Australian Securities & Investments Commission

Form 7051
(ASX Form 1001)
Corporations Act 2001
285(2), 286(1), 320
Corporations Regulations
1.0.09

Notification of half yearly reports

If there is insufficient space in any section of the form, you may attach an annexure and submit as part of this lodgement

Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable): 20463

Firm/organisation: WESFARMERS LIMITED

Contact name/position description: LINDA JAYNE KENYON

Telephone number (during business hours): (08) 9327 4280

Email address (optional):

Postal address: GPO BOX M978

Suburb/City: PERTH

State/Territory: WA

Postcode: 6843

1 Disclosing entity

Entity type (select one)

[X] Company

Company name: WESFARMERS LIMITED

ACN: 008 984 049

[ ] Body (other than a company)

Name:

ARBN (if applicable):

[ ] Registered scheme

Name:

ARSN:

2 Financial period

From 01/07/11 [D D] [M M] [Y Y] to 31/12/11 [D D] [M M] [Y Y]

3 Certification

I certify that the attached documents comprise the half yearly reports together with every other document that is required to be lodged with the reports by a disclosing entity under the *Corporations Act 2001*.

Signature

This form is to be signed by:

if a company or a body: a director or secretary or the equivalent

if a registered scheme: a director or secretary of the responsible entity acting in that capacity.

Name of responsible entity

WESFARMERS LIMITED

ACN

008 984 049

Name of person signing

LINDA JAYNE KENYON

Capacity

COMPANY SECRETARY

Signature

Date signed

16/02/12

[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically via Standard Business Reporting enabled accounting software. Refer to www.sbr.gov.au for more details.

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Telephone 1300 300 630

“A”

Half-yearly report for six months ended 31 December 2011

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Wesfarmers Limited as at 30 June 2011 together with any public announcements made by Wesfarmers Limited and its controlled entities during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

This is Annexure A of 38 pages marked “A” referred to in the Form 7051 Notification of Half Yearly Reports signed by me and dated 16 February 2012.

LINDA JAYNE KENYON

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WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

HALF-YEARLY REPORT – 31 DECEMBER 2011

Contents	**Page**

DIRECTORS' REPORT
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

The directors of Wesfarmers Limited submit their report for the half-year ended 31 December 2011.

DIRECTORS

The names of the directors in office during the half-year and until the date of this report are shown below:

R L Every AO (Non-Executive Chairman)
T J Bowen (Finance Director)
C B Carter OAM
R J B Goyder (Managing Director)
J P Graham AM
A J Howarth AO
C Macek
W G Osborn
D L Smith-Gander
V M Wallace

Directors were in office for the entire period unless otherwise stated.

OVERVIEW

Wesfarmers Limited today announced a net profit after tax of $1,176 million for the half-year ended 31 December 2011, in line with the profit reported in the previous corresponding period. Excluding non-trading items[1], net profit after tax, was $1,203 million, an increase of 5.2 per cent on the 2011 first half.

A highlight for the period was the strong earnings before interest and tax (earnings) growth recorded in the Group's retail businesses. Combined earnings were up 7.8 per cent to $1,558 million driven by a solid trading performance as customers continued to respond favourably to improvements made across the businesses, as well as increased efficiencies.

Retail earnings growth was achieved despite a tough trading environment with retail conditions affected by lower consumer confidence, widespread price deflation and increased levels of competition, both in-store and online, partially driven by a strong Australian dollar.

Coles delivered strong earnings growth in the half of 14.1 per cent to $656 million, double the rate of revenue growth, underpinning a solid improvement in return on capital. The result reflects the positive customer response to improvements made in value, quality and service, and an ongoing focus on business efficiency.

Bunnings achieved another good result with earnings up 6.1 per cent to $485 million following the benefits of category and network expansion as well as cost management initiatives mitigating ongoing deflationary impacts and challenging trading conditions.

Kmart and Officeworks reported pleasing earnings growth of 12.6 per cent to $197 million and 9.1 per cent to $34 million, respectively. The turnaround strategies of these businesses continue to drive positive outcomes, particularly greater operational efficiencies and higher customer transactions.

Target's earnings of $186 million were down 9.7 per cent compared to earnings in the first half last year. Earnings were affected by lower customer numbers and reduced margins due to heightened promotional activity in the market. Changes made to Target's promotional program late in the half resulted in an improvement in December trading.

The Resources division reported earnings of $250 million in line with the previous period. Higher revenue during the half was offset by increased royalties and mining costs, principally related to flood recovery work and one-off costs associated with mine expansion preparation.

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[1] December 2011 half-year, excludes $27 million post-tax non-trading items expense. December 2010 half-year, excludes $29 million of post-tax insurance proceeds relating to the 2009 Varanus Island gas outage.

Consistent with previous guidance, the Insurance division recorded earnings of $17 million, significantly lower than the $65 million recorded in the previous corresponding period, due to catastrophe claims events exceeding allowances by $28 million and a $26 million increase in reserves associated with the February 2011 Christchurch earthquake.

The Chemicals, Energy and Fertilisers division reported earnings of $99 million, down 10.0 per cent on the 2011 first half result after excluding the $41 million of insurance proceeds received in that period related to the 2009 Varanus Island gas outage. Underlying earnings were supported by increased demand for the division's chemicals and fertiliser products offset by a lower contribution from Kleenheat Gas and the costs associated with a planned major shutdown of the ammonia plant.

The Industrial and Safety division achieved strong earnings growth of 22.8 per cent to $97 million, driven by strong demand from the resources sector, improved delivery performance and ongoing category expansion.

The Group's first half operating cash flows of $2,172 million increased by 10.8 per cent compared to the first half last year with a cash realisation ratio of 127.8 per cent. The improved result highlights the cash-generative nature of the Group's businesses as well as a good working capital performance.

Wesfarmers continued its strong capital investment phase with $1,263 million in net capital expenditure recorded for the half. Total investment in land and buildings, net of property disposals, was $343 million, with the majority of the investment undertaken by Coles and Bunnings as these businesses continued to develop their networks and refurbish stores.

Free cash flows for the half increased 29.3 per cent to $1,170 million, including $399 million in cash proceeds associated with the sale of the Premier mine and enGen business.

The directors declared a fully-franked interim dividend of 70 cents per share compared to 65 cents for the 2011 half-year.

Wesfarmers delivered a good result, increasing the Group's underlying profit by 5.2 per cent, especially given the challenging conditions experienced by the retail and Insurance divisions as well as extra costs associated with flood recovery efforts and the expansion of the Curragh coal mine.

Continuing improvements in the turnaround retail businesses of Coles, Kmart and Officeworks were evident. These businesses reported strong increases in customer numbers and unit volumes sold, as well as further gains in operating efficiencies, reflecting in combined earnings growth of 13.4 per cent for these businesses.

Bunnings recorded another solid result despite ongoing deflationary impacts, as consumer and commercial customers continue to respond well to the focus on improving price, range and service.

The Industrial and Safety and chemicals businesses recorded strong results for the half, benefiting from good operating performances, as well as high demand from the resources sector for their products.

Resources made good progress with the expansion works at both the Curragh and Bengalla mines as well as its efficiency programs.

The Group was pleased to record a strong increase in operating cash flows through good capital management, especially given the strong capital investment phase that the Group is embarking on. During the period, Wesfarmers continued to strengthen its retail networks as well as progress the expansion of its export coal mines and ammonium nitrate facility.

Although the retail trading environment was expected to remain subdued in the second-half, the outlook for the Group remained positive.

Wesfarmers anticipates continued improvement from the Group's retail businesses, increased export coal sales volumes, following the completion of the current expansions, and a better Insurance division result, on the basis of a return to a more normal pattern of claims.

Results summary

Half-year ended 31 December	2011	2010	Variance %
KEY FINANCIALS ($m)			
Revenue	**29,674**	28,074	*5.7*
Group EBITDA	**2,433**	2,378	*2.3*
Group EBIT	**1,937**	1,917	*1.0*
Net profit after tax (excluding non-trading items)[1]	**1,203**	1,144	*5.2*
Net profit after tax	**1,176**	1,173	*0.3*
Operating cash flows	**2,172**	1,960	*10.8*
Net debt	**4,484**	3,742	*19.8*
KEY SHARE DATA (cents per share)			
Earnings per share	**102.0**	101.7	*0.3*
Operating cash flows per share	**187.7**	169.4	*10.8*
Dividends per share	**70**	65	*7.7*
KEY RATIOS			
Interest cover (R12, cash basis) (times)	**10.3**	7.7	*2.6 times*
Fixed charges cover (R12) (times)	**2.7**	2.6	*0.1 times*
Return on shareholders' funds (R12) (%)	**7.7**	7.6	*0.1pt*

1. December 2011 half-year excludes post-tax non-trading items of $27 million. December 2010 half-year excludes post-tax insurance proceeds of $29 million relating to the 2009 Varanus Island gas outage.

