A CENTURY OF PROGRESS

Delivering today.
Value tomorrow.

Wesfarmers | Annual Report 2014

A century of progress.

In this our one hundredth year, we celebrate our strong commitment to performance that has seen our business consistently deliver value to our shareholders, employees, customers and the communities in which we operate.

As we look towards the future we continue to focus on the core values that form the foundation of our success – **integrity**, **openness**, **accountability**, and **boldness**.

Despite many changes over the past 100 years, it is our steadfast commitment to these values that ensures we provide a satisfactory return to shareholders; look after our employees and ensure they have a safe environment in which to work; provide excellent products and services to our customers; look after and care for the environment; and make a contribution to the communities in which we operate.

Contents

About Wesfarmers

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

Proud history, strong future

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

About this report

This annual report is a summary of Wesfarmers' and its subsidiary companies' operations, activities and financial position as at 30 June 2014. In this report references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049) unless otherwise stated.

References in this report to a 'year' are to the financial year ended 30 June 2014 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

Wesfarmers is committed to reducing the environmental footprint associated with the production of the annual report and printed copies are only posted to shareholders who have elected to receive a printed copy. This report is printed on environmentally responsible paper manufactured under ISO 14001 environmental standards.

Our objective

The primary objective of Wesfarmers is to provide a satisfactory return to our shareholders.

Our 2014 Sustainability Report will be available online in November 2014 at **sustainability.wesfarmers.com.au**

Chairman's message

In such a milestone year for the company it is very pleasing to have again delivered solid growth in revenue and earnings enabling us to meet our long-held objective of delivering a satisfactory return to shareholders.

It gives me great pleasure to introduce Wesfarmers' annual report for 2014, our centenary year and the thirtieth anniversary of our public listing in 1984. We achieved a net profit after tax of $2,689 million for the full year, an increase of 18.9 per cent over the previous year. Excluding non-trading items, net profit after tax increased 6.1 per cent and earnings per share (EPS) rose 6.8 per cent.

The directors were able to declare a fully-franked final dividend of $1.05 per share at year's end. That took the full-year dividend to $1.90 per share, up 5.6 per cent.

A special 'Centenary' dividend of $0.10 per share, fully-franked, was also declared taking the total full-year dividend to $2.00.

The divestments of the Insurance division and the 40 per cent interest in Air Liquide WA (ALWA) have meant that, in addition to the special 'Centenary' dividend, the directors have also been able to recommend further capital management through a distribution to shareholders of an additional $1.00 per share. This is subject to shareholder approval at the 2014 Annual General Meeting, and a ruling from the Australian Taxation Office. Should all conditions be met, shareholders are expected to receive their payments in December 2014.

I would sincerely like to thank everyone in our teams for making this year's result possible. Special thanks go to Anthony Gianotti and those in the Insurance division who continued to perform so well during the divestment period. It is a great testament to their professionalism. We are extremely pleased that Anthony has decided to remain within the Wesfarmers Group.

This year's result builds on a remarkable legacy. Since listing, Wesfarmers has delivered compound annual growth in total shareholder return (TSR) of 21 per cent, 89 per cent more than the rate of TSR growth achieved by the market as represented by the All Ordinaries Index.

Over the past five years, Wesfarmers has delivered compound annual growth in TSR of 18 per cent, compared with TSR growth of the ASX 200 of 11 per cent.

Building on our rich history

From our beginnings as a farmers' cooperative registered in Perth in June 1914 with a paid up capital of £2,050, we now have a market capitalisation of $50 billion and more than 500,000 shareholders.

We are now Australia's biggest private sector employer with more than 200,000 employees in this country, and thousands more in New Zealand and Asia.

Wesfarmers has had a succession of great leaders who have developed, nurtured and preserved a unique culture. I am humbled by the thought that I am chairman of a company whose history has been fashioned by the contribution of many tens of thousands of people over such a long period of time. I think of the metaphor 'standing on the shoulders of giants'.

When I succeeded Trevor Eastwood, who retired in 2008 after a long and distinguished career as executive, managing director and then chairman, I became just the tenth chairman of Wesfarmers in what is now 100 years. Richard Goyder is only our seventh CEO. I cannot think of another Australian company with that sort of record.

It is a great Australian story, which merged with another great Australian story when we acquired the Coles group in 2007. It was a controversial decision, the story of which is now well told, but I would again like to thank the people involved in that acquisition and all the people who have since made it such a remarkable success.

It is a coincidence that Coles is also celebrating its centenary this year and we can all take pride in the fact that Coles is once more a thriving, dynamic Australian business delivering significant benefit to Australian consumers and the wider economy. Ian McLeod has moved to a new executive role in Wesfarmers, but he, the new Managing Director John Durkan, and the entire turnaround team at Coles deserve tremendous credit for the transformation they have delivered in that business.

Safety and sustainability

The founders of Wesfarmers were driven by the ambition for sustainable success. In that sense, nothing has changed, although the world and community expectations, of course, have.

In recent years, we have had a relentless focus on making our workplaces safer. It is pleasing to report that this year we have seen improvement in our total recordable injury frequency rate across all of our divisions.

Our drive to lessen our impact on the environment also remains a key part of our decision-making. Our carbon emissions intensity improved further in 2014 and we continue to focus on decreasing our waste to landfill.

The Board

I would like to thank my Board colleagues for their hard work and support throughout the year. We had no changes to the Board during the 2014 financial year. Their varied skills, experience and perspectives is complemented by a truly collaborative and cooperative approach. I can faithfully report that the Board members are serving the shareholders well.

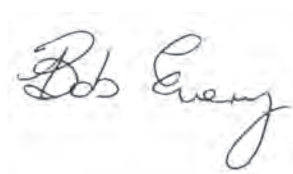
This year, two of our longest serving board members, Charles Macek and Colin Carter, will retire. Charles joined the Board in 2001 and his long career in financial services, working at a senior executive level, meant he brought considerable experience in evaluating and advising on investment opportunities to the company. Colin joined the Board in 2002 and his extensive experience advising on corporate strategy and corporate governance in Australia and overseas has been invaluable in a period of great change for the company.

Their individual and collective contributions to the Board have been enormous and I thank them wholeheartedly.

Outlook

The Wesfarmers story is unrivalled in Australia. The company has demonstrated incredible adaptability and resilience over the century of its existence and has developed a very strong culture which, I believe, will continue to serve our shareholders well into the future. The company has prospered during periods of massive international upheaval, dramatic domestic policy shifts and rapid societal and technological change. It's all been possible because of the skills and attributes of our people.

Under the outstanding leadership of Richard Goyder and his management team, I believe Wesfarmers is well-placed to meet the inevitable challenges that will confront us in the years ahead. Wesfarmers exists for your benefit and we thank you for your ongoing support of this great company.

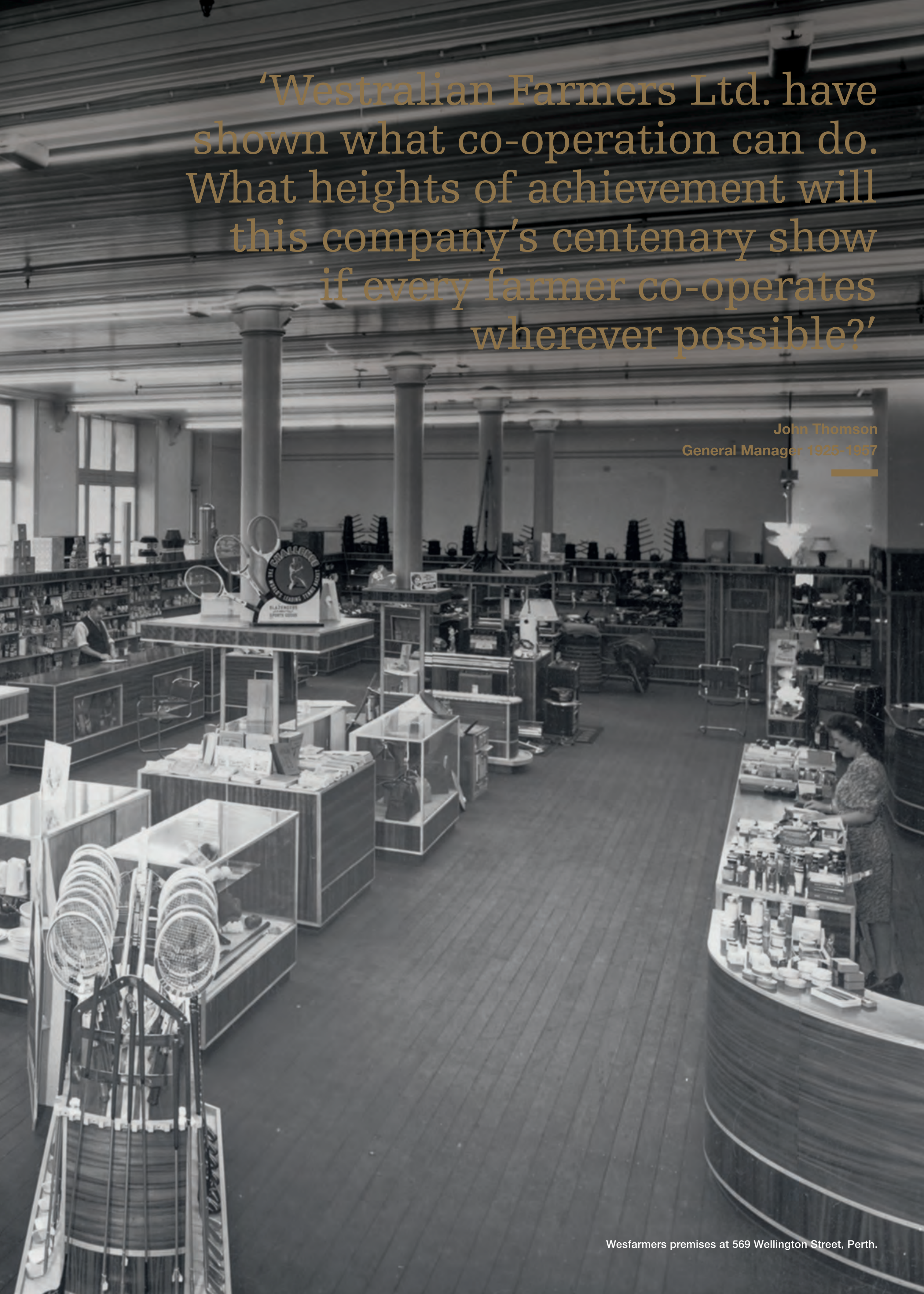


Bob Every AO, Chairman


Dunlop

> ‘Westralian Farmers Ltd. have shown what co-operation can do. What heights of achievement will this company’s centenary show if every farmer co-operates wherever possible?’

