pre-existing customer contracts, with the balance of 61 million tonnes (i.e. assumed non-committed component of the reserves) expected to be sold at, generally, higher average prices.
3 Curragh's reserve quality ash is on an as-received basis.
4 Curragh's reserve quality Calorific Value (CV) and sulphur is on an air-dried basis.
5 Bengalla's reserve qualities are on an air-dried basis.
6 Bengalla's reserves as stated incorporate 100 per cent of the site reserves, with Wesfarmers Bengalla Limited's beneficial interest being 40 per cent.
7 Reserve qualities are inclusive of mining loss and out-of-seam dilution.

Annual statement of coal resources and reserves

as at 30 June 2011

Characteristics of coal reserves and resources

Premier

The coal is sub-bituminous and is used in the domestic market both as steaming coal and in industrial processes. The resource is contained in 65 seams of varying coal quality characteristics. Coal is currently produced from 13 of these seams. Coal is extracted by open cut methods, currently to depths less than 145 metres below the ground surface.

Curragh

The coal is bituminous and is used for power generation (principally domestic) and metallurgical processes (primarily steel production overseas). The resource is contained in five seams of varying thickness and quality characteristics. Coal is produced from all of these seams. Coal is extracted by open cut methods and processed through a wash plant using dense medium cyclones and froth flotation.

Bengalla

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from eight seams of varying thickness and quality characteristics. These seams produce high yielding, high energy, generally low sulphur coals which are well suited to export and domestic power generation. The seams occur at relatively shallow depths and dip gently to the west. Coal is extracted by open cut methods.

JORC Code compliance

The statement of coal resources and coal reserves presented in this report has been produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code').

The information in this report relating to coal resources and reserves is based on information compiled by Competent Persons (as defined in the JORC Code, and listed below). All Competent Persons have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the coal resource information is inclusive of coal reserves unless otherwise stated.

Competent Persons

Premier

Mr Damien Addison, a full-time employee of Wesfarmers Premier Coal Limited, a wholly owned subsidiary of Wesfarmers Limited.
Member AIG

Mr Johan Ballot, a full-time employee of Wesfarmers Resources Limited, a wholly owned subsidiary of Wesfarmers Limited.
Member AusIMM

Curragh

Mr Mark Chambers, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.
Fellow AusIMM

Ms Malise Jenkins, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.
Member AusIMM

Bengalla

Mr Jonathon Buddee, a full-time employee of Rio Tinto Coal Australia Pty Limited.
Member AusIMM

Mr John Bamberry, a full-time employee of Rio Tinto Coal Australia Pty Limited.
Member AIG

Shareholder information

Wesfarmers Limited and its controlled entities

Substantial shareholders

As at the date of this report the Commonwealth Bank of Australia Limited and its subsidiaries, holding 5.16 per cent of Wesfarmers' ordinary shares (excluding partially protected shares), is a substantial shareholder for the purposes of Part 6C.1 of the *Corporations Act 2001*.

Voting rights

Wesfarmers fully-paid ordinary shares carry voting rights of one vote per share.

Wesfarmers partially protected shares carry voting rights of one vote per share.

Distribution of members and their holdings

Size of holdings	Wesfarmers fully-paid ordinary shares number of shareholdings	Wesfarmers partially protected shares number of shareholdings
1 – 1,000	400,121	279,484
1,001 – 5,000	80,576	8,868
5,001 – 10,000	9,029	568
10,001 – 100,000	4,809	224
100,001 – and over	201	42

There were 16,239 holders holding less than a marketable parcel of Wesfarmers fully paid ordinary shares.

There were 6,831 holders holding less than a marketable parcel of Wesfarmers partially protected shares.

Less than 1.28 per cent of shareholders have registered addresses outside Australia.