Divisional earnings summary

Half-year ended 31 December ($m)	2011	2010	Variance %
EBIT			
Coles	**656**	575	*14.1*
Home Improvement	**485**	457	*6.1*
Office Supplies	**34**	32	*9.1*
Target	**186**	206	*(9.7)*
Kmart	**197**	175	*12.6*
Insurance	**17**	65	*(73.8)*
Resources	**250**	250	*0.0*
Chemicals, Energy & Fertilisers[1]	**99**	151	*(34.4)*
Industrial & Safety	**97**	79	*22.8*
Divisional EBIT	**2,021**	1,990	*1.6*
Other	**(31)**	(26)	*(19.2)*
Corporate overheads	**(53)**	(47)	*(12.8)*
Group EBIT	**1,937**	1,917	*1.0*

1. December 2010 half-year includes pre-tax insurance proceeds of $41 million relating to the 2009 Varanus Island gas outage.

Retail

Total earnings for the retail portfolio increased by $113 million to $1,558 million for the first half of the 2012 financial year with return on capital increasing by 110 basis points to 8.2 per cent helped by better working capital management. The increase in earnings was strong given consumer sentiment remained subdued and high levels of discounting continued across the sector.

Coles' result for the half was strong with earnings up 14.1 per cent to $656 million, double the rate of revenue growth. The result reflects the sustained momentum in the turnaround of Coles as customers continue to respond favourably in increasing numbers, as evidenced by record-breaking Christmas sales, to the ongoing improvements in value, quality and service throughout the store. Comparable sales growth for the half of 4.4 per cent[2] was recorded for the food and liquor business, despite price deflation of 2.4 per cent resulting from abundant fresh produce supply and Coles' commitment to lowering food prices for Australians.

Coles drove its renewal program at pace opening 49 renewal stores in the half. This takes the total number of stores trading in the new store format to 193.

During the half, Coles continued to deliver market-leading price promotions across all of its businesses including its ongoing 'Down Down' campaign, new value campaigns for both Liquorland and 1st Choice, as well as fuel discounts linked to supermarket sales.

The division also made good progress with its supply chain overhaul, implementing Easy Warehousing, which will improve productivity for the business and its suppliers as well as increase on-shelf availability and product shelf life for its customers.

In a challenging environment, Coles Liquor continued to develop its in-store offer and provide better value for its customers in each of its three brands, growing both sales and market share. Notwithstanding this result, a combination of market dynamics and a challenging information technology system transition combined to produce a liquor performance below that of supermarkets.

The convenience business increased its market share as customers continue to respond favourably to the investment in fuel. Earnings increased to $65 million from the $49 million reported in the first half last year, driven by strong fuel volume growth and a favourable shift by customers to premium fuel products.

Bunnings reported first half earnings of $485 million, up 6.1 per cent. The business continued to make good progress with its strategic agenda, in particular, improving service and value for its customers, which was underpinned by its range reset program, as well as category and network expansion. Earnings were supported by solid sales growth from both consumer and commercial segments and ongoing cost management initiatives.

Bunnings continued to expand its store network with five new warehouses and two new trade centres opening in the half. At 31 December 2011, 16 warehouses were under construction with 10 expected to open in the second half of the 2012 financial year.

Despite heavy price deflation in technology and furniture categories, Officeworks generated earnings of $34 million, up 9.1 per cent. Growth in earnings was supported by another period of double digit customer transaction growth. The business continues to make good progress on improving the customer offer, including website enhancements, improved merchandising and investment in service. Progress was also made in reducing operational complexity to lower the cost of doing business.

Target's earnings declined to $186 million, as lower customer transactions and a high level of promotional activity across the sector affected margins, particularly in electrical and entertainment products.

December's results did show some improvement as changes were made to Target's promotional program. Inventory was well managed during the half through proactive clearance activity and at balance date stock on hand was considerably lower than the previous corresponding period.

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[2] For the 27 week period from 27 June 2011 to 1 January 2012.

Kmart delivered a strong result with earnings up 12.6 per cent to $197 million for the half and a trading EBIT margin of 8.6 per cent. Growth in margins was supported by better sourcing, pricing disciplines and stock management, as well as solid growth in customer transactions and volumes sold. Customers continued to respond favourably to the improvements made to Kmart's offer. Inventory levels were well managed throughout the half and at balance date inventory on hand was below the same time last year.

Insurance

The Insurance division reported earnings of $17 million, significantly below the $65 million reported for the 2011 first half. Earnings were affected by a high level of catastrophe claims across the industry, a $26 million increase in reserves required for the February 2011 Christchurch earthquake as well as higher crop claims and reinsurance costs from 1 July 2011.

More positively, the underlying performance of the underwriting business showed some improvement as higher gross written premiums were achieved through premium rate increases and growth in personal lines. When fully earned, premium rate increases are expected to offset higher reinsurance costs.

The insurance broking business reported a strong result, with earnings growth of 26.1 per cent over the previous corresponding period, benefiting from recent bolt-on acquisitions, new business growth and a general hardening in premium rates.

Industrial

Resources' earnings for the first half of $250 million were in line with last year as higher coal prices were largely offset by the impact of a comparatively stronger Australian dollar and higher costs. Revenue increased by $130 million to $1,087 million but was largely offset by a $38 million increase in royalties, including the Stanwell royalty, and $55 million in one-off mining costs at Curragh. Pleasingly, the benefits of cost management initiatives provided a partial offset to ongoing industry cost pressures.

One-off mining costs were related to recovery efforts from last year's major floods and increased costs associated with the expansion of the mine. Higher rates of overburden removal and run-of-mine (ROM) production, not yet converted to finished product, were undertaken in readiness for completion of the mine expansion.

At balance date, ROM stocks were significantly higher than those reported at 30 June 2011. Despite this, metallurgical coal production for Curragh was marginally down to 3.09 million tonnes for the period as production in the first quarter was affected by difficult mining conditions. Steaming coal production was marginally ahead of the same period last year at 1.37 million tonnes.

The expansion of the Curragh and Bengalla mines continued during the period, with practical completion anticipated for both mines by the end of March 2012.

The Chemicals, Energy and Fertilisers division reported a 10.0 per cent decrease in underlying[3] earnings to $99 million. Earnings from the chemicals businesses increased, despite ongoing difficult trading conditions in Australian Vinyls, due to higher demand for ammonia, ammonium nitrate and sodium cyanide. As previously indicated, Kleenheat Gas earnings were down on last year due to higher gas prices, lower LPG content and subdued demand, while the LNG business reported improvements compared to last year. Fertiliser earnings for the half were ahead of the previous corresponding period.

A highlight for the period was the Wesfarmers Board's approval of the $550 million expansion of the ammonium nitrate facility at Kwinana. The expansion is expected to be completed in the 2014 financial year and will increase production capacity by 260,000 tonnes per annum to 780,000 tonnes per annum.

The Industrial and Safety division's result for the first half was strong, with earnings growth of 22.8 per cent to $97 million. Sales growth was achieved across most businesses and regions as a result of strong demand from the resources sector and large projects. The result also benefited from a strengthening market position aided by improvements in customer service and delivery performance following continued investment in the distribution network. Earnings were supported by cost management initiatives and growth in service revenue.

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[3] 2011 half-year result excludes $41 million of insurance proceeds relating to the 2009 Varanus Island gas outage.

Other businesses/corporate overheads

Other businesses, non-trading items and corporate overheads reported an expense of $84 million, compared to an expense of $73 million in the previous corresponding period.

Wesfarmers' share of the loss recorded by the Gresham Private Equity Funds was $46 million, compared to a loss of $28 million in the first half last year. The result is due to downward non-cash revaluations in the portfolio, mainly reflecting a compression of equity market trading multiples in the period.

The Group's investment in the BWP Trust generated earnings of $7 million compared to $12 million in the first half last year. Interest revenue declined to $11 million from $23 million in the previous corresponding period, due to lower levels of cash on deposit across the half.

Non-trading items for the period reduced earnings by $30 million. This included a $181 million non-cash writedown of the carrying value of Coregas following the significant restructure of BlueScope Steel's Port Kembla operations. The writedown was partially offset by a gain of $151 million associated with the disposals of the Premier Coal mine, the enGen business and Boddington forestry assets.

A more favourable claims environment and lower claims costs resulted in an improvement in the Group's self-insurance result, with the program reporting a $4 million expense compared to a $31 million expense in the first half last year. Corporate overheads increased by $6 million to $53 million due to an increase in corporate activity and higher costs associated with share-based payments.

Cash flows and capital management

Operating cash flows for the half increased $212 million to $2,172 million as operating cash flows across most of the Group's operating divisions increased. The cash realisation ratio[4] was 127.8 per cent for the first half.

Strong operating cash flows in the half reflected a $256 million improvement in the Group's working capital position. Working capital benefits of $557 million in the Group's retail business primarily related to further reductions in Coles' net investment in inventory and lower inventory balances held by Kmart and Target. Higher inventory balances for the Group's industrial divisions associated with strong commodity prices, increased coal stockpiles and the seasonal fertiliser inventory build partially offset the working capital benefits recorded by the retail divisions.