John Thomson
General Manager 1925-1957



Wesfarmers premises at 569 Wellington Street, Perth.

Managing Director's report

4.2%

Group revenue up 4.2 per cent to $62.3 billion

Solid increase in underlying profits

Earnings per share of $2.35

We will be patient and disciplined in any portfolio activities, making decisions based on what we feel is the right thing to do by our owners – our shareholders. We will also continue to invest in our human resource capabilities and look at things with a long-term perspective.

Your company performed well in 2014, our centenary year, reporting a good increase in Group profit to $2,689 million.

That was driven by strong performances in Coles and Bunnings, portfolio management activities, and a reduction in interest costs which more than offset reduced contributions from our industrial businesses and Target.

Operating revenue increased 4.2 per cent to $62.3 billion and earnings before interest and tax (EBIT or earnings) from continuing and discontinued operations were up 13.4 per cent to $4,150 million. Earnings per share of $2.35 was up 19.8 per cent on the prior year, and return on equity (ROE) was 10.5 per cent.

The profits recorded on the divestments of our Insurance businesses and ALWA collectively contributed $1,034 million to post-tax profit, more than offsetting the revision of Target's carrying value and the provision made for the future restructuring of Coles' Liquor business, giving a net post-tax profit contribution from non-trading items (NTIs) of $291 million.

The directors declared a special 'Centenary' dividend and capital management distribution as outlined in the Chairman's message. The directors believe the special dividend, together with the proposed capital management, represents the most equitable method of distributing available franking credits and surplus capital to shareholders. The Group's strong balance sheet, robust credit metrics and good cash flow generation allows us to return this money to our shareholders without adversely affecting the Group's financial flexibility.

This year's result builds on our legacy, which since listing has seen Wesfarmers meet its objective of providing our shareholders with sustainable satisfactory returns.

Business performance

In 2014, our operating revenue grew 4.2 per cent to $62.3 billion and our net profit after tax increased 18.9 per cent to $2,689 million.

Year ended 30 June		2014	2013[1]
Revenue from continuing operations	$m	**60,181**	57,749
Earnings before interest, tax, depreciation and amortisation from continuing operations	$m	**3,972**	4,486
Depreciation and amortisation from continuing operations	$m	**1,082**	1,033
Earnings before interest and tax from continuing operations	$m	**2,890**	3,453
Finance costs and income tax expense from continuing operations	$m	**1,285**	1,325
Profit after tax from discontinued operations	$m	**1,084**	133
Net profit after tax	$m	**2,689**	2,261
Operating cash flows	$m	**3,226**	3,931
Net capital expenditure on property, plant and equipment and intangibles	$m	**1,216**	1,672
Free cash flows	$m	**4,178**	2,171
Dividends paid	$m	**2,160**	1,985
Total assets	$m	**39,727**	43,155
Net debt	$m	**3,401**	5,259
Shareholders' equity	$m	**25,987**	26,022

Key share data

Earnings per share	cents	**234.6**	195.9
Operating cash flow per share	cents	**281.0**	339.7
Free cash flow per share	cents	**363.9**	187.6
Total dividends per share (declared)	cents	**200.0**	180.0
Capital return per share	cents	**50.0**	–

Key ratios

Return on average shareholders' equity (R12)	%	**10.5**	8.9
Fixed charges cover (R12)	times	**3.2**	3.0
Interest cover (R12) (cash basis)	times	**15.9**	12.2
Gearing (net debt to equity)	%	**13.1**	20.2

[1] 2013 numbers have been restated to reflect the classification of the Insurance division as a discontinued operation.

Wealth created by Wesfarmers

Employees – salaries, wages and other benefits
Government – tax and royalties
Lenders – finance costs related to borrowed funds
Shareholders – dividends on their investments
Reinvested in the business

2014
13,842 $m

	%
Employees	56
Government	14
Lenders	3
Shareholders	16
Reinvested	11

2013
12,910 $m

	%
Employees	59
Government	12
Lenders	3
Shareholders	16
Reinvested	10

Managing Director's report

Retail operations

Coles		2014	2013
Revenue	$m	37,391	35,780
Earnings before interest and tax	$m	1,672	1,533
Segment assets	$m	20,532	20,367
Segment liabilities	$m	3,974	4,145
Capital employed	$m	16,272	16,114
Return on capital employed (R12)	%	10.3	9.5

Home Improvement and Office Supplies		2014	2013
Revenue	$m	10,121	9,167
Earnings before interest and tax	$m	1,082	997
Segment assets	$m	5,706	5,888
Segment liabilities	$m	1,177	957
Home Improvement			
Capital employed	$m	3,343	3,492
Return on capital employed	%	29.3	25.9
Office Supplies			
Capital employed	$m	1,097	1,147
Return on capital employed (R12)	%	9.4	8.1

Kmart		2014	2013
Revenue	$m	4,209	4,167
Earnings before interest and tax	$m	366	344
Segment assets	$m	2,131	2,145
Segment liabilities	$m	692	750
Capital employed	$m	1,361	1,329
Return on capital employed (R12)	%	26.9	25.9

Target		2014	2013
Revenue	$m	3,501	3,658
Earnings before interest and tax	$m	86	136
Segment assets	$m	2,963	3,561
Segment liabilities	$m	486	464
Capital employed	$m	2,979	2,930
Return on capital employed (R12)	%	2.9	4.6

Insurance and Industrial businesses

Chemicals, Energy and Fertilisers		2014	2013
Revenue	$m	1,812	1,805
Earnings before interest and tax	$m	221	249
Segment assets	$m	1,746	1,675
Segment liabilities	$m	355	303
Capital employed	$m	1,539	1,400
Return on capital employed (R12)	%	14.4	17.8

Resources		2014	2013
Revenue	$m	1,544	1,539
Earnings before interest and tax	$m	130	148
Segment assets	$m	1,904	1,920
Segment liabilities	$m	384	420
Capital employed	$m	1,459	1,480
Return on capital employed (R12)	%	8.9	10.0

Industrial and Safety		2014	2013
Revenue	$m	1,621	1,647
Earnings before interest and tax	$m	131	165
Segment assets	$m	1,349	1,292
Segment liabilities	$m	273	281
Capital employed	$m	1,127	1,119
Return on capital employed (R12)	%	11.6	14.7

Insurance		2014	2013
Revenue	$m	2,167	2,083
Earnings before interest and tax	$m	220	205
Segment assets	$m	–	4,440
Segment liabilities	$m	–	2,869
Capital employed	$m	1,497	1,396
Return on capital employed (R12)	%	14.7	14.7

Divisional performance

Coles

Coles delivered another good result, with sales growth accelerating in the final quarter. Increased sales and customer transactions were driven by improvements in fresh produce participation, product innovation and brand reach.

Strong earnings growth in Food and Liquor reflected Coles' continued commitment to reinvesting productivity improvements from store operations and the supply chain in customer value, product quality and in-store services. This was partially offset by a reduced contribution from the Convenience business, largely as a result of significantly reduced fuel volumes sold following the undertaking to the Australian Competition and Consumer Commission (ACCC) regarding the capping of fuel discounts.

Home Improvement and Office Supplies

Bunnings continued its record of strong financial performance, underpinned by further improvements in the customer experience, range innovation and the strengthening of the store network and property pipeline.

Bunnings' increased sales and further productivity improvements offset increased investment in value provided to customers, higher network development costs and higher lease expenses incurred post the sale and leaseback of freehold property.

Sound execution of Officeworks' 'every channel' strategy, category innovation and working capital improvements saw earnings and return on capital improve strongly during the year.

Department store retailing

Kmart's performance showed solid improvement, underpinned by a strong increase in customer transactions and units sold. Target's result reflected a number of operational and strategic changes made which affected earnings during the year, but which are expected to benefit earnings in subsequent years.

Kmart continued to enhance its store network through the refurbishment of 16 stores during the year, with the 'lowest prices for families' mantra being driven through its stores.

Target's earnings were affected by high levels of clearance activity, and a pricing reset consistent with its progression towards a 'first price, right price' strategy.

We have a new and very capable management team at Target who will lead further significant change as it progresses its transformation.

Industrial

A very challenging external environment continued to affect the performance of the Group's industrial divisions.

A highlight of the year was the Chemicals, Energy and Fertilisers division's expansion of both the ammonium nitrate and sodium cyanide production facilities at Kwinana, Western Australia. I am very pleased that these projects were completed within budget, with no lost time injuries recorded.

In difficult market conditions, the Resources division's performance was solid, with strong cost management performance and reduced royalties largely offsetting the impact of lower export coal prices and an unfavourable currency.

Market conditions provided headwinds to the Industrial and Safety division during the year, with industrial customers reducing demand and therefore affecting margin as they continued to focus on cost reduction.

Insurance

The Insurance division recorded a good result, particularly given the disruption to operations caused by the division's active involvement in the divestment transactions. I thank Anthony Gianotti and all Insurance team members, some of whom were long-term Wesfarmers employees, for their significant contributions to the company, and wish those that left the company through divestment great success under new ownership. The strong result achieved reflects the dedication and commitment of all team members in these businesses.

Management changes

In February this year, we announced Ian McLeod would step aside from his role as Managing Director of Coles to take up a new role with the company as Group Commercial Director, to be replaced by the division's Chief Operating Officer, John Durkan. The transition became official on 1 July 2014 and both have now settled well into their respective new roles.