Twenty largest shareholders

Fully-paid ordinary shares

The 20 largest shareholders of ordinary shares on the Company's register as at 21 September 2011 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	159,579,970	15.87
J P Morgan Nominees Australia Limited	138,945,946	13.81
National Nominees Limited	78,567,051	7.81
Citicorp Nominees Pty Limited	42,472,716	4.22
Citicorp Nominees Pty Limited (CFS Inv A/C)	12,659,517	1.26
Cogent Nominees Pty Limited	10,239,296	1.02
Queensland Investment Corporation	9,243,596	0.92
AMP Life Limited	7,209,797	0.72
J P Morgan Nominees Australia Limited (Cash Income A/C)	7,179,380	0.71
Australian Foundation Investment Company Limited	6,165,951	0.61
RBC Dexia Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	5,483,473	0.55
CPU Share Plans Pty Limited (WES WLTIP Control A/C)	4,829,021	0.48
Argo Investments Limited	4,568,419	0.45
Quinambo Nominees Pty Limited	3,902,113	0.39
Perpetual Trustee Company Limited	3,646,897	0.36
Cogent Nominees Pty Limited (SMP Accounts)	3,096,744	0.31
UBS Wealth Management Australia Nominees Pty Ltd	3,090,426	0.31
Milton Corporation Limited	2,484,866	0.25
CPU Share Plans Pty Limited (WESAP DFE Control A/C)	2,339,543	0.23
Navigator Australia Ltd	2,182,871	0.22

The percentage holding of the 20 largest shareholders of Wesfarmers fully-paid ordinary shares was 50.50.

Twenty largest shareholders (continued)

Partially protected shares

The 20 largest shareholders of partially protected shares on the Company's register as at 21 September 2011 were:

Name	Number of shares	% of issued capital
National Nominees Limited	20,616,238	13.63
J P Morgan Nominees Australia Limited	16,564,671	10.95
HSBC Custody Nominees (Australia) Limited	15,910,572	10.52
CS Fourth Nominees Pty Ltd	4,388,898	2.90
Citicorp Nominees Pty Limited	3,969,929	2.62
J P Morgan Nominees Australia Limited (Cash Income A/C)	3,458,819	2.29
M F Custodians Ltd	2,939,270	1.94
AMP Life Limited	2,782,042	1.84
Cogent Nominees Pty Limited (SL Non Cash Collateral A/C)	1,500,000	0.99
Australian Foundation Investment Company Limited	1,400,120	0.93
Australian Reward Investment Alliance	1,098,213	0.73
Cogent Nominees Pty Limited	900,705	0.60
Cogent Nominees Pty Limited (SMP Accounts)	802,851	0.53
Mr Peter Alexander Brown	684,454	0.45
Neweconomy Com Au Nominees Pty Limited (SBL Account)	657,108	0.43
UBS Nominees Pty Ltd	500,386	0.33
Perpetual Trustee Company Limited	417,559	0.28
Argo Investments Limited	392,024	0.26
UBS Wealth Management Australia Nominees Pty Ltd	374,100	0.25
HSBC Custody Nominees (Australia) Limited – A/C 3	344,566	0.23

The percentage holding of the 20 largest shareholders of Wesfarmers partially protected shares was 52.69.

Five year financial history

Wesfarmers Limited and its controlled entities

All figures in $m unless shown otherwise	2011	2010	2009	2008	2007
SUMMARISED INCOME STATEMENT					
Sales revenue	**54,513**	51,485	50,641	33,301	9,667
Other operating revenue	**362**	342	341	283	87
Operating revenue	**54,875**	51,827	50,982	33,584	9,754
Operating profit before depreciation and amortisation, finance costs and income tax	**4,155**	3,786	3,803	2,889	1,650
Depreciation and amortisation	**(923)**	(917)	(856)	(660)	(345)
Finance costs	**(526)**	(654)	(951)	(800)	(200)
Income tax expense	**(784)**	(650)	(474)	(366)	(319)
Operating profit after income tax attributable to members of Wesfarmers Limited	**1,922**	1,565	1,522	1,063	786
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) 000's as at 30 June	**1,157,072**	1,157,072	1,157,072	799,438	388,069
Paid up ordinary capital as at 30 June	**23,286**	23,286	23,286	18,173	2,256
Fully-franked dividend per ordinary share (cents)	**150**	125	110	200	225
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	**166.7**	135.7	158.5	174.2	195.2
Earnings per share growth	**22.8%**	(14.4%)	(9.0%)	(10.8%)	(10.7%)
Return on average ordinary shareholders' funds	**7.7%**	6.4%	7.3%	8.6%	25.1%
Net interest cover – cash basis (times)	**9.5**	6.8	5.0	4.9	8.7
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	**40,814**	39,236	39,062	37,178	12,076
Total liabilities	**15,485**	14,542	14,814	17,580	8,573
Net assets	**25,329**	24,694	24,248	19,598	3,503
Net tangible asset backing per ordinary share	**$4.12**	$3.61	$3.13	($1.36)	$2.11
Net debt to equity	**17.1%**	16.3%	18.3%	47.3%	143.6%
Total liabilities/total assets	**37.9%**	37.1%	37.9%	47.3%	71.0%
Stock market capitalisation as at 30 June	**36,913**	33,171	26,337	29,819	17,746

