



**Wesfarmers Limited**

ABN 28 008 984 049

# NEWS

22 February 2008

## FIRST HALF PROFIT

### Group performance summary

Highlights of the first half include:

- Profit after tax of \$601 million
- Operating revenue of \$9.8 billion
- Earnings per share of 134.9 cents
- Operating cash flow per share of 274.9 cents
- Interim dividend of 65 cents

The directors of Wesfarmers Limited today announced a record profit of \$601 million for the half year ended 31 December 2007, an increase of \$209 million or 53.3 per cent on the \$392 million earned in the corresponding six months last year.

Operating revenue rose from \$4.7 billion to \$9.8 billion for the half year.

The result includes for the first time a contribution from the Coles Group businesses acquired on 23 November 2007. This period of ownership represents a significant proportion of the full year's earnings for these businesses.

Earnings per share based on the weighted average number of shares on issue (445 million) for the six months were 134.9 cents compared with 105.8 cents for the corresponding period last year, an increase of 27.5 per cent. Operating cash flow per share of 274.9 cents was well above the 126.2 cents recorded last year, due in part to the strong sales of former Coles Group businesses over the Christmas period.

Directors have declared a fully franked interim dividend of 65 cents, a decrease of 20 cents on that paid last year, which included approximately 25 cents relating to franking credits from the sale of the Wesfarmers interest in the Australian Railroad Group.

The significant profit increase occurred because of the inclusion of the former Coles Group businesses which contributed \$357 million before interest and tax. Another very strong result from Bunnings saw its earnings increase by \$55 million. There was a reduction in earnings from the Resources division (comprising Wesfarmers' coal mining interests) of \$56 million, due mainly to lower export prices than in the previous corresponding period.

The half year result included profit before tax of \$32 million in dividends received on the Coles Group shares acquired in April 2007.

Managing Director Richard Goyder said the pre-Coles transaction businesses had done well in the six months.

“The contribution from these operations increased 12.4 per cent with five of the six divisions achieving higher earnings,” he said.

“Bunnings continues its outstanding performance with both cash sales growth and underlying store-on-store cash sales growth higher than the same time last year.

“The very short period of ownership of the former Coles Group businesses and the Christmas trading impact are important factors to bear in mind when considering these results.

“Target is performing very well with an innovative product range pipeline and an active new store roll-out programme. The improvement in Kmart has continued and the business had a very strong Christmas trading period.

“The supermarkets, liquor and fuel and convenience store businesses (the Coles division) increased revenue by seven per cent over the same period in 2006 but performance remains below acceptable benchmarks. With the Christmas/New Year period behind us the transformation of the Coles division is now underway. This process will accelerate with the arrival in May 2008 of Ian McLeod as Managing Director but, as I said at the time of announcing his appointment, we will be progressing strategies in a number of areas well before then.”

### **Coles Group integration**

Integration of the acquired businesses is ahead of schedule with all reporting lines to Wesfarmers Limited now in place.

Organisational structures have been finalised for Target, Kmart and Officeworks and the organisational design is almost complete for the Coles division. A review of the Coles supply chain is expected to be completed early next month. Major restructuring will occur in the Coles division over the next six months. There have been about 60 redundancies since the change of control, many of these in senior roles.

The previously-announced Kmart review is well underway with options now being considered. Accountability for working capital has been transferred to the new business divisions, each of which has a Board in place.

## **Outlook**

Mr Goyder said the company's outlook was for continuing good results in most of the Group's businesses with a very strong focus on bringing about substantial change in Coles.

"This will include a significant reduction in overheads, a comprehensive review of product range, promotions strategy and store layouts and a major effort to enhance the fresh produce offer," he said.

"Having had full access to all the acquired businesses for three months, our optimism about the benefits to our shareholders and other stakeholders of the Coles transaction is undiminished. But as we've consistently said, this is going to take time given there is a need for a fundamental restructure.

"We are making good progress in our restructuring. Some costs and provisions will be brought to account in the second half."

Mr Goyder said Wesfarmers would refinance \$4 billion of transaction borrowings during the calendar year.

"We are an investment grade-rated company (BBB+) with strong cash flows and are well advanced in our refinancing programme. Clearly, interest costs will be higher as a result of global credit conditions."

The majority of Coles transaction-related costs and provisions will be brought to account in the second half.

The directors retain a positive outlook for the expanded Group, taking account of increases in prevailing interest rates and fuel prices on the businesses and recognising that the significant restructuring of the Coles division will take time. The full impact of substantially higher export coal prices will be positive in 2008/09. New management appointments across the Group will strengthen the company's expanding businesses.

## **Finance**

The Group's net debt to equity ratio as at 31 December 2007 was 70.1 per cent, down from 143.6 per cent at 30 June 2007, given the combination of higher borrowings and a significant issue of new shares.

The rolling 12-month cash interest cover was 5.0 times.

Capital expenditure for the first half was \$588 million.

## **Interim dividend**

The 65 cent fully franked interim dividend will be paid on 31 March 2008.

The directors have decided to continue the operation of the Dividend Investment Plan. The allocation price for shares under the Plan will be calculated at a one per cent discount to the average of the daily volume weighted average price of Wesfarmers shares on each of the 10 consecutive trading days from and including the second trading day after the record date for participation in the Plan which is 4 March 2008. Shares will be allocated under the Plan on 31 March 2008. The Plan will be underwritten to at least 75 per cent.

## **Cessation of share buy-back**

The share buy-back programme that has been in place since February 2003 has been discontinued.