Ian's leadership of Coles, during which earnings more than doubled, generated significant shareholder value for the Wesfarmers Group and highlighted his credentials as a world class retailer and leader. He deserves great credit for his efforts and I am sure John will perform equally well.

Looking ahead

I believe we can be pleased with our performance in our centenary year, and extremely proud of the results delivered and the culture developed over the 100 years of Wesfarmers' existence. There can be, however, no resting on the oars. We know we must continue to invest in our existing businesses and, as I said last year, be prepared to make appropriate changes to our portfolio mix, either through acquisition or divestment when the time is right.

Wesfarmers' highly-focused and disciplined business culture is underpinned by four core values: integrity; openness; accountability and boldness. These are human qualities, and the key to our future success, as it has always been, will be the quality of our people. In that regard, I believe we can look forward with confidence.

We also recognise that the best way Wesfarmers can become stronger, is if the communities in which we operate grow and prosper. As a large employer, customer, and stakeholder, we know we have to operate in a sustainable way, contributing in many positive ways to these communities.

Employing more people, paying taxes and supporting suppliers are all obligations we take seriously. We also want to continue to support organisations which enhance our quality of life, particularly in the health, education, arts and indigenous areas.

I'd like to thank our Chairman, Dr Bob Every, and the Board, for their invaluable support. In particular, I extend my appreciation to our retiring long-serving directors, Charles Macek and Colin Carter, for their significant contribution to the company.

My thanks, also, to our Leadership Team, our 203,000 employees, our suppliers, community partners, and finally to you, our shareholders, for your ongoing support of the company.

Richard Goyder AO, Managing Director

Leadership Team

The best thing we can do is provide the resources, the support, and the freedom to our outstanding business leaders to set and implement the growth agenda that creates value and rewards our shareholders.

01. Richard Goyder, AO
Managing Director, Wesfarmers Limited

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

02. Terry Bowen
Finance Director, Wesfarmers Limited

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

03. John Durkan
Managing Director, Coles

John was appointed Managing Director of Coles in July 2014. John joined Coles in July 2008 as Merchandise Director, and was subsequently appointed Chief Operating Officer in June 2013. He brings a wealth of customer, product and buying knowledge having worked for 17 years with Safeway Stores PLC and as the Chief Operating Officer for Carphone Warehouse in the UK.

04. John Gillam
Managing Director,
Home Improvement and Office Supplies

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

05. Guy Russo
Managing Director, Kmart

Guy was appointed Managing Director of Kmart in 2008. After joining McDonald's Australia in 1974, Guy became Managing Director and Chief Executive Officer in 1999 and President, McDonald's Greater China 2005–2007. He is currently on the Board of Guzman y Gomez, premium fast casual Mexican restaurants and is President of Half the Sky Foundation for orphaned children in China.

06. Stuart Machin
Managing Director, Target

Stuart was appointed Managing Director of Target in April 2013 to lead the Target transformation. Prior to this, Stuart was Store Development and Operations Director at Coles Supermarkets where he led more than 83,000 team members and various departments also including IT, Coles Online, and Central and Store Operations. Stuart's career in retailing spans more than 25 years working across food, general merchandise and clothing. He completed the Advanced Management Program at Harvard Business School in 2012.

07. Anthony Gianotti
Managing Director, Wesfarmers Insurance

Anthony became Acting Managing Director of Wesfarmers Insurance in January 2013 and was appointed Managing Director in July 2013. Anthony joined Wesfarmers in 2004 and worked in various roles in Business Development and Investor Relations within the Group Corporate Office. He was appointed Head of Business Development and Strategy of Wesfarmers Insurance in December 2006, and then Finance Director in 2009. Prior to joining Wesfarmers, Anthony worked in the investment banking industry, where he held various roles in corporate finance and mergers and acquisitions in Australia and UK.

08. Stewart Butel
Managing Director, Wesfarmers Resources

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

09. Tom O'Leary

Managing Director, Wesfarmers Chemicals Energy and Fertilisers

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

10. Olivier Chretien

Managing Director, Wesfarmers Industrial and Safety

Olivier joined Wesfarmers in 2006 as General Manager Commercial, Wesfarmers Industrial and Safety, before being appointed Managing Director of the division in 2008. Prior to joining Wesfarmers, Olivier was a management consultant with The Boston Consulting Group in France and Australia. He previously worked in logistics and project management with engineering contractor Jacobs Serete.

11. Tim Bult

Executive General Manager, Business Development, Wesfarmers Limited

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

12. Paul Meadows

Group General Counsel, Wesfarmers Limited

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

13. Linda Kenyon

Company Secretary, Wesfarmers Limited

In 2002 Linda was appointed Company Secretary of Wesfarmers and is also company secretary of a number of Wesfarmers Group subsidiaries. Linda joined Wesfarmers in 1987 as legal counsel and held that position until 2000 when she was appointed Manager of the responsible entity for the listed BWP Trust (formerly Bunnings Warehouse Property Trust).

14. Ben Lawrence

Chief Human Resources Officer, Wesfarmers Limited

Prior to joining Wesfarmers in 2008, Ben was the Chief Human Resources Officer for Foster's Group Limited from 2001 and has held a variety of senior roles in the United States, including Chief Human Resources Officer, Beringer Wine Estates; Vice President, International Human Resources, the Clorox Company; and Director Human Resources, FMC Gold Company. Ben is currently a non-executive director of Red Dust, an indigenous health and wellness non-profit organisation.

15. Alan Carpenter

Executive General Manager, Corporate Affairs, Wesfarmers Limited

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

16. Rob Scott

Managing Director, Financial Services, Wesfarmers Limited

Rob will commence the role of Managing Director, Financial Services in October 2014. Rob started with Wesfarmers in 1993 before moving into investment banking, where he had various roles in corporate finance and mergers and acquisitions in Australia and Asia. He rejoined Wesfarmers in business development in 2004 before being appointed Managing Director of Wesfarmers Insurance in 2007 and then Chief Financial Officer of Coles in February 2013.

17. Ian McLeod

Group Commercial Director, Wesfarmers Limited

Ian was appointed to the position of Group Commercial Director for the Wesfarmers Group in July 2014. Ian joined Wesfarmers in May 2008 as Managing Director of Coles. He has extensive experience in British and European retailing, including senior executive roles at the retailer Asda, where he played a key role in the recovery and turnaround program during the 1990s. Other senior retail roles included Chief Executive Officer at Halfords Group PLC, the UK's leading retailer of car parts, leisure and cycling products and Chief Merchandise Officer with Walmart in Germany.

Operating and financial review

On behalf of the Board, I'm very pleased to present the operating and financial review of Wesfarmers for shareholders.

Wesfarmers' objective is to deliver satisfactory returns to shareholders through financial discipline and strong management of a diversified portfolio of businesses. A key focus of the Group is ensuring that each of its divisions has a strong management capability that is accountable for business strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors, including the Wesfarmers Managing Director and Finance Director, and is guided by a Group-wide operating cycle and governance framework.

This review sets out Wesfarmers' enablers, objective and strategies, as well as summarising the Group's operating model, risks and prospects. It also outlines each division's competitive environment, strategies, risks and prospects, in addition to operational performance for the 2014 financial year.

The review should be read in conjunction with the financial statements, which are presented on pages 103 to 146 of this annual report. These statements have been streamlined in the current year with notes reordered and grouped to make it easier for users to access information and understand its relevance. The explanation of the Group's accounting policies has been simplified and disclosed alongside relevant notes in order to enhance the understanding of the financial statements. Key estimates and judgements have also been highlighted throughout the accounts to improve transparency.

We hope this operating and financial review, together with the streamlined financial statements, provides shareholders with an understanding of the Group's operating model and financial performance for the 2014 year.

Terry Bowen, Finance Director

Contents

The Wesfarmers Way

From our origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies and employers.

Wesfarmers' diverse business operations in this year's review covered: supermarkets; department stores; home improvement and office supplies; coal production and export; chemicals, energy and fertilisers; industrial and safety products; and insurance. The vast majority of Wesfarmers' businesses operate in Australia and New Zealand, with the portfolio including some of Australia's leading brands.

In a challenging environment, growth in underlying revenue and earnings achieved in 2014 highlights the benefits of our conglomerate model. The Group's goal of delivering long-term satisfactory returns to shareholders through a strong focus on disciplined capital deployment and portfolio management was also demonstrated during the year, notably with the sale of the Insurance division.

The Wesfarmers Way is the framework for the company's business model, which comprises core values, growth enablers and value creating strategies directed at achieving the Group's primary objective of providing a satisfactory return to shareholders.

Our enablers

We expect that each of our businesses operates with a high degree of autonomy. Rather than mandating detailed strategies or implementation plans, the Group focuses on ensuring that six key enablers are in place in our businesses.

Outstanding people – Wesfarmers seeks to be an employer of choice. Attracting outstanding people and utilising their individual talents is the most critical element in striving for sustainable success, and Wesfarmers recognises that whilst great assets and strategies are critical, it is people who ultimately drive outcomes.

Commercial excellence – Wesfarmers seeks to ensure that it employs strong financial discipline in all of its decisions across the Group. Wesfarmers has a clear bias towards promoting strong commercial capability across its leadership base.

Empowering culture – Wesfarmers recognises that an empowering culture engenders accountability for delivering the results agreed upon through the Group's corporate planning framework. Wesfarmers encourages its team members to be proactive in driving the creation of value in their businesses.

Innovation – Wesfarmers seeks to develop a culture that encourages innovation, rewards boldness and creativity, and accepts honest mistakes.

Social responsibility – Respect for employees, customers and suppliers and a relentless focus on providing safe workplaces are fundamental to the way that Wesfarmers operates. Wesfarmers' social responsibility extends to maintaining high standards of ethical conduct, environmental responsibility and community contribution.

Robust financial capacity – By maintaining a strong balance sheet, the Group aims to provide a competitive cost and access to capital to allow the Group to act when value-creating opportunities present themselves.