Investor information

Wesfarmers Limited and its controlled entities

Managing your shareholding

The Company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

The Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

– view the company share price;
– change banking details;
– change your address (for non-CHESS sponsored holdings);
– update your dividend instructions;
– update your tax file number (TFN), Australian Business Number (ABN) or exemption;
– select email and communication preferences; and
– view transaction history.

Visit www.wesdirect.com.au and click on 'Register' for portfolio membership or simply click on 'My Holdings'.

When communicating with Computershare or accessing your holding online you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post:	GPO Box 2975 Melbourne, Victoria 3001 Australia
Telephone	
Australia:	1300 558 062
International:	(+61 3) 9415 4631
Facsimile	
Australia:	(03) 9473 2500
International:	(+61 3) 9473 2500
Website:	www.investorcentre.com/contact

Tax File Numbers

While it is not compulsory to provide a TFN, if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly franked dividend, the Company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate. Shareholders can go online to update their TFN or download the form by visiting www.wesdirect.com.au and clicking on 'Downloadable Forms' in the 'Information' tab.

Change of name or consolidation of holdings

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms which may be downloaded from www.wesdirect.com.au and clicking on 'Downloadable Forms' in the 'Information' tab.

Uncertificated Share Register: The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

– issuer sponsored holdings – these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
– broker sponsored holdings – shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting www.wesdirect.com.au

Information on Wesfarmers

Wesfarmers website

Up-to-date information on the Company can be obtained from the Company's website www.wesfarmers.com.au

Securities Exchange Listing

Wesfarmers shares are listed on the Australian Securities Exchange under the following codes:

WES – Ordinary Shares

WESN – Partially Protected Shares.

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at www.asx.com.au

Dividend investment plan

The Company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from the share registry or the Wesfarmers website.

Privacy

A copy of the Wesfarmers privacy policy is available on the Wesfarmers website.

Wesfarmers Corporate Affairs Department

Further information and publications about the Company's operations are available from the Corporate Affairs Department on telephone (08) 9327 4366 (within Australia) or (+61 8) 9327 4366 (International) or from the Wesfarmers website.

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

Level 11, Wesfarmers House
40 The Esplanade, Perth,
Western Australia 6000

Telephone:	(+61 8) 9327 4211
Facsimile:	(+61 8) 9327 4216
Website:	www.wesfarmers.com.au
Email:	info@wesfarmers.com.au

Executive directors

Richard Goyder
Group Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

Bob Every, Chairman
Colin Carter OAM
James Graham AM
Tony Howarth AO
Charles Macek
Wayne Osborn
Diane Smith-Gander
Vanessa Wallace

Company Secretary

Linda Kenyon

Share registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace, Perth,
Western Australia 6000

Telephone	
Australia:	1300 558 062
International:	(+61 3) 9415 4631
Facsimile	
Australia:	(03) 9473 2500
International:	(+61 3) 9473 2500
Website:	www.investorcentre.com/contact

Financial calendar+

Record date for final dividend	29 August 2011
Final dividend paid	30 September 2011
Annual General Meeting	9 November 2011
Half-year end	31 December 2011
Half-year profit announcement	February 2012
Record date for interim dividend	February 2012
Interim dividend payable	March 2012
Year-end	30 June 2012

\+ Timing of events is subject to change.

Annual General Meeting

The 30th Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Wednesday, 9 November 2011 at 1.00 pm (Perth time).

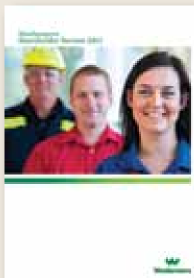
Website

To view the 2011 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit Wesfarmers' website at www.wesfarmers.com.au

Further information

For more information about Wesfarmers' activities including financial updates, ASX announcements, key dates and other Wesfarmers corporate reports, visit the 'Investor centre' at **www.wesfarmers.com.au**

Sustainability Report 2011



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