

20 August 2020

The Manager  
Market Announcements Office  
Australian Securities Exchange

Dear Manager,

**2020 FULL-YEAR RESULTS**

In accordance with ASX Listing Rule 4.3A, the following documents are **attached** for release to the market:

- Appendix 4E; and
- 2020 Full-year Results Announcement (including second half retail sales results)

The following will also be released in conjunction with today's results release:

- Notification of Dividend/Distribution;
- 2020 Full-year Results Briefing presentation; and
- Important Dates for Shareholders.

An analyst briefing will be held at 10:00am AWST / 12:00pm AEST following the release of the full-year results announcement. This briefing will be webcast and accessible via our website at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

Yours faithfully,



**Vicki Robinson**  
Executive General Manager  
Company Secretariat

This announcement was authorised to be given to the ASX by the Wesfarmers Limited Board.

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## Appendix 4E

For the year ended 30 June 2020  
Wesfarmers Limited and its controlled entities  
ABN 28 008 984 049

Results for announcement to the market	2020 \$m	2019 \$m	%
<b>Revenue from continuing operations</b>	<b>30,846</b>	27,920	10.5%
Profit after tax attributable to members:			
From continuing operations excluding significant items	<b>2,083</b>	1,940	7.4%
Significant items <sup>1</sup>	<b>(461)</b>	-	
From continuing operations	<b>1,622</b>	1,940	(16.4%)
From discontinued operations <sup>2,3</sup>	<b>75</b>	3,570	
<b>Net profit for the full-year attributable to members</b>	<b>1,697</b>	5,510	(69.2%)
<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>	
Interim dividend	75 cents	75 cents	
Final dividend	77 cents	77 cents	
Special dividend <sup>4</sup>	18 cents	18 cents	
<b>Total FY2020 dividend</b>	<b>170 cents</b>	<b>170 cents</b>	
Previous corresponding period:			
Interim dividend	100 cents	100 cents	
Final dividend	78 cents	78 cents	
Special dividend	100 cents	100 cents	
<b>Total FY2019 dividend</b>	<b>278 cents</b>	<b>278 cents</b>	
Record date for determining entitlements to the dividends	5:00pm (AWST) on 26 August 2020		
Last date for receipt of election notice for Dividend Investment Plan	5:00pm (AWST) on 27 August 2020		
Date the final dividend and special dividend are payable	1 October 2020		

<sup>1</sup> The 2020 significant items include impairments of the Target brand name and other assets of \$525 million (post-tax \$437 million) and restructuring costs and provisions of \$110 million (post-tax \$83 million) in the Kmart Group and an impairment to Industrial and Safety (WIS) of \$310 million (post-tax \$298 million), offset by a gain of \$290 million (post-tax \$203 million) on the sale of 10.1 per cent of the interest in Coles Group Limited (Coles) and a gain of \$220 million (post-tax \$154 million) on the revaluation of the retained 4.9 per cent interest in Coles.

<sup>2</sup> Discontinued operations relate to Wesfarmers' interest in the Bengalla Coal Mine (Bengalla), Tyre and Auto Pty Ltd (KTAS) and Wesfarmers' indirect interest in Quadrant Energy Holdings Pty Ltd (Quadrant Energy) which were disposed of during the 2019 financial year as well as Coles which was demerged in November 2018.

<sup>3</sup> Discontinued operations for 2019 comprises the \$297 million post-tax trading results for Coles, Bengalla, KTAS and Quadrant Energy, including a \$102 million post-tax provision for supply chain automation in Coles, and the \$2,264 million post-tax gain on demerger of Coles, the \$645 million post-tax gain on disposal of Bengalla, the \$244 million post-tax gain on disposal of KTAS and the \$120 million (US\$85 million) post-tax gain on disposal of Quadrant Energy.

<sup>4</sup> The fully-franked special dividend reflects the distribution of profits on the sale of the 10.1 per cent of the interest in Coles during FY2020.

### Dividend investment plan

The Company operates a Dividend Investment Plan (the Plan) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares. The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers ordinary shares on each of the 15 consecutive trading days from and including the third trading day after the record date of 26 August 2020 for participation in the Plan, being 31 August 2020 to 18 September 2020.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (AWST) on 27 August 2020. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be transferred to participants on 1 October 2020. A broker will be engaged to assist with this process.

### Net tangible asset backing

Net tangible asset backing per ordinary share (excluding reserved shares): \$4.89 (2019: \$5.21). The calculation of net tangible backing per ordinary share at 30 June 2020 includes right-of-use assets and lease liabilities. The comparative has not been restated for the adoption of AASB 16 Leases (AASB 16).

### Operating cash flow per share

Operating cash flow per share: \$4.02 (2019: \$2.40). This has been calculated by dividing the net cash flow from operating activities by the weighted average number of ordinary shares (including reserved shares) on issue during the year. The comparative has not been restated for the adoption of AASB 16.

### Audit

This report is based on accounts which are in the process of being audited.

### Previous corresponding period

The previous corresponding period is the year ended 30 June 2019.

### Commentary on results for the year

Commentary on the results for the year is contained in the press release dated 20 August 2020 accompanying this statement.

# Preliminary financial statements

For the year ended 30 June 2020 – Wesfarmers Limited and its controlled entities

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# Income statement

For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$m	2019 \$m
<b>Continuing operations</b>			
<b>Revenue</b>	1	<b>30,846</b>	27,920
<b>Expenses</b>			
Raw materials and inventory		(19,307)	(17,240)
Employee benefits expense	2	(4,990)	(4,525)
Freight and other related expenses		(435)	(381)
Occupancy-related expenses <sup>1</sup>	2	(446)	(1,533)
Depreciation and amortisation <sup>1</sup>	2	(1,528)	(537)
Impairment expenses	2	(941)	-
Other expenses	2	(1,329)	(1,198)
<b>Total expenses</b>		<b>(28,976)</b>	(25,414)
Other income	1	661	239
Share of net profits of associates and joint ventures	21	213	229
		<b>874</b>	468
<b>Earnings before finance costs and income tax expense</b>		<b>2,744</b>	2,974
Interest on lease liabilities <sup>1</sup>	11	(237)	-
Other finance costs	2	(133)	(175)
<b>Profit before income tax expense</b>		<b>2,374</b>	2,799
Income tax expense	3	(752)	(859)
<b>Profit after tax from continuing operations</b>		<b>1,622</b>	1,940
<b>Discontinued operations</b>			
Profit after tax from discontinued operations		75	3,570
<b>Profit attributable to members of the parent</b>		<b>1,697</b>	5,510
<b>Earnings per share attributable to ordinary equity holders of the parent from continuing operations</b>			
Basic earnings per share		143.4	171.5
Diluted earnings per share		143.3	171.4
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic earnings per share	16	150.0	487.2
Diluted earnings per share		149.9	486.7

<sup>1</sup> The comparative period has not been restated for the adoption of AASB 16, as the Group has applied the standard using the modified retrospective approach. Refer to notes 11 and 30 for further detail.

# Statement of comprehensive income

For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$m	2019 \$m
<b>Profit attributable to members of the parent</b>		<b>1,697</b>	5,510
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss:</b>			
<b>Foreign currency translation reserve</b>	15		
Exchange differences on translation of foreign operations		(4)	14
<b>Cash flow hedge reserve</b>	15		
Unrealised gains on cash flow hedges		136	151
Realised losses transferred to net profit		-	2
Realised gains transferred to non-financial assets		(259)	(204)
Transfer of hedges to Coles on demerger		-	(22)
Share of associates and joint ventures reserves		(1)	(2)
Tax effect	3	37	24
<b>Items that will not be reclassified to profit or loss:</b>			
<b>Financial assets reserve</b>	15		
Changes in the fair value of financial assets designated at fair value through other comprehensive income		30	-
Tax effect	3	(9)	-
<b>Retained earnings</b>			
Remeasurement loss on defined benefit plan		-	(1)
Tax effect		-	-
<b>Other comprehensive loss for the year, net of tax</b>		<b>(70)</b>	(38)
<b>Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:</b>			
Continuing operations		1,552	1,903
Discontinued operations		75	3,569
		<b>1,627</b>	5,472

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# Balance sheet

As at 30 June 2020

	Note	Consolidated	
		2020	2019
		\$m	\$m
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,913	795
Receivables - trade and other	5	1,037	1,027
Inventories	6	3,844	4,246
Derivatives	19	41	101
Other		229	181
<b>Total current assets</b>		<b>8,064</b>	<b>6,350</b>
<b>Non-current assets</b>			
Investment in associates and joint ventures	21	710	3,393
Other financial assets	7	1,123	34
Deferred tax assets <sup>1</sup>	3	670	194
Property, plant and equipment	8	3,623	3,878
Mineral rights	10	813	-
Goodwill and intangible assets	9	3,814	4,076
Right-of-use assets <sup>1</sup>	11	6,212	-
Derivatives	19	386	393
Other		10	15
<b>Total non-current assets</b>		<b>17,361</b>	<b>11,983</b>
<b>Total assets</b>		<b>25,425</b>	<b>18,333</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		4,008	3,620
Interest-bearing loans and borrowings	17	503	356
Lease liabilities <sup>1</sup>	11	1,019	-
Income tax payable		392	222
Provisions <sup>1</sup>	12	1,078	851
Derivatives	19	81	7
Other		189	160
<b>Total current liabilities</b>		<b>7,270</b>	<b>5,216</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17	2,153	2,673
Lease liabilities <sup>1</sup>	11	6,223	-
Provisions <sup>1</sup>	12	346	381
Derivatives	19	4	1
Other		85	91
<b>Total non-current liabilities</b>		<b>8,811</b>	<b>3,146</b>
<b>Total liabilities</b>		<b>16,081</b>	<b>8,362</b>
<b>Net assets</b>		<b>9,344</b>	<b>9,971</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	15	15,818	15,809
Reserved shares	15	(89)	(81)
Retained earnings		(245)	(208)
Reserves <sup>1</sup>	15	(6,140)	(5,549)
<b>Total equity</b>		<b>9,344</b>	<b>9,971</b>

<sup>1</sup> The comparative period has not been restated for the adoption of AASB 16, as the Group has applied the standard using the modified retrospective approach. Refer to notes 11 and 30 for further detail.

# Cash flow statement

For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$m	2019 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		34,197	48,770
Payments to suppliers and employees <sup>1</sup>		(28,725)	(44,892)
Dividends and distributions received from associates		159	65
Interest received		9	27
Borrowing costs <sup>2</sup>		(367)	(170)
Income tax paid		(727)	(1,082)
<b>Net cash flows from operating activities<sup>3</sup></b>	4	<b>4,546</b>	<b>2,718</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangibles	4	(867)	(1,356)
Proceeds from sale of property, plant and equipment and intangibles	4	299	529
Net proceeds from demerger and sale of businesses		-	858
Net proceeds from disposals of interests in associates and other investments		2,198	231
Acquisition of subsidiaries, net of cash acquired		(988)	(17)
<b>Net cash flows from investing activities</b>		<b>642</b>	<b>245</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	2,000
Repayment of borrowings		(381)	(1,164)
Repayment of lease liabilities		(955)	-
Equity dividends paid		(1,734)	(3,628)
Demerger transaction costs recognised directly in equity		-	(59)
<b>Net cash flows used in financing activities</b>		<b>(3,070)</b>	<b>(2,851)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,118</b>	<b>112</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>795</b>	<b>683</b>
<b>Cash and cash equivalents at end of year</b>	4	<b>2,913</b>	<b>795</b>

<sup>1</sup> For FY2020, payments to suppliers and employees excludes the repayment of, and interest paid on, lease liabilities.

<sup>2</sup> For FY2020, borrowing costs includes interest paid on lease liabilities.

<sup>3</sup> Net cash flows from operating activities excludes the proportion of lease payments now classified as financing activities following the adoption of AASB 16, being \$955 million for the year ended 30 June 2020.

# Statement of changes in equity

For the year ended 30 June 2020

Consolidated	Note	Attributable to equity holders of the parent				
		Issued capital \$m	Reserved shares \$m	Retained earnings \$m	Reserves \$m	Total equity \$m
<b>Balance at 1 July 2018</b>		22,277	(43)	176	344	22,754
Net profit for the year		-	-	5,510	-	5,510
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	15	-	-	-	14	14
Changes in the fair value of cash flow hedges, net of tax	15	-	-	-	(51)	(51)
Remeasurement loss on defined benefit plan, net of tax	15	-	-	(1)	-	(1)
Total other comprehensive income for the year, net of tax		-	-	(1)	(37)	(38)
<b>Total comprehensive income for the year, net of tax</b>		-	-	5,509	(37)	5,472
Share-based payment transactions		14	-	-	4	18
Capital distribution and demerger dividend		(6,482)	-	-	(8,124)	(14,606)
Transfer of gain on demerger		-	-	(2,264)	2,264	-
Acquisition of shares on-market for Wesfarmers Long Term Incentive Plan (WLTIP)	15	-	(5)	-	-	(5)
Acquisition of shares on-market for Key Executive Equity Performance Plan (KEEPP)	15	-	(33)	-	-	(33)
Equity dividends	14	-	-	(3,629)	-	(3,629)
		(6,468)	(38)	(5,893)	(5,856)	(18,255)
<b>Balance at 30 June 2019 (as previously reported)</b>		<b>15,809</b>	<b>(81)</b>	<b>(208)</b>	<b>(5,549)</b>	<b>9,971</b>
Adoption of AASB 16, net of tax	30	-	-	-	(518)	(518)
<b>At 1 July 2019 (restated)</b>		<b>15,809</b>	<b>(81)</b>	<b>(208)</b>	<b>(6,067)</b>	<b>9,453</b>
Net profit for the year		-	-	1,697	-	1,697
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	15	-	-	-	(4)	(4)
Changes in the fair value of cash flow hedges, net of tax	15	-	-	-	(87)	(87)
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax	15	-	-	-	21	21
Remeasurement loss on defined benefit plan, net of tax	15	-	-	-	-	-
Total other comprehensive income for the year, net of tax		-	-	-	(70)	(70)
<b>Total comprehensive income for the year, net of tax</b>		-	-	1,697	(70)	1,627
Share-based payment transactions	15	9	-	-	(3)	6
Acquisition of shares on-market for WLTIP and KEEPP	15	-	(8)	-	-	(8)
Equity dividends	14	-	-	(1,734)	-	(1,734)
		9	(8)	(1,734)	(3)	(1,736)
<b>Balance at 30 June 2020</b>		<b>15,818</b>	<b>(89)</b>	<b>(245)</b>	<b>(6,140)</b>	<b>9,344</b>



# Notes to the financial statements: About this report

For the year ended 30 June 2020

## About this report

Wesfarmers Limited (referred to as 'Wesfarmers') is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The nature of the operations and principal activities of Wesfarmers and its subsidiaries (referred to as 'the Group') are described in the segment information.

The preliminary final report for the year ended 30 June 2020 is unaudited and has been derived from the underlying books and records of the Group for the year ended 30 June 2020. The preliminary final report does not constitute the Group's full statutory financial report for the year ended 30 June 2020.

The preliminary final report has been prepared to satisfy the ASX listing rule 4.3A, and;

- has been prepared on a historical cost basis, except for investment properties held by associates and certain financial instruments 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;
- is presented in Australian dollars with all values rounded to the nearest million dollars (\$'000,000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2019. Refer to note 30 for further details; and
- except as outlined in note 30, does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

## Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events.

The impact of COVID-19 has been considered in applying the Group's key judgements and estimates. As these are subject to increased uncertainty, actual outcomes may differ from the applied estimates.

Judgements and estimates which are material to the financial report are found in the following notes:

Page		
12	Note 1	Revenue and other income
14	Note 3	Tax expense
16	Note 6	Inventories
17	Note 8	Property, plant and equipment
18	Note 9	Goodwill and intangible assets
19	Note 11	Leases
21	Note 12	Provisions
34	Note 20	Impairment of non-financial assets
36	Note 21	Associates and joint arrangements

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 22.

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 profits and losses resulting from intragroup transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Foreign currency

The functional currencies of overseas subsidiaries are listed in note 22. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars 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 translation are taken directly to a separate component of equity.

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. Exchange differences arising from the application of these procedures 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, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

## Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

# Notes to the financial statements: About this report

For the year ended 30 June 2020

## Notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example;

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions, disposals and impairment writedowns; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- *Group performance*: provides a breakdown of individual line items in the income statement that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

- *Group balance sheet*: provides a breakdown of individual line items in the balance sheet that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- *Capital*: provides information about the capital management practices of the Group and shareholder returns for the year;
- *Risk*: discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;
- *Group information*: explains aspects of the Group structure and how changes have affected the financial position and performance of the Group, as well as disclosing related party transactions and balances; and
- *Other*: provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.

## Significant items in the current reporting period

### Acquisition of Catch Group Holdings Limited

On 12 August 2019, Wesfarmers, through its wholly owned subsidiary Wesfarmers Online Retail Holdings Pty Ltd, completed the acquisition of Catch Group Holdings Limited (Catch Group) for consideration of \$230 million. Refer to note 23 for further details.

### Acquisition of Kidman Resources Limited

On 23 September 2019, Wesfarmers, through its wholly owned subsidiary Wesfarmers Lithium Pty Ltd, completed the acquisition of all of the issued ordinary shares in Kidman Resources Limited (Kidman). The cash payment of \$1.90 per share to Kidman shareholders was funded from existing banking facilities. Wesfarmers holds a 50 per cent interest in the Mt Holland lithium project based in Western Australia. Refer to note 23 for further details.

### Sale of interest in Coles Group Limited

On 18 February 2020, Wesfarmers announced that it had executed the sale of 4.9 per cent of the issued capital of Coles Group Limited (Coles) for proceeds of \$1,047 million, net of transaction costs. On 30 March 2020, Wesfarmers announced that it had entered into an agreement to sell a further 5.2 per cent of the issued capital of Coles for proceeds of \$1,062 million, net of transaction costs.

The pre-tax gain on sale of the 10.1 per cent interest in Coles is \$290 million (post-tax \$203 million) and a further pre-tax gain of \$220 million (post-tax \$154 million) was recognised on the revaluation of the Group's retained interest in Coles. The retained interest in Coles at 30 June 2020 is recognised as a financial asset measured at fair value through other comprehensive income (FVOCI). Refer to note 21 for further details.

### Adoption of AASB 16 Leases

Wesfarmers has applied AASB 16 from 1 July 2019. Wesfarmers as a lessee under AASB 16, has recognised right-of-use assets representing its right to use the underlying leased assets and lease liabilities representing its obligations to make lease payments.

The Group has separately recognised the interest expense on the lease liabilities and the depreciation expense of the right-of-use assets. Refer to note 11 and 30 for further details.

### Impairment

#### Industrial and Safety

The carrying value of the Industrial and Safety CGU exceeded its recoverable amount and a pre-tax impairment of \$310 million (post-tax \$298 million) was recognised in 'impairment expenses', which included pre-tax impairments against goodwill of \$270 million (post-tax \$270 million) and other assets of \$40 million (post-tax \$28 million). Refer to note 20 for further details.

#### Kmart Group

During the year, the first phase of the strategic review into the operations of Target was completed, identifying a number of actions to accelerate the growth of Kmart and address the unsustainable financial performance of Target. These actions included the conversion of suitable Target stores to Kmart stores, the closure of a number of Target stores and a restructuring of the Target store support office.

Restructuring costs and provisions of \$110 million (post-tax \$83 million) were recognised for the above identified actions. In conjunction with the restructuring and as a result of the under-performance of Target stores, an impairment in the Kmart Group - Target business of \$525 million (post-tax \$437 million) was recognised in 'impairment expenses'. Refer to note 20 for further details on the impairment of the Kmart Group - Target business.

#### Impact of COVID-19

COVID-19 had significant impacts on the Group in FY2020 including:

- Retail sales being impacted by significant volatility in foot traffic, driven by government restrictions, physical distancing requirements and customers spending more time at home;
- Significant variation in demand across categories temporarily impacting stock availability in some areas, while bringing forward some purchases from future periods;
- Lower inventory and higher payables at year end, resulting in a favourable but temporary cash flow benefit;
- Government stimulus measures designed to provide income support to households and businesses having a positive impact on the Group's retail sales result; and
- Approximately \$40 million in wage subsidies (less than one per cent of total team member payments) passed on to team members during FY2020, almost entirely relating to New Zealand.

# Notes to the financial statements: Segment information

For the year ended 30 June 2020

## Segment information

The Group's operating segments are organised and managed separately according to the nature of the products and services provided.

Each segment represents 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 (segment result), which in certain respects, is presented differently from operating profit or loss in the consolidated financial statements.

Interest income and other finance costs are not allocated to operating segments, as this type of activity is managed on a Group basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

The operating segments and their respective types of products and services are as follows:

### Bunnings

- Retailer of building material and home and garden improvement products; and
- Servicing project builders and the housing industry.

### Kmart Group

#### Kmart

- Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables.

#### Target

- Retailer of apparel, homewares and general merchandise, including accessories, electricals and toys.

#### Catch

- Online retailer offering branded products on a first-party basis and a third-party online marketplace.

## Officeworks

- Retailer and supplier of office products and solutions for home, small-to-medium sized businesses, and education.

## Chemicals, Energy and Fertilisers (WesCEF)

- Manufacturer and marketing of chemicals for industry, mining and mineral processing;
- Manufacturer and marketing of broadacre and horticultural fertilisers;
- Marketing and distributor of LPG and LNG;
- LPG and LNG extraction for domestic and export markets;
- Manufacturer of wood-plastic composite decking and screening products; and
- 50 per cent joint venture partner of the Mt Holland lithium project.

## Industrial and Safety (WIS)

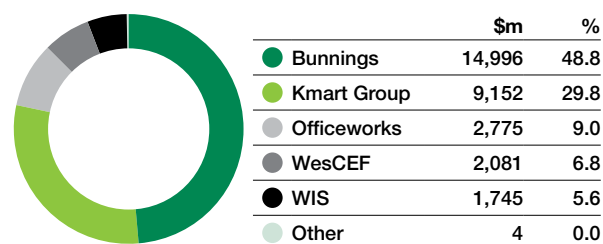
- Supplier and distributor of maintenance, repair and operating products;
- Manufacturer and marketing of industrial gases and equipment;
- Supplier, manufacturer and distributor of workwear clothing in Australia and internationally;
- Specialised supplier and distributor of industrial safety products and services; and
- Provider of risk management and compliance services.

## Other

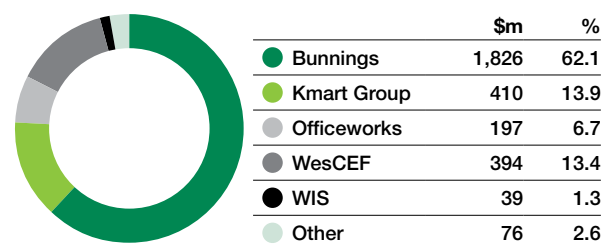
Includes:

- *Food and staples retailing*: 4.9 per cent (2019: 15.0 per cent) interest in Coles Group Limited;
- *Forest products*: non-controlling interest in Wespine Industries Pty Ltd;
- *Property*: non-controlling interest in BWP Trust;
- *Investment banking*: non-controlling interest in Gresham Partners Group Limited; and
- *Corporate*: includes treasury, head office, central support functions and other corporate entity expenses. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

## Revenues from contracts with customers by segment for FY2020



## Segment result for FY2020<sup>1</sup>



<sup>1</sup> Excludes significant items.

## Segment information

The financial results for the comparative period were not restated upon the adoption of AASB 16. Earnings before interest, tax and depreciation and amortisation (EBITDA), depreciation and amortisation (EBITDA), depreciation and amortisation and interest on lease liabilities are therefore not comparable.

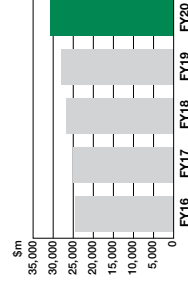
	BUNNINGS <sup>1</sup>		K MART GROUP		OFFICEWORKS		WesCEF		WIS		OTHER <sup>2</sup>		CONSOLIDATED	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Revenue from contracts with customers	14,996	13,162	9,152	8,540	2,775	2,305	2,081	2,075	1,745	1,752	4	(16)	30,753	27,818
Other revenue	3	4	65	58	12	9	4	3	-	-	9	28	93	102
<b>Segment revenue</b>	<b>14,999</b>	<b>13,166</b>	<b>9,217</b>	<b>8,598</b>	<b>2,787</b>	<b>2,314</b>	<b>2,085</b>	<b>2,078</b>	<b>1,745</b>	<b>1,752</b>	<b>13</b>	<b>12</b>	<b>30,846</b>	<b>27,920</b>
EBITDA	2,601	1,818	1,113	733	307	195	481	513	121	124	84	128	4,707	3,511
Depreciation and amortisation	(658)	(192)	(601)	(193)	(99)	(28)	(86)	(80)	(77)	(38)	(7)	(6)	(1,528)	(537)
Interest on lease liabilities	(117)	-	(102)	-	(11)	-	(1)	-	(5)	-	(1)	-	(237)	-
<b>Segment result</b>	<b>1,826</b>	<b>1,626</b>	<b>410</b>	<b>540</b>	<b>197</b>	<b>167</b>	<b>394</b>	<b>433</b>	<b>39</b>	<b>86</b>	<b>76</b>	<b>122</b>	<b>2,942</b>	<b>2,974</b>
Items not included in segment result <sup>3,3</sup>	-	-	(635)	-	-	-	-	-	(310)	-	510	-	(435)	-
Other finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(133)	(175)
Profit before income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	2,374	2,799
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(752)	(659)
<b>Profit attributable to members of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,622</b>	<b>1,940</b>
<b>Other segment information</b>														
Segment assets	8,163	5,118	5,725	3,755	1,819	1,531	2,450	1,563	1,585	1,752	4,303	1,027	24,045	14,746
Investments in associates and joint ventures	17	17	-	-	-	-	87	89	-	-	606	3,287	710	3,393
Tax assets	-	-	-	-	-	-	-	-	-	-	670	194	670	194
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	25,425	18,333
Segment liabilities	(6,062)	(1,983)	(4,518)	(1,476)	(1,028)	(559)	(458)	(392)	(543)	(348)	(424)	(353)	(13,033)	(5,111)
Tax liabilities	-	-	-	-	-	-	-	-	-	-	(392)	(222)	(392)	(222)
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	(2,656)	(3,029)	(2,656)	(3,029)
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(16,081)	(8,362)
Segment net assets	2,118	3,152	1,207	2,279	791	972	2,079	1,260	1,042	1,404	2,107	904	9,344	9,971
Other net assets <sup>4</sup>	(1,790)	(2,599)	354	(488)	286	40	(853)	(768)	(668)	(1,008)	2,671	4,823	-	-
Net assets	328	553	1,561	1,791	1,077	1,012	1,226	492	374	396	4,778	5,727	9,344	9,971
Capital expenditure <sup>5</sup>	511	470	132	199	40	42	114	58	59	83	5	-	861	852
Share of net profit or loss of associates and joint ventures included in segment result	-	-	-	-	-	-	12	14	-	-	201	215	213	229

## Total revenue

from continuing operations

**\$30,846m**

▲ **10.5%**



<sup>1</sup> The 2020 Bunnings segment result includes a net property contribution of \$16 million (2019: \$85 million). Due to the adoption of AASB 16, \$20 million of the gain on sale and leaseback transactions that would have been recognised on execution of the sale under AASB 117 Leases (AASB 117) instead reduces the carrying amount of the retained right-of-use asset and will be realised in the income statement over the lease term through reduced depreciation expense.

<sup>2</sup> The 2020 Other segment result includes the share of profits from Westfarmers' interest in Coles when it was an associate and accounted for using the equity method but excludes the gain of \$290 million on the sale of 10.1 per cent of the interest in Coles and a gain of \$220 million on the revaluation of the retained 4.9 per cent interest in Coles. The 2019 Other segment result includes the gain on disposal of Westfarmers' direct and indirect interest in Barmirco and subsequent increase in the fair value of Westfarmers' indirect interest in Auscill shares totalling \$61 million.