Operating and financial review

Core values

Integrity

Openness

Accountability

Boldness

Growth enablers

Outstanding people

Commercial excellence

Empowering culture

Innovation

Social responsibility

Robust financial capacity

Value creating strategies

Strengthen existing businesses through operating excellence and satisfying customer needs

Secure growth opportunities through entrepreneurial initiative

Renew the portfolio through value-adding transactions

Ensure sustainability through responsible long-term management

Objective

Satisfactory return to shareholders

Our objective

The primary objective of Wesfarmers is to provide a satisfactory return to our shareholders. The measure used by the Group to assess satisfactory returns is total shareholder returns (TSR) over time. We measure our performance by comparing Wesfarmers' TSR against that achieved by the S&P/ASX 50 Index.

Performance measures

Growth in TSR relies on improving returns from invested capital relative to the cost of that capital and growing the capital base at a satisfactory rate of return on capital.

Given a key factor in determining TSR performance is movement in Wesfarmers' share price, which can be affected by factors outside the control of the company (including market sentiment, business cycles, interest rates and exchange rates), the Group focuses on ROE as a key internal performance indicator.

While ROE is recognised as a fundamental measure of financial performance at a Group level, return on capital (ROC) has been adopted as the principal measure of business unit performance. ROC focuses divisional businesses on increasing earnings and/or increasing capital productivity by managing factors they can control as well as making an adequate return on any new capital deployed.

Minimum ROC targets for each division are set based on their pre-tax cost of capital, while satisfactory ROC targets are established based on the Group's ROE targets, which are reviewed with reference to the performance of the broader market.

Capital discipline focus

We believe that to deliver high returns it is important to try to achieve a cost of capital advantage, which we feel is best done through a strong focus on cash realisation, the maintenance of a strong balance sheet and having flexibility in financing options.

The Group continuously looks to improve the working capital efficiency of all of its businesses, and also ensures strong discipline in relation to capital expenditure or any other investment decisions that are made.

The Group also endeavours to optimise shareholder returns through its dividend policy, its approach to capital management and, from time to time, disciplined portfolio management.

In summary, the Group seeks to:

– continue to invest in Group businesses where capital investments exceed return requirements;

– from time to time acquire or divest businesses where return requirements are met; and

– manage the Group's balance sheet to achieve an appropriate risk profile and an optimised cost of capital.

The Group's sustainability principles are put into action by our divisions, taking into account specific circumstances of their operating environments.

Our approach to sustainability

Wesfarmers will only be sustainable as a corporation if, in addition to its continued financial success, it adequately addresses a range of other issues which are both significant in their own right and ultimately influence financial outcomes.

We have identified the following principles that relate to the sustainability issues that are most material to the Group. Each division applies these principles to its business, taking into account the specific circumstances of its operating environment, and setting internal targets in relation to these principles. The Group reports annually against these principles.

Community and environmental impact principles

Our people

- We will maintain a relentless focus on providing safe workplaces.
- We strive to create an inclusive work environment, with particular attention to gender diversity and the inclusion of Aboriginal and Torres Strait Islander peoples.

Sourcing

- We are committed to strong and respectful relationships with our suppliers.
- We will strive to source products in a responsible manner while working with suppliers to improve their social and environmental practices.

Community

- We will make a positive contribution to the communities in which we operate.
- We will work constructively with governments and their agencies in relation to issues in the national interest.

Environment

- We will strive to improve the emissions intensity of our businesses and improve their resilience to climate change.
- We will strive to reduce our waste to landfill and water use where possible.

Governance

- We will maintain robust corporate governance policies in all our businesses.
- We will regularly and openly listen to our stakeholders.

Each business has incorporated discussion of the key issues most relevant to its operations within their summaries included later in this report.

Our full 2014 Sustainability Report will be available in November on our website **www.sustainability.wesfarmers.com.au**

Operating and financial review Our strategies

Our strategies

Driving the Group's objective to provide a satisfactory return to shareholders are four overarching strategies. These are:

- strengthening existing businesses through operating excellence and satisfying customer needs
- securing growth opportunities through entrepreneurial initiative
- renewing the portfolio through value-adding transactions
- ensuring sustainability through responsible long-term management.

As shown in the table below, each strategy is underpinned by the Group's well established strategic planning framework. A key attribute of this is the maintenance of a long-term focus and acting sustainably in the creation of value and the building of businesses.

At a divisional level, detailed strategies are developed specific to the opportunities to improve each of the individual businesses. Divisional strategies are discussed within their respective summaries, starting on page 28.

In implementing our overarching strategies, we maintain a long-term focus and act sustainably in creating value across our business portfolio.

Our strategies	Our achievements	Our focus for the coming years
Strengthen existing businesses through operating excellence and satisfying customer needs	**Operational excellence** In strengthening existing businesses through operating excellence and satisfying customer needs we have: – Continued to make improvements in our customer offers, including reinvesting in value to drive business growth; – Further optimised our retail store network; – Completed production plant commissionings in our industrial businesses; and – Made further operational productivity improvements and further reduced costs across our businesses.	– Coles will continue to invest in value supported by a focus on simplification and cost reduction, maintain a disciplined and returns-focused approach to network expansion and capital investment, develop new channels and services and progress its liquor transformation. – A strong focus on driving growth and strengthening its core business will continue at Bunnings, and Officeworks will further progress its strategic agenda, including its 'every channel' strategy. – Kmart to grow through an accelerated store refurbishment program and expansion of growth categories, with improvements in efficiency across the business. – Target has instituted a significant transformation plan, with early focus on improved product ranging and pricing architecture supported by better sourcing and inventory management. Over time, these initiatives will be further supported by store network optimisation and the development of a new store format. – Optimise production and control costs post-plant expansions in the Chemicals, Energy and Fertilisers division, and identify growth opportunities. – Maintain focus on cost control and productivity improvement at Resources, with low cost plant expansions to be implemented where satisfactory returns can be achieved. – Continue to lower cost to serve through technology and operational excellence at Industrial and Safety, develop new growth platforms and continue to evaluate acquisition opportunities to complement organic growth.
Secure growth opportunities through entrepreneurial initiative	**Entrepreneurial initiative** In securing growth opportunities through entrepreneurial initiative we have: – Continued to innovate our product ranges and categories across all businesses; – Further improved and extended channel and brand reach in our retail portfolio, focusing on store format innovation and the expansion of online offers; – Grown our customer programs, particularly the flybuys loyalty program and the PowerPass offer at Bunnings; – Continued to better leverage our data, particularly in our retail businesses; and – Grown new businesses including our Coles Insurance offer and our natural gas retailing business.	– Continue to reinforce innovation and drive boldness as growth enablers. – Continue to rigorously apply financial disciplines and financial evaluation methodologies. – Increase and encourage collaboration across divisions, where appropriate.

The 2014 financial year has seen the Group renew the portfolio through a number of value-adding transactions, including the sale of the Insurance division.

Our strategies	Our achievements	Our focus for the coming years
Renew the portfolio through value-adding transactions	**Renewing the portfolio** In renewing the portfolio through value-adding transactions we: – Completed a $579 million capital return and accompanying share consolidation in November 2013; – Completed the divestment of our 40 per cent interest in ALWA; – Sold the underwriting and broking/premium funding operations of our Insurance division; and – Acquired Mineral Development Licence 162 (MDL 162) in our Resources division.	– Maintain a strong ongoing focus and capability to evaluate growth opportunities where long-term shareholder value can be created. – Foster strong commercial evaluation capability, applying strict investment valuation methods. – Apply rigorous due diligence and integration processes post-acquisition. – Maintain a strong balance sheet to enable the Group to act opportunistically. – From time to time complete divestments where shareholder returns can be maximised.
Ensure sustainability through responsible long-term management	**Operating sustainably** In ensuring sustainability through responsible long-term management we have: – Further strengthened our balance sheet; – Achieved good improvements in our safety performance; – Maintained a very strong focus on the development and management of our teams, given the thousands of new jobs we are creating in retail; – Advanced our executive development, retention and succession programs; and – Continued to actively contribute to the communities in which we operate, where in the 2014 financial year, we made community contributions, both direct and indirect, of $95 million.	– Continue to foster a more inclusive work environment, with particular focus on gender diversity and the inclusion of Aboriginal and Torres Strait Islander peoples. – Look after the health, safety and development of our people. – Minimise our environmental footprint. – Contribute positively to the communities in which we operate. – Provide appropriate governance structures to safeguard future value creation.

Operating and financial review Operating model, risks and prospects

Operating model

The operating model adopted to achieve the Group's objective is represented below:

Inputs

Robust financial capacity
Access to competitively-priced debt and equity

Superior people resources
Ability to attract, motivate and retain great people

Strong corporate infrastructure
Systems, processes and culture to support innovation, disciplined execution and sustainable operations

Value-creating business model

Portfolio of quality businesses
Positioned for future growth (e.g., in fast growth sectors/industries or with unexploited competitive opportunities)

Value-adding transactions
Ability to recognise and acquire undervalued assets

Skill to turnaround and grow those assets

Discipline to exit where value accretive to shareholders

Outputs

Superior long-term financial performance
Above market TSR over the medium to long term

A most-admired company
Superior reputation among customers, employees, suppliers and the community

Inputs

The three key inputs considered at the Group level are as follows:

- ***Robust financial capacity*** – a strong balance sheet and focus on cash generation, including recycling of capital
- ***Superior people resources*** – the ability to attract and retain great people, bringing a mix of skills, knowledge, experience and diversity to the Group, and successful development through succession planning
- ***Strong corporate infrastructure*** – systems and processes which support the way the businesses operate, underpinned by a set of core values

The Group ensures that each of its divisions has a very strong management capability and day-to-day operational autonomy. Businesses are governed by divisional boards and a Group-wide framework where key disciplines and processes are coordinated over a 12-month operating cycle.

This approach encourages strong accountability for operating results, as well as assurance in areas such as:

- Strategic planning, budgeting and monitoring of performance
- Risk management, including internal audit and insurance protection
- Group-wide human resource management systems such as executive remuneration and share schemes, talent development and key role succession planning
- Centralised support in areas such as statutory accounting, tax, treasury and legal support

The Group also has a Business Development function that provides assurance over any significant capital expenditure evaluation, as well as merger and acquisition activity.