Net capital expenditure was $1,263 million for the half-year, including $165 million relating to the disposal of property, plant and equipment. Higher levels of capital investment reflected organic growth opportunities across the Group, in particular, the acquisition of land and buildings to strengthen retail store networks, store refurbishment programs, particularly at Coles, the expansion of coal mining operations and the $550 million ammonium nitrate expansion at Kwinana.

The $284 million increase in net capital expenditure was more than offset by the proceeds received during the period relating to the disposal of the Premier Coal mine and enGen business. Free cash flows for the period increased to $1,170 million from $905 million in the previous corresponding period.

Strong cash flows and a continued focus on strengthening the Group's balance sheet resulted in an improvement in fixed charges cover[5] to 2.7 times and the cash interest cover[5] ratio to 10.3 times. Finance costs decreased to $264 million from the $272 million reported in the first half of the 2011 financial year with the effective borrowing cost decreasing 74 basis points to 8.03 per cent for the half.

During the half, the Group continued with its strategy to pre-fund upcoming maturities and lengthen its debt maturity profile with the issue of $500 million in medium term notes in October.

Net debt, comprising interest bearing liabilities less cash at bank and on deposit, was $4,484 million, broadly in line with the net debt position at 30 June 2011 of $4,343 million. Net debt-to-equity was 17.6 per cent compared to 17.2 per cent at the end of the 2011 financial year.

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[4] Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant non-trading items.
[5] Calculated on a rolling 12 month basis.

The Group's credit ratings remained unchanged during the period at A- (stable) for Standard & Poor's and Baa1 (positive) for Moody's.

During the period, errors were identified in relation to the initial allocations of goodwill which were made at the time of the acquisition of the Coles Group of businesses impacting Kmart and Target. The errors arose from an incorrect calculation of the terminal value of Kmart and a failure to consistently reflect the impact of Kmart's and Target's business plans. Accordingly an adjustment of $486 million has been made and retrospectively applied to increase the value of goodwill in Kmart and reduce the value of goodwill in Target to $759 million and $1,933 million, respectively. These adjustments do not impact the Group's net profit after tax or the Group's consolidated balance sheet.

In November 2011, the Wesfarmers Board elected to extend the lapse date associated with Wesfarmers Partially Protected Shares for a period of 12 months. The lapse date is now 23 November 2012. The Board has the right to extend the lapse date for a further 12 months, up to another three times, subject to the terms of the shares.

Interim dividend

The Board has declared a fully-franked interim dividend of 70 cents per share, compared to 65 cents per share in the previous corresponding period.

The interim dividend will be paid on 30 March 2012 to shareholders on the company's register on 27 February 2012, the record date for the interim dividend. The ex-dividend date will be 21 February 2012.

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 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 27 February 2012.

No discount will apply to the allocation price and the Plan will not be underwritten. Given the company's current capital structure and strong balance sheet, shares will be acquired on-market and transferred to participants on 30 March 2012 to satisfy any shares to be issued under the Plan.

Outlook

The Group remains optimistic about the outlook for its retail businesses, as each division continues to pursue strategic agendas that will improve the customer offer, increase operational efficiency and strengthen store networks. In the short-term, challenging trading conditions are expected to continue given subdued consumer confidence and high levels of price deflation, particularly fresh produce deflation in supermarkets.

Earnings for the Insurance division are expected to improve, in the absence of a continuing high number of catastrophe events, due to both new business and premium revenue growth.

The outlook for the Group's industrial businesses remains positive given the expansion projects underway, good long-term fundamentals in the Resources division and exposure to growth in the Australian resources sector for the Industrial and Safety division and chemicals business.

The Group's strong balance sheet and the cash-generative nature of its businesses are supporting the current phase of significant organic capital investment which is being undertaken across the Group. This investment is expected to enhance future shareholder returns.

For further information:

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Investors	Luca Pietropiccolo Manager, Investor Relations & Planning +61 8 9327 4416 or +61 403 763 612

Coles division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**17,218**	16,059
EBITDA	**875**	775
Depreciation & amortisation	**(219)**	(200)
EBIT	**656**	575

Coles' operating revenue for the half-year was up 7.2 per cent to $17.2 billion, with earnings before interest and tax (EBIT) up 14.1 per cent to $656 million. Food and liquor sales growth for the half-year[1] was 4.9 per cent with comparable store sales growth of 4.4 per cent.

Coles' EBIT of $656 million grew at twice the rate of sales over the half-year. This strong performance was underpinned by an ongoing focus on business efficiency. Return on capital also grew by 110 basis points to 8.2 per cent.

The completion of the Easy Warehousing program has allowed Coles to further leverage efficiencies across the business and improve on-shelf availability and fresh produce shelf life. The business also generated significant cost savings through reduced in-store waste, energy efficiency improvements and improved procurement practices.

As a result of the improved offer and better customer in-store experience, transaction numbers continued to grow strongly over the half. Coles' price promise on key Christmas food lines helped drive a record 17 million customer transactions in the week leading to Christmas, an increase of one million customers on the previous year.

Coles continued to deliver market-leading price promotions through its ongoing 'Down Down' campaign and fresh produce 'Super Specials'.

Improved value and quality resulted in double digit sales growth in Coles brand products during the half. The new, and exclusive to Coles, 'Mix' range of fashion apparel was rolled out to 57 stores and the customer response has been very positive.

The last six months has been challenging for the liquor business given challenging market dynamics as customers continue to shift towards the large box format and seek the best value attainable.

Despite these market changes, the liquor business continued to grow sales and market share. However, liquor had the weakest sales and profit performance within the division, exacerbated by transition problems as the business implemented extensive updates to its legacy information technology platforms. While this was a major distraction for the liquor team it has since improved.

Coles Express delivered revenue of $3.8 billion for the half-year[1], an increase of 16.6 per cent on the previous corresponding period. There was a positive customer response to fuel discounts linked to food and liquor purchases, which drove record docket redemptions and led to a 3.7 per cent growth in comparable fuel volumes during the half. Comparable convenience store sales were adversely affected by higher petrol prices and cool weather.

Coles continued to enhance its store network over the half-year, opening and extending 14 supermarkets, closing six underperforming stores, adding 25 new liquor stores and closing 17 underperforming liquor stores.

At 31 December 2011, Coles had a total of 744 supermarkets, 794 liquor stores, 625 Coles Express sites and 92 hotels. In the first half of the 2012 financial year, Coles opened 49 renewal stores. As a result, Coles has now opened or refurbished 193 stores in the renewal format and will continue to rollout new and refurbished stores in the second half.

[1] For the 27 weeks from 27 June 2011 to 1 January 2012.

Outlook

Further growth is expected as Coles continues to implement its strategic initiatives at pace during the third phase of the turnaround. The business expects challenging external conditions, including ongoing fresh produce price deflation to continue in the second half.

Key turnaround initiatives planned for the second half include continued development of the Coles brand range, ongoing store renewal rollout and store network optimisation, further improvements in supply chain, store and above-store efficiency, and increased team member training.

Home Improvement and Office Supplies division

Bunnings

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**3,797**	3,572
EBITDA	**544**	508
Depreciation & amortisation	**(59)**	(51)
EBIT	**485**	457

Operating revenue from the Bunnings home improvement business increased by 6.3 per cent to $3.8 billion for the half-year, with trading revenue increasing by 6.8 per cent. Earnings before interest and tax (EBIT) of $485 million were 6.1 per cent higher than those recorded in the corresponding period last year.

Total store sales growth of 7.0 per cent was achieved, with underlying store-on-store sales increasing by 4.6 per cent. Commercial sales were 6.7 per cent higher than the previous corresponding period. Sales growth for the half-year from both consumer and commercial customers was pleasing across key product categories, with growth achieved across all key trading regions.

A strong focus in the business on generating more value for customers, and category expansion, mitigated the ongoing deflationary impacts and challenging trading conditions. EBIT growth was supported by customer experience improvements and ongoing cost management initiatives.

During the period, seven trading locations opened, including five new warehouse stores and two new trade centres. Significant investment in expanding and upgrading the existing network continued, representing over 80 per cent of total capital expenditure for the period.

At the end of the period there were 199 warehouses, 58 smaller format stores and 37 trade centres operating in the Bunnings network across Australia and New Zealand.

Outlook

The business is positioned to continue to achieve sales growth in the consumer and commercial segments, with good progress across all aspects of Bunnings' strategic agenda, particularly through service and offer improvements, and network expansion and reinvestment. Cost leverage and reinvestment of productivity gains remain a priority.

At 31 December 2011, 16 new warehouses were under construction, with 10 expected to open before the end of the financial year. The pipeline for further network expansion remains strong.

Home Improvement and Office Supplies division

Officeworks

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**710**	706
EBITDA	**45**	42
Depreciation & amortisation	**(11)**	(10)
EBIT	**34**	32

Operating revenue for the Office Supplies business was $710 million for the half-year, which was 0.6 per cent higher than the previous corresponding period. Earnings before interest and tax (EBIT) grew 9.1 per cent[1] to $34 million.