<sup>3</sup> The 2020 Kmart Group segment result excludes impairments of the Target brand name and other assets of \$525 million and restructuring costs and provisions of \$110 million. The 2020 WIS segment result excludes impairment of \$310 million.

<sup>4</sup> Other net assets relate predominantly to intercompany financing arrangements and segment tax balances.

<sup>5</sup> Capital expenditure includes accruals for costs incurred during the year. The amount excluding movements in accruals is \$867 million (2019: \$861 million).

## Geographical information

The table below provides information on the geographical location of revenue and non-current assets (other than financial instruments, deferred tax assets and pension assets). The comparative period has not been restated for the adoption of AASB 16.

	Revenue		Non-current assets	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Australia	28,688	25,786	14,439	11,082
New Zealand	2,101	2,066	711	257
United Kingdom	35	41	2	4
Other	22	27	22	10
	<b>30,846</b>	<b>27,920</b>	<b>15,174</b>	<b>11,353</b>

# Notes to the financial statements: Group performance

For the year ended 30 June 2020

## 1. Revenue and other income from continuing operations

	Consolidated	
	2020 \$m	2019 \$m
<b>Revenue from contracts with customers</b>		
Sale of retail goods in store	25,039	23,042
Sale of retail goods online	1,814	947
Sale of fertilisers, chemicals, speciality gases, LPG and LNG	2,074	2,067
Sale of industrial products	1,699	1,700
Services revenue	127	62
	<b>30,753</b>	<b>27,818</b>
<b>Other revenue</b>		
Interest revenue	10	26
Other	83	76
	<b>93</b>	<b>102</b>
<b>Total revenue</b>	<b>30,846</b>	<b>27,920</b>
<b>Other income</b>		
Gain on sale of associate	290	-
Gains on disposal of property, plant and equipment and other assets	8	124
Other <sup>1</sup>	363	115
<b>Total other income</b>	<b>661</b>	<b>239</b>

<sup>1</sup> Other includes a \$220 million gain recognised on the revaluation of the Group's retained 4.9 per cent interest in Coles.

### Recognition and measurement

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group generates a significant proportion of its revenue from the sale of the following finished goods:

- Merchandise direct to customers through the Group's retail operations either through the sale of retail goods in store or online. Control of goods typically passes at the point of sale (refer to Bunnings, Kmart Group and Officeworks in the Segment Note).
- Sales to commercial customers under contracts, of products:
  - i. for which the Group has distribution rights, principally related to industrial maintenance and industrial safety (refer to WIS in the Segment Note); and
  - ii. produced or purchased by the Group including fertilisers, chemicals, speciality gases, LPG and LNG (refer to WesCEF in the Segment Note).

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer. Cash payment is generally received at the point of sale. Revenue from Layby transactions is recognised on the date when the customer completes payment and takes possession of the merchandise. Any cash received in advance of the completion of the performance obligation is recognised on the balance sheet as a contract liability.

Where satisfaction of a performance obligation is completed over time, revenue is recognised in line with the progress towards complete satisfaction of the performance obligation.

A right of return is not a separate performance obligation and the Group recognises revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover the returned products from the customer is also recognised.

#### Other revenue

##### Interest revenue

Revenue is recognised as the interest accrues on the related financial asset. Interest is determined using the effective interest rate method, which applies the interest rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument.

##### Dividends

Revenue from dividends, other than those arising from associates, is recognised when the Group's right to receive the payment is established.

##### 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.

#### Key estimate: gift cards

Revenue from the sale of gift cards is recognised when the card is redeemed and the customer purchases goods by using the card, or when the gift card is no longer expected to be redeemed (breakage). At 30 June 2020, \$96 million of revenue is deferred in relation to gift cards (2019: \$83 million). Gift card liabilities are contract liabilities as payment has been received for a performance obligation to be completed at a future point in time.

The key assumption in measuring the contract liability for gift cards and vouchers is the expected breakage, which is reviewed annually based on historical information. Any reassessment of expected breakage in a particular year impacts on the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any reasonably possible change in the estimate is unlikely to have a material impact.

#### Key judgement: flybuys

The Group is a participant in the flybuys loyalty program whereby eligible customers are granted loyalty points based on the dollars they spend. Following the demerger of Coles and the loss of control of Loyalty Pacific Pty Ltd, the Group has concluded that they are an agent in this arrangement as the nature of the loyalty program is that flybuys is responsible for supplying the awards to the customer and as such the Group's role is to only arrange for flybuys to provide the goods or services.

# Notes to the financial statements: Group performance

For the year ended 30 June 2020

## 2. Expenses from continuing operations

	Consolidated	
	2020 \$m	2019 \$m
Remuneration, bonuses and on-costs	4,573	4,140
Superannuation expense	325	303
Share-based payments expense	92	82
<b>Employee benefits expense</b>	<b>4,990</b>	<b>4,525</b>
Minimum lease payments	-	1,176
Short-term and low-value lease payments	23	-
Contingent rental payments	30	76
Outgoings and other	393	281
<b>Occupancy-related expenses<sup>1</sup></b>	<b>446</b>	<b>1,533</b>
Depreciation	433	424
Depreciation of right-of-use assets	964	-
Amortisation of intangibles	61	47
Amortisation other	70	66
<b>Depreciation and amortisation</b>	<b>1,528</b>	<b>537</b>
Impairment of property, plant and equipment	168	-
Impairment of goodwill and intangible assets	551	-
Impairment of right-of-use assets	198	-
Impairment of trade and other receivables	24	-
<b>Impairment expenses</b>	<b>941</b>	<b>-</b>
Repairs and maintenance	209	219
Utilities and office expenses	486	440
Insurance expenses	53	113
Other	581	426
<b>Other expenses</b>	<b>1,329</b>	<b>1,198</b>
Interest on interest-bearing loans and borrowings	113	153
Discount rate adjustment	3	7
Amortisation of debt establishment costs	5	3
Other finance related costs	12	12
<b>Other finance costs</b>	<b>133</b>	<b>175</b>

<sup>1</sup> The Group adopted AASB 16 from 1 July 2019. Had the Group's previous accounting policies under AASB 117 been applied for the current year, the total occupancy-related expenses would have been \$1,638 million. Refer to note 11 for further details.

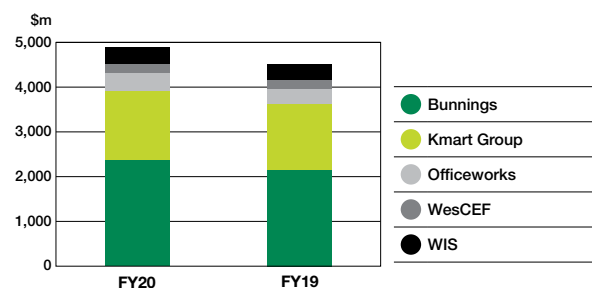
## Recognition and measurement

### Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 12. The policy relating to share-based payments is set out in note 31.

The majority of employees in Australia and New Zealand are party to a defined contribution superannuation scheme and receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The Group also operates a defined benefit superannuation scheme, the membership of which is now closed.

### Employee benefits expense by segment from continuing operations



### Depreciation and amortisation

Refer to notes 8, 9 and 11 for details on depreciation and amortisation.

### Impairment

Impairment expenses are recognised to the extent that the carrying amounts of assets exceed their recoverable amounts. Refer to notes 18(d) and 20 for further details on impairment.

### Other finance costs

Other finance costs are recognised as an expense when they are incurred, except for interest charges attributable to major projects with substantial development and construction phases.

Provisions and other payables are discounted to their present value when the effect of the time value of money is significant. The impact of the unwinding of these discounts and any changes to the discounting is shown as a discount rate adjustment in finance costs.

### Capitalisation of borrowing costs

To determine the amount of borrowing costs to be capitalised as part of the costs of major construction projects, the Group uses the weighted average interest rate (excluding non-interest costs) applicable to its outstanding borrowings during the year. For 2020, had there been major long-term construction projects, the weighted average interest rate applicable would have been 4.30 per cent (2019: 4.66 per cent).

# Notes to the financial statements: Group performance

For the year ended 30 June 2020

## 3. Tax expense

	Consolidated	
	2020	2019
The major components of tax expense are:	\$m	\$m
<b>Income statement (continuing operations)</b>		
<i>Current income tax expense</i>		
Current year (paid or payable)	932	810
Adjustment for prior years	(4)	10
<i>Deferred income tax expense</i>		
Temporary differences	(193)	39
Adjustment for prior years	17	-
<b>Income tax expense reported in the income statement</b>	<b>752</b>	<b>859</b>
<b>Statement of changes in equity</b>		
Net loss on revaluing cash flow hedges	(37)	(24)
Net gain on revaluing financial assets	9	-
<b>Income tax benefit reported in equity</b>	<b>(28)</b>	<b>(24)</b>
<b>Tax reconciliation (continuing operations)</b>		
Profit before tax	2,374	2,799
Income tax rate at the statutory rate of 30%	712	840
Adjustments relating to prior years	13	10
Non-deductible items	156	12
Share of results of associates and joint ventures	(32)	(14)
Utilisation of previously unrecognised tax losses	(80)	-
Other	(17)	11
<b>Income tax on profit before tax</b>	<b>752</b>	<b>859</b>
<b>Deferred income tax in the balance sheet relates to the following:</b>		
Provisions	271	113
Employee benefits	250	211
Accruals and other payables	58	66
Interest-bearing loans and borrowings	161	151
Leases	229	-
Derivatives	26	2
Inventories	52	49
Property, plant and equipment	144	138
Other individually insignificant balances	70	65
<b>Deferred tax assets</b>	<b>1,261</b>	<b>795</b>
Accelerated depreciation for tax purposes	128	123
Derivatives	128	148
Accrued income and other	222	260
Intangible assets	16	8
Other individually insignificant balances	97	62
<b>Deferred tax liabilities</b>	<b>591</b>	<b>601</b>
<b>Net deferred tax asset</b>	<b>670</b>	<b>194</b>
<b>Deferred income tax in the income statement relates to the following:</b>		
Provisions	(139)	2
Depreciation, amortisation and impairment	(21)	(13)
Other individually insignificant balances	(16)	50
<b>Deferred tax expense</b>	<b>(176)</b>	<b>39</b>

## Recognition and measurement

### Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted by the balance sheet date.

### Deferred taxes

Deferred income tax is provided using the full liability balance sheet method. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them.

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.

Deferred income tax is provided on temporary differences at balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- Where they arise 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.
- Where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
  - i. Deferred tax liabilities are not recognised if 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.
  - ii. Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

Deferred tax liabilities are also not recognised on recognition of goodwill.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

### Offsetting deferred tax balances

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.

#### Key judgement: unrecognised deferred tax assets

Capital losses: The Group has unrecognised benefits relating to carried forward capital losses, which can only be offset against eligible capital gains. The Group has determined that at this stage future eligible capital gains to utilise the tax assets are not currently sufficiently probable. The unrecognised deferred tax assets of \$30 million (2019: \$39 million) relate wholly to capital losses in Australia.

#### Key judgement: unrecognised deferred tax liability

A deferred tax liability has not been recognised on indefinite life intangibles for which the carrying value has been assessed as recoverable through sale, consistent with the Group's practice and strategy to maximise shareholder returns through value-adding transactions.

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 4. Cash and cash equivalents

	Consolidated	
	2020 \$m	2019 \$m
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	172	266
Cash at bank and on deposit	2,741	529
	<b>2,913</b>	<b>795</b>

### Reconciliation of net profit after tax to net cash flows from operations

	2020	2019
Net profit	1,697	5,510
<b>Non-cash items</b>		
Depreciation and amortisation	1,528	810
Impairment of assets	941	23
Gain on disposal/demerger of businesses	-	(3,266)
Net gain on disposal of non-current assets including investments and associates	(495)	(249)
Share of net profits of associates and joint ventures	(213)	(233)
Dividends and distributions received from associates	159	65
Discount adjustment in borrowing costs	3	7
Other	6	(39)
<b>(Increase)/decrease in assets</b>		
Receivables - trade and other	(34)	109
Inventories	443	(557)
Prepayments	(32)	(83)
Deferred tax assets	(225)	130
Other assets	(7)	(3)
<b>Increase/(decrease) in liabilities</b>		
Trade and other payables	346	473
Current tax payable	173	(78)
Provisions	224	129
Other liabilities	32	(30)
<b>Net cash flows from operating activities</b>	<b>4,546</b>	<b>2,718</b>

## Recognition and measurement

### Cash at bank and on deposit

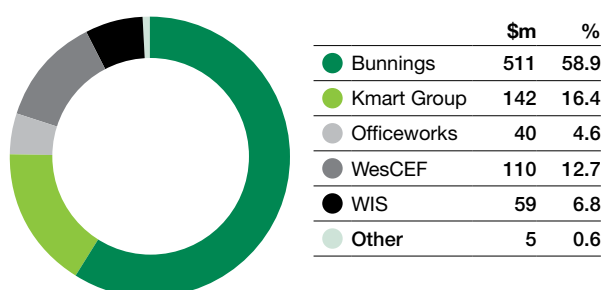
Cash and short-term deposits in the balance sheet comprise cash at bank and on hand, and short-term deposits with an original maturity of three months or less and are classified as financial assets held at amortised cost.

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 deposit rates.

Cash at bank and on deposit is held with banks and financial institutions with investment grade credit ratings. Refer to note 18(d) for credit risk disclosures.

	Consolidated	
	2020 \$m	2019 \$m
<b>Net cash capital expenditure</b>		
<b>Cash capital expenditure</b>		
Payment for property	243	323
Payment for plant and equipment	506	975
Payment for intangibles	118	58
	<b>867</b>	<b>1,356</b>
Proceeds from sale of property, plant, equipment and intangibles	299	529
<b>Net cash capital expenditure</b>	<b>568</b>	<b>827</b>

### Cash capital expenditure by segment for FY2020





# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 5. Receivables

	Consolidated	
	2020	2019
	\$m	\$m
<b>Trade and other</b>		
Trade receivables	890	948
Allowance for credit losses	(23)	(47)
Other debtors	170	126
	<b>1,037</b>	<b>1,027</b>
<b>Allowance for credit losses</b>		
Movements in the allowance for credit losses account were as follows:		
Carrying amount at beginning of year	47	58
Allowance for credit losses recognised	26	3
Write-offs	(48)	-
Unused amount reversed	(2)	(2)
Disposal/demerger of controlled entity	-	(12)
<b>Carrying amount at the end of the year</b>	<b>23</b>	<b>47</b>

### Recognition and measurement

Trade receivables and other debtors are all classified as financial assets held at amortised cost on the basis they are held with the objective of collecting contractual cash flows and the cash flows relate to payments of principal and interest on the principal amount outstanding.

#### Trade receivables

Trade receivables generally have terms of up to 30 days. They are recognised initially in accordance with the Group's revenue policy and subsequently measured at amortised cost using the effective interest method, less an allowance for credit losses. Refer to note 18(d) for a description of the application of the simplified approach to determine lifetime expected credit loss (ECL) on trade receivables and details of the Group's credit risk exposure.

#### 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. It is expected that other debtors balances will be received when due.

## 6. Inventories

	Consolidated	
	2020	2019
	\$m	\$m
Raw materials	30	30
Finished goods	3,806	4,209
Right of return assets	8	7
	<b>3,844</b>	<b>4,246</b>

Inventories recognised as an expense from continuing operations for the year ended 30 June 2020 totalled \$20,084 million (2019: \$18,072 million).

### Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell.

## 6. Inventories (continued)

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.
- *Retail and wholesale merchandise finished goods*: purchase cost on a weighted average basis, after deducting any settlement discounts and supplier rebates, 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 accounted for as a reduction in the cost of inventory and recognised in the income statement when the inventory is sold.

#### Key estimate: net realisable value

The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in bringing the inventory to their location and condition for sale, estimated costs to sell and the expected selling price. These key assumptions are reviewed at least annually. The total expense relating to inventory writedowns during the year was \$42 million (2019: reversal of \$3 million). Any reasonably possible change in the estimate is unlikely to have a material impact.

#### Key estimate: supplier rebates

The recognition of certain supplier rebates in the income statement requires management to estimate both the volume of purchases that will be made during a period of time and the related product that was sold and remains in inventory at reporting date. Management's estimates are based on existing and forecast inventory turnover levels and sales. Reasonably possible changes in these estimates are unlikely to have a material impact.

## 7. Other financial assets

	Consolidated	
	2020	2019
	\$m	\$m
Financial assets measured at FVOCI	1,122	33
Other	1	1
	<b>1,123</b>	<b>34</b>

The carrying value of the Group's retained interest of 4.9 per cent in Coles at 30 June 2020 was \$1,122 million. No dividends were received from Coles for the period 31 March 2020 to 30 June 2020. Refer to note 21 for further details.

### Recognition and measurement

The Group's other financial assets primarily comprise equity instruments measured at FVOCI. Fair value gains and losses are presented in OCI and there is no subsequent reclassification of fair value gains and losses to profit and loss on the derecognition. Dividends are recognised in profit or loss as other income when the Group's right to payment is established.

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 8. Property, plant and equipment

<b>Consolidated</b>	<b>Land \$m</b>	<b>Buildings \$m</b>	<b>Leasehold improvements \$m</b>	<b>Plant, vehicles and equipment \$m</b>	<b>Mineral lease and development \$m</b>	<b>Total \$m</b>
<b>Year ended 30 June 2020</b>						
Gross carrying amount - at cost	392	555	864	6,960	-	8,771
Accumulated depreciation and impairment	-	(151)	(455)	(4,542)	-	(5,148)
<b>Net carrying amount</b>	<b>392</b>	<b>404</b>	<b>409</b>	<b>2,418</b>	<b>-</b>	<b>3,623</b>
<b>Movement</b>						
Net carrying amount at beginning of year	448	371	442	2,617	-	3,878
Additions	33	210	70	405	-	718
Disposals and write-offs	(107)	(146)	(3)	(26)	-	(282)
Impairment	-	-	(34)	(134)	-	(168)
Depreciation and amortisation	-	(12)	(71)	(420)	-	(503)
Acquisition of controlled entities	-	-	-	27	-	27
Transfers	18	(18)	5	(45)	-	(40)
Other including foreign exchange movements	-	(1)	-	(6)	-	(7)
<b>Net carrying amount at the end of the year</b>	<b>392</b>	<b>404</b>	<b>409</b>	<b>2,418</b>	<b>-</b>	<b>3,623</b>
Assets under construction included above:	-	211	50	189	-	450
<b>Year ended 30 June 2019</b>						
Gross carrying amount - at cost	448	519	793	6,705	-	8,465
Accumulated depreciation and impairment	-	(148)	(351)	(4,088)	-	(4,587)
<b>Net carrying amount</b>	<b>448</b>	<b>371</b>	<b>442</b>	<b>2,617</b>	<b>-</b>	<b>3,878</b>
<b>Movement</b>						
Net carrying amount at beginning of year	1,142	778	906	5,484	98	8,408
Additions	108	203	123	772	1	1,207
Disposals and write-offs	(802)	(595)	(497)	(3,037)	(99)	(5,030)
Depreciation and amortisation	-	(12)	(95)	(607)	-	(714)
Transfers	-	(4)	4	-	-	-
Other including foreign exchange movements	-	1	1	5	-	7
<b>Net carrying amount at the end of the year</b>	<b>448</b>	<b>371</b>	<b>442</b>	<b>2,617</b>	<b>-</b>	<b>3,878</b>
Assets under construction included above:	-	99	39	200	-	338

### Recognition and measurement

The carrying value of property, plant and equipment is measured as the cost of the asset, less accumulated depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections.

### Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of buildings is between 20 and 40 years and plant and equipment is between three and 40 years. Land is not depreciated.

Expenditure on 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.

Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

### Impairment

Refer to note 20 for details on impairment testing.

### Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds of disposal and the carrying amount of the asset) is included in the income statement in the period the item is derecognised.

### Key estimates: property, plant and equipment

The estimations of useful lives, residual value and amortisation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future years). Such revisions are generally required when there are changes in economic circumstances impacting specific assets or groups of assets, such as changes in store performance or changes in the long-term commodity price forecasts. These changes are limited to specific assets and as such, any reasonably possible change in the estimate is unlikely to have a material impact on the estimations of useful lives, residual value or amortisation methods.

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 9. Goodwill and intangible assets

<b>Consolidated</b>	<b>Goodwill</b>	<b>Brand</b>	<b>Contractual and non-contractual relationships<sup>1</sup></b>	<b>Software</b>	<b>Gaming and liquor licences</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Year ended 30 June 2020</b>						
Gross carrying amount - at cost	3,459	875	71	468	-	4,873
Accumulated amortisation and impairment	(493)	(257)	(29)	(280)	-	(1,059)
<b>Net carrying amount</b>	<b>2,966</b>	<b>618</b>	<b>42</b>	<b>188</b>	<b>-</b>	<b>3,814</b>
<b>Movement</b>						
Net carrying amount at beginning of year	3,090	831	22	133	-	4,076
Additions	-	-	5	115	-	120
Acquisition of controlled entities	148	20	22	12	-	202
Transfers	(2)	-	-	42	-	40
Disposals and write-offs	-	-	-	(12)	-	(12)
Impairment	(270)	(231)	-	(50)	-	(551)
Amortisation for the year	-	(2)	(7)	(52)	-	(61)
Other including foreign exchange movements	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>2,966</b>	<b>618</b>	<b>42</b>	<b>188</b>	<b>-</b>	<b>3,814</b>
<b>Year ended 30 June 2019</b>						
Gross carrying amount - at cost	3,313	855	44	313	-	4,525
Accumulated amortisation and impairment	(223)	(24)	(22)	(180)	-	(449)
<b>Net carrying amount</b>	<b>3,090</b>	<b>831</b>	<b>22</b>	<b>133</b>	<b>-</b>	<b>4,076</b>
<b>Movement</b>						
Net carrying amount at beginning of year	13,491	3,654	38	519	158	17,860
Additions	21	-	-	50	-	71
Disposals and write-offs	(10,422)	(2,821)	(13)	(346)	(158)	(13,760)
Amortisation for the year	-	(2)	(3)	(90)	-	(95)
Other including foreign exchange movements	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>3,090</b>	<b>831</b>	<b>22</b>	<b>133</b>	<b>-</b>	<b>4,076</b>

<sup>1</sup> Contractual and non-contractual relationships are intangible assets that have arisen through business combinations. They represent the value of pre-existing customer relationships in the acquired company.

### Recognition and measurement

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Refer to note 20 for further details on impairment.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at each financial year-end. Intangible assets with indefinite lives are tested for impairment in the same way as goodwill. Refer to note 20 for further details on impairment.

A summary of the useful lives of intangible assets is as follows:

<b>Intangible asset</b>	<b>Useful life</b>
Brand <sup>1</sup>	Indefinite and finite (up to 20 years)
Contractual and non-contractual relationships	Finite (up to 15 years)
Software	Finite (up to seven years)

<sup>1</sup> Includes trade names and other intangible assets with characteristics of a brand.

Assets with an assumed indefinite useful life are reviewed at each reporting period to determine whether this assumption continues to be appropriate. If not, it is changed to a finite life and accounted for prospectively as a change in accounting estimate.

#### Key judgement: useful lives of intangible assets

Certain brands have been assessed as having indefinite lives on the basis of strong brand strength, ongoing expected profitability and continuing support. The brand incorporates complementary assets such as store formats, networks and product offerings.

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 9. Goodwill and intangible assets (continued)

	Consolidated	
	2020	2019
	\$m	\$m
<b>Allocation of goodwill to groups of cash generating units</b>		
<b>Carrying amount of goodwill</b>		
Bunnings	876	868
Kmart Group	856	716
Officeworks	816	818
WesCEF	2	2
WIS	416	686
	<b>2,966</b>	<b>3,090</b>
<b>Allocation of indefinite life intangible assets to groups of cash generating units</b>		
<b>Carrying amount of intangibles</b>		
Bunnings	1	1
Kmart Group	435	648
Officeworks	160	160
WIS	22	22
	<b>618</b>	<b>831</b>

## 10. Mineral rights

Consolidated	2020
	\$m
<b>Movement</b>	
Net carrying amount at the beginning of the year	-
Acquisitions	790
Additions	23
Disposals and write-offs	-
<b>As at 30 June 2020</b>	<b>813</b>

### Recognition and measurement

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current, is capitalised and carried forward as an asset in the balance sheet where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or where exploration activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

An exploration and evaluation asset shall be reclassified to mineral lease and development when the technical feasibility and commercial viability of extracting the resource are demonstrable.

Refer to note 20 for details on impairment testing.

## 11. Leases

### Group as a lessee

The Group has leases primarily in relation to retail and distribution properties, in addition to offices, motor vehicles and office equipment. The lease terms vary significantly and can include escalation clauses, renewal or purchase options and termination rights. Escalation clauses vary between fixed rate, inflation-linked, market rent and combination reviews. Changes to rental terms linked to inflation or market rent reviews typically occur on an annual or five-yearly basis.

Set out below are the carrying amounts of the right-of-use assets and the movements during the year.

Consolidated	Right-of-use assets			
	Land	Buildings	Vehicles	Total
	\$m	\$m	\$m	\$m
<b>Year ended 30 June 2020</b>				
Gross carrying amount - at cost	46	7,263	27	7,336
Accumulated depreciation and impairment	(4)	(1,116)	(4)	(1,124)
<b>Net carrying amount</b>	<b>42</b>	<b>6,147</b>	<b>23</b>	<b>6,212</b>
<b>Movement</b>				
At 1 July 2019 (restated)	48	6,287	17	6,352
Net additions	(2)	992	10	1,000
Acquisition of controlled entities	-	32	-	32
Impairment	-	(198)	-	(198)
Depreciation expense	(4)	(956)	(4)	(964)
Other including foreign exchange movements	-	(10)	-	(10)
<b>Net carrying amount at the end of the year</b>	<b>42</b>	<b>6,147</b>	<b>23</b>	<b>6,212</b>

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 11. Leases (continued)

Set out below are the carrying amounts of the lease liabilities and the movements during the year.

<b>Consolidated</b>	<b>2020</b>
	<b>\$m</b>
At 1 July 2019 (restated)	7,275
Additions	896
Acquisition of controlled entities	38
Accretion of interest	237
Lease payments	(1,192)
Other including foreign exchange movements	(12)
<b>Carrying amount at 30 June 2020</b>	<b>7,242</b>
Current	1,019
Non-current	6,223

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is provided in note 18(b).

The Group has a number of lease contracts that include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Further details on this key judgement are provided on the following page.

Lease extension options are available in respect of 69 per cent of the Group's leases. The number and extent of available lease extension options differs considerably between leases. Where the Group has deemed the exercise of an extension option as reasonably certain, the next available option period associated with the lease has been included in the lease term and is therefore incorporated in the recorded lease liability of \$7,242 million. A number of available option periods, which are exercisable at the discretion of the Group as lessee, have not been included in the recorded lease liability on the basis that they are not reasonably certain to be exercised, and do not represent liabilities or contingent liabilities of the Group at 30 June 2020.

The following are the lease-related amounts recognised in the income statement.

<b>Consolidated</b>	<b>2020</b>
	<b>\$m</b>
Depreciation of right-of-use assets	964
Interest on lease liabilities	237
Short-term and low-value lease payments (included in occupancy-related expenses)	23
Variable lease payments (included in occupancy-related expenses)	30
<b>Total amount recognised in the income statement</b>	<b>1,254</b>

## Recognition and measurement

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of the right-of-use building assets is between one and 40 years and right-of-use plant, vehicles and equipment assets is between one and 20 years. The right-of-use assets are also subject to impairment, assessed in accordance with the Group's impairment policy.