## **Home Improvement and Office Supplies**

### Bunnings

Operating revenue of the home improvement business increased by 13.1 per cent to \$2.79 billion in the first half. Earnings before interest and tax of \$325 million were 20.4 per cent higher than those recorded in the corresponding period last year. Trading earnings (net of property sale contributions) increased by 15.5 per cent.

Cash sales growth in Bunnings of 14.4 per cent was achieved, with underlying store-on-store cash sales growth of 12.2 per cent. Pleasing results were achieved in all Australian states, and also in New Zealand. Relative to the previous corresponding period, sales were strong across all product categories reflecting positive external trading conditions and improved execution of merchandising and operational strategies.

Trade sales were 6.1 per cent higher than in the comparative period on the back of continued progress in re-aligning the trade business to focus better on servicing large trade customers through new trade centres and to improve the offer for walk-in trade customers within the store network.

Store network development activities were ongoing in the first half. Six new warehouse stores and one trade centre opened in the period. Investment in the existing network continued at similar levels to prior years.

Good progress continues to be made on strategies that deliver greater efficiencies and more effective operations within the business. These gains support the continued delivery of the everyday-lowest-prices policy to customers.

The three HouseWorks stores in Western Australia will close from 31 March 2008. Net exit costs of \$4 million have been taken up in the half year result.

### *Outlook*

Continued retail sales growth and steady trade sales improvement are expected, although threats to the positive retail trading conditions are emerging.

New warehouse development is forecast to continue at between 10 to 14 warehouse stores per year, with 12 warehouse stores likely to be opened in 2007/08.

Profits from the disposal of property in the second half will reflect the outcome of a tender process for the sale and leaseback of seven warehouse properties, with completion expected before the end of the financial year.

### Officeworks

Operating revenue of Officeworks for the period 23 November to 31 December 2007 was \$115 million, with earnings before interest and tax for the same period of \$7 million. Christmas trading was satisfactory, relative to the corresponding period last year, in a competitive environment.

Comparative store-on-store sales growth for the five weeks was 1.6 per cent.

The key focus since acquisition has been on optimising performance during the peak Christmas and “back to school” trading periods, while working to integrate the business. Significant progress has been made in establishing Officeworks as an autonomous operating unit.

### *Outlook*

Work will continue to lift performance in a competitive trading environment. The focus in the second half will be on finalising the initial integration activities, and on completing a detailed strategy review.

### **Coles**

Operating revenue for the Coles division in the period 23 November to 31 December 2007 increased by seven per cent over the same time last year to \$2.9 billion. Earnings before interest and tax were \$130 million.

In December, all seasonal Christmas categories performed strongly, although liquor sales were marginally down following adverse weather in New South Wales and Queensland. Comparative store-on-store sales growth in the supermarkets for the five weeks was two per cent above the same time in the previous year.

For the five months ended December (the period since the last release of financial information for these businesses under their former ownership), food and liquor sales have progressively improved, driven primarily by the traditional Coles network stores although converted Bi-Lo and Bi-Lo stores also showed some positive signs. A focus on product availability is producing better results, whilst fresh product category sales also increased. Underlying food inflation was around two per cent.

Convenience store results remained strong in December, benefiting from an improved customer value proposition as well as the progressive roll-out of an enhanced store format. Comparable sales growth for the five weeks to end December in the convenience stores was 6.2 per cent.

Network development continued with 15 new supermarkets, seven 1st Choice and 20 convenience stores opened in the five months to the end of December. In addition, 15 supermarkets, 21 Liquorland and five convenience store refurbishments were completed. The total network of stores at the end of calendar 2007 comprised 748 supermarkets, 46 1st Choice, 715 liquor stores, 93 hotels and 621 convenience stores.

Upgrading of the distribution network continued, including the establishment of two national distribution centres in New South Wales and Victoria, one new composite distribution centre in South Australia, and one chilled distribution centre (CDC) and one regional distribution centre in Victoria. A new CDC is currently being commissioned in New South Wales. Two new distribution centres, one each in Queensland and Western Australia, are planned for 2009.

Since the acquisition date, key tasks have been to integrate support functions into the new Coles division, particularly in relation to the supply chain and to ensuring the successful delivery of Christmas trading given significant distribution network changes. Work is currently underway on detailed implementation planning for a number of customer-focused strategies, as well as organisational re-design of store support activities and an overall review of the store network.

### *Outlook*

The business will continue to focus on improving product availability and value for customers. A strong focus on managing costs will be maintained, together with a heightened capital discipline consistent with Wesfarmers' return on capital measures.

Restructuring activities, including completing the transition to a stand-alone division within the Wesfarmers group, reviewing the business operating model (particularly with regards to the support of stores) and store networks generally are expected to progress significantly over the second half.

Ten new supermarkets, seven 1st Choice and 10 convenience stores are scheduled to be opened by 30 June 2008.

### **Target**

Operating revenue for the period 23 November to 31 December 2007 increased on the same period last year by 6.4 per cent to \$605 million. Comparative store-on-store sales growth for the period was 3.1 per cent. Earnings before interest and tax were \$118 million.

All merchandise departments recorded growth during the period, with particularly good results in menswear, homewares, childrenswear, toys, leisure and books. Consumer demand for technology-based products continued with extremely strong growth in electrical goods sales.

Customers continued the recent trend of doing the bulk of their Christmas shopping in the two weeks prior to Christmas Day and the strong sales momentum gathered greater pace during the post-Christmas sale period. A substantial increase in the number of gift card sales pre-Christmas drove additional traffic during the stocktake sale.