Headline sales growth across the Officeworks retail store network for the half-year was 0.2 per cent as the business effectively managed strong price deflation. Growth was underpinned by a continued lift in customer transactions. Sales momentum continued to build in the business-to-business channel as underlying strategies gained traction.

Officeworks continued to focus on its strategic agenda by improving the customer offer while reducing operational complexity and the cost of doing business. Product ranges were reviewed and expanded with customers responding favourably to the enhanced offer.

The Officeworks website was further developed to improve the customer experience, making it easier for retail and business customers to shop online. Work to improve inventory management and supply chain will continue.

One new Officeworks store was opened and two Officeworks stores were fully upgraded. At half-year end, there were 136 Officeworks stores and three Harris Technology business centres operating across Australia.

[1] Office Supplies EBIT growth shown on an un-rounded basis.

Outlook

Challenging retail trading conditions coupled with competitive pressure on sales and margin are expected to continue throughout the remainder of the 2012 financial year.

The primary focus remains on reinvigorating the business through a range of strategic initiatives. Investment to further enhance the customer offer while growing and renewing the network will continue, as will work to lower costs and remove operational complexity. Ongoing evolution of Officeworks' existing multi-channel offer will continue in order to meet current and future customer needs.

Target division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**2,060**	2,120
EBITDA	**223**	240
Depreciation & amortisation	**(37)**	(34)
EBIT	**186**	206

Operating revenue for Target declined by 2.8 per cent to $2.1 billion, with comparable store sales for the half-year[1] declining 3.5 per cent. Earnings before interest and tax (EBIT) were $186 million, with an EBIT to sales margin of 9.0 per cent.

Consumers continued to be cautious in their discretionary spend, with the frequent promotions and clearance sales across the retail sector affecting the mix of sales. However, a focus on actively managing inventory holdings during the first half resulted in solid margins despite softer sales.

Sales in the homewares and the footwear and accessories categories delivered growth for the period, as the customer responded positively to the quality and value of the homewares offering, and the improved range of footwear and accessories. Sales of electrical items were down compared to the same period last year, as demand declined for digital cameras, DVDs and interactive toys.

Inventory levels at the end of the period were considerably lower than the same period last year, due to the diligence and focus applied to managing working capital during the difficult trading conditions. Target took action before the end of the period to clear seasonal and older stock lines, and as a result the business is comfortable with the quality and price point of remaining inventory items entering the new calendar year.

Expansion of the online offer remains a critical focus, with new ranges added during the half including womenswear, menswear, electrical and entertainment. The customer response and increased sales activity have been encouraging.

The use of in-house product design and development capabilities continues to increase and will be a key factor in Target's continued differentiation in the market.

Eight new stores were added during the half, which included three Target stores, three Target Country stores and two Urban by Target stores. At the half-year there were 175 Target stores, 122 Target Country stores and two Urban by Target stores.

Investment in the existing store network resulted in 26 store refurbishments being completed, reflecting new store design standards including layout, fixtures, flooring and signage.

[1] For the 27 weeks from 26 June 2011 to 31 December 2011.

Outlook

The challenging and competitive trading environment is expected to continue for the latter half of 2012, and therefore a continued focus on inventory management will remain critical as Target transitions to the winter season.

Alternative channels to reach customers will continue to be advanced, as more product becomes available for sale online and the use of social media to communicate with customers increases.

For the second half, the store network is expected to increase by one and one store refurbishment is planned.

A priority for the business will be to further align Target's focus on better understanding its customers and applying this knowledge across the business.

Wesfarmers

Kmart division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**2,236**	2,271
EBITDA[1]	**226**	208
Depreciation & amortisation	**(33)**	(34)
EBIT[1]	**193**	174

[1] 2011 excludes $4 million earnings relating to Coles Group Asia overseas sourcing operations used by both Kmart and Target (2010: $1 million).

Kmart's operating revenue for the half-year was $2.2 billion with earnings before interest and tax of $193 million.

Comparable store sales growth for the half declined 1.4 per cent[2], affected by ongoing price deflation.

During the half, Kmart continued to improve its in-store offer and provide customers with even greater every day value. Solid growth in units sold was recorded across all categories, excluding entertainment, with the second quarter representing the eighth consecutive quarter of growth in customer transactions and units sold.

Strong earnings growth of 10.9 per cent was underpinned by better product sourcing, pricing disciplines and stock management.

Inventory at the end of the period was lower than last year, driven by strategic initiatives to improve product flow and a heightened focus on inventory management.

During the half, Kmart opened a new distribution centre in New South Wales as part of the division's strategy to enhance product flow.

Investment in improving the network remained a focus during the half, with four Kmart stores refurbished. Eight new Kmart Tyre & Auto Service stores were opened and 156 stores were re-imaged.

At 31 December 2011 there were 187 Kmart and 259 Kmart Tyre & Auto Service stores.

[2] For the 27 weeks from 27 June 2011 to 1 January 2012.

Outlook

Kmart's focus remains on connecting with more customers, through continuing to refine its product offer and providing customers with 'irresistibly low prices on everything every day'. Opportunity remains to further improve in-store execution, enhance stock flow and source product at lowest cost.

Floors and fitting rooms in stores will continue to be refreshed. Network expansion opportunities are well underway and will continue to be pursued.

One replacement Kmart store and four new Kmart Tyre & Auto Service stores are planned to open in the second half of the 2012 financial year.

Insurance division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**945**	872
EBITDA	**32**	78
Depreciation	**(9)**	(8)
EBITA	**23**	70
EBIT	**17**	65

Operating revenue of $945 million was 8.4 per cent higher than the previous corresponding period. Gross written premium from underwriting activities increased by 11.1 per cent.

The combined operating ratio for the underwriting business was 108.0 per cent and the earnings before interest, tax and amortisation (EBITA) margin for the broking businesses was 27.8 per cent.

Wesfarmers Insurance EBITA decreased to $23 million for the half-year, compared with $70 million for the previous corresponding period, a decrease of 67.1 per cent. Earnings before interest and tax (EBIT) for the period were $17 million.

The decline in divisional earnings for the first half resulted from underwriting losses associated with catastrophe claims in excess of allowances of $28 million and an increase in reserves of $26 million associated with the February 2011 Christchurch earthquake.

Claims from bushfires in Western Australia, the Melbourne hailstorm and the Christchurch earthquake on 23 December 2011 contributed to a record level of catastrophe claims experienced by the insurance industry in Australia and New Zealand in 2011. Excluding the impact of these events, the underlying profitability of the division improved on the prior period.

Higher reinsurance costs from 1 July 2011 have affected underwriting margins, but this has in part been mitigated by premium rate increases achieved in property related classes, in line with a disciplined underwriting strategy.

The fall in risk-free rates during the period resulted in unrealised losses from the increase in insurance liabilities. These losses were offset by improvements in the Liability Adequacy Test resulting from premium rate increases and claims cost initiatives.

Higher gross written premiums were achieved in most classes due to premium rate increases and growth in personal lines and corporate business.

Despite strong growth in new business, and growth in crop premiums during the period, crop earnings were affected by severe weather events across Australia.

Strong customer interest in Coles Insurance resulted in sales of motor and home insurance policies continuing to exceed internal expectations.

Further investments and efficiency initiatives in underwriting were undertaken in the period, including the implementation of a new policy system in New Zealand and optimisation of claims processes in Australia.

Insurance broking revenue and earnings were higher than the previous corresponding period, with EBITA increasing to $35 million, an increase of 25.0 per cent over the prior period.

The strong revenue and earnings growth in broking, benefited from recent bolt-on acquisitions, new business growth and a general hardening of premium rates in New Zealand and Australia.

The integration of the FMR acquisition in New Zealand is well advanced and performing above internal expectations. The broking business completed three acquisitions during the first half and has a strong pipeline of additional acquisition opportunities.

Challenging economic conditions in the United Kingdom affected the UK broking business, making it difficult to achieve top line growth.

Outlook

On the basis of a return to a normal pattern of natural catastrophe events, the business expects to improve its financial performance in the second half. The division also expects to deliver further improvements in the underwriting result by continuing to reduce exposure to higher hazard areas in line with an ongoing focus on disciplined underwriting, realising premium rate increases initiated over the past period, and achieving benefits from the claims optimisation program and ongoing investments in systems enhancements.

The business will continue to pursue premium growth through a number of new initiatives, including personal lines, through partnerships with Coles Insurance and OAMPS. Earnings growth in broking is expected to continue to benefit from a hardening premium rate environment and bolt-on broking acquisitions will continue to be assessed.

Wesfarmers Resources

Resources division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**1,087**	957
EBITDA[1]	**323**	305
Depreciation & amortisation	**(73)**	(55)
EBIT[1]	**250**	250

[1] Includes Premier Coal revenue and earnings for the period until divestment on 30 December 2011. Gain on disposal excluded and reported as part of 'Other' earnings.