## Lease liabilities

Lease liabilities are recognised by the Group at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

## Short-term leases and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, which are defined as those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expensed on a straight-line basis over the lease term.

## Lease liabilities by segment as at 30 June 2020



	<b>\$m</b>	<b>%</b>
● Bunnings	3,727	51.5
● Kmart Group	2,943	40.6
● Officeworks	343	4.7
● WesCEF	27	0.4
● WIS	167	2.3
● Other	35	0.5

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 11. Leases (continued)

### Key judgements and estimates: leases

#### Lease term

The lease term is considered to be a key judgement. At lease commencement, Wesfarmers considers an option to extend a lease to be reasonably certain when there is a clear economic incentive for extension, such as:

- favourable contractual terms and conditions in the option period compared to market rates;
- leasehold improvements have recently been undertaken and are likely to have significant residual value at the end of the current lease period;
- significant termination costs exist; or
- the underlying asset is important to the Group's operations.

After lease commencement, the lease term is reassessed upon the occurrence of a significant event or change in circumstance.

#### Discount rate

The discount rates applied in measuring the lease liability are a key estimate area. As at 30 June 2020, the rates were between 1.8 and 3.8 per cent. On commencement of a lease, the future lease payments are discounted using the incremental borrowing rate (IBR) where the interest rate implicit in the lease is not readily available. The lessee's IBR reflects the Group's IBR adjusted for lease tenor and currency of the lease. Where there is a lease modification, a revised discount rate is applied in remeasuring the lease liability.

#### Stand-alone price of lease and non-lease components

As applicable, the calculated lease liability excludes an estimate of the gross lease payments allocated to non-lease components. This estimate is determined on a lease-by-lease basis on inception of the lease.

In determining the stand-alone price of the lease and non-lease components, consideration is given to benchmark property outgoings and historical information of the Group's lease portfolio.

## 12. Provisions

	Consolidated	
	2020	2019
	\$m	\$m
<b>Current</b>		
Employee benefits	723	605
Self-insured risks	149	127
Restructuring and make good	124	39
Other	82	80
	<b>1,078</b>	<b>851</b>
<b>Non-current</b>		
Employee benefits	97	84
Self-insured risks	116	109
Restructuring and make good	125	44
Lease provision	-	138
Other	8	6
	<b>346</b>	<b>381</b>
<b>Total provisions</b>	<b>1,424</b>	<b>1,232</b>

### Recognition and measurement

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

#### Key estimate: discounting

Provisions, other than employee benefits, 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 included in the cash flows.

Employee benefit provision balances are calculated using discount rates derived from the high quality corporate bond (HQC) market in Australia provided by Milliman Australia.

Employee benefit provisions have been calculated using discount rates of between 0.6 and 2.7 per cent (2019: between 1.5 and 2.9 per cent).

# Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

## 12. Provisions (continued)

### Employee benefits

The provision for employee benefits represents annual leave, long service leave entitlements and incentives accrued by employees.

### Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits 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.

### Annual leave and long service leave

The liability for annual leave and long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on HQCB with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### Key estimate: long service leave

Long service leave is measured using the projected unit credit method. Management judgement is required in determining the following key assumptions used in the calculation of long service leave at balance sheet date:

- future increases in salaries and wages;
- future on-cost rates; and
- future probability of employee departures and period of service.

The total long service leave liability is \$364 million (2019: \$327 million). Given the magnitude of the liability and the nature of the key assumptions, any reasonably possible change in one or a combination of the estimates is unlikely to have a material impact.

### Mine rehabilitation

Mining lease agreements impose obligations to remediate areas where mining activity has taken place. Provisions for remediation have been calculated assuming current technologies. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates.

### Self-insured risks

The Group is self-insured for workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuary valuation performed at each reporting date.

#### Key estimate: self-insured risks

The self-insured risk liability is based on a number of management estimates including, but not limited to:

- future inflation;
- investment return;
- average claim size;
- claim development; 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). Any reasonable change in these assumptions will not have a significant impact on the Group.

### Make good

The Group recognises the present value of the estimated costs that may be incurred in restoring leased premises to their original condition at the end of the respective lease terms as a provision for make good. The costs are recognised as the obligation is incurred either at commencement of the lease or as a consequence of using the asset and are included in the cost of the right-of-use assets. This estimate is reviewed at each reporting date and adjusted for any known changes in the initial cost estimate.

### Restructuring

Provisions for restructuring are recognised where steps have been taken to implement a detailed plan, including discussions with those impacted by it and relate principally to:

- the closure of retail outlets or distribution centres;
- restructuring; and
- associated redundancies.

	Lease provision \$m	Self-insured risks \$m	Mine rehabilitation \$m	Restructuring and make good \$m	Other \$m	Total \$m
<b>Carrying amount at 1 July 2018</b>	252	585	45	80	436	1,398
Arising during year	10	141	1	182	36	370
Utilised	(2)	(136)	-	(34)	(31)	(203)
Disposal/demerger of controlled entities	(122)	(354)	(46)	(145)	(355)	(1,022)
Carrying amount at 30 June 2019	138	236	-	83	86	543
Adoption of AASB 16	(138)	-	-	(31)	(14)	(183)
<b>At 1 July 2019 (restated)</b>	-	<b>236</b>	-	<b>52</b>	<b>72</b>	<b>360</b>
Arising and acquired during year	-	<b>107</b>	-	<b>220</b>	<b>41</b>	<b>368</b>
Utilised	-	<b>(78)</b>	-	<b>(23)</b>	<b>(23)</b>	<b>(124)</b>
<b>Carrying amount at 30 June 2020</b>	-	<b>265</b>	-	<b>249</b>	<b>90</b>	<b>604</b>

# Notes to the financial statements: Capital

For the year ended 30 June 2020

## 13. Capital management

### The Group's capital management objectives

The primary objective of Wesfarmers is to provide a satisfactory return to its shareholders. The Group aims to achieve this objective by:

- improving returns on invested capital relative to that cost of capital; and
- ensuring a satisfactory return is made on any new capital invested.

Capital is defined as the combination of shareholders' equity, reserves and net financial debt. The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to safeguard the Group's ability to continue as a going concern while optimising its debt and equity structure. Wesfarmers aims to maintain a capital structure that is consistent with a stable investment grade credit rating.

	Note	Consolidated	
		2020	2019
		\$m	\$m
<b>Equity and reserves</b>			
Issued capital	15	15,818	15,809
Reserved shares	15	(89)	(81)
Retained earnings		(245)	(208)
Reserves	15	(6,140)	(5,549)
		<b>9,344</b>	<b>9,971</b>
<b>Net debt<sup>1</sup></b>			
Total interest-bearing loans and borrowings	17	2,656	3,029
Less: cash and cash equivalents	4	(2,913)	(795)
		<b>(257)</b>	<b>2,234</b>
<b>Total capital employed</b>		<b>9,087</b>	<b>12,205</b>

<sup>1</sup> Net debt excludes lease liabilities as at 30 June 2020.

The Group manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- maintaining a dividend investment plan;
- raising or returning capital; and
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions.

Wesfarmers regularly monitors its capital requirements using various benchmarks, with the main internal measures being cash interest cover, debt cover and fixed charges cover. The principal external measures are the Group's credit ratings from Standard & Poor's and Moody's.

	Consolidated <sup>1</sup>	
	2020	2019 <sup>2</sup>
	\$m	\$m
<b>Cash interest cover</b>		
Profit before income tax	2,374	6,643
Finance costs	370	175
Depreciation and amortisation	1,528	809
EBITDA (A)	4,272	7,627
Net cash interest paid (B)	120	143
<b>Cash interest cover (times) (A/B)</b>	<b>35.6</b>	<b>53.3</b>
Adjusted EBITDA <sup>3,4</sup> (C)	4,707	4,370
<b>Cash interest cover (times)(C/B) (applying adjusted EBITDA)</b>	<b>39.3</b>	<b>30.6</b>
<b>Debt cover</b>		
Total interest-bearing loans and borrowings	2,656	3,029
Total lease liabilities	7,242	-
Less: cash and cash equivalents	(2,913)	(795)
Net financial debt (D)	6,985	2,234
EBITDA (A)	4,272	7,627
<b>Debt cover (times) (D/A)</b>	<b>1.6</b>	<b>0.3</b>
Adjusted EBITDA <sup>3,4</sup> (C)	4,707	4,370
<b>Debt cover (times) (D/C) (applying adjusted EBITDA)</b>	<b>1.5</b>	<b>0.5</b>
<b>Fixed charges cover</b>		
EBITDA (A)	4,272	7,627
Minimum lease payments	-	1,707
EBITDA before minimum lease payments (E)	4,272	9,334
Finance costs (net of discount adjustment) and minimum lease payments (F)	367	1,875
<b>Fixed charges cover (times) (E/F)</b>	<b>11.6</b>	<b>5.0</b>
Adjusted EBITDA <sup>3,4</sup> (C)	4,707	4,370
Minimum lease payments	-	1,707
Adjusted EBITDA before minimum lease payments (G)	4,707	6,077
<b>Fixed charges cover (G/F) (applying adjusted EBITDA)</b>	<b>12.7</b>	<b>3.2</b>
<b>Group credit ratings</b>		
Standard & Poor's	<b>A-(stable)</b>	A-(stable)
Moody's	<b>A3(stable)</b>	A3(stable)

<sup>1</sup> The income statement metrics include both continuing and discontinued operations.

<sup>2</sup> The comparative period has not been restated for the adoption of AASB 16, as the Group has applied the Standard using the modified retrospective approach.

<sup>3</sup> The FY2020 adjusted EBITDA excludes impairments of the Target brand name and other assets of \$525 million and restructuring costs and provisions of \$110 million in the Kmart Group and an impairment to WIS of \$310 million, offset by a gain of \$290 million on the sale of 10.1 per cent of the interest in Coles and a gain of \$220 million on the revaluation of the retained 4.9 per cent interest in Coles.

<sup>4</sup> The FY2019 adjusted EBITDA excludes the \$2,319 million gain on demerger of Coles, the \$679 million gain on disposal of Bengalla, the \$267 million gain on disposal of KTAS, the \$138 million (US\$98 million) gain on disposal of Quadrant Energy and \$146 million provision for Coles supply chain automation.



# Notes to the financial statements: Capital

For the year ended 30 June 2020

## 14. Dividends and distributions

	Consolidated	
	2020 \$m	2019 \$m
<b>Declared and paid during the period (fully-franked at 30 per cent)</b>		
Interim dividend for 2020: \$0.75 (2019: \$1.00)	850	1,134
Final dividend for 2019: \$0.78 (2018: \$1.20)	884	1,361
Special dividend for 2019: \$1.00 <sup>1</sup>	-	1,134
Capital distribution and demerger dividend <sup>2</sup>	-	14,565
	<b>1,734</b>	<b>18,194</b>
<b>Proposed and unrecognised as a liability (fully-franked at 30 per cent)</b>		
Final dividend for 2020: \$0.77 (2019: \$0.78)	873	884
Special dividend for 2020: \$0.18 <sup>3</sup>	204	-
	<b>1,077</b>	<b>884</b>
<b>Franking credit balance</b>		
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	558	391
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 year	(462)	(379)

<sup>1</sup> A fully-franked special dividend of 100 cents per share was paid on 10 April 2019.

<sup>2</sup> The capital distribution and demerger dividend represents the fair value of the Coles distribution to shareholders.

<sup>3</sup> The fully-franked special dividend reflects the distribution of profits on the sale of the 10.1 per cent interest in Coles during FY2020.

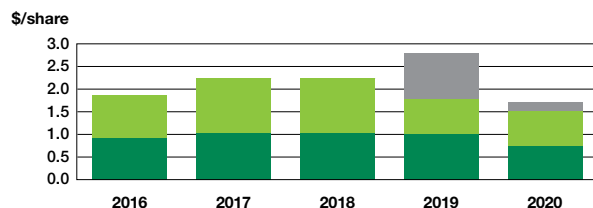
Wesfarmers' dividend policy considers availability of franking credits, current earnings and future cash flow requirements and targeted credit metrics.

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. 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.

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.

## Shareholder distributions

● Interim dividend ● Final dividend (FY20: proposed) ● Special dividend (FY20: proposed)



## 15. Equity and reserves

### The nature of the Group's contributed equity

Ordinary shares are fully-paid and have no par value. They carry one vote per share and the right to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

Reserved shares are ordinary shares that have been repurchased by the company and are being held for future use. They include employee reserved shares, which are shares issued to employees under the share loan plan. Once the share loan has been paid in full, they are converted to ordinary shares and issued to the employee.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. There are no shares authorised for issue that have not been issued at the reporting date.

Movement in shares on issue	Ordinary shares		Reserved shares	
	'000	\$m	'000	\$m
<b>At 1 July 2018</b>	1,133,840	22,277	(2,342)	(43)
Exercise of in-substance options	-	-	119	-
Acquisition of shares-on-market for WLTIP	-	-	(174)	(5)
Acquisition of shares on-market for KEEPP	-	-	(1,056)	(33)
KEEPP and WLTIP vested during the year	-	-	744	-
Demerger capital distribution <sup>1</sup>	-	(6,441)	-	-
Demerger transaction costs, net of tax	-	(41)	-	-
Transfer from other reserves	-	14	-	-
<b>At 30 June 2019 and 1 July 2019</b>	<b>1,133,840</b>	<b>15,809</b>	<b>(2,709)</b>	<b>(81)</b>
Exercise of in-substance options	-	-	105	-
Acquisition of shares-on-market for WLTIP	-	-	(17)	-
Acquisition of shares on-market for KEEPP	-	-	(185)	(8)
KEEPP vested during the year	-	-	271	-
Transfer from other reserves	-	9	-	-
<b>At 30 June 2020</b>	<b>1,133,840</b>	<b>15,818</b>	<b>(2,535)</b>	<b>(89)</b>

<sup>1</sup> The capital distribution is the allocation of the Coles demerger distribution to share capital and has been calculated by reference to the market value of Coles' shares and the market value of Wesfarmers' shares post demerger.

# Notes to the financial statements: Capital

For the year ended 30 June 2020

## 15. Equity and reserves (continued)

	2020 \$m	2019 \$m	Nature and purpose
Capital reserve	24	24	The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.
Cash flow hedge reserve	(60)	27	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 in an effective hedge relationship. The change in cash flow hedge reserve for the year ended 30 June 2020 includes the after-tax net decrease in the market value of cash flow hedges from 30 June 2019, and comprised \$68 million of foreign exchange rate contracts, \$7 million of interest rate swaps and \$12 million of commodity swaps.
Demerger reserve	(5,860)	(5,860)	The demerger reserve is used to recognise the gain on demerger of Coles and the demerger dividend.
Financial assets reserve	26	5	The financial assets reserve records fair value changes on financial assets measured at fair value through other comprehensive income.
Foreign currency translation reserve	53	57	The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
Leasing reserve	(518)	-	The leasing reserve is used to recognise the cumulative effect of adopting AASB 16 at the date of initial application.
Restructure tax reserve	150	150	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.
Share-based payments reserve	45	48	The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.
<b>Total reserves</b>	<b>(6,140)</b>	<b>(5,549)</b>	

## 16. Earnings per share

	Consolidated	
	2020	2019
Profit attributable to ordinary equity holders of the parent (\$m)	1,697	5,510
WANOS <sup>1</sup> used in the calculation of basic EPS (shares, million) <sup>2</sup>	1,131	1,131
WANOS <sup>1</sup> used in the calculation of diluted EPS (shares, million) <sup>2</sup>	1,132	1,132
- Basic EPS (cents per share)	150.0	487.2
- Diluted EPS (cents per share)	149.9	486.7

<sup>1</sup> Weighted average number of ordinary shares.

<sup>2</sup> The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to the dilutive effect of in-substance options and restricted shares.

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.

### Calculation of 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), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

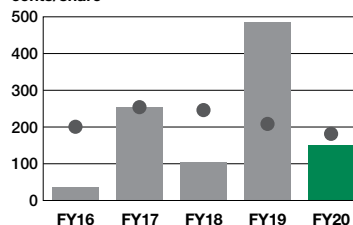
#### Diluted earnings per share

Diluted earnings per share is calculated as per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares. Dilution arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options and unvested restricted shares.

### Basic earnings per share

# 150.0 cents

cents/share



FY20 <sup>1</sup>	150.0
FY19 <sup>2</sup>	487.2
FY18 <sup>3</sup>	105.8
FY17	254.7
FY16 <sup>4</sup>	36.2

● Basic EPS adjusted for significant items

- FY2020 EPS of 150.0 cents per share includes significant items relating to non-cash impairments, write-offs and provisions for the Kmart Group, the non-cash impairment of WIS, the finalisation of tax positions on prior year disposals and the gain on sale of 10.1 per cent interest in Coles and subsequent revaluation of the retained interest. Excluding these items, basic EPS is 183.4 per share.
- FY2019 EPS of 487.2 cents per share includes significant items relating to the gains on disposal of Bengalla, KTAS and Quadrant Energy, the gain on demerger of Coles and the provision for Coles' supply chain automation. Excluding these items, basic EPS is 206.8 cents per share.
- FY2018 EPS of 105.8 cents per share includes significant items relating to non-cash impairments and write-offs and store closure provisions at BUKI, loss on disposal of BUKI and Target's non-cash impairment, offset by the gain on disposal of the Curragh Coal Mine. Excluding these items, basic EPS is 245.1 cents per share.
- FY2016 EPS of 36.2 cents per share includes significant items relating to the post-tax impairments of Target and the Curragh Coal Mine. Excluding these items, basic EPS is 200.4 cents per share.

# Notes to the financial statements: Capital

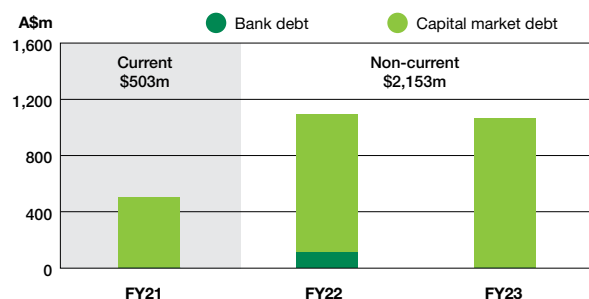
For the year ended 30 June 2020

## 17. Interest-bearing loans and borrowings

	Consolidated	
	2020 \$m	2019 \$m
<b>Current</b>		
Unsecured		
Bank debt	-	6
Capital market debt	503	350
	503	356
<b>Non-current</b>		
Unsecured		
Bank debt	111	142
Capital market debt	2,042	2,531
	2,153	2,673
<b>Total interest-bearing loans and borrowings</b>	<b>2,656</b>	<b>3,029</b>

The illustration below provides details, including the principal repayment obligations, of all loans and borrowings on issue at 30 June 2020.

### Outstanding loans and borrowings



The table below sets out the movements in net borrowings for the periods presented.

	Liabilities from financing activities		Assets held to hedge long-term borrowings	Total
	Borrowings due within one year	Borrowings due after one year		
	\$m	\$m	\$m	\$m
<b>Net debt as at 1 July 2018</b>	1,159	2,965	(353)	3,771
Cash flows	1,005	(171)	-	834
Transfers	184	(184)	-	-
Foreign exchange adjustments	-	65	(60)	5
Fair value changes, relating to hedged risk	-	2	(2)	-
Debt assumed by Coles on demerger	(2,000)	-	-	(2,000)
Other non-cash movements	8	(4)	31	35
<b>Net debt as at 30 June 2019 and 1 July 2019</b>	<b>356</b>	<b>2,673</b>	<b>(384)</b>	<b>2,645</b>
Cash flows	(356)	(25)	-	(381)
Transfers	508	(508)	-	-
Foreign exchange adjustments	-	13	(17)	(4)
Fair value changes, relating to hedged risk	(5)	-	4	(1)
Other non-cash movements	-	-	11	11
<b>Net debt as at 30 June 2020</b>	<b>503</b>	<b>2,153</b>	<b>(386)</b>	<b>2,270</b>

### Funding activities

The Group continues its strategy of maintaining diversity of funding sources, pre-funding upcoming maturities (if required) and maintaining a presence in key markets. In March 2020, \$350 million of domestic bonds matured and were repaid from available cash balances. No new bond issuances occurred during the year. In May 2020, \$1,950 million of new two-year bank facilities were established with existing relationship banks.

### Recognition and measurement

Capital market debt includes foreign and domestic corporate bonds. All loans and borrowings are initially recognised at fair value, 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.

The carrying values of 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.

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 18. Financial risk management

The Group holds financial instruments for the following purposes:

- *Financing:* to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The types of instruments used include bank loans, bank accepted bills, commercial paper, corporate bonds, cash and short-term deposits.
- *Operational:* the Group's activities generate financial instruments, including cash, trade receivables, trade payables and finance advances.
- *Risk management:* to reduce risks arising from the financial instruments described above, including forward exchange contracts and interest rate swaps.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group's holding of these financial instruments exposes it to risk. The Board reviews and agrees the Group's policies for managing each of these risks, which are summarised in the table below:

Risk	Nature	Management
<b>Liquidity risk (note 18(b))</b>		
	<p>Wesfarmers is exposed to liquidity risk primarily due to its capital management policies, which view debt as a key element of the Group's capital structure (see note 13). To facilitate effective use of debt as part of the capital structure, the Group continues to maintain investment grade credit ratings from Standard &amp; Poor's and Moody's. These policies expose the Group to risk including the sufficiency of available unused facilities and the maturity profile of existing financial instruments.</p>	<p>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 the degree of access to debt and equity capital markets. 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. The Group aims to spread maturities to avoid excessive refinancing in any period.</p>
<b>Market risk (note 18(c))</b>		
<i>Foreign currency risk</i>	<p>The Group's primary currency exposure is to the US dollar and arises from sales or purchases by a division in currencies other than the division's functional currency. The Group is also exposed to the Euro through its borrowing facilities.</p> <p>As a result of operations in New Zealand, the Group's balance sheet can also be affected by movements in the AUD/NZD exchange rate. The Group mitigates the effect of its translational currency exposure by borrowing in NZ dollars in New Zealand.</p>	<p>The objective of the Group's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons:</p> <ul style="list-style-type: none"><li>• protection of competitive position; and</li><li>• greater certainty of earnings due to protection from sudden currency movements.</li></ul> <p>The Group manages foreign currency risk centrally by hedging material foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified.</p> <p>The Group aims to hedge approximately 30 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 24 months forward. The Group also aims to hedge 100 per cent of capital expenditure-related foreign currency purchases, above divisional defined limits, to match expected payment dates and these may extend beyond 12 months. The current hedge contracts extend out to February 2022. The Group has also hedged 100 per cent of its Euro borrowing facilities.</p>
<i>Interest rate risk</i>	<p>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.</p>	<p>The policy of the Group is to limit its exposure to adverse fluctuations in interest rates, which could erode the Group's profitability and adversely affect shareholder value. Management reviews interest rate risk exposure on an ongoing basis (at least once each quarter) or whenever a major change in debt levels is anticipated. The review includes a reference to ongoing cash flow forecasts and considers future mergers, acquisitions, divestments, capital management and capital expenditure as appropriate. Recommendations in relation to interest rate hedging are provided to the Wesfarmers Chief Financial Officer for approval, as required.</p> <p>To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which it 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.</p> <p>Although Wesfarmers has issued Euro bonds, cross-currency swaps are in place that remove any exposure to Euro interest rates. These cross-currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.</p>

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 18. Financial risk management (continued)

Risk	Nature	Management
<i>Commodity price risk</i>	The Group's exposure to commodity price risk is purely operational and arises from the purchase of inventory with commodity price as a significant input, such as natural gas and Brent oil.	<p>To manage commodity price risk, the Group has entered into a Brent oil future contract to hedge the variability in cash flows arising from movements in the natural gas price applicable to forecast natural gas purchases over three years, ending in December 2020.</p> <p>The Group does not enter into any financial instruments that vary with movements in other commodity prices. 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, these exposures are not hedged.</p> <p>No commodity price sensitivity analysis is provided as a reasonable change in the Brent oil future would not have had a material impact to the Group this financial year and the Group's other commodity 'own use contracts' are outside the scope of AASB 9 <i>Financial Instruments</i>.</p>

### Credit risk (note 18(d))

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 financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades primarily with recognised, creditworthy third parties. 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.

#### Receivables

Credit risk management practices include reviews of trade receivables aging by days past due, the timely follow-up of past due amounts and the use of credit securities such as credit insurance, retention of title and letters of credit.

#### 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 who have investment grade credit ratings. Surplus funds are invested within credit limits assigned to each counterparty, unless appropriate approval is provided.

The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group.

### 18(a) Offsetting financial instruments

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The amounts set out in note 19 represent the derivative financial assets and liabilities of the Group, that are subject to the above arrangements, and are presented on a gross basis.

### 18(b) Liquidity risk

The Group endeavours to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets with highly rated counterparties. As at 30 June 2020, the Group has total undrawn financing facilities available of \$5,005 million (2019: \$3,000 million).

The table on the following page analyses the Group's financial liabilities, including net and gross settled financial instruments and lease liabilities, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and will not necessarily reconcile with the amounts disclosed in the balance sheet.

Expected future interest payments on loans and borrowings and derivative cash flows exclude accruals recognised in trade and other payables at the reporting date.

For foreign exchange derivatives, cross-currency interest rate swaps and hedged commodity 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 at the reporting date, and have been estimated using forward interest rates applicable at the reporting date.

## Notes to the financial statements: Risk

For the year ended 30 June 2020

### 18(b) Liquidity risk (continued)

	< 3 months, or on demand	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Consolidated	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Year ended 30 June 2020</b>									
Trade and other payables	3,768	234	6	-	-	-	-	4,008	4,008
Loans and borrowings before swaps	-	500	1,113	1,085	-	-	-	2,698	2,656
Expected future interest payments on loans and borrowings	3	9	43	30	-	-	-	85	-
Lease liabilities	308	901	1,128	1,061	989	899	2,932	8,218	7,242
Hedge interest rate swaps (net settled)	-	(3)	-	-	-	-	-	(3)	(3)
Hedged commodity swaps (net settled)	2	1	-	-	-	-	-	3	3
Cross-currency interest rate swaps (gross settled)	1	51	(104)	(329)	-	-	-	(381)	(383)
Hedge forward exchange contracts (gross settled)	10	29	1	-	-	-	-	40	41
<b>Total</b>	<b>4,092</b>	<b>1,722</b>	<b>2,187</b>	<b>1,847</b>	<b>989</b>	<b>899</b>	<b>2,932</b>	<b>14,668</b>	<b>13,564</b>
<b>Year ended 30 June 2019</b>									
Trade and other payables	3,343	277	-	-	-	-	-	3,620	3,620
Loans and borrowings before swaps	6	350	500	1,164	1,114	-	-	3,134	3,029
Expected future interest payments on loans and borrowings	8	28	54	46	31	-	-	167	-
Hedge interest rate swaps (net settled)	-	(4)	(3)	-	-	-	-	(7)	(7)
Hedged commodity swaps (net settled)	(3)	(7)	(4)	-	-	-	-	(14)	(14)
Cross-currency interest rate swaps (gross settled)	1	51	44	(125)	(359)	-	-	(388)	(377)
Hedge forward exchange contracts (gross settled)	(29)	(51)	(11)	-	-	-	-	(91)	(88)
<b>Total</b>	<b>3,326</b>	<b>644</b>	<b>580</b>	<b>1,085</b>	<b>786</b>	<b>-</b>	<b>-</b>	<b>6,421</b>	<b>6,163</b>

### 18(c) Market risk

#### Foreign exchange risk

The Group's exposure to the US dollar and Euro (prior to hedging contracts) at the reporting date were as follows:

Consolidated	2020		2019	
	USD A\$m	EUR A\$m	USD A\$m	EUR A\$m
<b>Financial assets</b>				
Cash and cash equivalents	6	-	18	3
Trade and other receivables	18	-	21	-
Cross-currency interest rate swap	-	383	-	377
Hedge foreign exchange derivative assets	-	-	88	-
Commodity derivative asset	-	-	14	-
<b>Financial liabilities</b>				
Trade and other payables	(995)	(36)	(1,029)	(33)
Interest-bearing loans and borrowings	-	(2,045)	-	(2,029)
Commodity derivative liability	(3)	-	-	-
Hedge foreign exchange derivative liabilities	(40)	(1)	-	-
<b>Net exposure</b>	<b>(1,014)</b>	<b>(1,699)</b>	<b>(888)</b>	<b>(1,682)</b>

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 18(c) Market risk (continued)

### Group's sensitivity to foreign exchange movements

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 exchange rates have been used in performing the sensitivity analysis:

Consolidated	2020		2019	
	USD	EUR	USD	EUR
Actual	0.69	0.61	0.70	0.62
+10% (2019: +10%)	0.76	0.67	0.77	0.68
-10% (2019: -10%)	0.62	0.55	0.63	0.56

The impact on profit and equity is estimated by applying the hypothetical changes in the US dollar and Euro exchange rate to the balance of financial instruments at the reporting date.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis and as such the NZ dollar has no material impact. 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 2020, had the Australian dollar moved against the US dollar and Euro, as illustrated in the previous table, 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 shown in the table below:

Consolidated	2020 A\$m	2019 A\$m
<b>AUD/USD +10% (2019: +10%)</b>		
- impact on profit	10	11
- impact on equity	(143)	(161)
<b>AUD/USD -10% (2019: -10%)</b>		
- impact on profit	3	2
- impact on equity	175	197
<b>AUD/EUR +10% (2019: +10%)</b>		
- impact on profit	3	2
- impact on equity	47	44
<b>AUD/EUR -10% (2019: -10%)</b>		
- impact on profit	(3)	(2)
- impact on equity	(57)	(53)

### Interest rate risk

As at the reporting date, the Group had financial assets and liabilities with exposure to interest rate risk as shown in the table below. 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. The classification between fixed and floating interest takes into account applicable hedge instruments.