Reinvestment in the existing network continued with the roll-out of the store ambience programme to another 19 locations featuring improved layout, design, signage, traffic flow and new fixtures. The programme, which has attracted favourable customer reaction, is scheduled for introduction to another 20 stores by the end of the financial year.

Nine new stores were opened in the period from 31 July to 31 December 2007 (seven full-line Target and two Target Country) taking the total number of stores in the network to 274.

#### *Outlook*

New product initiatives and store refurbishments will continue, as will plans to introduce different ways to deliver and market great value offers. While acknowledging the potential impact of external influences such as interest rate rises, fashion merchandise levels are appropriate to effectively manage any change in consumer sentiment in the second half.

Three new stores are scheduled for opening by 30 June 2008.

#### **Kmart**

Operating revenue for the period 23 November to 31 December 2007 was \$692 million, an increase of 4.5 per cent over the corresponding period last year. Earnings before interest and tax were \$101 million.

The improved performance evident in the latter months of the first half is reflected in comparative store-on-store sales growth of 5.0 per cent for the period 23 November to 31 December.

Progress on the implementation of the strategy aimed at improvement of the product offer, focusing on better value everyday for customers and investing in stores, has produced a pleasing result.

Kmart Tyre and Auto Service (KTAS) continued to focus on its core business of servicing and tyres and made a solid financial contribution.

Christmas trading was strong and the business is now experiencing consistent to strong performance across core categories.

At 31 December there were 168 Kmart stores in Australia, 15 in New Zealand and 267 KTAS stores.

#### *Outlook*

Continued comparative stores sales growth is expected.

The product offer will continue to evolve and focus will be on improvement of the in-store customer experience to drive future performance.

One new Kmart store is scheduled for opening in the second half.

An expanded refit programme is underway with work planned to begin before 30 June in 19 Kmart stores. A more aggressive store-opening programme will resume in future years.

## **Resources**

Operating revenue of \$530 million from the Group's coal businesses was 9.7 per cent below the \$587 million recorded in the corresponding period last year. Earnings before interest and tax of \$112 million were 33.3 per cent lower than last year's \$168 million. Earnings were below last year due to lower export metallurgical coal prices, a higher exchange rate, an increase in tonnage-related costs, offset by a reduction in the Stanwell rebate payment due to a lower rolling 12-month weighted average coal price.

Metallurgical coal sales volumes from the Curragh coal mine in Queensland of 3.1 million tonnes were 1.7 per cent lower than the corresponding six month period last year. A 21.8 per cent increase in steaming coal deliveries resulted in total sales volumes for Curragh increasing by 4.4 per cent.

Sales volumes from Premier Coal at Collie in Western Australia were 19.1 per cent below last year due to lower sales to Verve Energy due to maintenance and upgrade work at the Muja Power Station.

Joint venture sales volumes for the Bengalla coal mine in New South Wales, in which Wesfarmers holds a 40 per cent interest, were 7.5 per cent below the corresponding period last year. Bengalla's results for the period were affected by wet weather and infrastructure constraints. Modified Development Consent Approval for the Wantana Pit was obtained from the New South Wales Department of Planning. Feasibility studies to determine the viability of increasing the annual run of mine capacity from 8.7 million tonnes to 10.7 million tonnes are continuing.

At Curragh, highlights during the six month period included strong metallurgical coal demand in a constrained infrastructure environment, and stable production costs following the successful commissioning of the overland conveyor. Feasibility studies are being conducted into the expansion of the Curragh coal mine to achieve annual export tonnages of between 8.0 and 8.5 million tonnes of metallurgical coal.

On 31 January 2008 the Coal Division changed its name to Resources. This aligns the division's title with its business strategy and removes confusion following the acquisition of the Coles Group in November 2007.

## *Outlook*

The export coal businesses will benefit from strengthening metallurgical and steaming coal prices and volume growth. Achievement of targeted sales volumes will, as always, require satisfactory mine, rail and shipment performance. Expected full-year production of metallurgical coal at Curragh is in the range of 6.1 to 6.5 million tonnes for the 2007/08 year due to a major flood event in January 2008, compared to the pre-flood forecast of 6.5 to 6.9 million tonnes.

Negotiations to renew the annual price of Curragh metallurgical coals will progress over the next few months. The export market has tightened with strong demand and constrained infrastructure in Australia. Indications are that all coal prices will increase substantially.



## **Insurance**

Operating revenue of \$799 million increased by 29.1 per cent in the first half. Earnings before interest, tax and amortisation of \$71 million were 12.7 per cent higher than in the previous corresponding period. This included a full six month contribution from OAMPS and Crombie Lockwood.

Gross written premium (GWP) of \$618 million and broking revenue of \$103 million were recorded in the first half, reflecting a full six month contribution from OAMPS and Crombie Lockwood. GWP for the same time last year was \$546 million.

### *Underwriting*

Underwriting performance in the first six months was affected by higher claims and competitive pressures on premium rates. An increase in the frequency of severe weather-related events in New Zealand and the east coast of Australia and large claims resulted in higher loss ratios.

Wesfarmers Federation Insurance achieved good underwriting results in crop resulting from high grain prices and good claims experience.

These operating conditions were reflected in the divisional insurance margin of 5.6 per cent and the combined operating ratio (COR) of 98.1 per cent, compared with the previous corresponding period when the insurance margin was 13.2 per cent and the COR was 90.5 per cent.