Revenue of $1,087 million for the half-year was 13.6 per cent above the $957 million recorded in the previous corresponding period. Earnings before interest and tax (EBIT) of $250 million were in line with the comparable period last year.

Higher revenue from strong export coal pricing was partly offset by Stanwell royalty payments of $88 million, which were 46.7 per cent above the previous corresponding period. Higher mining costs and higher government royalties were also incurred.

Curragh (Qld): Metallurgical coal sales volumes of 2.98 million tonnes were 5.6 per cent below the previous corresponding period, whereas steaming coal sales volumes of 1.41 million tonnes were 1.3 per cent higher. Metallurgical coal production for the half of 3.09 million tonnes was 1.1 per cent below the previous corresponding period, whereas steaming coal production of 1.36 million tonnes was 1.7 per cent higher.

Mining costs were higher primarily due to final flood recovery costs and non-recurring costs associated with the ramp-up of overburden removal and the run of mine (ROM) stockpile build ahead of mine expansion.

Additionally, lower metallurgical coal production in the October to December quarter reflected the impact of the commencement of commissioning of the new Coal Handling and Preparation Plant (CHPP), which is a key part of the project to expand the mine to 8.0 – 8.5 million tonnes annual export capacity for metallurgical coal. An electric rope shovel, with expected capacity to remove 20 million bank cubic metres of overburden per year, was also commissioned at Curragh North during the period.

A feasibility study is continuing into for the potential further expansion of the Curragh mine to 10 million tonnes per annum of metallurgical coal export capacity per annum.

Bengalla (NSW): Sales volumes from the Bengalla mine, in which Wesfarmers holds a 40 per cent interest, were down 16.7 per cent on the corresponding period last year and production volumes were down 8.6 per cent compared to the same time last year. This was due mainly to the planned shutdown of the mine's CHPP for mine expansion-related works. Project commissioning of the stage one expansion of the mine (to 9.3 million tonnes ROM annual production on a 100 per cent basis) has started.

A feasibility study into the potential stage two expansion of Bengalla to 10.7 million tonnes ROM per annum capacity is continuing.

Premier Coal (WA): Premier Coal was divested on 30 December 2011 at a gain of $92 million to Austar Coal Mine Pty Ltd, a wholly owned subsidiary of Yancoal Australia Ltd. This gain has been excluded from the Resources' EBIT shown above. Sales volumes prior to completion of the divestment were 1.75 million tonnes, up 15.3 per cent on the previous corresponding period and coal production of 1.62 million tonnes was 7.3 per cent higher.

Outlook

A key focus of the division for the second half will be the completion of the current stages of mine expansion at both Curragh and Bengalla.

Forecast sales volumes of metallurgical coal from Curragh for the 2012 financial year are expected to be between 6.8 and 7.2 million tonnes, subject to the successful completion of the current Curragh mine expansion targeted to occur at the end of March 2012, as well as infrastructure constraints. All of Curragh's metallurgical coal exports are subject to quarterly pricing.

Cost control programs are expected to continue in the second half of the year, although benefits are expected to be offset by continuing industry cost pressures.

CURRAGH BENGALLA

Wesfarmers Chemicals, Energy & Fertilisers

Chemicals, Energy and Fertilisers division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue[1]	**775**	722
EBITDA[1,2]	**144**	199
Depreciation & amortisation	**(45)**	(48)
EBIT[1,2]	**99**	151
EBIT[1] (excl. Varanus Island insurance proceeds)	**99**	110

[1]Includes enGen revenue and earnings for the period until divestment on 31 August 2011. Gain on disposal excluded and reported as part of 'Other' earnings.

[2]2010 includes $41 million Varanus Island insurance proceeds.

The division's operating revenue for the first half of the 2012 financial year was $775 million, 7.3 per cent higher than the previous corresponding period, with higher revenue from all businesses except Australian Vinyls and Kleenheat Gas.

Earnings before interest and tax for the period were $99 million. This compared to earnings from the previous corresponding period of $110 million which excludes $41 million in insurance proceeds associated with the finalisation of the 2009 Varanus Island gas incident.

Chemicals: Strong demand for ammonia, ammonium nitrate and sodium cyanide, which are inputs into the resources sector, resulted in increased earnings from the previous corresponding period.

Increased ammonia earnings were achieved despite the completion of a three-yearly shutdown of the ammonia plant during the period. The shutdown was completed ahead of time and budget allowing the business to benefit from higher than expected production and sales volumes.

Earnings from the ammonium nitrate business were up on the same period last year supported by increased sales volumes which reflect improved plant production performance and pricing, although this was offset by higher ammonia input costs.

Australian Gold Reagents benefited during the period from increased pricing and sales volumes, as well as very strong plant performances.

Earnings from the Queensland Nitrates joint venture were below the previous corresponding period following a major planned maintenance outage and some production difficulties experienced during the half.

Australian Vinyls earnings declined as a result of increased pressure on the difference between VCM[3] input costs and the PVC selling price, following regional VCM shortages, a continuation of low priced PVC imports into the Australian market and the impact of the strong Australian dollar.

Fertilisers: Sales volumes for the period were 7.0 per cent lower than the previous corresponding period. Despite the decline in sales volumes, earnings were slightly higher than the same period last year.

Kleenheat Gas: LPG production for the period was 13.9 per cent lower than the same period last year, following further declines in LPG content in the Dampier to Bunbury pipeline. LPG sales volumes declined by 11.0 per cent, compared to the previous corresponding period, as a subdued market placed pressure on both volumes and margins. The LNG business performance improved on the previous corresponding period.

Air Liquide WA: Earnings were in line with the same period last year.

Ammonium Nitrate Expansion (AN3): Board approval for the $550 million (excluding capitalised interest) expansion of ammonium nitrate production facilities at Kwinana was received in December 2011. The expansion will increase production by 260,000 tonnes per annum (tpa) to a total of 780,000 tpa and is expected to be completed in the 2014 financial year.

[3]Vinyl Chloride Monomer (VCM)

Outlook

Increased demand for chemical inputs to the Western Australian resources sector is expected to support strong performances from the ammonia, ammonium nitrate and sodium cyanide businesses. Higher gas input costs and ammonia pricing will continue to offset this to some extent. The Australian Vinyls business is expected to continue to be challenged by the low PVC selling price relative to VCM input costs and the strong Australian dollar in the short-term.

Kleenheat Gas earnings for the 2012 financial year will be negatively affected by a step change in LPG production economics. The immediate outlook for soft market conditions will continue to make volume growth challenging.

While fertiliser earnings remain dependent upon a good seasonal break in the second half of the financial year, when the majority of sales occur, and on farmers' terms of trade, a good uptake of early orders and fixed price contracts provide a positive outlook for the remainder of the year.

Wesfarmers Industrial and Safety

Industrial and Safety division

Performance summary		
Half-year ended 31 December	**2011 ($m)**	2010 ($m)
Revenue	**843**	774
EBITDA	**111**	92
Depreciation & amortisation	**(14)**	(13)
EBIT	**97**	79

Industrial and Safety delivered a strong result in the first half, supported by good market conditions and a continued strengthening of its market position. Operating revenue increased by 8.9 per cent to $843 million and continued the strong performance in the preceding year.

Strong sales growth was achieved across most businesses and regions, particularly in the regions with higher exposure to resources activity and large projects, and supported by a continued focus on customer service and on-time delivery performance.

Earnings before interest and tax (EBIT) increased by 22.8 per cent to $97 million, reflecting improvements in most businesses, good cost management and growth in services.

During the period the division strengthened relationships with key customers through the continued development of key account management and eBusiness capabilities.

The business improved supply chain and delivery performance, especially from the major distribution centres and achieved sales growth and improvements in the recently merged Blackwoods Paykels Protector business.

Other key initiatives during the period included new gas sales opportunities for Coregas from existing Industrial and Safety division customers; the launch of the new Blackwoods website; continued strong support from key suppliers to develop product range and services; and strengthening of the IT infrastructure and capabilities.

Network improvements over the half continued, with the opening of one new Blackwoods branch and 11 gas depots in Australia, the closure of four underperforming locations, and the opening of a Blackwoods branch in Indonesia.

The multi-country consolidation distribution centre in Shenzhen, China, is now fully operational.

The division continued to implement a number of recruiting, training and development initiatives to strengthen its talent pool.

As a consequence of the change in operations at BlueScope Steel, and an associated review of the Coregas business, a non-cash writedown in the carrying value of Coregas of $181 million was taken at the end of the period. This adjustment has been excluded from the division's EBIT shown above.

Over the period the division has seen an improvement in its return on capital, due to the improved earnings results and tight capital management.