Consolidated	2020 \$m	2019 \$m
<b>Financial assets</b>		
<i>Fixed rate</i>		
Finance advances and loans	3	3
<i>Floating rate</i>		
Cash assets	2,741	529
<b>Financial liabilities</b>		
<i>Fixed rate</i>		
Capital market debt	2,042	2,374
<i>Floating rate</i>		
Unsecured bank loans	111	148
Capital market debt	503	507

At 30 June 2020, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 28 per cent of the Group's core borrowings are exposed to movements in variable rates (2019: approximately 25 per cent).

### Group's sensitivity to interest rate movements

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.

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.

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 18(c) 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 by +/-50bps (basis points) (2019: +/- 50bps) and with all other variables held constant, profit after tax and equity would be affected as follows:

	2020 \$m	2019 \$m
<b>Consolidated</b>		
<b>+ 50bps (2019: +50bps)</b>		
- impact on profit	7	-
- impact on equity	10	16
<b>- 50bps (2019: -50bps)</b>		
- impact on profit	(7)	-
- impact on equity	(10)	(16)

## 18(d) Credit risk

The carrying amount of current receivables represents the Group's maximum credit exposure.

The Group applies the simplified approach in measuring expected credit losses (ECLs) for trade receivables and other short-term debtors, whereby an allowance for impairment is considered across all trade receivables and other short-term debtors, regardless of whether a credit event has occurred, based on the expected losses over the lifetime of the receivable. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the following provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic climate.

Trade receivables - days past due	Estimated total gross carrying amount at default (\$m)	Expected credit loss rate (%)	Lifetime expected credit loss (\$m)
<b>2020</b>			
Current	850	0.3	3
Under one month	133	1.6	2
One to two months	18	8.3	1
Two to three months	28	9.3	3
Over three months	28	52.9	14
<b>Total</b>	<b>1,057</b>		<b>23</b>
<b>2019</b>			
Current	784	0.3	2
Under one month	141	0.8	1
One to two months	40	3.8	2
Two to three months	22	5.0	1
Over three months	87	46.9	41
<b>Total</b>	<b>1,074</b>		<b>47</b>

The Group's exposure to bad debts is not significant and default rates have historically been very low. Trade receivables are written off when there is no reasonable expectation of recovery, which may be indicated by the debtor failing to engage in a payment plan or the debtor failing to make timely contractual payments.

## 18(e) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments carried at amortised cost recognised in the financial statements are materially the same with the exception of the following:

	2020 \$m	2019 \$m
<b>Consolidated</b>		
Capital market debt: carrying amount	2,545	2,881
Capital market debt: fair value	2,574	2,974

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 asset's liquid nature.

### Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

### Other financial assets/liabilities

The fair values of capital market debt held at fair value have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values other financial assets have been calculated using market interest rates. The fair value of listed investments, classified as financial assets held at FVOCI, have been calculated using quoted share prices.

### Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts, cross-currency interest rate swaps and the commodity future contract are all valued using forward pricing techniques. This includes the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Accordingly, these derivatives are classified as Level 2 in the fair value measurement hierarchy.

### Valuation of financial instruments

For all fair value measurements and disclosures, 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 Group's financial instruments were primarily valued using market observable inputs (Level 2), with the exception of financial assets measured at FVOCI (Level 1) and shares in unlisted companies at fair value (Level 3) that were valued at \$1 million (2019: \$1 million).

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 during the year. There were no Level 3 fair value movements during the year.



# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 19. Hedging

### Types of hedging instruments

The Group is exposed to risk from movements in foreign exchange, interest rates and commodity prices. As part of the risk management strategy set out in note 18, the Group holds the following types of derivative instruments:

**Forward exchange contracts:** contracts denominated in US dollar and Euro to hedge highly probable sale and purchase transactions (cash flow hedges).

**Interest rate swaps:** to optimise the Group's exposure to fixed and floating interest rates arising from borrowings. These hedges incorporate cash flow hedges, which fix future interest payments, and fair value hedges, which reduce the Group's exposure to changes in the value of its assets and liabilities arising from interest rate movements.

**Cross-currency interest rate swaps:** to either reduce the Group's exposure to exchange rate variability in its interest repayments of foreign currency denominated debt (cash flow hedges) or to hedge against movements in the fair value of those liabilities due to exchange and interest rate movements (fair value hedges). The borrowing margin on cross-currency interest rate swaps has been treated as a 'cost of hedging' and deferred into equity. These costs are then amortised to the profit and loss as a finance cost over the remaining life of the borrowing.

**Brent oil future contract:** to reduce the Group's exposure to price variability in its forecast purchase of natural gas (cash flow hedge).

	2020				2019			
	Notional \$m	Weighted average hedged rate	Asset \$m	Liability \$m	Notional \$m	Weighted average hedged rate	Asset \$m	Liability \$m
<b>Foreign exchange contracts</b>								
Cash flow hedge - sales (AUD)	US\$14	Asset: 0.65 Liability: Nil	1	-	US\$30	Asset: 0.70 Liability: 0.71	-	-
Cash flow hedge - purchases (AUD)	US\$2,044	Asset: 0.71 Liability: 0.66	37	(76)	US\$2,274	Asset: 0.74 Liability: 0.70	93	(7)
Cash flow hedge - purchases (NZD)	US\$146	Asset: 0.67 Liability: 0.62	3	(5)	US\$149	Asset: 0.69 Liability: 0.66	3	(1)
Cash flow hedge - purchases (AUD)	€ 8	Asset: 0.61 Liability: 0.57	-	(1)	€ 1	Asset: 0.87 Liability: 0.91	-	-
<b>Interest rate swap contracts</b>								
Fair value hedge	A\$300	BBSW + 0.82% floating	3	-	A\$300	BBSW + 0.82% floating	7	-
<b>Cross currency interest rate swaps</b>								
Cash flow hedge	€ 1,250	5.32% fixed	383	-	€ 1,250	5.32% fixed	377	-
<b>Brent Oil contracts</b>								
Cash flow hedge	0.257m barrels	AU\$70.34 per barrel	-	(3)	0.696m barrels	AU\$69.50 per barrel	14	-
<b>Total derivative asset/(liability)</b>			<b>427</b>	<b>(85)</b>			<b>494</b>	<b>(8)</b>

### Recognition and measurement

#### Recognition

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 per note 18(e). The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged. For hedging instruments, any hedge ineffectiveness is recognised directly in the income statement in the period in which it is incurred. This was immaterial in the current year.

#### Hedge accounting

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This 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 (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). Hedge accounting is only applied where there is an economic relationship between the hedged item and the hedging instrument and the hedge ratio of the hedging relationship is the same as that resulting from actual quantities of the hedged item and hedging instrument used.

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, liability or firm commitment that could affect profit or loss; or
- Cash flow hedges when they hedge a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Wesfarmers will discontinue hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship no longer qualifies for hedge accounting, which includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. For these purposes, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 19. Hedging (continued)

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows:

### Fair value hedges

The Group uses fair value hedges to mitigate the risk of changes in the fair value of foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period. Where these fair value hedges qualify for hedge accounting, gains or losses from remeasuring the fair value of the hedging instrument are recognised within finance costs in the income statement, together with gains or losses in relation to the hedged item where those gains or losses relate to the risk intended to be hedged. The net amount recognised in the income statement in this financial year was less than \$1 million (2019: \$1 million).

The maturity profile of the fair value hedges is shown in note 18(b).

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of 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 accumulated amount of fair value adjustments which are included in the carrying amount of interest bearing loans and borrowings in the balance sheet is as follows:

	2020		2019	
	Foreign bonds \$m	Domestic bonds \$m	Foreign bonds \$m	Domestic bonds \$m
Face value at inception	1,630	500	1,630	850
Change arising from revaluation to spot rates at 30 June	415	-	399	-
	<b>2,045</b>	<b>500</b>	2,029	850
Balance of unamortised discount/premium	(3)	-	(5)	(1)
Amortised cost	2,042	500	2,024	849
Accumulated amount of fair value hedge adjustment attributable to hedged risk	-	3	-	8
<b>Carrying amount</b>	<b>2,042</b>	<b>503</b>	2,024	857

There was no material ineffectiveness relating to financial instruments in designated fair value hedge relationships during the year (2019: nil).

### Cash flow hedges

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuations over the hedging period associated with our foreign currency borrowings and ongoing business activities, predominantly where we have highly probable purchase or settlement commitments in foreign currencies. The Group also uses cash flow hedges to hedge variability in cash flows due to interest rate or natural gas price movements associated with some of our domestic borrowings or forecast natural gas purchases respectively.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The maturity profile of these hedges is shown in note 18(b) with the recognition of the gain or loss expected to be consistent with this profile.

	2020				2019			
	Trade \$m	Foreign bonds \$m	Foreign debt \$m	Commodity hedge \$m	Trade \$m	Foreign bonds \$m	Foreign debt \$m	Commodity hedge \$m
Change in the fair value of the hedged item	(129)	5	-	(17)	(32)	28	-	(14)

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. 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.

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.

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 20. Impairment of non-financial assets

### Testing for impairment

The Group tests property, plant and equipment, goodwill and intangibles and right-of-use assets for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

Annual impairment testing of intangibles and goodwill is performed at 31 March each year to coincide with the timing of the annual corporate plan and business forecast process.

The carrying values of mineral rights and capitalised exploration and evaluation assets are reviewed at each reporting date for indicators of impairment in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6), and, when indicators are identified, tested for impairment in accordance with AASB 136 *Impairment of Assets*.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash generating unit (CGU) to which it belongs. Mineral rights or exploration and evaluation assets are allocated to the CGU to which the exploration activity relates.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal (FVL COD) and value in use (VIU).

### Impairment calculations

In assessing VIU, 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 or CGU. In determining FVL COD, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

### Inputs to impairment calculations

For VIU calculations, cash flow projections are based on Wesfarmers' corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually with a five-year outlook and, for these calculations, are adjusted to exclude the costs and benefits of expansion capital and on the understanding that actual outcomes may differ from the assumptions used.

In determining FVL COD, the valuation model incorporates the cash flows projected over the balance of the current corporate plan period. These projections are discounted using a risk-adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows.

For both the VIU and FVL COD models, cash flows beyond the five-year corporate plan period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

The potential impacts of COVID-19 have been considered in the Group's impairment testing through downside scenario analysis.

Discount rates used in both calculations are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent estimates for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

### Recognised impairment

#### Industrial and Safety

In the second half of FY2020, the deterioration in economic conditions resulted in lower customer demand, and, along with uncertainty as to future economic conditions in a COVID-19 affected environment, impacted the forecast profitability of the Industrial and Safety division, requiring an impairment of goodwill and other assets.

Impairment of \$40 million (\$28 million post-tax) was recognised on other assets where the recoverable amount of the assets was determined to be nil. In addition, the Industrial and Safety CGU was tested for impairment and as the carrying value exceeded its recoverable amount, impairment of \$270 million was recognised against goodwill.

The methodology and key assumptions applied in assessing the recoverable amount of the Industrial and Safety CGU are outlined on the following page.

#### Kmart Group - Target business

During the year, the first phase of the strategic review into the operations of Target was completed, identifying a number of actions to accelerate the growth of Kmart and address the unsustainable financial performance of Target. These actions included the conversion of suitable Target stores to Kmart stores, the closure of a number of Target stores and a restructuring of the Target store support office.

In conjunction with the restructuring, and as a result of the under-performance of Target stores, the Target trading store CGUs, including associated distribution centre and support office assets, were tested for impairment, resulting in total pre-tax impairments to store plant and equipment of \$133 million and lease right-of-use assets of \$161 million. As the remaining significant asset associated with Target is the Target brand name, the value of which is supported by the cash flows of the underlying stores, an impairment test was also conducted to determine the recoverable amount of the brand name, resulting in a pre-tax impairment of \$231 million.

The impairment recognised on Target assets as described above totalled \$525 million (\$437 million post-tax). The key assumptions for assessing the recoverable amounts of the Target assets are outlined on the following page.

### Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or have decreased, the asset is tested. If there has been a change to the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value 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 and the depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. Impairments recognised against goodwill are not reversed.

There were no material reversals of impairment during the 2020 financial year.

# Notes to the financial statements: Risk

For the year ended 30 June 2020

## 20. Impairment of non-financial assets (continued)

### Key estimates: impairment of non-financial assets

#### Industrial and Safety CGU

The key assumptions used for assessing the recoverable amount of the Industrial and Safety CGU are set out below. The recoverable value has been determined using the FVLCOB methodology.

Earnings growth over the forecast period is supported by a transformation program, which is currently underway, to invest in a new enterprise wide resource planning system and data and digital systems to realise productivity improvements, improve customer experience, enhance supply chain efficiency, build merchandising capability and sales force effectiveness designed to increase market share.

The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved, while the growth rates beyond FY2025 are based on market estimates of the long-term average industry growth rate.

	Industrial and Safety	
	2020	2019
Discount rate (post-tax)	11.1%	9.0%
Growth rate beyond corporate plan (nominal)	2.5%	3.0%
Headroom as a percentage of the CGU's net carrying value	-	4.4%
Terminal value as a percentage of the CGU's recoverable value	86.4%	83.8%

As the Industrial and Safety CGU's carrying value has been impaired to its recoverable amount at 30 June 2020, any adverse movements in key assumptions may lead to further impairment. The forecast improvement in the CGU's financial performance is expected to occur in the medium term given the lead time in application of the transformation program.

The recoverable value of Industrial and Safety is sensitive to changes in its discount rate and its forecast terminal cash flow that drives terminal value. A 60 basis point increase in its discount rate or a ten per cent reduction in its forecast terminal cash flow would result in an approximate \$100 million additional impairment to the carrying value of the Industrial and Safety CGU.

#### Kmart Group CGU - Target business (including brand, store and other assets)

##### Trading store CGUs

The recoverable amounts for each of the trading store CGUs were determined using VIU calculations, based on forecast cash flows for those stores over their respective remaining lives, incorporating the planned outcomes of the committed restructuring plan. Each trading store CGU primarily comprised store plant and equipment and right-of-use assets. A post-tax discount rate of 12.0 per cent was adopted in the impairment calculation. Distribution centre and support office assets associated with the stores were also tested for impairment. A majority of store CGUs were impaired to their recoverable amounts at 30 June 2020 and an impairment loss of \$294 million was recognised. Any adverse movements in key assumptions may lead to further impairment.

##### Target brand

As part of the impairment of the Target business, the recoverable amount of the Target brand was assessed on a FVLCOB basis, using the relief from royalty methodology. The key assumptions applied in the valuation are set out below.

	Target brand
	2020
Discount rate (post-tax)	12.0%
Royalty rate	0.7%
Terminal growth rate (nominal)	2.5%

The other key assumption applied in the brand valuation are forecast revenues, which are consistent with the assumptions applied in the store impairment testing but include online sales. As the Target brand's carrying value has been impaired to its recoverable amount of \$62 million at 30 June 2020, any adverse movements in key assumptions may lead to further impairment.

#### Australian Light Minerals (ALM)

In accordance with AASB 6, the Group has assessed the mineral rights asset (Mt Holland lithium project), held by ALM for indicators of impairment. Given the relative decline in short-term lithium hydroxide prices, the life-of-mine valuation model prepared at acquisition was updated to assess the potential impact of the decline in pricing on the project at 30 June 2020. Based on the sensitivities performed, management does not consider the decline in pricing to be an indicator of impairment. The Group intends to continue to enhance the project economics, with the aim of reaching a final investment decision in the first quarter of the calendar year 2021. The recoverability of the carrying amount is dependent on the successful development and commercial exploitation, or alternatively, sale of the area of interest.

#### Other CGUs

The Group has assessed the recoverable amounts of other CGUs with goodwill and other indefinite life intangible assets using VIU calculations and considered potential downside scenarios in respect of the impact of COVID-19. Discount rates applied in the impairment testing for the Bunnings, Kmart Group and Officeworks CGUs ranged from 9.3 per cent to 10.6 per cent. Terminal growth rates ranging from 2.0 per cent to 2.6 per cent were also applied. Based on current economic conditions and CGU performances, other than as noted above, no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs would result in a material impairment to the Group.

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 21. Associates and joint arrangements

	Consolidated	
	2020 \$m	2019 \$m
Investment in associates	625	3,337
Interest in joint ventures	85	56
	<b>710</b>	<b>3,393</b>
<b>Movement in investment in associates</b>		
Net carrying amount at the beginning of the year	3,337	705
Share of net profit from operations of associates	193	232
Dividends	(157)	(68)
Capital returns	(50)	-
Movement in reserves	-	3
Associates disposed of during the year	(1,819)	(106)
Value of retained interest in Coles at date of demerger	-	2,571
Associate derecognised during the year	(879)	-
<b>Net carrying amount at the end of the year</b>	<b>625</b>	<b>3,337</b>
<b>Total comprehensive income from associates and joint ventures</b>		
Share of net profit from associates	193	227
Other comprehensive loss of associates	-	(1)
Share of profits from joint ventures	20	2
Other comprehensive income of joint ventures	(1)	-
<b>Total comprehensive income for the year</b>	<b>212</b>	<b>228</b>

### Recognition and measurement

#### Investment in associates

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries or joint arrangements, are accounted for using the equity method. Under this method, the investment in associate is carried in the balance sheet at cost plus any post-acquisition changes in the Group's share of the net assets of the associate.

Goodwill relating to associates 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 investment. The income statement reflects the Group's share of the results of the operations of the associate.

Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this in the statement of comprehensive income.

Where the reporting dates of the associates and the Group vary, management accounts of the associate for the period to the Group's balance date are used for equity accounting. The accounting policies of associates are consistent with those used by the Group for like transactions and events in similar circumstances.

Investment properties owned by associates 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.

#### BWP Trust

The Group has a 24.8 per cent interest in BWP Trust. The Group's interest in BWP Trust is accounted for using the equity method in the consolidated financial statements. The fair value of the Group's interest, by reference to the closing share price of BWP Trust on 30 June 2020, was \$610 million (Level 1 in the fair value hierarchy). The following table summarises the financial information of the Group's investment in BWP Trust.

	2020 \$m	2019 \$m
<b>Summarised balance sheet</b>		
Current assets	68	50
Non-current assets	2,419	2,265
Current liabilities	78	92
Non-current liabilities	506	416
<b>Net assets</b>	<b>1,903</b>	<b>1,807</b>
<b>Group's share of BWP Trust's net assets</b>	<b>472</b>	<b>448</b>
<b>Summarised income statement</b>		
Revenue	156	156
Expenses	(39)	(40)
Unrealised gains in fair value	94	53
<b>Profit attributable to the unit holders of BWP Trust</b>	<b>211</b>	<b>169</b>
<b>Group's share of profit for the period</b>	<b>52</b>	<b>42</b>

#### Coles Group Limited

The Group has a retained interest of 4.9 per cent (2019: 15 per cent) in Coles following the sale of 4.9 per cent of its interest on 18 February 2020, and a further 5.2 per cent on 30 March 2020 for total proceeds of \$2,109 million, net of transaction costs. The pre-tax gain on sale is \$510 million (\$357 million post-tax), which includes a pre-tax revaluation gain of \$220 million (\$154 million post-tax) upon cessation of equity accounting and the recognition of a financial asset measured at fair value. Prior to the sale of the 10.1 per cent interest in Coles, the Group's share of profit for the period 1 July 2019 to 30 March 2020 was \$111 million and the Group received dividends from Coles of \$111 million.

Following the demerger of Coles in November 2018, the Group's 15 per cent retained interest in Coles was accounted for using the equity method in the consolidated financial statements as the Group had determined that it had significant influence due to its voting power, representation on the Coles board, its influence on the dividend policy and the existence of an ongoing relationship formalised through a relationship deed. As a result of the sale of 10.1 per cent of the Group's interest in Coles, the Group no longer has significant influence and therefore the investment no longer meets the criteria to be accounted for as an associate. The retained interest in Coles is accounted for as a financial asset measured at FVOCI and is presented within other financial assets on the balance sheet.

#### Interests in joint arrangements

The Group recognises its share of the assets, liabilities, expenses and income from the use and output of its joint operations. The Group's investments in its joint ventures is accounted for using the equity method.

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 21. Associates and joint arrangements (continued)

### Key judgement: control and significant influence

The Group has a number of management agreements with associates and joint arrangements it considers when determining whether it has control, joint control or significant influence. The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds to appoint or remove key management and the decision-making rights and scope of powers specified in the contract.

Where the Group has the unilateral power to direct the relevant activities of an investee, the Group then assesses whether the power it holds is for its own benefit (acting as principal) or for the benefit of others (acting as agent). This determination is based on a number of factors including an assessment of the magnitude and variability of the Group's exposure to variable returns associated with its involvement with the investee. In an agency capacity, the Group is considered to be acting on behalf of other parties and therefore does not control the investee when it exercises its decision-making powers.

### Interests in associates and joint arrangements

			Country of incorporation	Ownership	
				2020	2019
Associates	Principal activity	Reporting date		%	%
BWP Trust	Property investment	30 June	Australia	24.8	24.8
Coles Group Limited	Food and staples retailing	30 June	Australia	(a)	15.0
Gresham Partners Group Limited	Investment banking	30 September	Australia	50.0	50.0
Gresham Private Equity Funds <sup>1</sup>	Private equity fund	30 June	Australia	-	(b)
Queensland Nitrates Management Pty Ltd	Chemical manufacture	30 June	Australia	50.0	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	30 June	Australia	50.0	50.0
Wespine Industries Pty Ltd	Pine sawmillers	30 June	Australia	50.0	50.0
<b>Joint operations</b>					
Sodium Cyanide	Sodium cyanide manufacture	30 June	Australia	75.0	75.0
Mt Holland Lithium	Lithium development	31 December	Australia	50.0	-
<b>Joint ventures</b>					
BPI NO 1 Pty Ltd	Property management	30 June	Australia	(c)	(c)
Covalent Lithium Pty Ltd	Management company	31 December	Australia	50.0	-
Loyalty Pacific Pty Ltd <sup>2</sup>	Loyalty programs	28 June	Australia	50.0	50.0

<sup>1</sup> Gresham Private Equity Fund No. 2 was wound up on 15 November 2019.

<sup>2</sup> A wholly-owned subsidiary, Wesfarmers Loyalty Management Pty Ltd, has a 50.0 per cent interest in Loyalty Pacific Pty Ltd (flybuys).

- (a) As at 30 June 2020, a wholly-owned subsidiary, Wesfarmers' Retail Holdings Pty Ltd, has a 4.9 per cent (2019: 15.0 per cent) interest in Coles Group Limited. The investment no longer meets the criteria to be accounted for as an associate. The retained interest in Coles is accounted for as a financial asset measured at FVOCI.
- (b) Gresham Private Equity Funds: While the Group's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 amounted to greater than 50.0 per cent, it was not a controlled entity as the Group did not have the practical ability to direct its relevant activities. Such control required a unitholders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds.
- (c) BPI NO 1 Pty Ltd: While the Group owns the only equity share in BPI NO 1 Pty Ltd, the Group's effective interest approximates 50.0 per cent and joint control is effected through contractual arrangements with the joint venture partner.