Value-creating business model

The value-creating business model comprises the portfolio of quality businesses, and is shaped by value-adding transactions, with a focus on creating long-term shareholder value.

Outputs

The two key outputs from the operating model are:

- ***The delivery of superior long-term financial performance*** – as measured by medium to long term TSR performance relative to the S&P/ASX50 Index; and
- ***Remaining a most-admired company*** – superior reputation among customers, employees, suppliers and the community.

Risks

Risk is an accepted part of doing business and Wesfarmers recognises the importance of, and is committed to, the identification, monitoring and management of material risks associated with its activities across the Group.

The table below sets out the major Group-wide risks. The risks noted are not in any particular order and do not include generic risks such as changes to macro economic conditions affecting business and households in Australia, which would affect all companies with a large domestic presence and which could have a material impact on the future performance of the Group.

Further information on risk management, including policies, responsibility and certification, can be found in the corporate governance statement on pages 68 to 78.

One of the areas where our autonomous model is demonstrated is in the management of risk. While the Board and management regularly review risks across the Group, responsibility for identifying and mitigating risk in the businesses sits with the divisional management teams, overseen by divisional boards and governed by a well-established Group-wide risk management framework.

Strategic	Operational	Regulatory	Financial
– Increased competition – Ineffective execution of strategy – Loss of key management personnel – Damage or dilution to Wesfarmers' brands	– Loss of critical supply inputs or infrastructure, including IT systems – Business interruption arising from industrial disputes, work stoppages and accidents – Risks inherent in distribution and sale of products	– Non-compliance with applicable laws, regulations and standards – Adverse regulatory or legislative change	– Adverse currency movements – Adverse commodity price movements (metallurgical coal) – Reduced access to funding

Prospects

The Group will seek to strengthen its existing businesses, secure growth opportunities and continue to renew and develop the portfolio in order to deliver satisfactory long-term shareholder returns.

The Group's retail businesses are expected to grow as they improve customer propositions through innovation in customer service and merchandise offers, and develop and expand channel reach through the growth and optimisation of store networks and digital platforms. The retail businesses will also look to further invest productivity gains, better sourcing and supply chain efficiencies into increased value for customers.

Coles, Bunnings, Officeworks and Kmart all have good momentum as they lead into the 2015 financial year, while Target is expected to undergo significant change and improve as it progresses its transformation plan.

Good market positions support a positive long-term outlook for the Group's industrial businesses.

In the Chemicals, Energy and Fertilisers division, the benefit from a full-year of expanded ammonium nitrate capacity is expected to be offset by a planned shutdown of the ammonia plant, a full-year of increased gas input costs and the loss of carbon abatement income. A strong recent WA grain harvest affords a positive outlook for the fertilisers business, subject to seasonal conditions.

A strong focus on productivity and cost control will continue in the Resources division, with pricing pressures expected to continue into the new financial year with recent price settlements for Australian export hard coking coal below those recorded in the prior comparable period.

In the Industrial and Safety division, market conditions are expected to remain subdued. Within this environment, the division will continue to focus on expanding its addressable market and reducing its costs of doing business.

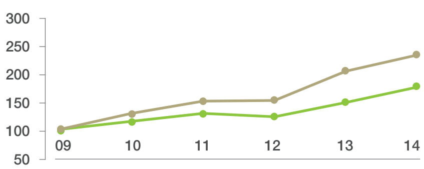
The Group will continue to actively develop and manage its portfolio of businesses, retaining a strong balance sheet in order to take advantage of opportunities, should they arise.

Operating and financial review Year in review

Year in review

TSR: Wesfarmers and ASX200

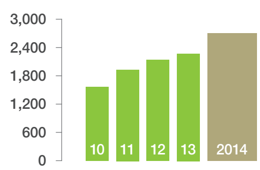
- Wesfarmers Limited[1] TSR Index
- ASX 200 Accumulation Index



[1] Assumes 100 per cent dividend reinvestment on the ex-dividend date, and full participation in capital management initiatives e.g., rights issues and share buybacks. Source: Bloomberg.

Net profit after tax

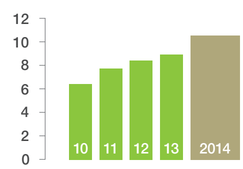
2,689 $m



2014	**2,689**
2013	2,261
2012	2,126
2011	1,922
2010	1,565

Return on equity

10.5 %



2014	**10.5**
2013	8.9
2012	8.4
2011	7.7
2010	6.4

Overview

The 2014 financial year saw an overall pleasing operational and financial performance by the Group. A highlight for the year was the improved safety performance across each division.

The Group's 203,000 team members delivered a profit after tax of $2,689 million, up 18.9 per cent on the prior year, and EPS of 234.6 cents, up 19.8 cents per share on the prior year.

The Group's profit included the sale of the Insurance division and disposal of the 40 per cent interest in ALWA that together contributed $1,034 million of profit after tax and more than offset a non-cash revision to Target's carrying value and a provision for future restructuring of Coles' Liquor business. Excluding these NTIs, which collectively contributed a profit after tax of $291 million, profit after tax was $2,398 million, up 6.1 per cent on the prior year, and EPS were 209.2 cents per share, up 13.3 cents per share on the prior year.

ROE (R12) of 10.5 per cent was above the Group's overall cost of capital.

Growth in underlying earnings during the year, was largely driven by strong performances in Coles and Bunnings, as well as lower financing costs. Divisional financial performances are outlined in pages 28 to 60.

Operating cash flow

Operating cash flows for the year of $3,226 million were $705 million below last year, with a cash realisation ratio of 92 per cent recorded.

Compared to last year, cash realisation was adversely affected by lower working capital cash inflows from the retail portfolio.

Reduced working capital cash flows reflect year-end timing differences that resulted in an additional creditor payment run for Coles, increased retail inventory as a result of store network growth, and the non-repeat of previous strong cash releases associated with the turnaround of Kmart. Overall, working capital remained similar to that recorded last year, with net inventory days improving as a result of business growth. Adjusting for the year-end timing differences in Coles, a cash realisation ratio of 101 per cent was recorded.

Capital expenditure and property recycling

In recent years the Group has undertaken a strong capital expenditure growth phase, during which the Group employed robust business case assessments with appropriate hurdle rates commensurate of the risk in any single project.

Gross capital expenditure in 2014 of $2,233 million was $98 million or 4.2 per cent below the prior year. Significant investment continued to be made by Coles and Bunnings to improve and optimise store networks, while Kmart accelerated its store refurbishment program. Other major capital projects completed during the year included, the expansion of the ammonium nitrate capacity and the debottlenecking of sodium cyanide capacity at Kwinana.

Proceeds from the sale of property, plant and equipment during the year were $358 million above the prior year, resulting in net capital expenditure being $456 million below last year. Retail property disposals accelerated during the year, in line with freehold site development, and reflect the Group's return on capital focus. Freehold disposal activity included the sale and leaseback of 12 Bunnings stores to BWP Trust and 15 Bunnings stores via a securitised lease structure, collectively realising $591 million.

Cash capital expenditure ($m)

	2014	2013
Coles	**1,016**	1,187
HIOS	**557**	549
Kmart	**162**	95
Target	**78**	81
WesCEF	**172**	262
Resources	**163**	79
Industrial & Safety	**51**	50
Insurance	**31**	25
Other	**3**	3

Net debt was 35.3 per cent below the prior year as a result of strong free cash flows which included proceeds from the sale of the Insurance division.

Free cash flow

Free cash flows were $4,178 million for the year, $2,007 million above the prior year, with the proceeds from disposal of the Insurance division and lower net capital expenditure offsetting reduced operating cash flows.

Balance sheet

The Group's balance sheet continues to be strong with net tangible asset backing per ordinary share increasing to $6.14 from $4.69 in the prior year.

With total net debt decreasing, the Group's debt to equity decreased from 20.2 per cent to 13.1 per cent.

The value of property, plant and equipment remained consistent as capital expenditure was generally offset by disposals and depreciation.

As previously outlined, working capital finished higher mainly as a result of increased inventories relating to store network growth.

Impairment testing of non-current assets, including goodwill and other intangible assets, was undertaken during the year, with non-cash impairments of $734 million recognised. The majority of this charge related to the impairment of Target's allocated goodwill. This impairment followed Target's financial performance in 2014 being below expectations due to continued difficult trading conditions, and largely reflected an increase in the discount rate applied to future expected cash flows given the risk associated with delivering the turnaround strategy.

Notwithstanding substantial value created across other divisions, and notably across the portfolio of the other acquired Coles Group businesses (Coles, Kmart and Officeworks), the applicable accounting standards under which Target's impairment charge was made do not allow Wesfarmers to recognise these increases in value in its accounts.

Debt management and financing

Strong operating performance and debt management initiatives resulted in further strengthening of the Group's balance sheet. All key credit metrics improved during the year, with the Group's R12 fixed charges cover ratio increasing to 3.2 times (2013: 3.0 times) and R12 cash interest cover increasing to 15.9 times (2013: 12.2 times). Net debt to equity at year end was 13.1 per cent (2013: 20.2 per cent).

Lowering the cost of capital as a result of optimising funding costs is a very strong focus of the Group. On this measure, the Group's effective borrowing cost further reduced during the year by 122 basis points to 5.43 per cent. The reduction in borrowing costs was achieved due to successful refinancing initiatives completed in recent financial years and more efficient use of intra-month cash receipts towards debt reduction.

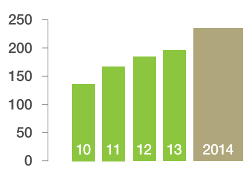
The Group has a good spread of debt maturities and a manageable low level of debt maturing in any one year, with an average debt tenor, in terms of on balance sheet debt, of 3.4 years (2013: 4.1 years).

Operating and financial review Year in review

Year in review (continued)

Earnings per share

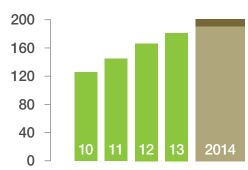
234.6 cents



2014	234.6
2013	195.9
2012	184.2
2011	166.7
2010	135.7

Dividends per share

200 cents



2014	200
2013	180
2012	165
2011	150
2010	125

■ 2014 includes a 10 cents per share special 'Centenary' dividend.