The results from Lumley New Zealand's operations were particularly affected by weather events and were below expectations. A restructuring programme has commenced in New Zealand to improve underwriting performance.

### *Broking*

The division's broking businesses continued to report solid results in competitive market conditions. OAMPS and Crombie Lockwood generated \$28 million of EBITA on \$103 million of income, resulting in a margin of 27.4 per cent.

The selective acquisition of broking businesses meeting investment criteria continued in Australia, New Zealand and the United Kingdom.

### *Outlook*

Broking activities are likely to remain strong with earnings growth expected from new business and bolt-on acquisitions. Underwriting activities are subject to margin pressure due to the competitive environment in commercial lines and adverse weather conditions. Recent large claim events across the industry appear to be stabilising rates. Modest rate increases have been achieved in claims rated and underperforming classes. The claims environment will remain difficult for the industry if the increased frequency of severe weather events associated with the La Niña weather pattern continues.

## **Industrial & Safety**

Operating revenue for the industrial and safety businesses for the first half of \$642 million was 10.7 per cent above the corresponding period last year. Earnings before interest and tax increased by 19.6 per cent to \$61 million for the six months.

The increase in operating revenue reflects growth in all businesses plus the addition of the Bullivants lifting, rigging and material handling business, acquired in December 2006. Strong growth was reported in all businesses operating in Western Australia with improvements in New Zealand. Market conditions remained very competitive in New South Wales, Victoria and South Australia.

The improved earnings resulted from growth in operating revenue, the continued development of the division's global sourcing capability and benefits from the implementation of business improvement initiatives.

At 31 December 2007, rolling 12-month capital employed was slightly lower than last year despite the addition of the Bullivants business. The return on capital employed increased to 16.9 per cent, a significant improvement on the 13.7 per cent recorded in the corresponding period last year which reflects both increased earnings and the benefits of capital management initiatives.

### *Outlook*

Market conditions are expected to remain mixed in the second half, with strong growth in Western Australia and Queensland and subdued trading performance in New South Wales, Victoria and South Australia.

Strong ongoing focus on business improvement initiatives is also expected to deliver further improvements in the period to 30 June 2008.

## **Chemicals & Fertilisers**

Operating revenue of \$391 million from CSBP's chemicals and fertilisers businesses for the first half was 69.3 per cent above the comparative period last year. Earnings before interest and tax of \$48 million were recorded, an increase of 71.4 per cent compared with last year's \$28 million (which included the profit on the sale of the Chlor Alkali business).

The 2008 first half result was boosted by higher than anticipated revenue and earnings from Australian Vinyls, acquired on 1 September 2007.

Ammonia sales and production volumes were lower than the corresponding period last year due to reduced customer offtake and production issues. Earnings were slightly higher as the cost of imported product to supplement production was less than that incurred last year.

Ammonium nitrate sales, production and earnings from Kwinana were higher than the corresponding period in the previous year. Completion of the new prill plant as part of the ammonium nitrate expansion project has been delayed until mid May 2008, due to lower than forecast labour productivity and issues with equipment delivery. The new nitric acid plant was commissioned during February. As a result of the increased construction time, estimated final cost for the project has increased to just over \$400 million.

Returns from the Queensland Nitrates joint venture were below the corresponding period reflecting minor plant and gas supply issues which required the purchase of ammonia to ensure that production met customer demand.

Although sales from CSBP's sodium cyanide activities were in line with the equivalent period last year, production was significantly higher reflecting better plant performance leading to an improved contribution from the business.

Total earnings from chemicals activities were significantly ahead of the comparative period last year with the impact of the Australian Vinyls acquisition and good performance in ammonium nitrate and sodium cyanide more than offsetting lower earnings from Queensland Nitrates.

Fertiliser sales volumes were 33.6 per cent higher than the corresponding period last year as a result of growers collecting in advance of escalating global fertiliser prices. Revenue was 63.2 per cent above the same period last year. The earnings contribution from the fertiliser business was significantly higher than last year's, however margins in the second half will be tempered due to higher purchase costs.

#### *Outlook*

The seasonal break will determine the demand for fertiliser. Demand for all chemical products remains strong.

#### **Energy**

Operating revenue from the Group's gas and power businesses increased to \$281 million, 26.6 per cent above the corresponding period last year. Earnings before interest and tax of \$48 million were 26.3 per cent higher than the \$38 million earned last year.

These results include a six month contribution from Coregas, the major industrial, specialist and medical gas company acquired in February 2007. The integration of Coregas has been completed and good progress was made on the liquid nitrogen and acetylene expansion projects which are due to be finished in the second half of the year. Earnings for the period were below expectations mainly as a result of subdued activity in Coregas' New South Wales market.

Earnings from Air Liquide WA, in which Wesfarmers holds a 40 per cent interest, were largely in line with earnings from the comparative period last year.

Wesfarmers LPG's sales volumes were 14.5 per cent below the corresponding period last year due mainly to lower production as a result of reduced LPG content in the Dampier to Bunbury Pipeline. Earnings were 1.3 per cent higher than last year as a result of the higher average international LPG prices.

Kleenheat Gas' total sales volumes for the half year were slightly above last year due to growth in Kwik-Gas cylinder exchange, traditional cylinder and autogas volumes which were offset by lower bulk and distributor volumes. Comparative period earnings were below last year's, due mainly to the high international LPG prices impacting on margins. Kleenheat Gas also finalised an agreement to sell its 50 per cent interest in east coast autogas operator UNIGAS.