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 22. Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

Entity	2020 %	2019 %	Entity	2020 %	2019 %
A.C.N. 003 921 873 Pty Limited	100	100	Campbells Hardware & Timber Pty Limited	100	100
A.C.N. 004 191 646 Pty Ltd	100	100	Casey Exploration Pty Ltd	@	100
A.C.N. 007 870 484 Pty Ltd	100	100	Catch Essentials Pty Ltd	@	100
A.C.N. 008 734 567 Pty Ltd	100	100	Catch Group Holdings Limited	@ +	100
A.C.N. 061 462 593 Pty Ltd	100	100	Catch Group Share Holdings Pty Ltd	@	100
A.C.N. 092 194 904 Pty Ltd	100	100	Catch.com.au Pty Ltd	@ +	100
A.C.N. 112 719 918 Pty Ltd	100	100	CGNZ Finance Limited	■	100
AEC Environmental Pty Ltd	100	100	Chemical Holdings Kwinana Pty Ltd	+	100
ANKO Global Holdings Pty Ltd	+ 100	100	CMNZ Investments Pty Ltd		100
ANKO Retail Incorporated	➤ 100	100	ConsortiumCo Pty Ltd		100
Australian Gold Reagents Pty Ltd	75	75	Coo-ee Investments Pty Limited		100
Australian Graphics Pty Ltd	100	100	Coregas NZ Limited	■	100
Australian International Insurance Limited	+ 100	100	Coregas Pty Ltd	+	100
Australian Light Minerals Pty Ltd (formerly Kidman Resources Limited)	@ 100	-	Crowl Creek Exploration Pty Ltd	@	100
Australian Underwriting Holdings Limited	+ 100	100	CSBP Ammonia Terminal Pty Ltd		100
Australian Underwriting Services Pty Ltd	100	100	CSBP Limited	+	100
Australian Vinyls Corporation Pty Ltd	+ 100	100	CTE Pty Ltd		100
AVC Holdings Pty Ltd	+ 100	100	Cuming Smith and Company Limited	+	100
AVC Trading Pty Ltd	+ 100	100	Dairy Properties Pty Ltd		100
BBC Hardware Limited	+ 100	100	Dowd Corporation Pty Ltd		100
BBC Hardware Properties (NSW) Pty Ltd	100	100	Eastfarmers Pty Ltd		100
BBC Hardware Properties (Vic) Pty Ltd	100	100	ECC Pty Ltd		100
Blacksmith Jacks Pty Ltd	100	100	ENV.Australia Pty Ltd		100
Blackwoods 4PL Pty Ltd	100	100	Environmental and Licensing Professionals Pty Ltd		100
Blackwoods Training Pty Ltd	100	100	FIF Investments Pty Limited		100
Blackwoods Xpress Pty Ltd	100	100	Forrestania Lithium Pty Ltd	@	100
BPI Management Pty Ltd	100	100	Fosseys (Australia) Pty Ltd	+	100
BrandsExclusive (Australia) Pty Ltd	@ 100	-	Geeks2U Holdings Pty Limited		100
BUKI (Australia) Pty Ltd	+ 100	100	Geeks2U International Pty Limited		100
Bullivants International Pty Ltd	100	100	Geeks2U IP Pty Limited		100
Bullivants Pty Limited	+ 100	100	Geeks2U NZ Limited	■	100
Bunnings (NZ) Limited	■ 100	100	Geeks2U Pty Limited		100
Bunnings Group Limited	+ 100	100	Geeks2U UK Limited	~ ▲	-
Bunnings Joondalup Pty Ltd	100	100	GPML Pty Ltd		100
Bunnings Limited	# ■ 100	100	Greencap Holdings Limited		100
Bunnings Management Services Pty Ltd	+ 100	100	Greencap Pty Ltd		100
Bunnings Manufacturing Pty Ltd	100	100	HouseWorks Co Pty Ltd		100
Bunnings Properties Pty Ltd	+ 100	100	Howard Smith Limited	+	100
Bunnings Technologies India Private Limited	@ ● 100	-	Incorporatewear Limited	# ▲	100
BWP Management Limited	< 100	100	Incorporatewear, Unipessoal LDA	< ✦	100
C S Holdings Pty Limited	+ 100	100	J Blackwood & Son Pty Ltd	+	100
			James Patrick & Co Pty Ltd (in liquidation)		100
			KAS Direct Sourcing Private Limited	# ●	100
			KAS Global Trading Pty Limited	◆	100

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 22. Subsidiaries (continued)

Entity	2020 %	2019 %	Entity	2020 %	2019 %	
KAS International Sourcing Bangladesh Pvt Ltd	▶	100	100	Scones Jam n Cream Pty Ltd	100	100
KAS International Trading (Shanghai) Company Limited	▶	100	100	Sellers (SA) Pty Ltd	100	100
KAS Pty Limited	◆	100	100	Share Nominees Limited	100	100
KAS Services India Private Limited	●	100	100	Sotico Pty Ltd	100	100
Kidman Barrow Creek Pty Ltd	@	100	-	Target Australia Pty Ltd	+	100
Kidman Gold Pty Ltd	@	100	-	Target Australia Sourcing (Shanghai) Co Ltd	# ▶	100
Kidman Mining Pty Ltd	@	100	-	Target Australia Sourcing Limited	# ◆	100
Kleenheat Pty Ltd		100	100	Target Holdings Pty Ltd	+	100
Kmart Australia Limited	+	100	100	TheActive Pty Ltd	@	100
Kmart Group Asia Pty Ltd		100	100	The Builders Warehouse Group Pty Limited		100
Kmart Holdings Pty Ltd	+	100	100	The Franked Income Fund		100
Kmart NZ Holdings Limited	■	100	100	The Westralian Farmers Limited	+	100
Kwinana Nitrogen Company Proprietary Limited		100	100	The Workwear Group HK Limited	# ◆	100
Lawvale Pty Ltd		100	100	The Workwear Group Holding Pty Ltd	+	100
Liftco Pty Limited	+	100	100	The Workwear Group Pty Ltd	+	100
Loggia Pty Ltd	+	100	100	Tincorp Holdings Pty Ltd	@	100
Manacol Pty Limited	+	100	100	Trimevac Pty Ltd		100
MC2 Pacific Pty Ltd		100	100	Tyremaster (Wholesale) Pty Ltd		100
Meredith Distribution (NSW) Pty Ltd		100	100	Ucone Pty Ltd	+	100
Meredith Distribution Pty Ltd		100	100	Validus Group Pty Ltd		100
MH Gold Pty Limited	@	100	-	Valley Investments Pty Ltd	+	100
Millars (WA) Pty Ltd		100	100	Viking Direct Pty Limited		100
Modwood Technologies Pty Ltd		100	100	W4K.World 4 Kids Pty Ltd		100
Montague Resources Australia Pty Ltd	@	100	-	Wesfarmers Agribusiness Limited	+	100
Mumgo Pty Ltd	@	100	-	Wesfarmers Bengalla Management Pty Ltd		100
Neat N' Trim Uniforms Pty Ltd		100	100	Wesfarmers Bengalla Pty Ltd (formerly Wesfarmers Bengalla Limited)	+	100
NZ Finance Holdings Pty Limited	■	100	100	Wesfarmers Bunnings Limited	+	100
Officeworks Businessdirect Pty Ltd		100	100	Wesfarmers Chemical US Holdings Corp	➤	100
Officeworks Holdings Pty Ltd	+	100	100	Wesfarmers Chemicals, Energy & Fertilisers Limited	+	100
Officeworks Ltd	+	100	100	Wesfarmers Coal Resources Pty Ltd	+	100
Officeworks NZ Limited	■	100	100	Wesfarmers Department Stores Holdings Pty Ltd	+	100
Officeworks Property Pty Ltd		100	100	Wesfarmers Emerging Ventures Pty Ltd		100
Pailou Pty Ltd	+	100	100	Wesfarmers Energy (Gas Sales) Limited	+	100
Patrick Operations Pty Ltd		100	100	Wesfarmers Energy (Industrial Gas) Pty Ltd		100
Petersen Bros Pty Ltd		100	100	Wesfarmers Fertilizers Pty Ltd	+	100
Premier Power Sales Pty Ltd		100	100	Wesfarmers Gas Limited	+	100
Protector Alsafe Pty Ltd		100	100	Wesfarmers Holdings Pty Ltd		100
Protex Healthcare (Aus) Pty Ltd		100	100	Wesfarmers Industrial & Safety Holdings NZ Limited	# ■	100
PT Blackwoods Indonesia	○	100	100	Wesfarmers Industrial & Safety NZ Limited	■	100
R & N Palmer Pty Ltd		100	100			
Rapid Evacuation Training Services Pty Ltd		100	100			
Relationship Services Pty Limited		100	100			
Retail Australia Consortium Pty Ltd		100	100			
Retail Investments Pty Ltd		100	100			
SBS Rural IAMA Pty Limited		100	100			



# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 22. Subsidiaries (continued)

Entity		2020 %	2019 %
Wesfarmers Industrial and Safety Pty Ltd	+	100	100
Wesfarmers Insurance Investments Pty Ltd	+	100	100
Wesfarmers International Holdings Pty Ltd		100	100
Wesfarmers Investments Pty Ltd		100	100
Wesfarmers Kleenheat Gas Pty Ltd	+	100	100
Wesfarmers Lithium Pty Ltd		100	100
Wesfarmers LNG Pty Ltd	+	100	100
Wesfarmers Loyalty Management Pty Ltd	+	100	100
Wesfarmers LPG Pty Ltd	+	100	100
Wesfarmers New Energy Holdings Pty Ltd		100	100
Wesfarmers Oil & Gas Pty Ltd		100	100
Wesfarmers Online Retail Holdings Pty Ltd	+	100	100
Wesfarmers Provident Fund Pty Ltd		100	100
Wesfarmers Resources Pty Ltd (formerly Wesfarmers Resources Limited)	+	100	100
Wesfarmers Retail Holdings Pty Ltd	+	100	100
Wesfarmers Retail Pty Ltd	+	100	100
Wesfarmers Risk Management (Singapore) Pte Ltd	⌘	100	100
Wesfarmers Risk Management Limited	# ◀	100	100
Wesfarmers Securities Management Pty Ltd		100	100
Wesfarmers Superannuation Pty Ltd		100	100
Wesfarmers Transport Limited	+	100	100
Weskem Pty Ltd		100	100
Westralian Farmers Superphosphates Limited	+	100	100
WEV Capital Investments Pty Ltd		100	100
WFCL Investments Pty Ltd		100	100
WIS International Pty Ltd		100	100
WIS Solutions Pty Ltd		100	100
WIS Supply Chain Management (Shanghai) Co Ltd	▶	100	100
WPEQ Pty Ltd (formerly Wesfarmers Private Equity Pty Ltd)		100	100
WPP Holdings Pty Ltd		100	100
WW E-Services Australia Pty Limited	@	100	-
WWG Middle East Apparel Trading LLC	▼	49	49
XCC (Retail) Pty Ltd		100	100
Yakka Pty Limited		100	100

Entity acquired/incorporated during the year	@
Entity dissolved/deregistered 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	+
All subsidiaries are incorporated in Australia unless identified by one of the following symbols:	
Bangladesh	▶
Bermuda	◀
China	▶
Hong Kong	♦
India	•
Indonesia	○
New Zealand	■
Portugal	◇
Singapore	⌘
United Arab Emirates	▼
United Kingdom	▲
United States of America	▾

All entities utilise the functional currency of the country of incorporation with the exception of Wesfarmers Risk Management Limited, which utilises the Australian dollar and KAS International Trading (Shanghai) Company Limited, PT Blackwoods Indonesia and Wesfarmers Oil & Gas Pty Ltd, which utilise the US dollar.

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 23. Acquisitions

### Business Combination - Acquisition of Catch Group Holdings Limited

On 12 August 2019, Wesfarmers, through its wholly owned subsidiary Wesfarmers Online Retail Holdings Pty Ltd, completed the acquisition of Catch Group for consideration of \$230 million.

Catch Group is an established, profitable and cash-generative business that operates an online business model offering branded products on a first-party basis and a third-party online marketplace. The acquisition of the Catch Group is expected to accelerate the digital and e-commerce capabilities of the Kmart Group.

Details of the fair values of identifiable assets and liabilities as at the date of acquisition are:

Catch Group	Fair value recognised on acquisition \$m
<i>Assets</i>	
Cash	5
Receivables - trade and other	2
Inventories	44
Property, plant and equipment	26
Right-of-use assets	26
Intangible assets	52
Other	15
<i>Liabilities</i>	
Trade and other payables	30
Lease liabilities	32
Provisions	7
Deferred tax liabilities	4
Other	10
<b>Fair value of identifiable net assets</b>	<b>87</b>
Goodwill arising on acquisition	140
<b>Purchase consideration transferred</b>	<b>227</b>
<i>Cash outflow on acquisition:</i>	
Net cash acquired	(5)
Cash paid	227
<b>Net cash outflow on acquisition</b>	<b>222</b>

From the date of acquisition, the contribution to the Group's revenue from the Catch Group was \$364 million.

Had the acquisition of Catch occurred at the beginning of the financial year and had the same fair values detailed above applied, neither the profit or revenue of the Group would have been materially different from that reported.

### Acquisition of Kidman Resources Limited

On 23 September 2019, Wesfarmers, through its wholly owned subsidiary Wesfarmers Lithium Pty Ltd, completed the acquisition of all the issued ordinary shares in Kidman. The cash payment of \$1.90 per share to Kidman shareholders was funded from existing banking facilities.

Upon completion of the transaction, Wesfarmers holds a 50 per cent interest in the Mt Holland lithium project based in Western Australia.

The acquisition has been accounted for as an asset acquisition as the transaction did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations*.

Details of the carrying values of identifiable assets and liabilities as at the date of acquisition are:

Kidman	Purchase price allocation \$m
<i>Assets</i>	
Cash	33
Mineral rights	790
Deferred tax assets	2
Other	1
<i>Liabilities</i>	
Trade payables	50
<b>Carrying value of identifiable net assets</b>	<b>776</b>

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 24. Parent disclosures

	Parent	
	2020 \$m	2019 \$m
<b>Assets</b>		
Current assets	11,194	10,659
Non-current assets	6,113	6,088
<b>Total assets</b>	<b>17,307</b>	<b>16,747</b>
<b>Liabilities</b>		
Current liabilities	1,235	974
Non-current liabilities	2,187	2,640
Total liabilities	3,422	3,614
<b>Net assets</b>	<b>13,885</b>	<b>13,133</b>
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Issued capital	15,724	15,724
Employee reserved shares	2	2
Retained earnings	1,460	723
Dividends reserve	292	292
Restructure tax reserve	150	150
Hedging reserve	(23)	(41)
Share-based payments reserve	44	47
Demerger reserve	(3,764)	(3,764)
<b>Total equity</b>	<b>13,885</b>	<b>13,133</b>
Profit attributable to members of the parent	2,471	7,251
Total comprehensive income for the year, net of tax, attributable to members of the parent	2,464	7,229
<b>Contingencies</b>		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	157	196

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.

### Dividends reserve

The dividends reserve was created by the parent entity for the purposes of segregating profits from which dividends to shareholders can be paid.

### Guarantees

Wesfarmers Limited and certain Australian controlled entities are parties to a Deed of Cross Guarantee (the Deed).

### Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

### Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

## 25. Deed of Cross Guarantee

The subsidiaries identified with a '+' in note 22 are parties to a Deed of Cross Guarantee under which each party has guaranteed to pay any deficiency in the event of the winding up of any of the members in the Closed Group. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785.

These subsidiaries 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 consolidated income statement and retained earnings of the entities that are members of the Closed Group is as follows:

	Deed	
	2020 \$m	2019 \$m
<b>Consolidated income statement and retained earnings</b>		
Profit from continuing operations before income tax	2,542	2,981
Profit from discontinued operations before income tax	-	5,270
Income tax expense	(671)	(833)
<b>Net profit for the year</b>	<b>1,871</b>	<b>7,418</b>
Retained earnings at beginning of year	(304)	172
Remeasurement gain on defined benefit plan, net of tax	-	(1)
Adjustment for companies transferred into/out of the Closed Group	(481)	(101)
Transfer of gain on demerger	-	(4,164)
Total available for appropriation	1,086	3,324
Dividends provided for or paid	(1,734)	(3,628)
<b>Retained earnings at end of year</b>	<b>(648)</b>	<b>(304)</b>

	Deed	
	2020 \$m	2019 \$m
<b>Consolidated statement of comprehensive income</b>		
Profit for the year	1,871	7,418
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	-	(2)
Changes in the fair value of cash flow hedges, net of tax	(87)	(49)
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of financial assets designated at FVOCI, net of tax	16	-
Remeasurement loss on defined benefit plan	-	(1)
Other comprehensive loss for the year, net of tax	(71)	(52)
<b>Total comprehensive income for the year, net of tax, arising from:</b>		
Continuing operations	1,800	2,202
Discontinued operations	-	5,164
	<b>1,800</b>	<b>7,366</b>

# Notes to the financial statements: Group information

For the year ended 30 June 2020

## 25. Deed of Cross Guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

	Deed	
	2020	2019
	\$m	\$m
<b>Consolidated balance sheet</b>		
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	2,707	621
Receivables - trade and other	909	842
Receivables - related parties	956	-
Inventories	3,443	3,870
Derivatives	41	101
Other	206	146
<b>Total current assets</b>	<b>8,262</b>	<b>5,580</b>
<i>Non-current assets</i>		
Receivables	-	134
Investment in controlled entities	3,093	3,570
Investment in associates and joint ventures	239	2,899
Other financial assets	1,123	-
Deferred tax assets	727	310
Property, plant and equipment	3,313	3,619
Goodwill and intangible assets	3,739	3,972
Right-of-use assets	5,844	-
Derivatives	386	393
Other	2	7
<b>Total non-current assets</b>	<b>18,466</b>	<b>14,904</b>
<b>Total assets</b>	<b>26,728</b>	<b>20,484</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Trade and other payables	3,590	3,222
Interest-bearing loans and borrowings	503	350
Lease liabilities	920	-
Income tax payable	384	205
Provisions	997	814
Derivatives	81	7
Other	158	140
<b>Total current liabilities</b>	<b>6,633</b>	<b>4,738</b>
<i>Non-current liabilities</i>		
Payables	973	1,041
Interest-bearing loans and borrowings	2,033	2,523
Lease liabilities	5,932	-
Provisions	328	370
Derivatives	4	1
Other	81	89
<b>Total non-current liabilities</b>	<b>9,351</b>	<b>4,024</b>
<b>Total liabilities</b>	<b>15,984</b>	<b>8,762</b>
<b>Net assets</b>	<b>10,744</b>	<b>11,722</b>
<b>Equity</b>		
Issued capital	15,809	15,809
Reserved shares	(89)	(81)
Retained earnings	(648)	(304)
Reserves	(4,328)	(3,702)
<b>Total equity</b>	<b>10,744</b>	<b>11,722</b>

## 26. Related party transactions

	Consolidated	
	2020	2019
	\$'000	\$'000
<b>Transactions with related parties</b>		
<i>Associates</i>		
Lease rent paid	140,982	147,094
Operating lease rent received	(13,255)	(15,411)
Financial advisory fees paid	9	14,569
Management fees received	(14,364)	(13,457)
Sales of goods and services	(36,546)	(33,870)
Purchases of goods and services	2,889	2,512
<i>Joint arrangements</i>		
Lease rent paid	25,202	26,226
Payments for loyalty program	24,507	16,337
Receipts from loyalty program redemption	(33,439)	(26,022)
Sales of goods and services	(1,402)	(1,274)
Purchases of goods and services	503	-
<b>Outstanding balances with related parties</b>		
<i>Associates</i>		
Amounts receivable from associates	10,528	23,625
Amounts owing to associates	(195)	(5,845)
<i>Joint arrangements</i>		
Amounts receivable from joint ventures	7,123	6,013
Amounts owing to joint ventures	(169,425)	(164,964)

The Group entered into transactions with related parties during the year as follows:

- Rent for retail stores and warehouses has been paid by the Group to an associated entity, BWP Trust, and to a joint arrangement, BPI No. 1 Pty Ltd. Rent has been received from an associate for the sublease of rental space.
- Management fees have been received from an associated entity, BWP Trust, on normal commercial terms and conditions for staff and other services provided to associates.
- Amounts have been paid to and received from Loyalty Pacific Pty Ltd for the operation of the flybuys loyalty program.
- Partly-owned subsidiaries of an associate of the Group, Gresham Partners Group Limited, have provided office accommodation and advisory services to Wesfarmers and were paid fees of \$9,159 in 2020 (2019: \$14,568,706).
- Other related party transactions include sales and purchases to associates and joint arrangements on normal commercial terms and conditions.

Coles Group Limited was a related party for the period in which it was an associate, 1 July 2019 to 30 March 2020.

# Notes to the financial statements: Other

For the year ended 30 June 2020

## 27. Commitments and contingencies

	Consolidated	
	2020	2019
	\$m	\$m
<b>Operating lease commitments</b>		
<i>Group as lessor</i>		
Within one year	21	25
Greater than one year but not more than five years	55	61
More than five years	23	32
	99	118
<b>Capital commitments<sup>1</sup></b>		
Within one year	270	278
Commitments arising from agreements to invest in Gresham Private Equity Funds	-	2
	270	280
<b>Other expenditure commitments<sup>1</sup></b>		
Within one year	85	112
Greater than one year but not more than five years	93	181
More than five years	75	161
	253	454
<b>Contingencies<sup>1</sup></b>		
Trading guarantees	157	196

<sup>1</sup> Commitments arising for capital expenditure and other expenditure contracted for at balance date and contingent liabilities at balance date are not included in this financial report.

### Guarantees

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.

### 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 effect on the Group's financial performance.

## 28. Events after the reporting period

### Dividends

A fully-franked final dividend of 77 cents per share resulting in a dividend payment of \$873 million and a fully-franked special dividend of 18 cents per share resulting in a payment of \$204 million were determined for a payment date of 1 October 2020. The special dividend reflects the distribution of profits on the sale of the 10.1 per cent interest in Coles during FY2020. These dividends have not been provided for in the 30 June 2020 full-year financial statements.

## 29. Auditors' remuneration

	Consolidated	
	2020	2019
	\$'000	\$'000
<b>Fees to Ernst &amp; Young (Australia)</b>		
Fees for the audit and review of the financial reports of the Group and any controlled entities	4,005	4,433
Fees for other assurance and agreed-upon-procedures services	588	2,731
Fees for other services		
- tax compliance	465	917
- other	-	115
	5,058	8,196
<b>Fees to other overseas network firms of Ernst &amp; Young (Australia)</b>		
Fees for the audit and review of the financial reports of the Group and any controlled entities	473	311
Fees for other assurance and agreed-upon-procedures services	215	129
Fees for other services		
- tax compliance	140	182
	828	622
<b>Total auditor's remuneration</b>	<b>5,886</b>	<b>8,818</b>

Other assurance and agreed-upon-procedures services and other services represent 23.9 per cent (2019: 25.7 per cent, excluding services provided to the Group in relation to the Coles demerger) of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2020.

Auditors' remuneration includes amounts reimbursed to the auditors for incidental costs incurred in completing their services. The remuneration for the comparative period has been restated to include these incidental costs.

# Notes to the financial statements: Other

For the year ended 30 June 2020

## 30. Other accounting policies

### (a) New and amended accounting standards and interpretations adopted from 1 July 2019

All new and amended Australian Accounting Standards and Interpretations mandatory to the Group as at 1 July 2019 have been adopted and include:

#### AASB 16 Leases

Prior to the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either finance leases or operating leases under AASB 117. Operating lease payments were recognised as an expense in the income statement on a straight-line basis over the lease term. Fixed rate increases to lease payments, excluding contingent or index based rental increases, were recognised on a straight-line basis over the lease term. An asset or liability was recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight-line basis. Contingent rental payments that arose as a result of either turnover-based rentals or movements in relevant indices were recognised in the income statement as they were incurred.

AASB 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Wesfarmers, as a lessee under AASB 16, has recognised a right-of-use asset representing its right to use the underlying leased assets and a lease liability representing its obligations to make lease payments. The Group has separately recognised the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has remeasured the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group recognises the amount of any remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from the accounting under AASB 117. The Group, as a lessor, is not materially impacted by the adoption of AASB 16.

#### Impact on adoption of AASB 16

Wesfarmers has applied AASB 16 from 1 July 2019, using the modified retrospective transition method whereby there is an option on a lease-by-lease basis to calculate the right-of-use asset as either:

- its carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

Under this method, there is no requirement to restate comparatives.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group elected, on a lease-by-lease basis, to apply a number of practical expedients on transition including:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term exemption to leases with a lease term that ends within 12 months of 1 July 2019;
- the utilisation of previous assessments of onerous leases; and
- the use of hindsight in determining the lease term.

Wesfarmers has elected not to apply the practical expedient to combine lease and non-lease components for its property leases. As such, the calculated lease liability excludes an estimate of the gross lease payments allocated to non-lease components.

The effect of adopting AASB 16 as at 1 July 2019 is as follows:

	\$m
Right-of-use assets	6,352
Deferred tax asset	222
Lease liabilities	(7,275)
Provisions	183
Leasing reserve	518

The following is a reconciliation of the Group's operating lease commitments under AASB 117 at 30 June 2019 to the lease liability recognised at 1 July 2019 on transition to AASB 16.

	\$m
Operating lease commitments at 30 June 2019	8,541
Less: short-term leases	(87)
Less: non-lease components	(647)
Add: impact of reasonably certain lease extensions	361
Add: base rent escalations previously considered contingent	150
Add: other	104
Less: impact of discounting <sup>1</sup>	(1,147)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>7,275</b>

<sup>1</sup> The weighted average incremental borrowing rate at the date of initial application was 3.4 per cent.

### Other new and amended accounting standards and interpretations

The following other amendments and interpretations apply for the first time from 1 July 2019 but do not have a material impact on the Group:

- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*; and
- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*.

The Group has early adopted AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions* which would have been effective for the Group from 1 July 2020. The impact of the early application of this amendment is not material.

# Notes to the financial statements: Other

For the year ended 30 June 2020

## 30. Other accounting policies (continued)

### (b) New and amended standards and interpretations issued but not yet effective

The following new and amended accounting standards and interpretations issued but not yet effective are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report. The effects of these standards and interpretations are not expected to be material.

Reference	Description
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. This Standard makes amendments to the definition of 'material' to reference the effect of obscuring information to be similar to omitting or misstating information and states that an entity assesses materiality in the context of the financial statements as a whole.
<i>Conceptual Framework for Financial Reporting</i>	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. The revised Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance, in particular, the definitions of an asset and a liability and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
AASB 2019-1 <i>Amendments to Australian Accounting Standards - References to the Conceptual Framework</i>	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. The Standard makes amendments to a number of Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the <i>Conceptual Framework for Financial Reporting (Conceptual Framework)</i> .
AASB 2018-6 <i>Amendments to Australian Accounting Standards - Definition of a Business</i>	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. This Standard amends the definition of a business in AASB 3 <i>Business Combinations</i> .
AASB 2019-3 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform</i>	The application of this amendment is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. These amendments to AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 9 and AASB 139 <i>Financial Instruments: Recognition and Measurement</i> were issued in response to the effects of Interbank Offered Rates reform on financial reporting. They provide mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative "nearly risk-free" benchmark.
AASB 2019-5 <i>Amendments to Australian Accounting Standards - Disclosures of the Effect of New IFRS Standards Not Yet Issued in Australia</i>	The application of this amendment is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. This Standard amends AASB 1054 <i>Australian Additional Disclosures</i> by adding a requirement for entities complying with IFRS Standards to disclose the potential effect of an IFRS Standard that has not yet been issued by the AASB so that an entity complying with Australian Accounting Standards can assert compliance with IFRS standards.
AASB 2014-10 <i>Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The application of this amendment is effective from 1 January 2022, and will be adopted by the Group on 1 July 2022. The amendments require a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) and partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</i>	The application of this amendment is effective from 1 January 2022, and will be adopted by the Group on 1 July 2022. This amendment to AASB 101 <i>Presentation of Financial Statements</i> clarifies the requirements for classifying liabilities as current or non-current.
AASB 2020-3 <i>Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments</i>	The application of this amendment is effective from 1 January 2022, and will be adopted by the Group on 1 July 2022. This standard makes amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> , AASB 3, AASB 9, AASB 116 <i>Property, Plant and Equipment</i> , AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and AASB 141 <i>Agriculture</i> .

### (c) 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 sharing agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a stand-alone basis. 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. The possibility of such a default is considered remote at the date of this report.

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.

# Notes to the financial statements: Other

For the year ended 30 June 2020

## 31. Share-based payments

The Group provides benefits to employees (including the executive director) of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares. The expense arising from these transactions is shown in note 2. The total number of ordinary Wesfarmers shares acquired on market during the financial year to satisfy employee incentive schemes was 2,009,216 (2019: 3,572,448) at an average price of \$41.79 (2019: \$32.27) per share.

### Recognition and measurement

Share-based payments can either be equity-settled or cash-settled. If the employee is provided a choice of settlement options then the scheme is considered to be cash-settled.

### Equity-settled transactions

The cost of equity-settled transactions with employees is measured using their fair value at the date at which they are granted. In determining the fair value, only performance conditions linked to the price of the shares of Wesfarmers Limited (market conditions) are taken into account.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions (excluding market conditions) are met, ending on the date on which the 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 proportion of the awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a non-market performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market performance condition not being met.

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 above.

### Equity-settled awards outstanding

Weighted average share price in 2020 was \$39.62 (2019: \$39.16). The following table includes shares subject to trading restrictions.

	KEEPP (shares)	WESAP (shares)	WLTIP (shares) (rights)		WESP (options)
Outstanding at the beginning of the year	1,500,504	7,464,746	199,092	668,680	205,799
Granted during the year	416,076	2,155,558	68,645	-	-
Exercised during the year	-	(2,574,791)	(96,226)	(483,188)	(16,795)
Lapsed during the year	-	(269,876)	-	(60,954)	-
Other adjustments	-	(18,137)	58,018	-	-
Outstanding at the end of the year	1,916,580	6,757,500	229,529	124,538	189,004
Exercisable at the end of the year	-	4,927,904	234,424	-	964,778

### Cash-settled transactions

The ultimate expense recognised in relation to cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

### Additional information on award schemes

#### Key Executive Equity Performance Plan (KEEPP)

KEEPP was introduced in September 2016, and was the only variable remuneration plan the current executive key management personnel (KMP) were invited to participate in during the 2020 financial year.