Upcoming debt maturities include $500 million of domestic notes, which mature in September 2014.

In regard to the Group's off balance sheet lease commitments, leasehold strategies seek to ensure that our businesses achieve security of tenure through appropriate initial fixed term leases with options to extend tenure at the Group's election.

The Group's credit ratings for Standard & Poor's and Moody's Investors Services remained unchanged at A- (stable) and A3 (stable) respectively during the year.

Capital management

As a key enabler of delivering satisfactory returns to shareholders, the Group aims to maintain a capital structure that is consistent with a stable investment grade credit rating. The table below summarises the Group's capital employed at 30 June.

Strong free cash flow generation, assisted by disciplined portfolio management, has enabled the Group to undertake capital management. Since 2009, the Group has undertaken cumulative capital management of $2.6 billion, which has comprised the full neutralisation of the dividend investment plan and the purchasing on-market of shares relating to employee share plans.

In November 2013, Wesfarmers made a capital return of 50 cents per fully-paid ordinary share and partially protected share. This capital return, which totalled $579 million, returned surplus capital to shareholders to ensure the Group maintained an efficient capital structure without adversely affecting its financial flexibility and growth objectives. The capital return was accompanied by an equal and proportionate share consolidation, allowing Wesfarmers to provide an earnings per share outcome similar to that which would result from a share buy-back, whilst also ensuring that all shareholders received an equal cash distribution per share and no change in their proportionate interest in Wesfarmers.

A similar distribution of $1.00 per fully-paid ordinary share is proposed to be paid in December 2014, subject to a final ruling of the Australian Taxation Office (ATO) on the taxation treatment of the payment and approval by Wesfarmers shareholders at the Annual General Meeting in November 2014.

Group capital employed

Year ended 30 June[1]	$m 2014	$m 2013 (restated)[2]
Inventories	**5,336**	5,047
Receivables and prepayment	**1,805**	1,505
Trade and other payables	**(5,424)**	(5,369)
Other	**403**	614
Net working capital	**2,120**	1,797
Property, plant and equipment	**9,952**	10,070
Intangibles	**18,956**	19,559
Other assets	**721**	705
Net insurance liabilities	**-**	1
Provisions and other liabilities	**(2,884)**	(2,688)
Total capital employed	**28,865**	29,444
Net financial debt[3]	**(3,050)**	(5,166)
Net tax balances	**172**	80
Total net assets	**25,987**	24,358

1 Balances reflect the management balance sheet, which is based on different classification and groupings than the balance sheet in the financial statements.

2 2013 restated for the removal of Insurance assets and liabilities (discontinued operations).

3 Net debt, net of interest rate swap liabilities.

The form of the distribution is dependent upon the final ruling from the ATO but is expected to encompass a dividend and a capital component, with an accompanying proportionate share consolidation of the capital component.

Equity

Shares on issue decreased during the year as a result of the capital return made in November 2013 and associated proportionate share consolidation at a rate of one for 0.9876. This had the effect of reducing the number of shares on issue by 14 million to 1,143 million.

On 21 November 2013, the conditions for the early reclassification of Wesfarmers partially protected shares into Wesfarmers ordinary shares were met. As a result, all outstanding partially protected shares were reclassified into Wesfarmers ordinary shares on 9 December 2013 on a one-for-one basis.

Dividends

A key component of total shareholder return is the dividends paid to shareholders.

Wesfarmers' dividend policy seeks to deliver growing dividends over time, with dividends declared reflective of the Group's current and projected cash position, profit generation and available franking credits.

Consistent with the Group's dividend policy, the directors have declared a fully-franked final ordinary dividend of 105 cents per share, taking the full-year ordinary dividend to 190 cents per share. The full-year ordinary dividend represents an increase of 5.6 per cent on the 180 cents per share full-year dividend declared for the 2013 financial year.

The full-year ordinary dividend of 190 cents per share represents a payout ratio of 91 per cent, consistent with recent dividend distributions.

The directors have also declared a fully-franked special 'Centenary' dividend of 10 cents per share, resulting in a total dividend of 200 cents per share when combined with the full-year ordinary dividend. This special dividend represents a partial payment of proceeds from recent divestments and the distribution of franking credits to shareholders in a timely manner.

The dividend will be paid on 9 October 2014 to shareholders on the company's register on 2 September 2014, the record date for the final ordinary and special 'Centenary' dividends.

Given a preference by many shareholders to receive dividends in the form of shares, the directors decided to continue the operation of the Dividend Investment Plan (the Plan).

No discount applies to shares allocated under the Plan and in recognition of the Group's capital structure and strong balance sheet, all shares issued under the Plan will be acquired on-market by a broker and transferred to participants.

‘To represent the company, sometimes wearing a modest tie, you’d feel you were someone. It felt good to be part of the Wesfarmers team.’

Steve Wright
Wesfarmers Stockman

Wesfarmers staff photograph, 1968.
State Library of Western Australia 342688PD.

Coles seeks to help its customers and their families with the cost of living through continued reductions in the price of groceries. Coles is investing in better value, an expanded fresh offer, innovation in quality and range, building and renewing stores, and careers and professional development for more than 99,000 team members across Australia.

Coles

Like Wesfarmers, this year Coles proudly celebrates its 100-year anniversary since the opening of the first Coles store by GJ Coles in 1914. Today, Coles includes Coles and Bi-Lo supermarkets, Coles Express, Liquorland, Vintage Cellars, First Choice Liquor, Spirit Hotels, Coles Financial Services and Coles Online.

Highlights

9.1%
increase in earnings to $1,672 million

Increased customer transactions, basket size and fresh sales

Operating revenue increased $1.6 billion to $37.4 billion

Continued investment of operational efficiencies into lower prices

Our business

Coles is one of Australia's largest retailers, providing fresh food, groceries, general merchandise, liquor and fuel to 19.9 million customers on average per week through its national store network and online platform. The business employs more than 99,000 team members and operates more than 2,300 retail outlets nationally.

Our market

Coles network of 762 supermarkets, 831 liquor stores, 90 hotels and 642 convenience outlets operates throughout Australia from as far south as Kingston, Tasmania, to as far north as Casuarina, Northern Territory. Coles Financial Services has more than 400,000 Mastercard customer accounts and has issued more than 350,000 home, car and life insurance policies as at 30 June 2014.

Sustainability

During the year, Coles continued to focus on recycling and reducing energy use and food waste.

Coles Hallam in east Victoria was awarded the Refrigeration Project Excellence Award at the 2014 Air Conditioning, Refrigeration and Building Services Awards for a range of initiatives undertaken to reduce energy use, including the use of natural refrigerant. Hallam, which has been built to new environmental building standards, uses 20 per cent less energy than other equivalent supermarkets.

Early in 2014, Coles introduced recycled plastic for all Coles Brand natural spring water bottles. The recycled plastic replaced the use of virgin plastic, which saves natural resources, energy, and water and has a significantly lower carbon footprint than virgin plastic.

By increasing its efforts to divert food waste, plastic and cardboard from landfill, the recycling rate for Coles improved compared to last year. More than 4.5 million kilograms of surplus food was redistributed to people in need via its partnerships with SecondBite and Foodbank.

Operating and financial review Divisional summaries

Strategy

Coles continued to offer greater value through price investment, improved quality through fresher produce and a better shopping experience for customers as a result of store upgrades and team member training.

Growth strategies	Achievements	Focus for the coming years
Deliver a better store network	Coles launched a further 80 stores in the renewal format, bringing the total number of renewal stores to 418, comprising 55 per cent of the store network. This included eight new food service superstores launched with features including barista-made coffee, juice bar, hot and cold oven-baked pizzas and hot pies, continental delicatessen and dry-aged meat cabinet.	– Deliver a better and more consistent store network through accelerating sales density growth, continuing renewal activity and increasing net space growth to between two and three per cent per annum.
Greater focus on fresh food	Improving fresh food quality was a key focus throughout the year and led to increased sales, participation and volume in fresh categories. Coles has continued to support Australian suppliers through its Australia-first sourcing policy for Coles brand, resulting in 100 per cent of Coles brand and Smartbuy frozen vegetables, 100 per cent of fresh meat and around 96 per cent of fresh fruit and vegetables sold by Coles being grown in Australia.	– Deliver better value, greater quality and a superior customer offer in fresh food. – Improve service through better culture and investing in team member capabilities. – Build deeper and longer-term collaborative partnerships with suppliers.
Extend value leadership	Coles lowered the prices of a further 50 products as part of its 'Deeper Down Down' campaign and delivered personalised flybuys offers to customers with the launch of 'Your Weekly Specials' emails.	– Become a trusted price leader and further reduce the cost of the weekly shopping basket. – Drive targeted marketing through flybuys and customer insights. – Strengthen local marketing activities.
Simplify supply chain and operations	Productivity improved as Coles commenced the introduction of 'Easy Ordering' in meat and bakery and 'Assisted Ordering' in fresh produce. Supply chain efficiency also improved as a result of better processes across distribution centres combined with greater focus on transport planning and route optimisation.	– Deliver supply chain efficiencies through continuous improvement in distribution centre operations and increased transparency and control of transport operations. – Invest in smarter stores through 'OneShop', a new point-of-sale technology and 'OneTeam', a new workforce management system.
Boldly extend into new channels and services	Launched a new mobile-enabled Coles Online website, resulting in strong online sales growth. Expanded financial services, which now has more than 350,000 insurance policies and 400,000 credit card accounts.	– Grow Coles Online with the best customer offer. – Leverage flybuys. – Expand products and services available via a new joint venture with GE Australia.
Transform Liquor	Began the transformation of the Liquor business with a detailed business review.	– Transform Coles' Liquor through a customer-led turnaround strategy, focusing on optimising the store network, improving the customer offer and rationalising range.
Build great careers	Coles' First Steps Indigenous employment program, supported by the Australian Government, provided mentoring and roles for 126 new team members in locations including Grafton (NSW), Hervey Bay (Qld), Kilburn (SA) and Shepparton (Vic).	– Drive team member engagement by recognising and celebrating service. – Develop a flexible workplace which encourages diversity. Increase the percentage of Aboriginal and Torres Strait Islander team members from one per cent to three per cent by 2020.