Energy Generation's (enGen) earnings for the half year were above last year's due partly to the completion and commissioning of the remaining power stations for the Aboriginal Remote Communities Power Supply Project. Good progress was also made on the construction of the LNG-fuelled Darlot and Sunrise Dam power stations.

Construction of the 175 tonne per day LNG plant in Kwinana, Western Australia continues on budget. Recent construction delays have resulted in commissioning of the plant to now be scheduled for May 2008. The plant is part of a \$138 million vertically integrated project to supply the heavy duty vehicle and remote power generation markets in Western Australia.

### *Outlook*

International LPG prices, gas flow rates and the LPG content of feed gas to Wesfarmers LPG will affect the full year result.

LPG export sales volumes for the second half are expected to be broadly in line with the prior year. Autogas sales volumes will be lower following sale of Kleenheat Gas' 50 per cent interest in UNIGAS in January 2008. Contributions from the LNG project are due in 2008/09.

### **Other operations**

After-tax earnings for Wesfarmers from the partly-owned Gresham Partners amounted to \$4 million. The Gresham Private Equity Funds investments contributed pre-tax earnings of \$26 million.

There was a contribution of \$8 million, pre-tax, from the Wesfarmers investment in the Bunnings Warehouse Property Trust and after-tax earnings of \$2 million from the 50 per cent-owned Wespine Industries.

### **Senior management changes**

During the first half, Mr Keith Gordon, formerly Managing Director of Chemical and Fertilisers, was appointed Business Integration Director responsible for the integration of the Coles Group businesses. Mr Ian Hansen, formerly General Manager, Chemicals, was appointed Managing Director of the CSBP businesses.

Mr Terry Bowen, formerly Managing Director of the Industrial and Safety division, was appointed Finance Director of the Coles division. He was replaced on an acting basis by Mr Olivier Chretien, formerly General Manager, Business Development with Industrial and Safety. The Board today confirmed the permanent appointment of Mr Chretien to this position.

Mr Robert Scott assumed the position of Managing Director of the Insurance division from 1 July, replacing Mr Bob Buckley who has retired.

In February 2008, Mr Ian McLeod was appointed head of the Coles division. Mr McLeod is currently Chief Executive Officer of Halfords plc in the United Kingdom and has a long and successful career in retail operations. He will take up his position in May 2008.

Mr Ben Lawrence has been appointed to the new position of Chief Human Resources Officer for Wesfarmers Limited. Mr Lawrence was formerly the senior human resources executive with Foster's Group Limited.

For further information contact: Richard Goyder, Managing Director  
(61 8) 9327 4208

Keith Kessell  
Executive General Manager, Corporate Affairs  
(61 8) 9327 4281  
0419 949 082

## Appendix 4D - Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

ABN 28 008 984 049

<b>RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>		\$m
Revenue from ordinary activities	up 107.9% to	<b>9,808</b>
Profit from ordinary activities after tax attributable to members	up 53.3% to	<b>601</b>
Net profit for the half-year attributable to members	up 53.3% to	<b>601</b>
<b>DIVIDENDS</b>		
	Amount per security	Franked amount per security
Interim dividend	65 cents	65 cents
Previous corresponding period		
Interim dividend	85 cents	85 cents
Record date for determining entitlements to the dividend	4 March 2008	
Last date for receipt of election notice for Dividend Investment Plan	4 March 2008	
Date the final dividend is payable	31 March 2008	

### NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share (excluding employee reserved shares): -\$5.66 (2006: \$2.51). This has reduced due to goodwill and intangible assets recognised on the partially debt funded acquisition of Coles Group Limited ("Coles").

### ACQUISITIONS

During the period a number of acquisitions were completed. Further details on these transactions are included within this report.

### PREVIOUS CORRESPONDING PERIOD

The previous corresponding period is the half-year ended 31 December 2006.

### COMMENTARY ON RESULTS FOR THE PERIOD

A commentary on the results for the period is contained in the press release dated 22 February 2008 accompanying this statement.

### NET CURRENT ASSETS

At 31 December 2007 there was a net current asset deficiency of \$4,547 million largely due to debt raised to fund the acquisition of Coles, which included a short-term bridge facility of \$4,000 million. The facility is to be re-financed prior to its expiry in October 2008.

# Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		CONSOLIDATED	
	Note	2007	2006
		\$m	\$m
<b>Revenue</b>			
Sale of goods		8,903	4,029
Rendering of services		795	634
Interest		47	31
Dividends		32	1
Other		31	23
		<b>9,808</b>	<b>4,718</b>
<b>Expenses</b>			
Raw materials and inventory purchased		(5,890)	(2,319)
Employee benefits expense		(1,293)	(667)
Insurance expenses		(531)	(440)
Freight and other related expenses		(118)	(79)
Occupancy-related expenses		(313)	(115)
Depreciation and amortisation		(220)	(178)
Other expenses		(458)	(362)
		<b>(8,823)</b>	<b>(4,160)</b>
Other income		14	18
Finance costs	5	(250)	(63)
Share of profits and losses of associates		47	37
		<b>796</b>	<b>550</b>
<b>Profit before income tax</b>		<b>796</b>	<b>550</b>
Income tax expense		(195)	(158)
<b>Profit attributable to members of the parent</b>		<b>601</b>	<b>392</b>
Earnings per share (cents per share)	3		
– basic for profit for the period attributable to ordinary equity holders of the parent		134.9	105.8
– diluted for profit for the period attributable to ordinary equity holders of the parent		133.8	104.8