Under the 2019 KEEPP, eligible executives were invited to receive performance shares and deferred shares in the company.

#### Performance shares - 2019 KEEPP

For the Group Managing Director (Group MD) and the Group Chief Financial Officer (Group CFO), the performance hurdles are Wesfarmers' total shareholder return (TSR) relative to the TSR of the ASX 100 (60 per cent weighting), portfolio management and investment outcomes (20 per cent weighting) and other strategic objectives (20 per cent weighting). For the divisional managing directors, the performance hurdles are cumulative EBIT and return on capital (ROC) performance against the divisional corporate plan (50 per cent weighting) and Wesfarmers' TSR relative to the TSR of the ASX 100 (50 per cent weighting).

The fair value of the performance shares with a TSR hurdle is determined using an option pricing model with the following inputs:

	Group MD	Group CFO and Divisional MDs
Grant date	14 Nov 2019	25 Oct 2019
Grant date share price (\$)	41.16	41.05
Volatility (%)	17.79	17.98
Risk-free rate (%)	0.77	0.74
Fair value (\$)	28.28	27.91



# Notes to the financial statements: Other

For the year ended 30 June 2020

## 31. Share-based payments (continued)

### Key Executive Equity Performance Plan (KEEPP) (continued)

#### Deferred shares - 2019 KEEPP

Eligible executives also received a deferred shares award under the KEEPP. If an executive resigns or is terminated for cause within a year, the Board may decide to cancel that share allocation. The fair value of the award at grant date is expensed over the one-year forfeiture period. The grant date share price is the fair value of both the deferred shares and the performance shares with EBIT and ROC hurdles, portfolio management and investment outcomes hurdles, or other strategic objectives hurdles.

### 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 Group achieving a net profit after tax performance hurdle. 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. The average fair value of the equity instruments granted was \$39.86 (2019 average: \$39.91) and was determined with reference to the share price on the date of grant.

### Wesfarmers Employee Share Acquisition Plan (WESAP) - Executives

In November 2016, WESAP was introduced to eligible executives. Under this offer, eligible executives are invited to receive an award of Wesfarmers' fully-paid ordinary shares subject to a three-year restriction.

If an executive resigns or is terminated for cause within three years, the Board may decide to cancel that share allocation. The average fair value of the equity instruments granted was \$41.87 (2019 average: \$32.46) and was determined with reference to the share price on the date of grant.

### Wesfarmers Long Term Incentive Plan (WLTIP)

#### Long-term incentive

Under the WLTIP, eligible executives were invited to receive performance rights in the company, subject to testing at the end of the applicable four-year performance period. Prior to the demerger of Coles, the last issue under these terms was made in November 2016. WLTIP performance rights did not carry a right to participate in the demerger and participants did not receive Coles shares in respect of them. Additional performance rights were granted to eligible executives in December 2018, following the demerger of Coles from the Group, to preserve the overall value of the award and ensure they were not unfairly disadvantaged by the demerger.

#### Annual incentive

In August 2019, eligible executives received a restricted (mandatory deferred) share award under the WLTIP. If an executive resigns or is terminated for cause within one year of the share allocation, the Board may decide to cancel that share allocation. The fair value of the award at grant date is expensed over the forfeiture period.

## 31. Share-based payments (continued)

### Wesfarmers Employee Share Plan (WESP)

The last issue under the WESP was made in December 2004. Under the plan, employees were invited to apply for ordinary shares in the company, funded by an interest-free loan from the Group. The employees' 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.

The plan is accounted for as an in-substance equity-settled award, with the contractual life of each option equivalent to the estimated loan life and no maximum term.

## 32. Tax transparency disclosures

A reconciliation of Wesfarmers' accounting profit to its tax expense and material temporary and non-temporary differences are disclosed in note 3.

A reconciliation of accounting profit to income tax paid or payable and the effective company tax rates for Australian and global operations of the Group are tabled below.

	Consolidated	
	2020	2019
	\$'000	\$'000
<b>Continuing operations</b>		
<b>Tax paid or payable reconciliation</b>		
Accounting profit	2,374	2,799
Income tax at the statutory rate of 30%	712	840
Non-deductible items	156	12
Temporary differences: deferred tax	193	(39)
Associates and other	(49)	(3)
Utilisation of previously recognised tax losses	(80)	-
<b>Current year tax paid or payable</b>	<b>932</b>	<b>810</b>
<b>Effective tax rate</b>		
Effective tax rate for Australian operations	30.7%	30.2%
Effective tax rate for global operations	31.7%	30.7%

## 2020 Full-year results

20 August 2020

### Financial highlights

Year ended 30 June (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>a</sup>
<b>Results from continuing operations excluding significant items<sup>b</sup></b>				
Revenue	30,846	30,846	27,920	10.5
Earnings before interest and tax (after interest on lease liabilities)	2,942	2,964	2,974	(0.3)
Net profit after tax	2,083	2,099	1,940	8.2
Basic earnings per share (cps)	184.2	185.6	171.5	8.2
<b>Results including discontinued operations and significant items<sup>b</sup></b>				
Net profit after tax	1,697	1,713	5,510	<i>n.m.</i>
Basic earnings per share (cps)	150.0	151.5	487.2	<i>n.m.</i>
Full-year ordinary dividend (fully-franked, cps)	152	152	178	(14.6)
Special dividend – Coles sell-down <sup>c</sup> (fully-franked, cps)	18	18	100	<i>n.m.</i>

n.m. = not meaningful

<sup>a</sup> Variance calculated on pre AASB 16 results.

<sup>b</sup> Further detail on significant items and discontinued operations is set out on page 20.

<sup>c</sup> The 2020 special dividend relates to the distribution of the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles.

Wesfarmers Limited has reported a statutory net profit after tax (NPAT) of \$1,697 million for the full-year ended 30 June 2020, on a post AASB 16 basis<sup>1</sup>. NPAT from continuing operations, excluding significant items, increased 8.2 per cent to \$2,099 million. The Group's result included significant items and discontinued operations of \$386 million (\$435 million pre-tax) primarily relating to restructuring actions in Kmart Group, non-cash impairments in Target, and Industrial and Safety, partially offset by gains on sale and revaluation of the Group's investment in Coles Group (Coles). Statutory NPAT of \$5,510 million in the prior year included \$3,570 million relating to gains on the demerger of Coles and divestments of other businesses, as well as earnings from these discontinued businesses.

Wesfarmers Managing Director Rob Scott said that it was pleasing to have reported a solid trading performance while supporting customers, team members and the community through a year that was significantly disrupted by COVID-19 and the Australian bushfires. The Group's businesses continue to prioritise providing a safe workplace for team members, and pleasingly the Group's total recordable injury frequency rate (TRIFR) decreased 23.0 per cent to 10.4 during the year. To support the health response to COVID-19, Wesfarmers also provided two weeks of additional leave for team members that were required to self-isolate or care for others.

"COVID-19 and the bushfires last summer had a significant impact on our customers, team members and the communities in which we operate during the 2020 financial year," Mr Scott said. "The Group's result is a testament to the dedication of team members and leaders across all businesses who have been highly effective in responding to the changing needs of customers and supporting their local communities. I thank them all for their contribution during a very challenging year.

<sup>1</sup> All other commentary in this report is focused on results excluding the impact from the adoption of AASB 16 Leases (AASB 16) in order to facilitate comparison to the prior period.

## 2020 Full-year results

“Bunnings, Kmart, Officeworks and Catch delivered strong sales growth for the year,” Mr Scott said. “Earnings in Bunnings and Officeworks were particularly strong and demonstrated the ability of these businesses to rapidly adapt to the changing needs of their customers. Earnings across all businesses reflected accelerated investment in digital capabilities and additional costs associated with operating in a COVID-19 environment.

“The result in Chemicals, Energy and Fertilisers (WesCEF) reflected a continued solid performance, while the performance of Industrial and Safety was below expectations and included a \$310 million pre-tax impairment as a result of the deterioration in the outlook for customer demand in some segments and uncertainty around future economic conditions.

“The Group’s retail businesses delivered total online sales growth of 60 per cent during the year, excluding Catch,” Mr Scott said. “Total online sales across the Group, including the Catch marketplace, increased to \$2.1 billion. This reflects the significant investment in digital capabilities over recent years, as well as the continued change in customer preferences towards online shopping.”

During the year, the Group outlined plans to accelerate the growth of Kmart and address the unsustainable financial performance of Target. The Kmart Group result includes pre-tax significant items of \$635 million, relating to the conversion of Target stores to Kmart stores and associated actions to simplify the Target business.

“Good progress has been made on executing the actions announced in May 2020,” Mr Scott said. “While accounting standards require us to recognise an impairment of assets within Target to implement the restructuring and store conversions, these actions will allow us to enhance the overall value of the Kmart Group and further strengthen Kmart.

“In response to the high level of uncertainty associated with COVID-19, the Group took actions to maintain significant balance sheet flexibility, with net cash of \$471 million at the end of the year reflecting disciplined capital allocation, a strong operating cash flow result, as well as proceeds from the partial sale of the Group’s interest in Coles. The Group maintains committed bank debt facilities of \$5.3 billion, providing significant funding capacity.”

The directors have determined to pay a fully-franked final ordinary dividend of 77 cents per share, in line with the prior year and consistent with Wesfarmers’ policy of distributing franking credits to shareholders. The directors also determined to pay a fully-franked special dividend of 18 cents per share, reflecting the distribution of after-tax profits on the sale of the Group’s 10.1 per cent interest in Coles during the period and bringing the total full-year dividend to 170 cents per share.

## Impact of COVID-19

During the year, COVID-19 had a significant impact on the Group's operations and financial results. The most important changes to operations were the implementation of additional measures in each division to protect the health and safety of team members and customers, while supporting government efforts to limit the spread of the virus. The Group also provided paid pandemic leave to permanent and casual team members. These important measures resulted in additional operating costs in each of the divisions, particularly the Group's retail businesses.

In the second half of the year, the Group's retail businesses experienced significant volatility in sales due to changes in foot traffic as a result of government restrictions and physical distancing requirements. In addition, customers spending more time working, learning and relaxing at home led to very strong demand in some product categories, particularly in Bunnings and Officeworks. Government stimulus measures designed to provide income support to households and businesses also had a positive impact on the Group's retail sales.

While this demand resulted in stronger sales in Bunnings and Officeworks, the significant volatility in customer demand and uncertainty around future conditions, as well as some supply chain interruptions, temporarily impacted stock availability in some areas, particularly in Kmart. These changes in customer demand patterns also resulted in favourable but temporary working capital movements across the Group's retail businesses at year end.

COVID-19 also resulted in a shift in customer preferences with increased digital engagement and shopping online. The Group's focus on developing its digital capabilities in recent years supported rapid growth in online sales, and investment in this area was accelerated during the year.

Wesfarmers did not receive material government support payments and is not currently part of the federal government's JobKeeper program. One small entity was eligible for JobKeeper but this application has been withdrawn. The Group received approximately \$40 million in wage subsidies outside of Australia, almost entirely in New Zealand, where the Government mandated temporary store closures and trading restrictions. These payments were passed on to team members and represented less than one per cent of total team member payments made during the year.

On 7 August 2020, Wesfarmers advised its permanent team members affected by the current Stage 4 restrictions in Victoria that they will remain employed and paid fully for the duration of the current six-week lockdown, in the event that the Group's businesses do not have meaningful work for them. Corresponding commitments were also made to casual team members, who regularly work 12 hours per week or more, in line with their regular rosters.

In response to the high level of uncertainty associated with COVID-19, the Group took actions to maintain balance sheet flexibility. These included the sale of a 10.1 per cent interest in Coles for pre-tax proceeds of \$2,109 million and the extension of committed bank debt facilities by \$1.95 billion to \$5.3 billion.

Further detail on the operational impact of COVID-19 is outlined in the divisional results commentary.

## Group results summary

Year ended 30 June (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>a</sup>
<b>Key financials</b>				
<b>Results from continuing operations<sup>b</sup></b>				
EBIT	2,744	2,530	2,974	(14.9)
EBIT (after interest on lease liabilities)	2,507	2,529	2,974	(15.0)
EBIT (after interest on lease liabilities) (excluding significant items) <sup>c</sup>	2,942	2,964	2,974	(0.3)
NPAT	1,622	1,638	1,940	(15.6)
NPAT (excluding significant items) <sup>c</sup>	2,083	2,099	1,940	8.2
Basic earnings per share (excluding significant items) <sup>c</sup> (cps)	184.2	185.6	171.5	8.2
<b>Results including discontinued operations<sup>b</sup></b>				
NPAT from discontinued operations <sup>b</sup>	75	75	3,570	n.m.
NPAT	1,697	1,713	5,510	n.m.
NPAT (excluding significant items) <sup>c</sup>	2,075	2,091	2,339	(10.6)
Return on equity (excluding significant items) <sup>c</sup> (R12, %)	22.1	21.1	19.2	1.9 ppt
<b>Cash flow and dividends including discontinued operations<sup>b</sup></b>				
Operating cash flow	4,546	3,597	2,718	32.3
Operating cash flow (after lease cash flows)	3,597	3,597	2,718	32.3
Net capital expenditure	568	568	827	(31.3)
Acquisitions <sup>d</sup>	988	988	17	n.m.
Free cash flow	5,188	4,239	2,963	43.1
Free cash flow (after lease cash flows)	4,239	4,239	2,963	43.1
Cash realisation ratio (excluding significant items) <sup>c,e</sup> (%)	126	135	86	49 ppt
Full-year ordinary dividend (fully-franked, cps)	152	152	178	(14.6)
Special dividend – Coles sell-down <sup>f</sup> (fully-franked, cps)	18	18	100	n.m.
<b>Balance sheet and gearing</b>				
Net financial debt / (cash) <sup>g</sup>	(471)	(471)	2,116	n.m.

n.m. = not meaningful

<sup>a</sup> Variance calculated on pre AASB 16 results.<sup>b</sup> Further detail on discontinued operations is set out on page 20.<sup>c</sup> Further detail on significant items is set out on page 20.<sup>d</sup> Net of cash acquired.<sup>e</sup> Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.<sup>f</sup> The 2020 special dividend relates to the distribution of the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles.<sup>g</sup> Interest bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

Note: The Group adopted AASB 16 *Leases* (AASB 16) from 1 July 2019. Comparative periods have not been restated, as the Group has applied the standard using the 'modified retrospective approach'. To facilitate a comparison to the prior corresponding period, pre AASB 16 financial information, a non-IFRS measure, has been presented in these results and is the focus of performance commentary.

## Divisional earnings summary

Year ended 30 June (\$m)	2020	2020	2019	Variance % <sup>a</sup>
	Post AASB 16	Pre AASB 16	Reported	
<b>Earnings before tax (EBT) excluding significant items<sup>b</sup></b>				
Bunnings	1,826	1,852	1,626	13.9
Kmart Group – continuing operations <sup>c</sup>	410	413	540	(23.5)
Officeworks	197	190	167	13.8
WesCEF – continuing operations <sup>d</sup>	394	393	433	(9.2)
Industrial and Safety <sup>e</sup>	39	40	86	(53.5)
<b>Divisional EBT (excluding significant items)<sup>b</sup></b>	<b>2,866</b>	<b>2,888</b>	<b>2,852</b>	<b>1.3</b>

<sup>a</sup> Variance calculated on pre AASB 16 results.

<sup>b</sup> Further detail on significant items is set out on page 20.

<sup>c</sup> 2020 includes \$9 million of payroll remediation costs relating to Target.

<sup>d</sup> 2020 and 2019 include \$18 million and \$30 million of insurance proceeds respectively, relating to the five-month ammonia plant production disruption that commenced in February 2018. 2019 includes a \$19 million provision for removal of redundant equipment.

<sup>e</sup> 2020 includes \$15 million of payroll remediation costs.

### Presentation of divisional earnings performance under AASB 16

Wesfarmers has applied AASB 16 from 1 July 2019, using the 'modified retrospective approach', which does not require historical periods to be restated. Broadly, the adoption of AASB 16 results in a reduction of occupancy expenses which is offset by an increase in depreciation on the right-of-use asset, and an increase in interest on lease liabilities. In order to present divisional earnings performance on a comparable basis, divisional earnings is reported on an earnings before tax (EBT) basis. Divisional EBT does not include any allocation of other finance costs, which are recognised at the Group level.

Catch has reported under AASB 16 since the time of acquisition and is presented on a post AASB 16 basis for all 2020 financial year results.

## Divisional performance overview

### Bunnings

Revenue for Bunnings increased 13.9 per cent to \$14,999 million for the year, with earnings increasing 13.9 per cent to \$1,852 million. Excluding the net contribution from property, earnings increased 17.8 per cent on the prior year.

"The strong sales and earnings growth achieved in Bunnings demonstrated the resilience of its operating model and ability to adapt to the changing needs of customers during the year," Mr Scott said. "Growth in consumer sales was particularly strong as customers spent more time working and undertaking projects at home during the period."

"Bunnings continued to execute its strategic agenda and accelerated the development of its digital offer during the period. The rollout of Click and Deliver was completed, and the New Zealand e-commerce platform was launched ahead of schedule."

### Kmart Group

Kmart Group's revenue increased 7.2 per cent to \$9,217 million for the year. Earnings before significant items and payroll remediation costs decreased to \$422 million, 21.9 per cent below the prior year. Including significant items and payroll remediation costs, Kmart Group recorded a loss of \$222 million.

"Kmart recorded solid earnings for the year despite volatile retail conditions, cost inflation due to the new enterprise agreement, higher shrinkage and unfavourable foreign exchange movements," Mr Scott said.

"While Target continued its disciplined cost control during the period, the business recorded a loss for the year due to lower sales and higher clearance activity due to COVID-19," Mr Scott said. "In May 2020, a number of actions were announced to accelerate the growth of Kmart and address the unsustainable financial performance of Target. Good progress has been made on executing these actions, including agreeing the terms for the conversion of 27 Target stores to Kmart stores and completing the first phase of restructuring the Target store support office."

## 2020 Full-year results

“Good progress continues in Catch, with gross transaction value increasing 49.2 per cent in the period since acquisition. Progress has been supported by strong growth in both the in-stock and marketplace offerings and ongoing growth in Club Catch subscriptions.”

### Officeworks

Officeworks' revenue of \$2,787 million was an increase of 20.4 per cent on the prior year. Earnings increased 13.8 per cent to \$190 million.

“Strong sales growth continued both in stores and online, with strong second-half sales supported by significant demand for technology, home office furniture and learning and education products. Officeworks achieved solid earnings growth despite lower margins from changes in sales mix and continued investment in prices and COVID-19 related operating costs.”

### Chemicals, Energy and Fertilisers

WesCEF's revenue of \$2,085 million was in line with the prior year. Earnings of \$393 million were 9.2 per cent below the prior year.

“Revenue growth in Chemicals and Fertilisers was underpinned by strong demand from key customers, while Energy recorded a decline in revenue due to lower prices and lower sales volumes,” Mr Scott said. “While earnings benefited from strong plant production and sales volume growth, this was offset by the decline in Energy revenue, additional costs to refine the ammonium nitrate (AN) emulsion product and lower margins in AN and Fertilisers.”

### Industrial and Safety

Industrial and Safety delivered revenue of \$1,745 million, in line with the prior year. Earnings before significant items and payroll remediation costs decreased to \$55 million, significantly below the prior year. Including significant items and payroll remediation costs, Industrial and Safety recorded a loss of \$270 million.

“The performance of the Industrial and Safety division was below expectations primarily due to the disappointing performance of Blackwoods in the first half and lower customer demand in Workwear Group during the second half primarily due to the impact of COVID-19,” Mr Scott said. “Earnings were impacted by continued investment in customer service, digital capabilities and the enterprise resource planning (ERP) system in Blackwoods, as well as lower revenue in Workwear Group and higher raw material and freight costs in Coregas.”

## Group performance overview

### Portfolio actions

During the year, Wesfarmers completed the acquisition of Kidman Resources Limited (Kidman) and Catch Group Holdings Limited (Catch). The Group also sold part of its investment in Coles through two separate transactions. A pre-tax gain on sale of \$290 million was recorded on the sale of the Group's 10.1 per cent interest in Coles and a one-off pre-tax gain on revaluation of \$220 million was recorded in relation to the Group's remaining interest.

“While modest, both the Kidman and Catch investments provide new growth platforms that will benefit from the Group's existing capabilities and support shareholder returns over the long term,” Mr Scott said. “The partial sale of the Group's interest in Coles crystallised an attractive return for shareholders and provided increased balance sheet strength during a time of significant uncertainty.”

Subsequent to the end of the financial year, Wesfarmers concluded the strategic review of Target. The review determined that the best commercial outcome is for Target to continue to operate as a standalone business within the Kmart Group. The strategy for Target will continue to prioritise online growth, with a focus on improving the product offer in the destination categories of soft home and apparel. In addition, a disciplined approach to capital allocation will result in a progressive reduction in the size of the store network over time.

“The outcome of the strategic review reflects our continued focus on investing in Kmart, a business with a compelling customer offer and strong competitive advantage, while also improving the viability of Target by addressing some of its structural challenges and simplifying the business model,” Mr Scott said.

## Other businesses

The Group's other businesses and corporate overheads reported earnings before significant items of \$76 million, compared with \$122 million in the prior year. Earnings were impacted by a reduced contribution from the Curragh value share, the non-repeat of the gain on purchase of Barmingo by Ausdrill in the prior year, and a lower share of profit from Coles, partially offset by a positive contribution from property revaluations and a favourable Group insurance result.

## Significant items and discontinued operations

Post-tax significant items from continuing operations of \$461 million were recorded for the year comprising \$83 million in post-tax restructuring costs and provisions in Kmart Group, post-tax non-cash impairments of \$437 million in Target and \$298 million in Industrial and Safety, partially offset by \$357 million in post-tax gains on sale of a 10.1 per cent interest in Coles and revaluation of the Group's remaining interest in Coles.

A post-tax contribution from discontinued operations of \$75 million relates to tax impacts associated with Bunnings United Kingdom and Ireland (BUKI), Coles, Bengalla Coal Mine (Bengalla) and Quadrant Energy (Quadrant), with some of these items also classified as significant items.

## Cash flow, financing and dividends

Operating cash flows of \$3,597 million were 32.3 per cent higher than the prior year. The result was driven by a strong increase in divisional cash flow, reflecting favourable but temporary working capital movements across the retail businesses. The Group recorded a working capital inflow of \$723 million for the year as a result of unusually high customer demand associated with COVID-19 at the end of the period resulting in lower than usual inventory balances and higher payables balances. Operating cash flows in the prior period included operating cash flows from Coles and other discontinued operations.

Gross capital expenditure from continuing operations of \$867 million was in line with the prior period. Proceeds from property disposals of \$299 million were \$198 million below the prior year, reflecting lower property recycling activity in Bunnings. The resulting net capital expenditure of \$568 million was \$205 million, or 56.5 per cent, higher than the prior year.

Free cash flows of \$4,239 million were 43.1 per cent higher than the prior year, reflecting the increase in operating cash flows, and \$2,109 million in net proceeds from the partial sale of the Group's investment in Coles, offset by \$1.0 billion in acquisition consideration associated with Kidman and Catch. Free cash flows in the prior period included proceeds from the divestment of Bengalla, Quadrant and Tyre and Auto Pty Ltd (KTAS), as well as the operating cash flows from the divested businesses and Coles.

The directors have determined to pay a fully-franked ordinary final dividend of 77 cents per share, reflecting earnings from continuing operations. The directors also determined to pay a fully-franked special dividend of 18 cents per share, reflecting the distribution of after-tax profits on the sale of the Group's 10.1 per cent interest in Coles during the period. These dividends bring the total fully-franked dividend to 170 cents per share for the year and reflect Wesfarmers' dividend policy, which takes into account available franking credits, balance sheet position and cash flow generation while preserving capacity to take advantage of value-accretive growth opportunities, if and when they arise.

## Outlook

The continued impact of COVID-19 on customer demand, operations and the broader economy present significant uncertainty for the Group's businesses. While consumers spending more time at home is likely to support higher demand in some of the Group's businesses, retail sales will be impacted by any further trading restrictions and the gradual removal of government stimulus measures, including early superannuation access, should unemployment remain elevated. Retail sales may also be impacted by some customer purchases in the 2020 financial year being brought forward from the 2021 financial year.

The strong retail sales growth experienced in the second half of the 2020 financial year continued through July. Government-mandated Stage 4 trading restrictions in Victoria have impacted foot traffic to stores in affected areas, particularly in Kmart and Target, which were unable to service customers in-store. Bunnings and Officeworks have continued to deliver pleasing growth at a national level through August. The Group's retail businesses have focused on supporting customers in areas affected by these restrictions with additional online and contactless Click and Collect options. Online sales have increased significantly through July and August across all retail businesses.



## 2020 Full-year results

The Group's businesses expect to continue to incur additional operating costs as they prioritise the safety of customers and team members in a COVID-19 environment.

Despite this uncertainty, the Group's portfolio of cash-generative businesses with leading market positions is well-placed to deliver satisfactory shareholder returns over the long term. Given Wesfarmers' strong balance sheet, and the diversity and resilience of the Group's portfolio, it remains well-positioned for a range of economic conditions.

The Group's retail businesses will maintain their focus on meeting changing customer needs and delivering even greater value, quality and convenience for customers. Recent investments into Group and divisional digital capabilities will continue and are expected to support enhancements to the customer value proposition, expansion of addressable markets and delivery of operating efficiencies.

The performance of the Group's industrial businesses will continue to be subject to international commodity prices, foreign exchange rates, competitive factors and seasonal outcomes. While demand from key end-markets is expected to remain robust, earnings in the WesCEF business are expected to be impacted by weaker energy prices and lower margins in explosive grade ammonium nitrate.

Actions have been taken to address the unsatisfactory performance in Target and Industrial and Safety, and the Group will remain focused on the successful implementation of these actions.

The Group will continue to develop and enhance its portfolio, building on its unique capabilities and platforms to take advantage of growth opportunities within existing businesses, recently acquired investments and to pursue transactions that create value for shareholders over the long term.

### For further information:

*More detailed information regarding Wesfarmers' 2020 full-year results can be found in Wesfarmers' Appendix 4E – Preliminary Final Report for the year ended 30 June 2020.*

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## Bunnings

Year ended 30 June (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>a</sup>
<b>Revenue</b>	<b>14,999</b>	<b>14,999</b>	<b>13,166</b>	<b>13.9</b>
EBITDA <sup>b</sup>	2,601	2,053	1,818	12.9
Depreciation and amortisation	(658)	(201)	(192)	(4.7)
<b>EBIT<sup>b</sup></b>	<b>1,943</b>	<b>1,852</b>	<b>1,626</b>	<b>13.9</b>
Interest on lease liabilities	(117)	-	-	<i>n.m.</i>
<b>EBT<sup>b</sup></b>	<b>1,826</b>	<b>1,852</b>	<b>1,626</b>	<b>13.9</b>
Net property contribution <sup>c</sup>	16	36	85	(57.6)
<b>EBT (excluding net property contribution)<sup>b</sup></b>	<b>1,810</b>	<b>1,816</b>	<b>1,541</b>	<b>17.8</b>
EBT margin excluding property <sup>b</sup> (%)	12.1	12.1	11.7	
RoC <sup>b,d</sup> (R12, %)	58.0	61.8	50.5	
Safety (R12, TRIFR)	10.3	10.3	11.2	
Total store sales growth <sup>e</sup> (%)	14.7	14.7	5.2	
Store-on-store sales growth <sup>e,f</sup> (%)	14.7	14.7	3.9	

*n.m.* = not meaningful

<sup>a</sup> Variance calculated on pre AASB 16 results.

<sup>b</sup> 2020 includes \$20 million of additional cleaning, security and protective equipment to respond to COVID-19, as well as \$70 million of costs in the second half associated with trading restrictions in New Zealand, the permanent closure of seven New Zealand stores and the accelerated rollout of the online offering.