Risk

Coles' risks relate to any issue that might affect business operations such as the smooth running of stores and product availability through to factors or changes that could impact on achieving future strategy, such as changes to competitive intensity and other external factors such as regulation.

Risks	Mitigation
Increased competitive intensity limiting Coles' ability to achieve profitable growth	Coles will continue to simplify its business and reduce costs to fund further investments in price. It will further improve its fresh offer supported by securing long-term contracts with key suppliers. It has appropriate lease structures and management practices in place to protect tenure of existing stores. A new store pipeline focused on key priority network gaps, is governed by a disciplined approach to capital investment.
Attraction, retention and succession of key roles	Effective succession planning and career development have ensured a smooth leadership transition post the initial phase of the turnaround. Retention of existing senior leadership will enable continuity of initiatives and the advancement of new focus areas.
Regulatory change which limits growth and value offer	In 2013, Coles worked with the Australian Food and Grocery Council and Woolworths to agree on a draft code of conduct that is designed to improve trading relationships and establish a fast-track, low cost dispute resolution mechanism with suppliers. Coles will continue to ensure it operates in a manner consistent with good governance for all stakeholders.

Year in review

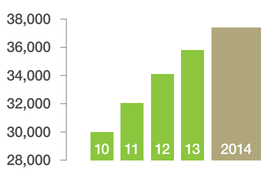
Key financial indicators

For the year ended 30 June	2010	2011	2012	2013	2014[1]
Revenue ($m)	30,002	32,073	34,117	35,780	**37,391**
Earnings before interest and tax ($m)	962	1,166	1,356	1,533	**1,672**
Capital employed (R12) ($m)	14,886	15,018	15,572	16,114	**16,272**
Return on capital employed (%)	6.5	7.8	8.7	9.5	**10.3**
Capital expenditure ($m)	683	840	1,218	1,181	**1,018**

[1] 2014 excludes a $94 million provision relating to future Liquor restructuring activities (reported as a NTI).

Revenue

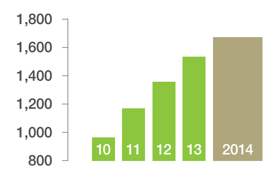
37,391 $m



2014	**37,391**
2013	35,780
2012	34,117
2011	32,073
2010	30,002

EBIT

1,672 $m



2014	**1,672**
2013	1,533
2012	1,356
2011	1,166
2010	962

The drivers of the above financial outcomes were as follows:

– All key performance metrics in food and liquor improved, with revenue growing $1.3 billion to $29.2 billion and EBIT increasing 12.3 per cent to $1,536 million. Investment of operational efficiencies in lower prices continued to drive increased customer transactions and higher average basket sizes, further supporting store productivity.

– Improving fresh food quality was a key focus throughout the year and led to increased sales, participation and volume in fresh categories. Coles' investment in value was funded by savings achieved through simplifying operations and improving efficiency.

– Coles continued to improve the quality of its supermarket network during the year, opening 19 larger supermarkets in network gap areas and launching a further 61 stores in the renewal format during the year, including eight new food service superstores.

– The Liquor business underperformed during the year. A focus on reshaping the store network and range rationalisation resulted in the closure of a number of underperforming liquor stores and increased clearance of inactive stock during the year. Prior to period end, Coles announced a significant restructuring program to support the transformation of its Liquor business.

– Coles Express recorded revenue (including fuel) of $8.2 billion for the year, up 4.1 per cent on the previous year. An undertaking made by Coles to the ACCC, which was effective from 1 January 2014, included capping supermarket docket discounts on fuel and the full allocation of these discounts to the Convenience business. Earnings were lower than the prior year, driven mainly by reduced fuel volumes and the increased funding of fuel docket discounts. Convenience store sales increased 6.0 per cent for the year, reflecting the positive customer response to Coles Express' improved value proposition and the rollout of new 'Expresso To Go' and frozen carbonated beverage offerings.

Prospects

Facing a rising cost of living, consumers remain cautious and value-conscious. In addition, Coles operates in a highly competitive environment with competitors opening new stores at pace.

Value and quality will remain crucial and Coles will continue to offer more value for customers and improve its fresh food offer. Coles' investment in value and quality will be funded from savings generated through simplified operations and further reductions in the costs of doing business. Coles will also invest in a range of new technologies to drive longer-term operating efficiencies and extend into innovative new channels and services, such as multi-channel integration and financial services to deliver sustainable long-term growth.

Coles will continue to improve its store network through opening new stores as well as renewing its existing fleet, guided by a disciplined and returns-focused approach.

The transformation of the Liquor business will be a strong focus in the 2015 financial year, with the initial phase of priorities to include accelerating the reshaping of the store network, overhauling the product range and improving business efficiency to begin to support an improved customer offer.

John Durkan
Managing Director, Coles

Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand and a major supplier to project builders, commercial tradespeople and the housing industry. Officeworks is Australia's leading retailer and supplier of office products and solutions for home, business and education.

Home Improvement and Office Supplies

Bunnings

Bunnings continued to create more value for customers and improve their experience while extending brand reach both physically and online and strengthening the stock flow, productivity and team aspects of the business.

Highlights

8.3%
increase in earnings to $979 million

11.7%
total store sales growth

Good momentum in consumer and commercial sales growth

25
trading locations opened

Our business

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

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

Our market

Operating from a network of 223 large warehouse stores, 64 smaller format stores, 33 trade centres and three frame and truss manufacturing sites, Bunnings caters for consumers and both light and heavy commercial customers across the home improvement and outdoor living market.

Sustainability

Bunnings pursues sustainability within its operations by striving to make them socially responsible, environmentally aware and economically viable.

Bunnings continue to raise awareness of sustainable living options in the wider community, helping customers take practical actions at low cost or no cost to save energy, use less water or take environmentally friendly actions. In-store workshops, online videos and in-store brochures are a great source of free sustainability DIY advice. These actions link with the work that Bunnings is doing to reduce the impact on the environment by using less energy and water and lowering levels of waste to landfill.

Community involvement

Bunnings has a long tradition of actively supporting the local communities where its stores operate and its team members live.

Bunnings' teams supported more than 54,000 local activities including fundraising sausage sizzles, hands-on DIY projects, local fundraising activities, community workshops and product contributions. More than 2,500 sustainability-related activities were conducted, including more than 1,600 school visits and projects across Australia and New Zealand. Bunnings helped raise and contribute more than $33 million to local, regional and national charities and community organisations across Australia and New Zealand.

Team member safety

A focus on five key safety areas: Committing to Safety; Save Your Back; ForkSafe; Protect Your Hands; and Back to Life/Back to Work, resulted in a 3.7 per cent reduction in the number of injuries recorded and a 10.2 per cent reduction in the total recordable injury frequency rate, which was a pleasing result given the continued growth of the business. Bunnings' continuing focus on safety included targeted in-store awareness campaigns, the rollout of a new mental health booklet for leaders and a safety climate survey.

Operating and financial review Divisional summaries

Strategy

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

Growth strategies	Achievements	Focus for the coming years
More customer value	– Delivered more value for customers.	– Ongoing focus on creating more value for customers funded by productivity and cost actions.
Better customer experiences	– Consistency in service basics lifted. – Stronger services in-store, at home and online. – Improved level of customer engagement.	– Better customer experiences – in-store, online and in home, and deeper customer engagement with more pre-shop, post-shop and services.
Greater brand reach	– Opened 25 trading locations. – Significantly upgraded and expanded digital presence. – Existing store reinvestment.	– Mores stores, more digital and more in-home services, with increased format innovation and existing store re-investment. – Expect to open 20 new stores in 2015.
Expanding commercial	– Created more value through enhanced PowerPass offer. – Improved service with more localised engagement, becoming easier to deal with and improving the direct connection to the commercial customer.	– Leveraging the strength of network and brand with total market capability – stores, trade centres in field and digital.
More merchandise innovation	– Improved range consistency across the network. – Expanded product ranges.	– Creating, leveraging and responding to lifestyle trends, environmental and economic changes. – Further product and project innovation with a DIY focus to expand the whole market.

Risk

Bunnings recognises that taking appropriate business risks is a critical aspect of generating acceptable business returns. In doing so, Bunnings seeks to appropriately manage risks to minimise losses, and to maximise opportunities.

Risks deemed unacceptable are either transferred (through contractual arrangements or insurance) or avoided. Residual risks that are acceptable in terms of the business' risk appetite are subject to appropriate control and mitigation measures to reduce the negative impact on the business.

The level of controls implemented are commensurate with the impact (likelihood and consequence) on the business from the risk occurring.

Risks	Mitigation
Safety	– Continuing focus and targeted in-store awareness campaigns.
Talent recruitment and retention	– Strategies directed at creating and maintaining status as employer of choice. – Succession planning, retention and development plans.
New and existing competitors	– Relentless focus on strategic pillars of Lowest Price, Widest Range and Best Service. – Ongoing strategies to increase customer centricity and deepen customer engagement.

Highlights

10.8%
increase in earnings to $103 million

New merchandising categories and in-store layouts helped improve sales

Officeworks

Officeworks is Australia's leading retailer and supplier of office products and solutions for home, business and education.

Our business

Officeworks is Australia's leading retailer and supplier of office products and solutions for home, business and education. Operating through an Australia-wide network of stores, online platforms, customer service centres and a business sales force, Officeworks caters for a broad range of customers, from consumers to businesses of all sizes as well as students, teachers and education institutions.

Our market

The office products market size in Australia is approximately $12 billion. In recent times, the market has been characterised by low levels of growth, particularly across the core product range. As a consequence, many market participants have sought to grow by expanding into non-core categories.

In addition to the office products market, Officeworks has a presence in a range of other related categories which increases the addressable market.