# Balance Sheet

AT 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	CONSOLIDATED	
		December	June
		2007	2007
		\$m	\$m
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,096	219
Trade and other receivables		2,046	1,512
Inventories		4,810	1,235
Derivatives		90	90
Investments backing insurance contracts		826	816
Other		195	152
<b>Total Current Assets</b>		<b>9,063</b>	<b>4,024</b>
<b>Non-current Assets</b>			
Receivables		165	112
Available-for-sale investments		35	2,064
Investment in associates		460	389
Deferred tax assets		225	-
Property, plant and equipment		6,579	2,716
Identifiable intangible assets		4,323	130
Goodwill		16,140	2,568
Derivatives		68	73
Other		52	-
<b>Total Non-current Assets</b>		<b>28,047</b>	<b>8,052</b>
<b>TOTAL ASSETS</b>		<b>37,110</b>	<b>12,076</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		4,801	1,254
Interest-bearing loans and borrowings		6,470	4,436
Income tax payable		92	98
Provisions		755	169
Insurance liabilities		1,244	1,139
Other		248	85
<b>Total Current Liabilities</b>		<b>13,610</b>	<b>7,181</b>
<b>Non-current Liabilities</b>			
Payables		51	79
Interest-bearing loans and borrowings		5,584	687
Deferred tax liabilities		-	144
Provisions		584	170
Insurance liabilities		559	279
Other		170	33
<b>Total Non-current Liabilities</b>		<b>6,948</b>	<b>1,392</b>
<b>TOTAL LIABILITIES</b>		<b>20,558</b>	<b>8,573</b>
<b>NET ASSETS</b>		<b>16,552</b>	<b>3,503</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	8	15,157	2,256
Employee reserved shares	8	(92)	(111)
Retained earnings		1,189	1,131
Reserves		298	227
<b>TOTAL EQUITY</b>		<b>16,552</b>	<b>3,503</b>



# Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		
	Note	2007	2006
		\$m	\$m
<b>Cash flows from operating activities</b>			
Receipts from customers		10,619	5,097
Payments to suppliers and employees		(9,050)	(4,358)
Dividends and distributions received from associates		15	7
Dividends received from others		32	1
Interest received		47	31
Borrowing costs		(254)	(59)
Income tax paid		(168)	(242)
<b>Net cash flows from operating activities</b>		<b>1,241</b>	<b>477</b>
<b>Cash flows from investing activities</b>			
Net acquisition of insurance deposits		(10)	(26)
Purchase of property, plant and equipment		(588)	(317)
Purchase of other investments		(19)	-
Proceeds from sale of property, plant and equipment		10	17
Proceeds from sale of controlled entities		3	-
Subscription of capital in associates		(31)	(24)
Proceeds from sale of investments in associate		-	(1)
Return of capital received from associates		2	2
Acquisition of subsidiaries, net of cash acquired	9	(4,161)	(614)
<b>Net cash flows used in investing activities</b>		<b>(4,794)</b>	<b>(963)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		6,687	1,380
Repayment of borrowings		(1,856)	(156)
Proceeds from exercise of in-substance options under the employee share plan		12	17
Equity dividends paid		(410)	(556)
<b>Net cash flows used in financing activities</b>		<b>4,433</b>	<b>685</b>
Net increase in cash and cash equivalents		880	199
Cash and cash equivalents at beginning of the period		216	83
<b>Cash and cash equivalents at end of the period</b>	7	<b>1,096</b>	<b>282</b>

## Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED	Attributable to equity holders of the parent				
	Issued capital	Employee reserved shares	Retained earnings	Reserves	Total
	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2006	1,902	(159)	1,234	190	3,167
Foreign currency translation differences	-	(1)	-	6	5
Changes in the fair value of cash flow hedges net of tax	-	-	-	28	28
Net profit/(loss) recognised directly in equity	-	(1)	-	34	33
Net profit for the period	-	-	392	-	392
Total recognised income and expense for the period	-	(1)	392	34	425
Transactions with equity holders in their capacity as equity holders:					
Issue of shares under employee long term incentive plans	34	-	-	-	34
Proceeds from exercise of in-substance options	-	17	-	-	17
Equity dividends	-	11	(567)	-	(556)
	34	28	(567)	-	(505)
Balance at 31 December 2006	1,936	(132)	1,059	224	3,087
Balance at 1 July 2007	<b>2,256</b>	<b>(111)</b>	<b>1,131</b>	<b>227</b>	<b>3,503</b>
Changes in the fair value of available-for-sale assets net of tax	-	-	-	34	34
Changes in the fair value of cash flow hedges net of tax	-	-	-	(4)	(4)
Other	-	-	-	41	41
Net profit recognised directly in equity	-	-	-	71	71
Net profit for the period	-	-	601	-	601
Total recognised income and expense for the period	-	-	601	71	672
Transactions with equity holders in their capacity as equity holders:					
Issue of shares as consideration for Coles acquisition	12,733	-	-	-	12,733
Issue of shares under employee long term incentive plans	44	-	-	-	44
Issue of shares under dividend investment plan	124	-	-	-	124
Proceeds from exercise of in-substance options	-	12	-	-	12
Equity dividends	-	7	(543)	-	(536)
	12,901	19	(543)	-	12,377
Balance at 31 December 2007	15,157	(92)	1,189	298	16,552

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 1 CORPORATE INFORMATION

The financial report of Wesfarmers Limited (the "Company") for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors. Wesfarmers Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2007 and considered together with any public announcements made by Wesfarmers Limited during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report. Since 1 July 2007 Wesfarmers Limited and its subsidiaries (the "Group") has adopted Standards and Interpretations, mandatory for annual periods beginning on 1 July 2007. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

The financial report is presented in Australia dollars and all values are rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The half-year consolidated financial statements comprise the financial statements of the Group.