<sup>c</sup> The 2020 net property contribution is \$20 million lower on a post AASB16 basis due to a change in the recognition of gains on sale and leaseback transactions. The lower gain on sale will be offset through lower depreciation over the life of the relevant lease.

<sup>d</sup> Pre AASB 16 RoC is calculated as EBT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.

<sup>e</sup> See Additional Disclosures (page 25) for relevant retail calendars.

<sup>f</sup> Store-on-store sales growth excludes stores that were impacted by temporary closure in New Zealand.

### Performance review

Revenue for Bunnings increased 13.9 per cent to \$14,999 million for the year, with earnings increasing 13.9 per cent to \$1,852 million. Excluding the net contribution from property, earnings increased 17.8 per cent on the prior year.

The Australian bushfires and COVID-19 had a significant impact on Bunnings' operations and the communities it serves. The strength of the earnings result reflects the continued execution of the strategic agenda as well as increased demand for Bunnings products in Australia, and in New Zealand following the reopening of temporarily closed stores due to government-mandated trading restrictions.

As a retailer of essential products for urgent home repairs, construction and maintenance, Bunnings ensured that it was able to provide a safe and convenient offer for consumer and trade customers, as well as a safe environment for the Bunnings team. Throughout the period, Bunnings was able to keep its 43,000 Australian team members at work and ensure that its small business and trade customer base of over 750,000 had continued access to essential supplies. Despite high levels of demand and increased volatility in trading, in-stock levels remained strong, reflecting the resilience of Bunnings' operating model and strong support from its suppliers.

Total store sales growth<sup>2</sup> of 14.7 per cent was achieved during the year, with store-on-store sales also increasing 14.7 per cent. In the second half, total sales increased 23.4 per cent, or 25.6 per cent excluding New Zealand stores that were temporarily closed due to government-mandated trading restrictions, with total store sales growth of 24.4 per cent. Store-on-store sales grew 25.8 per cent in the second half. Higher second-half sales growth was underpinned by strong growth in consumer sales, with customers spending more time working and undertaking projects at home. Sales of gardening and painting products were particularly strong.

<sup>2</sup> See Additional Disclosures (page 25) for relevant retail calendars applicable to sales commentary.

## 2020 Full-year results

While disciplined cost control remained a focus throughout the year, approximately \$20 million was invested in additional cleaning, security and protective equipment to operate safely in response to COVID-19. In addition, costs of approximately \$70 million were incurred in the second half as a result of trading restrictions in New Zealand, the permanent closure of seven New Zealand stores and the accelerated rollout of the online offer, including the write-off of legacy e-commerce platform assets.

Return on capital increased from 50.5 per cent to 61.8 per cent, reflecting earnings growth as well as the continuation of the property recycling program, disciplined capital management and favourable but temporary working capital movements prior to the end of the year.

Bunnings continued to accelerate development of its digital agenda during the period and introduced a number of initiatives to increase the convenience of its offer and enhance the customer experience both in-store and online. The rollout of Click and Deliver was completed in Australia in the second half, while in New Zealand the e-commerce platform was launched ahead of schedule.

Growth in the commercial business was achieved despite lower housing construction activity in Australia, reflecting the growing diversity of Bunnings' trade customer base across home builders and renovators, specialist trades, government and business.

As part of the continued focus on optimising its store portfolio, Bunnings opened nine new warehouses, two smaller format stores and acquired six stores as part of the Adelaide Tools acquisition. Bunnings closed 13 stores, including ten underperforming stores in New Zealand, and converted one New Zealand small format store into a trade centre. At the end of the period there were 274 warehouses, 68 smaller format stores and 30 trade centres in the Bunnings network and a further 16 stores under construction, as well as six Adelaide Tools stores.

### Outlook

While the outlook remains highly uncertain, Bunnings' trading performance in the 2021 financial year is expected to moderate following the extraordinary growth in the second half, which in part reflects customer purchases brought forward from the 2021 financial year. In addition, weaker economic conditions are expected in Australia and New Zealand with the gradual removal of financial support measures from the government, banks and landlords which is likely to impact housing and renovation activity. The business will also continue to incur costs associated with operating safely in a COVID-19 environment.

Despite the more challenging trading outlook, Bunnings remains focused on investing in future growth, broadening commercial markets, expanding digital capabilities and strengthening its offer, as well as maintaining strong cost discipline.



## Kmart Group

Year ended 30 June <sup>a</sup> (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>b</sup>
<b>Revenue</b>	<b>9,217</b>	<b>9,217</b>	<b>8,598</b>	<b>7.2</b>
EBITDA <sup>c</sup>	1,122	639	733	(12.8)
Depreciation and amortisation	(601)	(216)	(193)	(11.9)
<b>EBIT<sup>c</sup></b>	<b>521</b>	<b>423</b>	<b>540</b>	<b>(21.7)</b>
Interest on lease liabilities	(102)	(1)	-	n.m.
<b>EBT<sup>c</sup></b>	<b>419</b>	<b>422</b>	<b>540</b>	<b>(21.9)</b>
<b>EBT including payroll remediation costs</b>	<b>410</b>	<b>413</b>	<b>540</b>	<b>(23.5)</b>
Significant items	(635)	(635)	-	n.m.
<b>EBT including significant items</b>	<b>(225)</b>	<b>(222)</b>	<b>540</b>	<b>n.m.</b>
EBT margin <sup>c</sup> (%)	4.5	4.6	6.3	
RoC <sup>d</sup> (R12, %)	20.4	20.9	29.1	
Safety (R12, TRIFR)	12.8	12.8	19.4	
<b>Kmart</b>				
- Total sales growth <sup>e</sup> (%)	5.4	5.4	1.5	
- Comparable sales growth <sup>e,f</sup> (%)	4.3	4.3	0.0	
<b>Target</b>				
- Total sales growth <sup>e</sup> (%)	(2.6)	(2.6)	(1.5)	
- Comparable sales growth <sup>e</sup> (%)	(0.8)	(0.8)	(0.8)	
<b>Catch</b>				
- Gross transaction value growth <sup>g</sup> (%)	49.2	49.2	n.a.	

n.m. = not meaningful

<sup>a</sup> 2020 includes Catch from 12 August 2019. 2019 excludes KTAS trading performance and gain on disposal of KTAS.

<sup>b</sup> Variance calculated on pre AASB 16 results.

<sup>c</sup> 2020 excludes a pre-tax non-cash impairment of \$525 million in Target and \$110 million of pre-tax restructuring costs and provisions, and \$9 million of payroll remediation costs relating to Target.

<sup>d</sup> Pre AASB 16 RoC is calculated as EBT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities. 2020 earnings excludes significant items and includes payroll remediation costs.

<sup>e</sup> See Additional Disclosures (page 25) for relevant retail calendars.

<sup>f</sup> Comparable sales growth excludes stores that were impacted by temporary closure in New Zealand.

<sup>g</sup> 2020 reflects the period 12 August 2019 to 30 June 2020 and 2019 reflects the period 12 August 2018 to 30 June 2019.

### Performance review

Kmart Group's revenue increased 7.2 per cent to \$9,217 million for the year. Excluding significant items and payroll remediation costs, earnings of \$422 million were 21.9 per cent below the prior year. The decline in earnings was primarily driven by a deterioration in Target's performance. As previously announced, significant items incurred during the year related to actions taken to accelerate the growth of Kmart and address the unsatisfactory performance of Target, and included \$525 million of pre-tax non-cash impairments and \$110 million of pre-tax restructuring costs and provisions. Payroll remediation costs of \$9 million relating to Target were also incurred.

**Kmart and Target**

Year ended 30 June (\$m)	2020	2019	Variance
	Pre AASB 16	Reported	%
Revenue	8,853	8,598	3.0
EBITDA <sup>a</sup>	619	733	(15.6)
EBT <sup>a</sup>	421	540	(22.0)

<sup>a</sup> 2020 excludes \$635 million of pre-tax significant items and \$9 million of payroll remediation costs relating to Target.

Kmart and Target revenue increased 3.0 per cent for the year, while earnings before significant items and payroll remediation costs of \$421 million were 22.0 per cent below the prior year.

Kmart's total sales<sup>3</sup> increased 5.4 per cent for the year and comparable sales increased by 4.3 per cent, driven by Kmart's continued focus on lowest price positioning and enhanced product ranges that resonated with customers. In the second half, total sales increased by 2.6 per cent, or 4.3 per cent excluding temporarily closed New Zealand stores due to government-mandated trading restrictions, and comparable sales increased by 2.7 per cent.

Sales growth in Kmart over the second half was volatile. Sales in April were impacted by reduced foot traffic due to physical distancing requirements, store capacity limits and customers spending more time at home, as well as the government-mandated temporary closure of New Zealand stores. While sales momentum has improved, significant growth in high-demand categories such as home resulted in stock availability issues, which impacted sales in June.

Target's total sales decreased by 2.6 per cent for the year and comparable sales decreased by 0.8 per cent. In the second half, total sales decreased by 0.3 per cent and comparable sales increased by 1.2 per cent.

Physical distancing measures and an increased preference for customers to shop online resulted in significant growth in online sales of 136 per cent for Kmart and 116 per cent for Target in the second half.

Kmart recorded solid earnings for the year despite challenging retail conditions, cost inflation due to the implementation of the new enterprise agreement, higher shrinkage and unfavourable foreign exchange movements impacting the result relative to the prior year. Kmart's earnings for the year also reflected investment of approximately \$30 million associated with the development of its retail technology and digital capabilities, including investment in Anko. Kmart Group completed the trial of Anko stores in Seattle in the second half.

In the second half, a number of COVID-19 impacts affected Kmart's earnings, including higher than planned clearance of seasonal stock and higher operational costs associated with online fulfilment, in-store cleaning, and additional security measures to regulate the number of customers within stores.

Target recorded a loss for the year, with earnings impacted by lower sales as well as higher levels of clearance activity due to COVID-19. These impacts more than offset the continued focus on cost control in the business.

On 22 May 2020, a number of actions were announced to accelerate the growth of Kmart and address the unsustainable financial performance of Target. These actions included the conversion of suitable Target and Target Country stores to Kmart stores, the closure of a number of large format Target stores, the closure of the remaining 50 small format Target Country stores, and a significant restructuring of the Target store support office. Good progress has been made on executing these actions, with the agreement of satisfactory commercial terms to convert 24 large format Target stores to Kmart stores, conversion of three Target Country stores to K Hub stores and completion of the first phase of the restructure of the Target store support office. A significant number of the impacted team members within stores and the Target store support office have been successfully redeployed across the Wesfarmers Group.

Subsequent to the end of the 2020 financial year, the strategic review of Target was concluded. The review determined that the best commercial outcome is for Target to continue to operate as a largely standalone business within the Kmart Group, while executing the previously announced network reductions. The strategy for Target will continue to prioritise online growth, with a focus on improving the product offer in the destination categories of soft home and apparel. In addition, a disciplined approach to capital allocation will result in a progressive reduction in the size of the store network over time.

During the year, Kmart opened nine new stores (including two replacements), closed one store and completed 14 store refurbishments, while Target closed six stores. There were 522 stores across Kmart and Target as at 30 June 2020.

<sup>3</sup> Sales commentary is on a retail calendar basis. See Additional Disclosures (page 25) for relevant retail calendars.

**Catch**

Year ended 30 June <sup>a</sup> (\$m)	2020 Post AASB 16
Gross transaction value	632
Revenue	364
EBITDA	20
EBT <sup>b</sup>	1
Gross transaction value growth <sup>c</sup> (%)	49.2

<sup>a</sup> Reflects Catch's performance under Wesfarmers ownership since 12 August 2019.

<sup>b</sup> Includes an amortisation expense of \$10 million relating to assets recognised as part of the acquisition.

<sup>c</sup> 2020 reflects the period 12 August 2019 to 30 June 2020 and 2019 reflects the period 12 August 2018 to 30 June 2019.

Catch generated revenue of \$364 million in the period since acquisition. Gross transaction value increased 49.2 per cent in the period since acquisition and 75.5 per cent in the second half, supported by strong growth in both the in-stock and marketplace offerings and ongoing growth in Club Catch subscriptions.

Catch continued to invest in marketing during the period, resulting in the acquisition of 1.1 million new customers and bringing the total to 2.3 million active customers at the end of the financial year. Investments were also made in expanding fulfilment capacity and increasing automation capabilities to support future growth, as well as broadening its supplier network to offer a full selection from top brands. Catch implemented a number of customer-driven initiatives to leverage the Wesfarmers Group, including offering Click and Collect in some Target stores and recently introducing Target to its marketplace.

The Group appointed Peter Sauerborn, a former Amazon Vice President with deep e-commerce expertise, as Managing Director of Catch to lead the business through its next phase of growth.

**Outlook**

In an uncertain and volatile environment, Kmart Group is well-positioned for the future. While anticipating customer demand will continue to be difficult in the 2021 financial year, the business will remain focused on the customer value proposition and delivering sustainable long-term returns.

Inventory availability has improved in Kmart. During the 2021 financial year, Kmart will focus on investing for future growth, including developing technology capabilities and re-platforming the website, as well as the successful conversion of Target stores, including the new K Hub small format. Upon successful conversion, the much larger network will unlock additional scale efficiencies to underpin Kmart's future growth. The K Hub format will leverage the learnings from the small format Anko stores that were trialled in the United States, utilising technology to run a more efficient and agile operating model.

The restructuring of Target will continue over the next year, with a focus on improving the commercial viability of the business, including the ability to further reduce costs by leveraging Kmart and Catch. While the actions announced to date are expected to mitigate the risk of further deterioration in Target's performance, the business is not expected to be profitable in the 2021 financial year. Following the completion of the announced network changes, the scale of the Target business will be significantly reduced, thereby decreasing its impact on the overall results for Kmart Group. Kmart Group expects to convert 12 large format Target stores to Kmart stores and convert an additional three Target Country stores to K Hub stores in the first half of the 2021 financial year. Target will continue to improve the offer in destination categories and manage its remaining lease portfolio to achieve optimal commercial outcomes for the Kmart Group.

As previously announced, Kmart Group expects to incur one-off non-operating costs of approximately \$120 to \$140 million in the 2021 financial year relating to the conversion of Target stores to Kmart stores and stock clearance activity prior to closure or conversion.

Catch will focus on growing gross transaction value by accelerating the expansion and improvement of its customer value proposition. This will require significant investment in technology, marketing and capabilities, impacting earnings in the 2021 financial year. Catch will continue to broaden the range of categories and brands available in both its in-stock and marketplace offerings, and leverage assets across the Wesfarmers Group.

## Officeworks

Year ended 30 June (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>a</sup>
<b>Revenue</b>	<b>2,787</b>	<b>2,787</b>	<b>2,314</b>	<b>20.4</b>
EBITDA	307	221	195	13.3
Depreciation and amortisation	(99)	(31)	(28)	(10.7)
<b>EBIT</b>	<b>208</b>	<b>190</b>	<b>167</b>	<b>13.8</b>
Interest on lease liabilities	(11)	-	-	<i>n.m.</i>
<b>EBT</b>	<b>197</b>	<b>190</b>	<b>167</b>	<b>13.8</b>
EBT margin (%)	7.1	6.8	7.2	
RoC <sup>b</sup> (R12, %)	20.2	19.6	17.0	
Safety (R12, TRIFR)	7.9	7.9	8.5	
Total sales growth <sup>c</sup> (%)	20.4	20.4	7.6	

n.m. = not meaningful

<sup>a</sup> Variance calculated on pre AASB16 results.

<sup>b</sup> Pre AASB 16 RoC is calculated as EBT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.

<sup>c</sup> See Additional Disclosures (page 25) for relevant retail calendars.

### Performance review

Officeworks delivered revenue of \$2,787 million for the year, an increase of 20.4 per cent on the prior year. Earnings increased 13.8 per cent to \$190 million.

The safety, health and wellbeing of team members and customers remains a priority for Officeworks and a range of additional cleaning and safety measures were implemented in response to COVID-19. During the year, TRIFR decreased from 8.5 to 7.9, reflecting the continued focus on providing a safe workplace for all team members.

Customers continued to respond favourably to Officeworks' every-channel offer with sales growth of 20.4 per cent for the year<sup>4</sup>. In the second half, strong total sales growth of 28.5 per cent was underpinned by a significant increase in demand due to customers establishing and maintaining their home work spaces and spending more time working and learning from home, as well as a strong back-to-school trading period.

Strong sales growth continued in both stores and online. Enhancements to the Click and Collect offer and a relentless focus on price, range and service across every channel continued to resonate with customers. New and expanded product ranges were also received positively by customers.

The business delivered strong earnings growth despite gross margin compression from a significant change in the sales mix towards lower-margin technology products and continued investment in price. Earnings were also impacted by investment in team member recognition and ensuring a COVID safe operating environment for team members and customers. Strong earnings growth, combined with working capital benefits from unprecedented customer demand, resulted in an increase in return on capital of 2.6 percentage points to 19.6 per cent.

During the year, investment was made in Officeworks' every-channel offer, including upgrades to online functionality and features, and the renewal of 72 stores. The Townsville store was expanded in October 2019 and is now the second biggest Officeworks store. At 30 June 2020, there were 167 stores operating across Australia.

### Outlook

The outlook for the 2021 financial year is uncertain, with changing customer shopping patterns and COVID-19 measures expected to impact trading conditions. The business will also continue to incur costs associated with operating safely in a COVID-19 environment. Officeworks remains well-positioned for the future and is focused on remaining agile and adaptable to meet customer needs as they evolve.

Officeworks remains committed to its strategy and investing for long-term growth by helping to make bigger things happen for its customers, team members and the community. Key focus areas in the 2021 financial year include investment in team member safety, health and wellbeing programs, leveraging the customer data and analytics platform to improve personalisation, building Officeworks' position in education, and investment in customer fulfilment centres and the store network to capture sales growth and accelerate productivity initiatives.

<sup>4</sup> See Additional Disclosures (page 25) for relevant retail calendars applicable to sales commentary.



## Chemicals, Energy and Fertilisers

Year ended 30 June <sup>a</sup> (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>b</sup>
<b>Revenue<sup>c</sup></b>				
Chemicals	1,022	1,022	1,000	2.2
Energy	424	424	468	(9.4)
Fertilisers	639	639	610	4.8
<b>Total</b>	<b>2,085</b>	<b>2,085</b>	<b>2,078</b>	<b>0.3</b>
EBITDA <sup>d</sup>	481	474	513	(7.6)
Depreciation and amortisation	(86)	(81)	(80)	(1.3)
<b>EBIT<sup>d</sup></b>	<b>395</b>	<b>393</b>	<b>433</b>	<b>(9.2)</b>
Interest on lease liabilities	(1)	-	-	<i>n.m.</i>
<b>EBT<sup>d</sup></b>	<b>394</b>	<b>393</b>	<b>433</b>	<b>(9.2)</b>
External sales volumes <sup>e</sup> ('000 tonnes)				
Chemicals	1,152	1,152	1,098	4.9
LPG & LNG	215	215	221	(2.7)
Fertilisers	1,202	1,202	1,125	6.8
RoC <sup>d,f</sup> (R12, %)	20.3	20.2	32.6	
RoC <sup>d,f</sup> (R12, %) excluding Australian Light Minerals	30.5	30.4	32.6	
Safety (R12, TRIFR)	3.3	3.3	4.2	

*n.m.* = not meaningful

<sup>a</sup> 2020 includes Australian Light Minerals, the holding company for WesCEF's 50 per cent interest in the Covalent Lithium joint venture, from 23 September 2019. 2019 excludes Quadrant.

<sup>b</sup> Variance calculated on pre AASB 16 results.

<sup>c</sup> Excludes intra-division sales.

<sup>d</sup> 2020 and 2019 include \$18 million and \$30 million of insurance proceeds respectively, relating to the five-month ammonia plant production disruption that commenced in February 2018. 2019 includes a \$19 million provision for removal of redundant equipment.

<sup>e</sup> External sales exclude AN volumes transferred between Chemicals and Fertilisers business segments.

<sup>f</sup> Pre AASB 16 RoC is calculated as EBT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.

### Performance review

Revenue of \$2,085 million was in line with the prior year, with Chemicals and Fertilisers delivering revenue growth of 2.2 per cent and 4.8 per cent respectively, while Energy revenue decreased 9.4 per cent due to a lower Saudi CP (the international benchmark indicator for LPG price) and lower sales volumes.

Earnings of \$393 million were 9.2 per cent below the prior year, driven by lower sales in Energy as well as competitive pressures in the Western Australian explosive grade ammonium nitrate (EGAN) and fertiliser markets. The result included expenses associated with ongoing management of the lithium assets following the acquisition of Kidman in September 2019.

Return on capital decreased from 32.6 per cent to 20.2 per cent, reflecting the impact of the Kidman acquisition during the year. Excluding the impact of Australian Light Minerals (which represents the assets purchased as part of the Kidman acquisition), return on capital reduced 2.2 percentage points to 30.4 per cent.

Average plant availability across the Chemicals facilities increased to 96 per cent as the business increased the use of data analytics and digital capabilities to optimise plant reliability and drive efficiency opportunities.

An ongoing focus on safety and renewal of the 'Safe Person, Safe Process, Safe Place' campaign has seen TRIFR decrease to 3.3 compared to 4.2 last year. This is a pleasing result, as TRIFR has continued to decrease since the 2018 financial year.



### Chemicals

Despite demand remaining strong in the Western Australian mining market, ammonium nitrate (AN) earnings declined due to additional costs to refine the emulsion product offering and the annualised impact of some customers rolling on to new pricing under long-term contracts. The business also experienced increased input costs in the period.

Ammonia earnings benefited from record production rates and sales volume growth. Volume growth was partially offset by a decline in the average indicator price, which was down 11.9 per cent on average compared to the prior year. The plants are benefiting from investment in prior years and a continued focus on improving plant availability and yield.

Earnings increased in the sodium cyanide business driven by strong plant production volumes, lower input costs and robust demand from the gold mining sector.

### Energy

Kleenheat earnings were impacted by a continued decline in the Saudi CP from the first half, lower LPG export volumes and increased competition in the natural gas retailing market impacting volumes and pricing. The Saudi CP was 17.3 per cent lower on average compared to the prior year, impacted by volatility in the oil market and disrupted global demand due to COVID-19. Earnings for the Energy segment were supported by lower natural gas unit costs.

### Fertilisers

Earnings decreased in the Fertilisers business, primarily due to higher operational and logistics costs. The business achieved sales volume growth and ensured customer needs were met during a difficult period in which global supply chains were interrupted.

### **Outlook**

Earnings for Chemicals, Energy and Fertilisers are expected to be impacted by weaker energy prices and lower margins in EGAN.

Production and demand for chemical products is expected to remain stable, although volumes will be marginally impacted by planned plant shutdowns. Western Australian EGAN demand is expected to remain robust, underpinned by commodity price strength in the iron ore and gold mining sectors. Despite this demand strength, earnings are expected to be impacted by increased AN sales to fertiliser and export markets with lower Western Australian EGAN sales now that the competing Burrup plant is operational. The sodium cyanide business is expecting strong demand to continue.

The Kleenheat LPG business is expected to be impacted by subdued global demand and weakness in the Saudi CP indicator price.

Fertiliser sales volumes will remain dependent upon seasonal outcomes and grower sentiment. Earnings are expected to be impacted by higher input and logistics costs in the first half of the 2021 financial year.

Additional work on the Mt Holland lithium project will continue into the 2021 financial year to identify opportunities to optimise project design, improve utility and infrastructure solutions, as well as investigate initiatives to further leverage WesCEF's existing capabilities including by providing shared services and reducing operating costs. As previously announced, a final investment decision on the project is expected in the first quarter of the 2021 calendar year.

Overall earnings for Chemicals, Energy and Fertilisers will continue to be impacted by international commodity prices (in particular, ammonia and Saudi CP), foreign exchange rates, competitive factors and seasonal outcomes. Earnings across the business will also be subject to potential input and logistics cost pressures due to COVID-19.

## Industrial and Safety

Year ended 30 June (\$m)	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>a</sup>
<b>Revenue</b>	<b>1,745</b>	<b>1,745</b>	<b>1,752</b>	<b>(0.4)</b>
EBITDA <sup>b</sup>	136	93	124	(25.0)
Depreciation and amortisation	(77)	(38)	(38)	-
<b>EBIT<sup>b</sup></b>	<b>59</b>	<b>55</b>	<b>86</b>	<b>(36.0)</b>
Interest on lease liabilities	(5)	-	-	n.m.
<b>EBT<sup>b</sup></b>	<b>54</b>	<b>55</b>	<b>86</b>	<b>(36.0)</b>
<b>EBT including payroll remediation costs</b>	<b>39</b>	<b>40</b>	<b>86</b>	<b>(53.5)</b>
Significant items	(310)	(310)	-	n.m.
<b>EBT including significant items</b>	<b>(271)</b>	<b>(270)</b>	<b>86</b>	<b>n.m.</b>
EBT margin <sup>b</sup> (%)	3.1	3.2	4.9	
RoC <sup>c</sup> (R12, %)	2.7	2.8	5.8	
Safety (R12, TRIFR)	4.8	4.8	6.9	

n.m. = not meaningful

<sup>a</sup> Variance results to pre AASB16 results.

<sup>b</sup> 2020 excludes a pre-tax non-cash impairment of \$310 million and \$15 million of payroll remediation costs.

<sup>c</sup> Pre AASB 16 RoC is calculated as EBT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities. 2020 earnings excludes significant items and includes payroll remediation costs.

### Performance review

The performance of Industrial and Safety in the 2020 financial year was below expectations, primarily due to the disappointing performance of Blackwoods in the first half and lower customer demand in Workwear Group in the second half, primarily due to the impact of COVID-19.

During the year, the Industrial and Safety businesses were focused on supporting customers to respond to the Australian bushfires and COVID-19, including sourcing critical products in global shortage, ensuring critical oxygen supply to hospital groups and providing additional risk consulting services.

Industrial and Safety revenue of \$1,745 million was in line with the prior year. Excluding significant items and payroll remediation costs, earnings of \$55 million were significantly below the prior period. During the year, Industrial and Safety recorded a pre-tax non-cash impairment of \$310 million to the carrying value of the division, primarily relating to goodwill. The impairment charge reflects the deterioration in economic conditions resulting in lower customer demand in Workwear Group and Greencap, along with uncertainty as to future economic conditions, which impacted the Group's assessment of the carrying value of the overall Industrial and Safety division. As disclosed in the first-half results, payroll remediation costs of \$15 million were also incurred during the year.

Blackwoods' revenue increased on the prior year, underpinned by strong demand for critical products in the second half, including personal protective equipment, cleaning and hygiene products, as well as continued growth from strategic customers and the Western Australian region. This was partly offset by sales declines in other segments and weakness in New Zealand due to disruption to customers' normal operations from government measures to contain the impact of COVID-19. Earnings were impacted by continued investment in customer service, as well as investment in digital capabilities including the enterprise resource planning (ERP) system.

Workwear Group's earnings declined on the prior year, primarily due to lower revenues from corporate uniforms in Australia and the United Kingdom as a result of the impact of COVID-19 on some customer segments including airlines, retail and hospitality. The prior period also benefited from one-off insurance proceeds.

While Coregas' revenue increased on the prior year, primarily due to higher demand in the medical segment, earnings declined primarily due to higher raw material and freight costs.

Safety and injury management remains a core focus, with TRIFR declining to 4.8.

## Outlook

Market conditions in Australia and New Zealand are expected to be uncertain and remain challenging in the 2021 financial year. Blackwoods continues to focus on improving the customer value proposition as well as continued investment in data, digital and implementation of the ERP system.