Outlook

The Industrial and Safety division is well-placed to leverage the continuing opportunities in the resources sector and achieve solid growth through the remainder of the year. The business continues to target a greater share of customers' spend, albeit while facing margin pressures, through growth in services, sales to major projects (with targeted footprint capacity expansion), increasing customer diversification and exposure to higher growth sectors, improving the effectiveness of the organisation, as well as pursuing business expansion initiatives including offshore and acquisition opportunities. Labour access and costs are expected to remain a challenge in a number of areas. The second half will be affected by the revised BlueScope Steel supply agreement with Coregas, effective 1 January 2012.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 38 forms part of the Directors' Report for the half-year ended 31 December 2011.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Bob Every

R L Every
Director
Perth, 16 February 2012

Income statement

for the half-year ended 31 December 2011 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED	
		December 2011	December 2010
	Note	**$m**	$m
Revenue			
Sale of goods		**28,579**	27,077
Rendering of services		**900**	821
Interest - other		**74**	79
Other		**121**	97
		29,674	28,074
Expenses			
Raw materials and inventory		**(19,710)**	(18,533)
Employee benefits expense	5	**(3,809)**	(3,628)
Net insurance claims, reinsurance and commissions		**(705)**	(595)
Freight and other related expenses		**(466)**	(469)
Occupancy-related expenses	5	**(1,125)**	(1,081)
Depreciation and amortisation	5	**(496)**	(461)
Impairment expenses	5	**(182)**	(16)
Other expenses	5	**(1,500)**	(1,489)
		(27,993)	(26,272)
Other income	5	**282**	119
Finance costs	5	**(264)**	(272)
Share of losses of associates		**(26)**	(4)
Profit before income tax		**1,673**	1,645
Income tax expense	8	**(497)**	(472)
Profit attributable to members of the parent		**1,176**	1,173
Earnings per share (cents per share)	3		
– basic for profit for the period attributable to ordinary equity holders of the parent		**102.0**	101.7
– diluted for profit for the period attributable to ordinary equity holders of the parent		**101.8**	101.5

Dilution to earnings per share arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options.

Statement of comprehensive income

for the half-year ended 31 December 2011 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED	
	Note	**December 2011 $m**	December 2010 $m
Profit attributable to members of the parent		**1,176**	1,173
Other comprehensive income			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		**(18)**	(18)
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		**(9)**	1
Tax effect		**3**	-
Cash flow hedge reserve			
Unrealised gains on cash flow hedges		**11**	226
Realised gains transferred to net profit		**(61)**	(31)
Realised losses transferred to non-financial assets		**16**	87
Tax effect		**10**	(85)
Retained earnings	7		
Actuarial loss on defined benefit plan		**(6)**	(1)
Tax effect		**2**	-
Other comprehensive (loss)/income for the period, net of tax		**(52)**	179
Total comprehensive income for the period, net of tax, attributable to members of the parent		**1,124**	1,352

Balance sheet

as at 31 December 2011 – Wesfarmers Limited and its controlled entitie

		CONSOLIDATED		
		December 2011	June 2011	December 2010
	Note	**$m**	$m	$m
ASSETS				
Current assets				
Cash and cash equivalents	9	**1,782**	897	1,637
Trade and other receivables		**2,220**	2,149	1,897
Inventories		**5,359**	4,987	5,296
Derivatives		**175**	184	146
Investments backing insurance contracts, reinsurance and other recoveries		**1,587**	1,543	1,456
Other		**312**	458	263
Total current assets		**11,435**	10,218	10,695
Non-current assets				
Receivables		**26**	9	29
Available-for-sale investments		**15**	17	17
Investment in associates		**431**	471	460
Deferred tax assets		**457**	437	499
Property		**2,571**	2,148	1,957
Plant and equipment		**6,484**	6,154	6,078
Intangible assets		**4,367**	4,353	4,317
Goodwill		**16,058**	16,227	16,180
Derivatives		**231**	233	193
Investments backing insurance contracts, reinsurance and other recoveries		**418**	471	184
Other		**64**	76	35
Total non-current assets		**31,122**	30,596	29,949
Total assets		**42,557**	40,814	40,644
LIABILITIES				
Current liabilities				
Trade and other payables		**5,928**	5,059	5,477
Interest-bearing loans and borrowings		**1,102**	266	205
Income tax payable		**350**	345	336
Provisions		**1,126**	1,166	1,147
Insurance liabilities		**1,509**	1,532	1,233
Derivatives		**66**	96	129
Other		**289**	258	286
Total current liabilities		**10,370**	8,722	8,813
Non-current liabilities				
Payables		**23**	24	7
Interest-bearing loans and borrowings		**4,551**	4,613	4,829
Provisions		**1,155**	1,092	1,075
Insurance liabilities		**787**	803	481
Derivatives		**172**	208	174
Other		**24**	23	23
Total non-current liabilities		**6,712**	6,763	6,589
Total liabilities		**17,082**	15,485	15,402
Net assets		**25,475**	25,329	25,242
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	10	**23,286**	23,286	23,286
Employee reserved shares	10	**(36)**	(41)	(45)
Retained earnings	7	**1,963**	1,774	1,776
Reserves		**262**	310	225
Total equity		**25,475**	25,329	25,242

Cash flow statement

for the half-year ended 31 December 2011 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED	
	Note	**December 2011 $m**	December 2010 $m
Cash flows from operating activities			
Receipts from customers		**32,043**	30,203
Payments to suppliers and employees		**(29,217)**	(27,784)
Dividends and distributions received from associates		**12**	7
Interest received		**73**	81
Borrowing costs		**(237)**	(277)
Income tax paid		**(502)**	(270)
Net cash flows from operating activities	9	**2,172**	1,960
Cash flows from investing activities			
Net acquisition of insurance deposits		**(118)**	(71)
Payments for property, plant and equipment and intangibles	9	**(1,428)**	(992)
Proceeds from sale of property, plant and equipment	9	**165**	13
Proceeds from disposal of controlled entities	13	**399**	14
Net investments in associates and joint ventures		**(4)**	(2)
Acquisition of subsidiaries, net of cash acquired		**(16)**	(17)
Net cash flows used in investing activities		**(1,002)**	(1,055)
Cash flows from financing activities			
Proceeds from borrowings		**943**	2,654
Repayment of borrowings		**(250)**	(2,758)
Proceeds from exercise of in-substance options under the employee share plan	10	**3**	3
Equity dividends paid		**(981)**	(807)
Net cash flows used in financing activities		**(285)**	(908)
Net increase/(decrease) in cash and cash equivalents		**885**	(3)
Cash and cash equivalents at beginning of period		**897**	1,640
Cash and cash equivalents at end of period	9	**1,782**	1,637

Statement of changes in equity

for the half-year ended 31 December 2011 – Wesfarmers Limited and its controlled entities

		Attributable to equity holders of the parent					
CONSOLIDATED	Note	Issued capital $m	Employee reserved shares $m	Retained earnings $m	Hedging reserve $m	Other reserves $m	Total equity $m
Balance at 1 July 2010		23,286	(51)	1,414	(77)	122	24,694
Net profit for the period		-	-	1,173	-	-	1,173
Other comprehensive income							
Exchange differences on translation of foreign operations		-	-	-	-	(18)	(18)
Changes in the fair value of available-for-sale assets, net of tax		-	-	-	-	1	1
Changes in the fair value of cash flow hedges, net of tax	12	-	-	-	197	-	197
Actuarial loss on defined benefit plan, net of tax		-	-	(1)	-	-	(1)
Total other comprehensive income for the period, net of tax		-	-	(1)	197	(17)	179
Total comprehensive income for the period, net of tax		-	-	1,172	197	(17)	1,352
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	10	-	3	-	-	-	3
Equity dividends	6,10	-	3	(810)	-	-	(807)
		-	6	(810)	-	-	(804)
Balance at 31 December 2010		23,286	(45)	1,776	120	105	25,242
Balance at 1 July 2011		**23,286**	**(41)**	**1,774**	**189**	**121**	**25,329**
Net profit for the period		**-**	**-**	**1,176**	**-**	**-**	**1,176**
Other comprehensive income							
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**(18)**	**(18)**
Changes in the fair value of available-for-sale assets, net of tax		**-**	**-**	**-**	**-**	**(6)**	**(6)**
Changes in the fair value of cash flow hedges, net of tax	12	**-**	**-**	**-**	**(24)**	**-**	**(24)**
Actuarial loss on defined benefit plan, net of tax		**-**	**-**	**(4)**	**-**	**-**	**(4)**
Total other comprehensive income for the period, net of tax		**-**	**-**	**(4)**	**(24)**	**(24)**	**(52)**
Total comprehensive income for the period, net of tax		**-**	**-**	**1,172**	**(24)**	**(24)**	**1,124**
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	10	**-**	**3**	**-**	**-**	**-**	**3**
Equity dividends	6,10	**-**	**2**	**(983)**	**-**	**-**	**(981)**
		-	**5**	**(983)**	**-**	**-**	**(978)**
Balance at 31 December 2011		**23,286**	**(36)**	**1,963**	**165**	**97**	**25,475**

1 Corporate information

The financial report of Wesfarmers Limited (referred to as 'Wesfarmers' or 'the Company') for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 16 February 2012. Wesfarmers is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

2 Basis of preparation and accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2011 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 2011 and considered together with any public announcements made by the Company during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report is presented in Australian 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 98/100. The Company is an entity to which the class order applies.

b) Significant accounting policies

Except as noted below, 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.