The acquisition of Coles and its controlled entities (the "Coles Group") on 23 November 2007 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. These amounts are provisional at reporting date. The half-year consolidated financial statements include the results of Coles Group for the period 23 November 2007 to 31 December 2007.

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

### 3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders and partially protected ordinary equity holders of the parent by the weighted average number of ordinary shares (excluding employee reserved shares treated as in-substance options) outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders and partially protected ordinary equity holders of the parent by the weighted average number of ordinary shares (excluding employee reserved shares treated as in-substance options) outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2007	2006
	\$m	\$m
Profit attributable to members of the parent	<b>601</b>	392
	<b>shares (m)</b>	shares (m)
Weighted average number of ordinary shares for basic earnings per share	<b>445</b>	370
Effect of dilution - employee reserved shares	<b>4</b>	4
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>449</b>	374
Earnings per share (cents per share)	<b>cents</b>	cents
– basic for profit for the period attributable to ordinary equity holders of the parent	<b>134.9</b>	105.8
– diluted for profit for the period attributable to ordinary equity holders of the parent	<b>133.8</b>	104.8

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

### 4 SEGMENT INFORMATION

	COLES *		HOME IMPROVEMENT AND OFFICE SUPPLIES		RESOURCES **		INSURANCE		KMART		TARGET	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Segment revenue</b>	<b>2,919</b>	-	<b>2,910</b>	2,471	<b>530</b>	587	<b>799</b>	619	<b>692</b>	-	<b>605</b>	-
<b>Segment result</b>												
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	175	-	371	300	179	267	79	70	106	-	123	-
Depreciation and amortisation	(45)	-	(39)	(30)	(67)	(99)	(15)	(10)	(5)	-	(5)	-
Earnings before interest, tax (EBIT) and corporate overheads	130	-	332	270	112	168	64	60	101	-	118	-
	INDUSTRIAL AND SAFETY		ENERGY		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Segment revenue</b>	<b>642</b>	580	<b>281</b>	222	<b>391</b>	231	<b>39</b>	8	<b>9,808</b>	4,718		
<b>Segment result</b>												
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	66	58	66	51	69	46	72	35	1,306	827		
Depreciation and amortisation	(5)	(7)	(18)	(13)	(21)	(18)	-	(1)	(220)	(178)		
Earnings before interest, tax (EBIT) and corporate overheads	61	51	48	38	48	28	72	34	1,086	649		
Finance costs									(250)	(63)		
Corporate overheads									(40)	(36)		
Profit before income tax expense									796	550		
Income tax expense									(195)	(158)		
<b>Profit attributable to members of the parent</b>									<b>601</b>	392		

Revenue and earnings of various divisions are affected by seasonality and cyclicity as follows:

- Home Improvement and Office Supplies, Coles, Kmart and Target - earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period; and
- Resources - the majority of the entity's coal contracts are renewed in April each calendar year, and depending upon the movement in prevailing coal prices this can result in significant changes in revenue and earnings in the last quarter of the financial year through to the third quarter of the following year.

\* Coles Division includes the food, liquor and convenience businesses.

\*\* Coal Division has changed its name to Resources Division.

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	2007	2006
	\$m	\$m
<b>5 REVENUE AND EXPENSES</b>		
<b>Finance costs</b>		
Interest expense	243	65
Discount adjustment	6	5
Interest capitalised	(8)	(6)
Other	9	(1)
	<b>250</b>	<b>63</b>
<b>Employee benefits expense</b>		
Remuneration, bonuses and on-costs	1,192	594
Amounts provided for employee entitlements	71	43
Share based payments expense	30	30
	<b>1,293</b>	<b>667</b>
<b>Depreciation and amortisation</b>		
Depreciation	155	96
Amortisation of intangibles	15	2
Amortisation other	50	80
	<b>220</b>	<b>178</b>
<b>Other expenses included in income statement</b>		
Government mining royalties	28	36
Repairs and maintenance	57	41
	<b>85</b>	<b>77</b>
<b>6 DIVIDENDS PAID AND PROPOSED</b>		
<b>Declared and paid during the period (fully franked at 30%)</b>		
Final franked dividend for 2007: \$1.40 (2006: \$1.50)	543	567
<b>Proposed and not recognised as a liability (fully franked at 30%)</b>		
Interim franked dividend for 2008: \$0.65 (2007: \$0.85)	453	322
	<b>996</b>	<b>889</b>
<b>7 CASH FLOWS</b>		
<b>Reconciliation to cashflow statement</b>		
For the purposes of the condensed cash flow statement, cash and cash equivalents are comprised of the following:		
Cash on hand and in transit	570	76
Cash at bank and on deposit	453	114
Broking trust accounts	73	92
	<b>1,096</b>	<b>282</b>
<b>Non-cash financing and investing activities</b>		
Issue of share capital under employee long term incentive plans	44	34
Issue of share capital under dividend investment plan	124	-
Issue of share capital for Coles acquisition	12,733	-
Acquisition of rights to mine via coal rebates payable	2	2
Recognition of mineral exploration via mine rehabilitation provision	5	2
	<b>12,908</b>	<b>38</b>