Customer demand in Workwear Group will continue to be impacted by COVID-19. The business is focused on new business opportunities, growth from key brands, cost improvement initiatives and continued investment in its digital offering and operating efficiencies. Coregas' earnings are expected to be impacted by lower demand, along with continued competitive pressures.

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## Other

Year ended 30 June (\$m)	Holding %	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>a</sup>
<b>Share of profit of associates and joint ventures</b>					
Coles <sup>b</sup>	4.9	111	111	128	(13.3)
BWP Trust	24.8	52	52	42	23.8
Other associates and joint ventures <sup>c,d</sup>	Various	38	38	45	(15.6)
<b>Sub-total share of profit of associates and joint ventures</b>		<b>201</b>	<b>201</b>	<b>215</b>	<b>(6.5)</b>
Interest revenue <sup>e</sup>		10	10	27	(63.0)
Other <sup>d,f</sup>		(3)	(4)	1	n.m.
Corporate overheads		(131)	(131)	(121)	8.3
<b>Total Other EBIT<sup>g</sup></b>		<b>77</b>	<b>76</b>	<b>122</b>	<b>(37.7)</b>
Interest on lease liabilities		(1)	-	-	n.m.
<b>Total Other EBT<sup>g</sup></b>		<b>76</b>	<b>76</b>	<b>122</b>	<b>(37.7)</b>
Significant items		510	510	-	n.m.
<b>Total Other EBT (including significant items)</b>		<b>586</b>	<b>586</b>	<b>122</b>	<b>n.m.</b>

n.m. = not meaningful

<sup>a</sup> Variance calculated on pre AASB 16 results.

<sup>b</sup> Wesfarmers held a 15 per cent interest in Coles as at 31 December 2019 and sold 10.1 per cent of its interest via two separate transactions on 18 February 2020 and 30 March 2020.

<sup>c</sup> Includes investments in Gresham, flybuys, Wespine and BPI.

<sup>d</sup> 2019 includes \$42 million gain on the Group's investment in Barmenco following its purchase by Ausdrill. \$9 million of this gain relates to the Group's indirect interest held in Other associates and joint ventures. The remaining \$33 million is recognised in Other.

<sup>e</sup> 2019 excludes interest revenue from Quadrant Energy loan notes.

<sup>f</sup> 2020 includes \$9 million from the Curragh value sharing arrangement. 2019 includes \$34 million from the Curragh value sharing arrangement.

<sup>g</sup> 2020 excludes \$290 million gain on sale of the 10.1 per cent interest in Coles and \$220 million revaluation of the remaining 4.9 per cent interest in Coles.

## Performance review

Other businesses and corporate overheads recorded earnings of \$76 million excluding significant items, compared to earnings of \$122 million in the prior period. Earnings including significant items of \$586 million were recorded and included a pre-tax \$290 million gain on sale of the Group's 10.1 per cent interest in Coles and a pre-tax \$220 million revaluation of the remaining 4.9 per cent interest in Coles.

Earnings from the Group's associates and joint ventures decreased by \$14 million, primarily due to the sale of the Group's 10.1 per cent interest in Coles, partially offset by higher profits in BWP Trust resulting from property revaluations.

Other corporate expenses of \$4 million were recorded, compared to a \$1 million profit in the prior period. Earnings were impacted by a reduced contribution from the Curragh value share, the non-repeat of the gain on purchase of Barmenco by Ausdrill in the prior year and offset by a favourable Group insurance result.

## Discontinued operations and significant items

Year ended 30 June (\$m)	2020 Pre AASB 16	2019 Reported
<b>Discontinued operations EBIT (excluding significant items)</b>		
Coles <sup>a</sup> (demerged 28 November 2018)	-	624
Bengalla (40% interest sold 3 December 2018)	-	94
KTAS (sold 1 November 2018)	-	10
Quadrant (13.2% indirect interest sold 27 November 2018)	-	5
<b>EBIT (excluding significant items)</b>	<b>-</b>	<b>733</b>
<b>Discontinued operations NPAT (excluding significant items)</b>		
Coles <sup>a</sup> (demerged 28 November 2018)	-	321
Bengalla (40% interest sold 3 December 2018)	-	9
KTAS (sold 1 November 2018)	-	65
Quadrant (13.2% indirect interest sold 27 November 2018)	(8)	4
<b>NPAT (excluding significant items)</b>	<b>(8)</b>	<b>399</b>
<b>Significant items (pre-tax)</b>		
Gain on sale of Bengalla <sup>b</sup>	-	679
Gain on sale of KTAS <sup>b</sup>	-	267
Gain on sale of Quadrant <sup>b</sup>	-	138
Provision for supply chain modernisation in Coles <sup>b</sup>	-	(146)
Gain on demerger of Coles <sup>b</sup>	-	2,319
Non-cash impairment in Kmart Group	(525)	-
Non-cash impairment in Industrial and Safety	(310)	-
Restructuring costs and provisions in Kmart Group	(110)	-
Gain on sale of 10.1% interest in Coles	290	-
Revaluation of retained investment in Coles	220	-
<b>Total significant items (pre-tax)</b>	<b>(435)</b>	<b>3,257</b>
<b>Significant items (post-tax)</b>		
Gain on sale of Bengalla <sup>b</sup>	-	645
Gain on sale of KTAS <sup>b</sup>	-	244
Gain on sale of Quadrant <sup>b</sup>	-	120
Provision for supply chain modernisation in Coles <sup>b</sup>	-	(102)
Gain on demerger of Coles <sup>b</sup>	-	2,264
Non-cash impairment in Kmart Group	(437)	-
Non-cash impairment in Industrial and Safety	(298)	-
Restructuring costs and provisions in Kmart Group	(83)	-
Gain on sale of 10.1% interest in Coles	203	-
Revaluation of retained investment in Coles	154	-
Capital losses in BUKI <sup>b</sup> (disposed in June 2018)	84	-
True-up of tax base in Coles <sup>b</sup>	10	-
Tax expense on sale of Bengalla <sup>b</sup>	(11)	-
<b>Total significant items (post-tax)</b>	<b>(378)</b>	<b>3,171</b>

<sup>a</sup> 2019 excludes \$146 million (\$102 million post-tax) provision for supply chain modernisation, reported as a significant item.

<sup>b</sup> Also reported as discontinued operations.

## Discontinued operations

Post-tax discontinued operations excluding significant items relate to an \$8 million adjustment to the tax expense from Wesfarmers' indirect interest in Quadrant which was divested in November 2018.

Reported discontinued operations also includes post-tax significant items of \$83 million, primarily comprising the recognition of tax losses relating to BUKI, which was divested in June 2018. Following finalisation of the tax cost base of Coles on demerger, the Group also recognised an adjustment to tax expense on demerger of Coles, partially offset by an additional tax expense associated with the sale of Bengalla, on completion of the Group's income tax return.

## Significant items

Pre-tax significant items of \$435 million were recorded for the year, relating to restructuring actions in Kmart Group, as well as non-cash impairments in Target, and Industrial and Safety, partially offset by a gain on sale of the Group's 10.1 per cent interest in Coles and revaluation of the Group's remaining interest in Coles.

## Cash flow, financing and dividends

Full-year ended 30 June (\$m)	2020	2020	2019	Variance
	Post AASB 16	Pre AASB 16	Reported	% <sup>a</sup>
<b>Cash flow including discontinued operations</b>				
Operating cash flows	4,546	3,597	2,718	32.3
Operating cash flows (after lease cash flows)	3,597	3,597	2,718	32.3
Gross capital expenditure	867	867	1,356	(36.1)
Gross capital expenditure – <i>continuing operations</i> <sup>b</sup>	867	867	860	0.8
Net capital expenditure	568	568	827	(31.3)
Net capital expenditure – <i>continuing operations</i> <sup>b</sup>	568	568	363	56.5
Acquisitions <sup>c</sup>	988	988	17	n.m.
Free cash flow	5,188	4,239	2,963	43.1
Free cash flow (after lease cash flows)	4,239	4,239	2,963	43.1
Cash realisation ratio (excluding significant items) <sup>d</sup> (%)	126	135	86	49 ppt
<b>Balance sheet</b>				
Net financial debt / (cash) <sup>e</sup>	(471)	(471)	2,116	n.m.
Other finance costs	133	133	175	(24.0)
Effective cost of debt (%)	4.93	4.93	5.10	(0.17 ppt)
<b>Dividends per share (cents per share)</b>				
Full-year ordinary dividend	152	152	178	(14.6)
Special dividend – Coles sell-down <sup>f</sup>	18	18	100	n.m.

n.m. = not meaningful

<sup>a</sup> Variance calculated on pre AASB 16 results.

<sup>b</sup> Further detail on discontinued operations is set out on page 20.

<sup>c</sup> Net of cash acquired.

<sup>d</sup> Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation. Further detail on significant items is set out on page 20.

<sup>e</sup> Interest bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

<sup>f</sup> The 2020 special dividend relates to the distribution of the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles.

### Cash flow

Operating cash flows of \$3,597 million were 32.3 per cent higher than the prior year. The result was driven by a strong increase in divisional cash flow, reflecting favourable but temporary working capital movements across the retail businesses. The Group recorded a working capital inflow of \$723 million for the year as a result of unusually high customer demand associated with COVID-19 at the end of the period, resulting in lower than usual inventory balances and higher payables balances. Operating cash flows in the prior period included operating cash flows from Coles and other discontinued operations.

Gross capital expenditure from continuing operations of \$867 million was in line with the prior period. Proceeds from property disposals of \$299 million were \$198 million below the prior year, reflecting lower property divestment activity in Bunnings. The resulting net capital expenditure of \$568 million was \$205 million, or 56.5 per cent, higher than the prior year.

Free cash flows of \$4,239 million were 43.1 per cent higher than the prior year, reflecting the increase in operating cash flows, and \$2,109 million in net proceeds from the partial sale of the Group's investment in Coles, offset by \$1.0 billion in acquisition consideration associated with Kidman and Catch. Free cash flows in the prior period included proceeds from the divestment of Bengalla, Quadrant and KTAS, as well as the operating cash flows from the divested businesses and Coles.

## Financing

The Group recorded a net cash position of \$471 million as at 30 June 2020, comprising interest bearing liabilities, excluding lease liabilities, net of cross-currency swap assets and cash at bank and on deposit, compared to a net financial debt position of \$2,116 million as at 30 June 2019. The net cash position reflects the strong operating cash flow performance during the year, as well as the proceeds from the sale of the Group's 10.1 per cent interest in Coles.

Other finance costs decreased to 24.0 per cent to \$133 million, reflecting a decrease in the effective cost of debt to 4.93 per cent, and lower average debt balances.

The Group's strong credit ratings remained unchanged during the half, with a rating from Moody's Investors Services of A3 (stable) and rating of A- (stable) from Standard and Poor's.

## Impact of AASB 16 leasing standard

Wesfarmers has applied AASB 16 from 1 July 2019, using the 'modified retrospective approach', which does not require historical periods to be restated. On application of the standard, the Group recorded on its balance sheet right-of-use assets of \$6,352 million and lease liabilities of \$7,275 million and deferred tax assets of \$222 million, and derecognised \$183 million of lease-related provisions, with a net impact of \$518 million recognised directly in equity as a leasing reserve.

Broadly, the adoption of AASB 16 results in a reduction of occupancy expenses which is offset by an increase in depreciation on the right-of-use asset, and an increase in interest on lease liabilities. The adoption of AASB 16 also results in a reclassification of cash flows from operating cash flows (rental payments) to financing cash flows (repayment of lease liabilities). There is no net impact on reported total net cash flows from the adoption of AASB 16.

Further information on the impact of AASB 16 is provided in the Preliminary Final Report and in the management presentation accompanying this report.

## Dividends

The Group's dividend policy considers available franking credits, current earnings and cash flows, future cash flow requirements and targeted credit metrics. The Board has determined to pay a fully-franked final ordinary dividend of 77 cents per share, taking the full-year ordinary dividend to 152 cents per share. The directors also determined to pay a fully-franked special dividend of 18 cents per share, reflecting the distribution of after-tax profits on the sale of the Group's 10.1 per cent interest in Coles during the period, bringing the total full-year dividend to 170 cents per share. The final dividend and special dividend will be paid on 1 October 2020 to shareholders on the company's register on 26 August 2020, the record date for both dividends.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the 'Plan'). The allocation price for shares issued under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 15 consecutive trading days from and including the third trading day after the record date, being 31 August 2020 to 18 September 2020.

The last date for receipt of applications to participate in, or to cease or vary participation in, the Plan, is 27 August 2020. No discount will apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be transferred to participants on 1 October 2020. Given the Group's strong credit metrics, any shares to be issued under the Plan will be acquired on-market and transferred to participants.



## 2020 Full-year and second half retail sales results

### Headline retail sales results

Full-year Sales (\$m) <sup>1</sup>	2020	2019	Variance %
<b>Bunnings<sup>2</sup></b>	<b>14,996</b>	<b>13,162</b>	<b>13.9</b>
Kmart <sup>3</sup>	6,068	5,759	5.4
Target	2,692	2,763	(2.6)
<b>Total Kmart Group<sup>3</sup></b>	<b>8,760</b>	<b>8,522</b>	<b>2.8</b>
<b>Officeworks</b>	<b>2,775</b>	<b>2,305</b>	<b>20.4</b>
Second-half Sales (\$m) <sup>1</sup>	2020	2019	Variance %
<b>Bunnings</b>	<b>7,721</b>	<b>6,256</b>	23.4
Kmart <sup>3</sup>	2,651	2,583	2.6
Target	1,200	1,204	(0.3)
<b>Total Kmart Group<sup>3</sup></b>	<b>3,851</b>	<b>3,787</b>	<b>1.7</b>
<b>Officeworks</b>	<b>1,549</b>	<b>1,205</b>	<b>28.5</b>

<sup>1</sup> See Additional Disclosures (page 25) for relevant retail calendars.

<sup>2</sup> Includes cash and trade sales, excludes property income.

<sup>3</sup> Excludes Catch. 2019 excludes KTAS.

### Key metrics

Key Metrics (%) <sup>1</sup>	First half 2020	Second half 2020	Full year 2020
<b>BUNNINGS<sup>2</sup></b>			
Total store sales growth	5.8	24.4	14.7
Store-on-store sales growth <sup>3</sup>	4.7	25.8	14.7
<b>KMART GROUP<sup>4</sup></b>			
<u>Kmart</u> : Comparable sales growth <sup>5</sup>	5.5	2.7	4.3
<u>Target</u> : Comparable sales growth	(2.3)	1.2	(0.8)
<u>Catch</u> : Gross transaction value growth <sup>6</sup>	21.4	75.5	49.2
<b>OFFICEWORKS</b>			
Total sales growth	11.5	28.5	20.4

<sup>1</sup> See Additional Disclosures (page 25) for relevant retail calendars.

<sup>2</sup> Includes cash and trade sales, excludes property income.

<sup>3</sup> Second half 2020 and full year 2020 store-on-store sales growth excludes stores that were impacted by temporary closure in New Zealand.

<sup>4</sup> Comparable store sales include layby sales. Layby sales are excluded from total sales under Australian Accounting Standards.

<sup>5</sup> 2019 excludes KTAS. Second half 2020 and full year 2020 comparable sales growth excludes stores that were impacted by temporary closure in New Zealand.

<sup>6</sup> First half 2020 reflects the period 12 August 2019 to 31 December 2019 and 2019 reflects the period 12 August 2018 to 31 December 2018. Full year 2020 reflects the period 12 August 2019 to 30 June 2020 and 2019 reflects the period 12 August 2018 to 30 June 2019.

## Retail calendars

<b>Bunnings, Officeworks and Catch</b>	<b>First half</b>	<b>Second half</b>
<b>FY 2020</b>	1 Jul 2019 to 31 Dec 2019 (6 months)	1 Jan 2020 to 30 Jun 2020 (6 months)
<b>FY 2019</b>	1 Jul 2018 to 31 Dec 2018 (6 months)	1 Jan 2019 to 30 Jun 2019 (6 months)
<b>Kmart</b>	<b>First half</b>	<b>Second half</b>
<b>FY 2020</b>	1 Jul 2019 to 5 Jan 2020 (27 weeks)	6 Jan 2020 to 28 Jun 2020 (25 weeks)
<b>FY 2019</b>	25 Jun 2018 to 30 Dec 2018 (27 weeks)	31 Dec 2018 to 30 Jun 2019 (26 weeks)
<b>Target</b>	<b>First half</b>	<b>Second half</b>
<b>FY 2020</b>	30 Jun 2019 to 4 Jan 2020 (27 weeks)	5 Jan 2020 to 27 Jun 2020 (25 weeks)
<b>FY 2019</b>	24 Jun 2018 to 29 Dec 2018 (27 weeks)	30 Dec 2018 to 29 Jun 2019 (26 weeks)

## Restatement of 2019 retail sales

For the calculation of 2020 retail sales growth rates in Kmart and Target, 2019 retail sales have been restated on a 52-week basis for comparability to the 2020 retail calendar period. 2019 retail sales growth rates have not been restated and reflect retail sales growth on a 53-week basis.

## Retail operations – store network

	Open at 1 Jul 2019	Opened	Closed	Re-branded	Open at 30 Jun 2020
<b>BUNNINGS</b>					
Bunnings Warehouse	267	9	(2)	-	274
Bunnings smaller formats	75	2	(8)	(1)	68
Bunnings Trade Centres	32	-	(3)	1	30
Adelaide Tools	-	6	-	-	6
<b>Total Bunnings</b>	<b>374</b>	<b>17</b>	<b>(13)</b>	<b>-</b>	<b>378</b>
<b>KMART GROUP</b>					
<b>Kmart</b>	<b>231</b>	<b>9</b>	<b>(1)</b>	<b>-</b>	<b>239</b>
Target Large	183	-	(1)	-	182
Target Small	106	-	(5)	-	101
<b>Total Target</b>	<b>289</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>283</b>
<b>OFFICEWORKS</b>					
<b>Officeworks</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167</b>

## Retail operations – store network history

Open at 30 June	2020	2019	2018	2017	2016
<b>BUNNINGS</b>					
Bunnings Warehouse	274	267	259	249	244
Bunnings smaller formats	68	75	78	77	70
Bunnings Trade Centres	30	32	32	33	33
Adelaide Tools	6	-	-	-	-
<b>Total Bunnings</b>	<b>378</b>	<b>374</b>	<b>369</b>	<b>359</b>	<b>347</b>
<b>KMART GROUP</b>					
<b>Kmart</b>	<b>239</b>	<b>231</b>	<b>228</b>	<b>220</b>	<b>209</b>
Kmart Tyre and Auto	-	-	256	251	248
<b>Total Kmart</b>	<b>239</b>	<b>231</b>	<b>484</b>	<b>471</b>	<b>457</b>
<b>Target</b>					
Large	182	183	187	184	186
Small	101	106	116	119	120
<b>Total Target</b>	<b>283</b>	<b>289</b>	<b>303</b>	<b>303</b>	<b>306</b>
<b>OFFICEWORKS</b>					
<b>Officeworks</b>	<b>167</b>	<b>167</b>	<b>165</b>	<b>164</b>	<b>159</b>

## Five-year history – financial performance and key metrics

### Group financial performance

Year ended 30 June <sup>1</sup> (\$m)	Post AASB 16		Pre AASB 16		
	2020	2019	2018	2017	2016
<b>Summarised income statement</b>					
Revenue	30,846	44,684	69,878	68,444	65,981
EBIT (after interest on lease liabilities)	2,507	6,818	2,796	4,402	1,346
Other finance costs	(133)	(175)	(221)	(264)	(308)
Income tax expense	(677)	(1,133)	(1,378)	(1,265)	(631)
Profit after tax from discontinued operations	75	3,570	(212)	113	-
NPAT (including discontinued operations)	1,697	5,510	1,197	2,873	407
<b>Summarised balance sheet</b>					
Total assets	25,425	18,333	36,933	40,115	40,783
Total liabilities	16,081	8,362	14,179	16,174	17,834
Net assets	9,344	9,971	22,754	23,941	22,949
Net debt / (cash)	(85)	2,500	3,933	4,809	7,103
<b>Summarised cash flow statement</b>					
Operating cash flows	4,546	2,718	4,080	4,226	3,365
Add/(less): Net capital expenditure	(568)	(827)	(1,209)	(1,028)	(1,336)
Add/(less): Other investing cash flows	1,210	1,072	551	975	(796)
Add/(less): Total investing cash flows	642	245	(658)	(53)	(2,132)
Free cash flow	5,188	2,963	3,422	4,173	1,233
Add/(less): Financing cash flows	(3,070)	(2,851)	(3,752)	(3,771)	(1,333)
Net increase/(decrease) in cash	2,118	112	(330)	402	(100)
<b>Distributions to shareholders (cents per share)</b>					
Interim ordinary dividend	75	100	103	103	91
Final ordinary dividend	77	78	120	120	95
Full-year ordinary dividend	152	178	223	223	186
Special dividend <sup>2</sup>	18	100	-	-	-
<b>Key performance metrics</b>					
Basic earnings per share (cents per share)	150.0	487.2	105.8	254.7	36.2
Basic earnings per share from continuing operations (excl. significant items) (cents per share)	184.2	171.5	256.8	244.7	209.5
Operating cash flow per share <sup>3</sup> (cents per share)	401.9	240.3	360.1	374.1	299.2
Cash realisation ratio <sup>4</sup> (excl. significant items) (%)	126	86	101	102	95
Return on equity (R12, %)	17.8	38.7	5.2	12.4	1.7
Return on equity (excl. significant items) (R12, %)	22.1	19.2	11.7	12.4	9.6
Net tangible asset backing per share (\$ per share)	4.89	5.21	4.33	4.44	3.45

<sup>1</sup> All figures are presented as last reported.

<sup>2</sup> The 2020 special dividend relates to the distribution of the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles.

<sup>3</sup> For the purposes of this calculation reserved shares have been included.

<sup>4</sup> Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.

## Divisional key performance metrics

Pre AASB 16

Year ended 30 June <sup>1</sup> (\$m)	2020	2019	2018	2017	2016
<b>BUNNINGS</b>					
Revenue	14,999	13,166	12,544	11,514	10,575
EBITDA <sup>2</sup>	2,053	1,818	1,683	1,505	1,369
Depreciation and amortisation	(201)	(192)	(179)	(171)	(156)
EBIT <sup>2</sup>	1,852	1,626	1,504	1,334	1,213
EBIT margin <sup>2</sup> (%)	12.3	12.3	12.0	11.6	11.5
RoC <sup>2</sup> (R12, %)	61.8	50.5	49.4	41.8	36.6
Total sales growth (%)	13.9	5.1	8.8	8.9	11.0
Total store sales growth <sup>3</sup> (%)	14.7	5.2	8.9	8.9	11.1
Store-on-store sales growth <sup>3</sup> (%)	14.7	3.9	7.8	7.3	8.1
<b>KMART GROUP (includes KTAS)</b>					
Revenue	9,217	8,713	8,837	8,528	8,646
EBITDA <sup>4</sup>	630	745	862	739	611
Depreciation and amortisation	(216)	(195)	(202)	(196)	(191)
EBIT <sup>4</sup>	414	550	660	543	420
EBIT margin <sup>4</sup> (%)	4.5	6.3	7.5	6.4	4.9
RoC <sup>4,5</sup> (R12, %)	20.9	29.4	32.8	24.1	11.6
Capital expenditure (cash basis)	142	207	293	225	292
<b>Kmart (excludes KTAS from FY18)</b>					
- Total sales growth <sup>6</sup> (%)	5.4	1.5	8.0	7.9	13.5
- Comparable sales growth <sup>6</sup> (%)	4.3	0.0	5.4	4.2	10.5
<b>Target</b>					
- Total sales growth <sup>6</sup> (%)	(2.6)	(1.5)	(4.7)	(14.5)	0.2
- Comparable sales growth <sup>6</sup> (%)	(0.8)	(0.8)	(5.1)	(14.9)	(0.4)
<b>OFFICEWORKS</b>					
Revenue	2,787	2,314	2,142	1,964	1,851
EBITDA	221	195	181	168	156
Depreciation and amortisation	(31)	(28)	(25)	(24)	(22)
EBIT	190	167	156	144	134
EBIT margin (%)	6.8	7.2	7.3	7.3	7.2
RoC (R12, %)	19.6	17.0	16.6	14.7	13.5
Total sales growth (%)	20.4	7.6	9.1	6.1	8.1

<sup>1</sup> All figures are presented as last reported.

<sup>2</sup> Includes net property contribution for 2020 of \$36 million; 2019 of \$85 million; 2018 of \$33 million; 2017 of \$43 million; 2016 of \$46 million.

<sup>3</sup> Excludes sales related to Trade Centres and 'Frame and Truss'.

<sup>4</sup> Earnings excludes pre-tax non-cash impairments relating to Target in 2020 (\$525 million), 2018 (\$306 million) and 2016 (\$1,266 million), and pre-tax restructuring costs and provisions in 2020 (\$110 million) and 2016 (\$145 million).

<sup>5</sup> RoC includes the impact of lower capital employed as a result of pre-tax non-cash impairments relating to Target in 2020 (\$525 million), 2018 (\$306 million) and 2016 (\$1,266 million).

<sup>6</sup> Based on retail periods (rather than Gregorian reporting).

## Divisional key performance metrics (continued)

Pre AASB 16

Year ended 30 June <sup>1</sup> (\$m)	2020	2019	2018	2017	2016
<b>CHEMICALS, ENERGY AND FERTILISERS</b>					
Chemicals revenue	1,022	1,000	932	813	910
Energy revenue <sup>2</sup>	424	468	423	368	325
Fertilisers revenue	639	610	475	458	585
Total revenue	2,085	2,078	1,830	1,639	1,820
EBITDA <sup>3,4</sup>	474	518	469	472	400
Depreciation and amortisation	(81)	(80)	(79)	(77)	(106)
EBIT <sup>3,4</sup>	393	438	390	395	294
RoC <sup>3,4,5</sup> (R12, %)	20.2	32.6	27.7	27.4	18.9
Capital expenditure <sup>6</sup> (cash basis)	110	58	60	44	60
<i>External sales volumes ('000 tonnes)</i>					
Chemicals	1,152	1,098	1,056	979	1,021
LPG & LNG	215	221	181	135	152
Fertilisers	1,202	1,125	988	956	1,080
<b>INDUSTRIAL AND SAFETY</b>					
Revenue	1,745	1,752	1,750	1,776	1,844
EBITDA <sup>7</sup>	78	124	159	158	105
Depreciation and amortisation	(38)	(38)	(41)	(43)	(42)
EBIT <sup>7</sup>	40	86	118	115	63
EBIT margin <sup>7</sup> (%)	2.3	4.9	6.7	6.5	3.4
RoC <sup>7,8</sup> (R12, %)	2.8	5.8	8.4	8.4	4.7
Capital expenditure (cash basis)	59	83	50	34	52

<sup>1</sup> All figures are presented as last reported.<sup>2</sup> Includes interest revenue from Quadrant Energy loan notes and excludes intra-division sales.<sup>3</sup> 2016 to 2019 includes Quadrant.<sup>4</sup> 2020 and 2019 include \$18 million and \$30 million of insurance proceeds respectively, relating to the five-month ammonia plant production disruption that commenced in February 2018. 2019 includes a \$19 million provision for the removal of redundant equipment. 2017 includes a profit on sale of land of \$22 million and \$33 million relating to WesCEF's share of revaluation gains in Quadrant. 2016 includes \$32 million of one-off restructuring costs associated with the decision to cease PVC manufacturing.<sup>5</sup> 2020 includes Australian Light Minerals. RoC excluding Australian Light Minerals is 30.4 per cent.<sup>6</sup> 2020 includes Australian Light Minerals capital expenditure of \$25 million.<sup>7</sup> 2020 earnings excludes a \$310 million pre-tax non-cash impairment.<sup>8</sup> 2020 RoC includes the impact of lower capital employed as a result of a \$310 million pre-tax non-cash impairment.