Goodwill reallocation

During the period, errors were identified in relation to the initial allocations of goodwill which were made at the time of acquisition of the Coles Group of businesses impacting Kmart and Target. The errors arose from an incorrect calculation of the terminal value of Kmart and a failure to consistently reflect the impact of Kmart's and Target's business plans. Accordingly, an adjustment of $486 million has been made and, as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 44, retrospectively applied to increase the value of goodwill allocated to Kmart and reduce the value of goodwill allocated to Target. This correction has had no effect on consolidated net assets, consolidated profit and reported basic or diluted earnings per share for the current or prior periods. As a result of the correction, the segment assets of Kmart and Target for the comparative period have been restated from $1,545 million to $2,031 million and $3,941 million to $3,455 million, respectively.

New and revised Accounting Standards and Interpretations

All new and amended Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (AASB), mandatory as of 1 July 2011 to Wesfarmers and its subsidiaries ('the Group') have been adopted, including:

- AASB 124 *Related Party Disclosures (2009)*, AASB 2009-12 *Amendments to Australian Accounting Standards*

The Standard amends the requirements of the previous version of AASB 124 to:
• provide a partial exemption from related party disclosure requirements for government-related entities;
• clarify the definition of a related party; and
• include an explicit requirement to disclose commitments involving related parties.

These amendments have no material effect on the Group's financial statements.

2 Basis of preparation and accounting policies (continued)

b) Significant accounting policies (continued)

- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*

The amendment makes limited application amendments to Interpretation 14 *AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset.

These amendments have no material effect on the Group's financial statements.

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The amendments clarify a number of pronouncements as a result of the International Accounting Standards Board's (IASB) 2008-2010 cycle of annual improvements. Key amendments include:

- financial statement disclosures - clarification of content of statement of changes in equity (AASB 101), financial instrument disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134);
- Interpretation 13 - fair value of award credits; and
- AASB 1 - accounting policy changes in year of adoption and amendments to deemed cost (revaluation basis, regulatory assets).

These amendments have no material effect on the Group's financial statements.

- AASB 2010-5 *Amendments to Australian Accounting Standards*

This Standard makes numerous editorial amendments to a range of Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards (IFRS) by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.

These amendments have no material effect on the Group's financial statements.

- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*

Amends AASB 7 *Financial Instruments: Disclosures*. The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken.

These amendments have no material effect on the Group's financial statements.

- AASB 1054 *Australian Additional Disclosures*, AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*

These Standards are a consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants, harmonising Australian Accounting Standards and New Zealand equivalents to IFRSs (NZ IFRS), with a focus on eliminating differences between the Standards in each jurisdiction relating to for-profit entities.

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.

These amendments have no material effect on the Group's financial statements.

3 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares (including partially protected shares) outstanding during the period (excluding employee reserved shares).

Diluted earnings per share amounts are calculated as above with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

Wesfarmers partially protected shares (PPS) are ordinary shares that confer rights on holders that are the same in all respects to those conferred by other ordinary shares. In addition, PPS provide a level of downside price protection in that they may provide holders with up to an additional 0.25 ordinary shares per PPS, in certain circumstances at the expiration of a specified period. Full details and other terms and conditions applicable to the PPS are available from the Company website www.wesfarmers.com.au.

Basic and diluted earnings per share calculations are as follows:

	CONSOLIDATED	
	December 2011 $m	December 2010 $m
Profit attributable to members of the parent	**1,176**	1,173
	shares (m)	shares (m)
Weighted average number of ordinary shares (including partially protected shares) for basic earnings per share	**1,153**	1,153
Effect of dilution - employee reserved shares	**3**	3
Weighted average number of ordinary shares (including partially protected shares) adjusted for the effect of dilution	**1,156**	1,156
Earnings per share (cents per share)	**cents**	cents
– basic for profit for the period attributable to ordinary equity holders of the parent	**102.0**	101.7
– diluted for profit for the period attributable to ordinary equity holders of the parent	**101.8**	101.5

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the normal conversion of employee reserved shares (treated as in-substance options) to unrestricted ordinary shares and the conversion of partially protected ordinary shares to ordinary shares.

4 Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and the leadership team (the chief operating decision makers) monitor the operating results of its 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 is disclosed in the Wesfarmers 30 June 2011 financial report. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is presented differently from operating profit or loss in the consolidated financial statements.

Interest income and expenditure are not allocated to operating segments, as this type of activity is managed on a group basis.

Revenue and earnings of various divisions are affected by seasonality and cyclicality as follows:
- for retail divisions, particularly Kmart and Target, earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period; and
- for the Resources division, the majority of the entity's coal contracted tonnages are renewed on an annual basis from April each calendar year and subject to price renegotiation on a quarterly or annual basis which, depending upon the movement in prevailing coal prices, can result in significant changes in revenue and earnings throughout the financial year.

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

	COLES[1]		HOME IMPROVEMENT AND OFFICE SUPPLIES		KMART		TARGET		INSURANCE[2]	
	December		December		December		December		December	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Segment revenue	**17,218**	16,059	**4,507**	4,278	**2,236**	2,271	**2,060**	2,120	**945**	872
Segment result										
Earnings before interest, tax, depreciation, amortisation (EBITDA)	**875**	775	**589**	550	**230**	209	**223**	240	**32**	78
Depreciation and amortisation	**(219)**	(200)	**(70)**	(61)	**(33)**	(34)	**(37)**	(34)	**(15)**	(13)
Earnings before interest, tax (EBIT)	**656**	575	**519**	489	**197**	175	**186**	206	**17**	65
Capital expenditure[6]	**611**	342	**342**	344	**86**	45	**31**	36	**18**	14

	RESOURCES[3]		CHEMICALS, ENERGY AND FERTILISERS[4]		INDUSTRIAL AND SAFETY		OTHER[5]		CONSOLIDATED	
	December		December		December		December		December	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$m	$m	**$m**	$m	$m	$m	**$m**	$m	**$m**	$m
Segment revenue	**1,087**	957	**775**	722	**843**	774	**3**	21	**29,674**	28,074
Segment result										
Earnings before interest, tax, depreciation, amortisation (EBITDA)	**323**	305	**144**	199	**111**	92	**(94)**	(70)	**2,433**	2,378
Depreciation and amortisation	**(73)**	(55)	**(45)**	(48)	**(14)**	(13)	**10**	(3)	**(496)**	(461)
Earnings before interest, tax (EBIT)	**250**	250	**99**	151	**97**	79	**(84)**	(73)	**1,937**	1,917
Finance costs									**(264)**	(272)
Profit before income tax expense									**1,673**	1,645
Income tax expense									**(497)**	(472)
Profit attributable to members of the parent									**1,176**	1,173
Capital expenditure[6]	**239**	178	**54**	24	**15**	11	**3**	1	**1,399**	995

1 Coles division includes the food, liquor, convenience and Coles property businesses.
2 Insurance division's 2011 EBIT was adversely affected by:
- additional reserving of $26 million above the reinsurance program limit relating to the February 2011 Christchurch earthquake; and
- estimated net claims expense in excess of allowances of $28 million, relating to the bushfires in Western Australia, Christchurch earthquake on 23 December 2011, Melbourne hailstorm and other severe weather events.

3 2011 EBIT includes Stanwell royalty expense of $88 million (2010: $60 million).
4 2010 EBIT includes insurance proceeds on the Varanus Island claim of $41 million.
5 2011 includes:
- interest revenue of $11 million (2010: $23 million);
- share of profit from other investments $9 million (2010: $11 million);
- share of loss of Gresham Private Equity Funds of $46 million (2010: $28 million);
- gain on disposal of Energy Generation Pty Ltd of $43 million;
- gain on disposal of Wesfarmers Premier Coal Limited of $92 million;
- gain on disposal of Boddington forestry assets of $16 million;
- impairment of the Coregas related goodwill, plant and equipment of $181 million; and
- corporate overheads of $53 million (2010: $47 million).

6 Capital expenditure includes accruals to represent costs incurred during the period. The amount excluding movement in accruals is $1,428 million (2010: $992 million).