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

### 8 CONTRIBUTED EQUITY

#### *Movement in ordinary shares on issue*

	Thousands	\$m
At 1 July 2006	378,042	1,902
Issue of shares under employee long term incentive plans at \$34.57 per share	979	34
At 31 December 2006	379,021	1,936
Issue of shares under dividend investment plan at \$35.19 per share	3,017	106
Issue of shares under underwriting agreement at \$35.55 per share	6,031	214
At 30 June 2007	388,069	2,256
Issue of shares under non executive director plan at \$40.94 per share	3	-
Issue of shares as consideration for Coles acquisition at \$41.48 per share	152,606	6,331
Issue of shares under employee long term incentive plans at \$41.21 per share	1,064	44
Issue of shares under dividend investment plan at \$40.47 per share	3,068	124
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	68	3
At 31 December 2007	<b>544,878</b>	<b>8,758</b>

#### *Movement in partially protected ordinary shares on issue*

	Thousands	\$m
At 30 June 2007	-	-
Issue of shares as consideration for Coles acquisition at \$41.95 per share	152,598	6,402
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	(68)	(3)
At 31 December 2007	<b>152,530</b>	<b>6,399</b>

#### *Movement in employee reserved shares on issue*

	Thousands	\$m
At 1 July 2006	8,224	159
Exercise of in-substance options	(910)	(17)
Dividends applied	-	(11)
Foreign currency translation adjustment	-	1
At 31 December 2006	7,314	132
Exercise of in-substance options	(888)	(15)
Dividends applied	-	(5)
Foreign currency translation adjustment	-	(1)
At 30 June 2007	6,426	111
Exercise of in-substance options	(688)	(12)
Dividends applied	-	(7)
At 31 December 2007	<b>5,738</b>	<b>92</b>

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

### 9 BUSINESS COMBINATIONS

#### Acquisitions

During the period, the Group completed several acquisitions, the most significant being:

On 3 April 2007, Wesfarmers acquired a 10.6% (126.7 million shares) interest in Coles. These shares were acquired at a total cost of \$2,077 million at an average purchase price of \$16.40 per share.

On 23 November 2007, Wesfarmers Limited, through its controlled entity Wesfarmers Retail Holdings Pty Ltd, acquired, through a Scheme of Arrangement (the "Scheme"), the remaining 89.4% of the voting shares of Coles, a publicly listed company and its subsidiaries. The Coles Group is based in Australia and operates retail businesses in Australia and New Zealand. The Scheme consideration consisted of 152.6 million Wesfarmers ordinary shares, 152.6 million Wesfarmers partially protected ordinary shares and \$4,328 million in cash. The cost of the acquisition totalled \$19,315 million.

On 1 September 2007, the Company's chemical and fertiliser subsidiary, CSBP Limited, acquired 100% of Australian Vinyls Corporation, a privately owned company, which is the only manufacturer of poly vinyl chloride in the Australian market. The cost of the acquisition totalled \$141 million.

Details of the provisional fair value of identifiable assets and liabilities of Coles Group and the Group's other acquisitions as at the date of acquisition are:

	CONSOLIDATED	
	Recognised on acquisition \$m	Book carrying value \$m
<b>Assets</b>		
Cash and cash equivalents	505	505
Trade and other receivables	520	547
Inventories	3,661	3,664
Property, plant and equipment	3,540	3,460
Investment properties	7	8
Intangible assets	4,201	713
Assets held for sale	41	26
Deferred tax assets	397	537
Other	60	60
	<u>12,932</u>	<u>9,520</u>
<b>Liabilities</b>		
Trade and other payables	3,383	3,383
Interest-bearing loans and borrowings	2,021	2,079
Financial liabilities	48	48
Income tax payable	3	3
Provisions	995	606
Insurance liabilities	331	331
Deferred tax liabilities	33	83
Other	220	271
	<u>7,034</u>	<u>6,804</u>
Fair value of identifiable net assets	5,898	<u>2,716</u>
Goodwill arising on acquisition	13,578	
	<u>19,476</u>	
<b>Cost of the combination</b>		
Cash paid to shareholders	6,567	
Share capital issued to shareholders	12,733	
Costs associated with the acquisition	176	
	<u>19,476</u>	
<b>Cash outflow on acquisition</b>		
Net cash acquired	505	
Cash paid	(6,743)	
Cash paid for initial holding in Coles (in prior reporting period)	2,077	
Net cash outflow	<u>(4,161)</u>	



# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 9 BUSINESS COMBINATIONS (continued)

From the date of acquisition, the Coles Group and other acquisitions contributed \$251 million to the net profit after tax of the Group.

If the combinations had taken place at the beginning of the period, the revenue from continuing operations for the Group would have been \$23,576 million. It is not practicable to determine the net profit of the Group had the combinations taken place at 1 July 2007.

The goodwill of \$13,578 million arising on consolidation includes goodwill attributable to the Coles Group acquisition of \$13,557 million and is attributable to various factors, including the ability to provide improved products and services to customers, the value of growth opportunities and inseparable intangible assets such as employee skills and experience.

## 10 CONTINGENCIES

### Tax consolidation review

The Australian Taxation Office concluded its review of the Group's implementation of the taxation consolidation rules in relation to the generation of capital losses relating to the 2001 restructure of the Group. The outcome of the review did not have a material impact on the result for the period.

## 11 EVENTS AFTER THE BALANCE SHEET DATE

### Dividend

A fully franked dividend of 65 cents per share resulting in a dividend payment of \$453 million was declared for payment on 31 March 2008. The dividend has not been provided for in the 31 December 2007 half-year financial statements.