	Note	CONSOLIDATED December 2011 $m	December 2010 $m
5 Revenue and expenses			
Employee benefits expense			
Remuneration, bonuses and on-costs		**3,655**	3,476
Amounts provided for employee entitlements		**95**	90
Share based payments expense		**59**	62
		3,809	3,628
Occupancy-related expenses			
Minimum lease payments		**906**	871
Other		**219**	210
		1,125	1,081
Depreciation and amortisation			
Depreciation		**402**	379
Amortisation of intangibles		**46**	49
Amortisation other		**48**	33
		496	461
Impairment expenses			
Impairment of freehold property		**1**	6
Impairment of plant, equipment and other assets	14	**9**	10
Impairment of goodwill	14	**172**	-
		182	16
Other expenses included in the income statement			
Government mining royalties		**74**	65
Stanwell royalty		**88**	60
Repairs and maintenance		**213**	209
Utilities and office expenses		**484**	476
Self-insurance expenses		**106**	113
Other		**535**	566
		1,500	1,489
Other income			
Gains on disposal of property, plant and equipment		**19**	2
Gains on disposal of controlled entities	13	**135**	1
Other income		**128**	116
		282	119
Finance costs			
Interest expense		**216**	218
Discount rate adjustment		**31**	32
Amortisation of debt establishment costs		**4**	12
Other including bank facility and settlement fees		**13**	10
		264	272

	CONSOLIDATED	
	December 2011 $m	December 2010 $m
6 Dividends paid and proposed		
Declared and paid during the period (fully-franked at 30 per cent)		
Final franked dividend for 2011: $0.85 (2010: $0.70)	**983**	810
Proposed and not recognised as a liability (fully-franked at 30 per cent)		
Interim franked dividend for 2012: $0.70 (2011: $0.65)	**810**	752
7 Retained earnings		
Balance as at 1 July	**1,774**	1,414
Net profit	**1,176**	1,173
Dividends	**(983)**	(810)
Actuarial loss on defined benefit plan	**(4)**	(1)
Balance as at 31 December	**1,963**	1,776
8 Income tax		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax for the period	**1,673**	1,645
At the statutory income tax rate of 30 per cent (2010: 30 per cent):	**502**	494
Adjustments in respect of current income tax of previous years	**(13)**	(25)
Carried forward tax losses now recognised	**(45)**	-
Additional Federal Government Investment Allowance deductions	**-**	(1)
Non-deductible writedown of assets	**66**	6
Share of associated companies net profit after tax	**(5)**	(5)
Tax on undistributed associates' profit	**1**	8
Other	**(9)**	(5)
Income tax expense reported in the income statement	**497**	472

	CONSOLIDATED	
	December 2011 $m	December 2010 $m
9 Reconciliation to cash flow statement		
For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:		
Cash on hand and in transit	**501**	276
Cash at bank and on deposit	**1,169**	1,292
Insurance broking trust accounts	**112**	69
	1,782	1,637
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**1,176**	1,173
Adjustments		
Depreciation and amortisation	**496**	461
Impairment of freehold property, plant, equipment, goodwill and other assets	**182**	16
Net (gain)/loss on disposal of property, plant and equipment	**(19)**	18
Share of associates' net losses	**26**	4
Gain on disposal of controlled entities	**(135)**	(1)
Dividends and distributions received from associates	**12**	7
Discount adjustment in borrowing costs	**31**	32
Amortisation of debt establishment costs, net of amounts paid	**4**	12
Ineffective interest rate swap gains, net of amounts paid	**-**	(18)
Other	**(4)**	6
(Increase)/decrease in assets		
Trade and other receivables	**(126)**	(145)
Inventories	**(374)**	(661)
Prepayments	**(57)**	(107)
Reinsurance and other recoveries	**118**	1
Deferred tax assets	**(8)**	25
Other assets	**(25)**	3
Increase/(decrease) in liabilities		
Trade and other payables	**813**	890
Current tax payable	**2**	177
Provisions	**(28)**	(49)
Other liabilities	**88**	116
Net cash flows from operating activities	**2,172**	1,960
Net capital expenditure		
Purchase of property	**481**	345
Purchase of plant and equipment	**890**	609
Purchase of intangibles	**57**	38
Purchase of property, plant, equipment and intangibles	**1,428**	992
Proceeds from sale of property, plant, equipment and intangibles	**165**	13
Net capital expenditure	**1,263**	979

10 Contributed equity

	Ordinary		Partially protected		**Total contributed**	
Movement in shares on issue	Thousands	$m	Thousands	$m	**Thousands**	**$m**
At 1 July 2010	1,005,168	16,913	151,904	6,373	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	18	1	(18)	(1)	-	-
At 31 December 2010	1,005,186	16,914	151,886	6,372	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	490	20	(490)	(20)	-	-
At 30 June 2011	**1,005,676**	**16,934**	**151,396**	**6,352**	**1,157,072**	**23,286**
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	**785**	**33**	**(785)**	**(33)**	**-**	**-**
At 31 December 2011	**1,006,461**	**16,967**	**150,611**	**6,319**	**1,157,072**	**23,286**

Movement in employee reserved shares on issue	**Thousands**	**$m**
At 1 July 2010	4,305	51
Exercise of in-substance options	(314)	(3)
Dividends applied	-	(3)
At 31 December 2010	3,991	45
Exercise of in-substance options	(211)	(2)
Dividends applied	-	(2)
At 30 June 2011	**3,780**	**41**
Exercise of in-substance options	**(251)**	**(3)**
Dividends applied	**-**	**(2)**
At 31 December 2011	**3,529**	**36**

11 Borrowing and repayment of debt

On 31 October 2011, Wesfarmers announced the issue of $500 million of unsecured fixed rate medium term notes maturing in November 2016. The notes were priced at 150 basis points over the five year swap rate, resulting in a total interest cost of 6.17 per cent per annum. The proceeds were applied to general Group funding and to repay existing shorter term borrowings.

12 Cash flow hedge reserve

The change in cash flow hedge reserve to 31 December 2011 represents the after-tax net movement in market value of effective cash flow hedges from 30 June 2011 and comprised: $11 million (2010: $27 million) of interest rate swaps and $(35) million (2010: $170 million) of foreign exchange rate contracts.

13 Disposal of controlled entities

On 30 December 2011 the Group disposed of 100 per cent of the capital of Wesfarmers Premier Coal Limited (Premier). Premier owns and operates a coal mine in Collie, Western Australia and produces approximately 3.5 million tonnes of thermal coal each year from the Collie Coal Basin.

On 31 August 2011 the Group completed the sale of 100 per cent of the capital of Energy Generation Pty Ltd (enGen), an owner and/or operator of approximately 98 megawatts of power generation capacity at Australian mine sites and remote communities.

	Premier $m	enGen $m
Consideration received		
Consideration received in cash and cash equivalents	298	101
Other consideration (payable)/receivable	(2)	2
	296	103
Assets and liabilities of controlled entities disposed		
ASSETS		
Property, plant and equipment	247	47
Inventories	11	2
Receivables and other assets	15	17
	273	66
LIABILITIES		
Trade payables and other liabilities	11	5
Provisions	45	3
Net deferred tax liability	19	-
	75	8
Net assets disposed	198	58
Gain on disposals		
Consideration	296	103
Less: transaction costs	(6)	(2)
Less: net assets disposed of	(198)	(58)
Gain on disposal	92	43

The gain on disposal is included in 'other income' in the income statement.

14 Impairment testing

Wesfarmers is required to review, at the end of each reporting period, whether there is any indication that an asset may be impaired, in accordance with Australian Accounting Standards. Wesfarmers has reviewed each cash generating unit for indications of impairment using both external and internal sources of information. This review included an assessment of performance against expectations and changes in market values or discount rates.

Detailed impairment testing has been completed of non-current assets when the existence of an indication of impairment has been identified. Except as noted below in respect of Coregas, throughout the half-year ended 31 December 2011, the carrying value of these assets did not exceed their recoverable amount determined for impairment testing purposes.

Wesfarmers will perform detailed annual impairment testing prior to the end of the financial year using cash flow projections based on Wesfarmers' five year corporate plans and business forecasts. Any significant changes in the corporate plan from previous periods could cause the carrying value of non-current assets to exceed their recoverable amount.

Coregas

Following the announcement by BlueScope Steel Limited (BlueScope), on 22 August 2011, that it intended to significantly restructure its Port Kembla operations, including a shutdown of its No.6 Blast Furnace at Port Kembla, the Industrial and Safety division's Coregas business agreed to amend its contract with BlueScope for the supply of industrial gases to its steel operations.

As a result of the amendments, Coregas will be the primary supplier of industrial gases to BlueScope at the Port Kembla operations, with reduced volumes reflecting the reduced demand from BlueScope under its new operating structure.

Given the amendments to this agreement, and having regard to an associated review of the Coregas business, Coregas has recognised an impairment charge against goodwill and plant and equipment of $181 million pre-tax in the half-year ended 31 December 2011.

The recoverable value of the Coregas business has been determined through a fair value less cost to sell model.

15 Events after the balance sheet date

Dividend

A fully-franked dividend of 70 cents per share resulting in a dividend payment of $810 million was declared for a payment date of 30 March 2012. The dividend has not been provided for in the 31 December 2011 half-year financial report.

Directors' Declaration

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

In accordance with a resolution of the directors of Wesfarmers Limited, I note that in the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

R L Every
Director
Perth, 16 February 2012

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To the members of Wesfarmers Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Wesfarmers Limited, which comprises the balance sheet as at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wesfarmers Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wesfarmers Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
16 February 2012

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Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our review of the financial report of Wesfarmers Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
Perth
16 February 2012

GHM:MJ:Wesfarmers:Corporate:2012:007