The market consists of a vast array of participants, some of whom compete across multiple categories whilst others seek to specialise in certain areas.

Sustainability

Officeworks wants to make a difference by contributing positively to the environment, setting high ethical sourcing standards and having an inclusive workplace that reflects and supports the communities we serve.

The Smith Family 'Back to School' Appeal

Officeworks is committed to helping The Smith Family achieve its goal of ensuring that every child has the school supplies they require for the school year. In January 2014, Officeworks collected almost $80,000 worth of school supplies through its Back to School appeal. These supplies were donated to children in need through The Smith Family's Learning for Life Clubs across Australia.

Safety at Customer Fulfilment Centres (CFCs)

Officeworks launched a 'Go Home Safe' campaign in its CFCs to encourage team members to talk about safety and proactively report safety hazards. Since the campaign started, CFC injuries have declined by more than 30 per cent.

Global Forest and Trade Network (GFTN) participation

Officeworks has signed up as a participant in the GFTN in order to increase transparency and traceability in its supply chain, eliminate illegal pulp and timber in its products, and progressively shift towards certified sustainable sources.

Operating and financial review Divisional summaries

Strategy

Through an 'every channel' offer to market, Officeworks aims to provide customers with the widest range of products and great service at the lowest price, while providing a safe, rewarding and engaging place of work for its team members. Officeworks continues to grow and develop by improving the customer offer, expanding and renewing the store network, and enhancing its online offer.

Growth strategies	Achievements	Focus for the coming years
Reach and engage with more customers	– Launched new online platform which will underpin future growth in this channel. – Launched a new mobile website. – Opened six new stores. – Introduced mobile point of sale and emailed receipts in-store.	– Extend reach into more markets through a variety of store formats. – Continue to invest in online platforms to enhance the customer experience. – Make it easier for customers to shop seamlessly across all the business' channels to market.
Be Australia's first choice for office furniture	– Continued to gain traction with recently introduced commercial furniture offer. – Good progress made on resetting retail ranges and defining in-store service proposition.	– Rollout the new retail furniture range in-store. – Launch the new online commercial furniture site (including mobile). – Provide customers with a compelling service proposition when buying furniture.
Deliver a truly unique print and copy service	– Launched a new passport photo offer in-store. – Implemented new business card range. – Launched new photo offer and social media connectivity.	– Enhance self-serve print and copy solution in-store. – Upgrade online print services offer. – Introduce new print and copy products and services.
Deliver even greater value and choice	– Introduced new and innovative brands and products to the range. – Continued to build an efficient, cost-effective and agile supply chain which supports the business strategy.	– Introduce a new range of fashion-oriented products and brands. – Rollout new products and services in existing and new categories.
Deliver great service by having a great team	– Removed a significant amount of non-value adding tasks from stores to enable team members to focus on providing great service to customers. – Improved safety outcomes across the store network. – Delivered 400 facilitated training programs to team members and more than 20,000 hours of online training.	– Continue to remove non-value adding tasks from all parts of the business. – Continue to invest in team productivity by removing waste, inefficiency and non-value adding cost from across the business. – Continue to invest in the safety, wellbeing, skills and knowledge of team members.

Risk

Officeworks accepts that risk is an important part of exploring and exploiting opportunities to operate successfully. In order to continue to operate successfully, there is a need to understand and manage risk with a view to minimising unintended consequences. Risks deemed unacceptable to the business are the focus of a number of controls aimed at reducing their likelihood or minimising their consequence, including risk transference through contractual arrangements, insurance or avoidance.

Risks	Mitigation
Subdued consumer sentiment and business confidence	Provide a compelling customer offer by delivering the widest range, lowest prices and great service.
Ongoing decline in core office supplies market	Drive innovation in core categories and seek to expand presence in non-core categories.
New and existing competitors	Focus relentlessly on driving continuous improvement across all elements of the business.

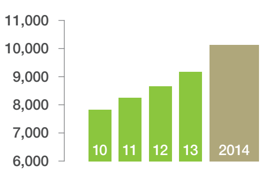
Year in review

Key financial indicators

For the year ended 30 June	2010	2011	2012	2013	**2014**
Revenue ($m)	7,822	8,251	8,644	9,167	**10,121**
Earnings before interest and tax ($m)	802	882	926	997	**1,082**
Capital employed (R12) – Home Improvement ($m)	2,400	2,863	3,250	3,492	**3,343**
Return on capital employed – Home Improvement (%)	30.3	28.0	25.9	25.9	**29.3**
Capital employed (R12) – Officeworks ($m)	1,178	1,197	1,210	1,147	**1,097**
Return on capital employed – Officeworks (%)	6.3	6.7	7.1	8.1	**9.4**
Capital expenditure ($m)	446	613	587	549	**557**

Revenue

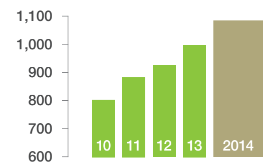
10,121 $m



2014	**10,121**
2013	9,167
2012	8,644
2011	8,251
2010	7,822

EBIT

1,082 $m



2014	**1,082**
2013	997
2012	926
2011	882
2010	802

The drivers of the above financial outcomes were as follows:

Bunnings

- Sales growth was achieved in consumer and commercial areas across all merchandising categories and within all key trading regions.
- Work to deliver more value, improved merchandising and enhanced customer experiences all achieved positive responses with commercial and consumer customers. Brand reach accelerated with strong digital enhancements and a record number of new warehouses opened. Investments to build the strength and depth of the Bunnings team continued.
- The increase in EBIT was driven by the growth agenda and supported by productivity enhancements that improved both stock flow and core processes. The EBIT result absorbed the impact of creating more value for customers and higher network development costs.
- A good uplift in ROC was achieved across the year, supported by strong execution and a disciplined approach to capital management which featured several significant property divestment transactions.
- During the year 25 trading locations were opened, including 20 new warehouse stores, four smaller format stores and one trade centre.

Officeworks

- Customers continued to respond favourably to the ‘every channel’ strategy, with sales growth achieved online and in the store network. New merchandise categories and in-store layouts helped deliver good uplift in sales and margin.
- An enhanced online platform was launched during the financial year and investment in the business-to-business offer also continued to produce positive results.
- Earnings exceeded $100 million for the first time as a result of the growth in sales and margin and an ongoing focus on reducing the costs of doing business and lifting productivity.
- The combination of earnings growth, business productivity and disciplined capital management also lifted ROC during the year.
- Six new stores were opened during the year.

Prospects

Bunnings will continue to drive sales and earnings growth through more customer value, better customer experiences, greater brand reach, expanding commercial, and more merchandise innovation. Four work areas are aimed at strengthening the Bunnings business: a stronger team; better stock flow; improved productivity; and deeper community involvement.

Conversion of the property pipeline into trading locations will remain higher than historically achieved with another 20 new warehouses expected to open in the 2015 financial year. There will be further investment in the property pipeline and in existing stores, with an ongoing focus on the recycling of capital.

Officeworks will continue to drive growth and productivity by executing its strategy, the central focus of which is to provide customers with a unique experience in ‘every channel’ – anywhere, anyhow, anytime. Key focus areas in the 2015 financial year will include continued merchandising innovation, further enhancement of the physical and online store experiences, and ongoing investment in the team. Tight market conditions and a competitive environment are expected to result in modest sales growth and continued margin pressure.

John Gillam
Managing Director,
Home Improvement and Office Supplies

Kmart offers the families of Australia and New Zealand the lowest price on everyday items. Kmart is focused on growing the business through operational excellence, creating adaptable stores, driving a high performance culture and investing in the store network.

Kmart

Kmart is a discount department store retailer in Australia and New Zealand and Kmart Tyre and Auto Service is a provider of retail automotive services, repairs and tyres in Australia. Kmart's vision is to ensure it is where families come first for the lowest prices every day.

Highlights

6.4%
increase in earnings to $366 million

Accelerated renewal activity

4.2$b
operating revenue

Further growth in customer transactions

Our business

Kmart is one of Australia's largest retailers with more than 31,000 team members. Operating a network of 192 discount department stores across Australia and New Zealand at 30 June 2014, Kmart offers customers a wide range of apparel and general merchandise products at low prices every day.

Kmart Tyre and Auto Service had 243 centres in Australia at 30 June 2014, providing customers with retail automotive services, repairs and tyres.

Our market

Kmart operates in the department store market with key competitors including Target, Big W, Myer and David Jones. Trading both in-store and online, Kmart competes with specialist shops and online businesses locally and internationally. The market is highly concentrated and competition is anticipated to increase as international retailers enter the market and existing competitors expand their store networks.

With high levels of product substitution and low switching costs, customer power is high. Consumers differentiate between retailers depending on price, quality, value and shopping experience.

Kmart sources from both local and overseas suppliers with product sourcing offices in Bangladesh, China, Hong Kong and India.

Sustainability

In the 2014 financial year, Kmart announced a number of new measures aimed at enhancing working conditions and improving safety and security at factories owned and operated by Kmart suppliers in developing countries. These measures included the publication of the addresses of Kmart's supplier factories, participation in the Impactt Benefits for Business and Workers program to help enhance factory workers' livelihoods. In addition, Kmart strengthened its Ethical Sourcing Code and entered new supplier contractual arrangements to bind suppliers and their factories to higher workplace safety and security standards.

Kmart remains committed to the safety of its team members, customers and suppliers. The business recorded a significant reduction in its total recordable injury frequency rate from 37.7 in the 2013 financial year, to 31.6 in the 2014 financial year (a 16 per cent decrease), as well as a reduction in the lost time injury frequency rate from 9.2 in the 2013 financial year, to 7.0 in the 2014 financial year (a 24 per cent decrease).

Kmart has continued to explore energy efficient initiatives and one major project undertaken was the replacement of all metal-halide high-bay lights with LED alternatives. The business is already seeing significant energy reductions and is exploring the feasibility of LED replacements for fluorescent tubes.

Operating and financial review Divisional summaries

Strategy

Kmart's strategy remains consistent, to provide families with everyday products at the lowest price. Kmart delivers its strategy through four strategic pillars: volume retailing; operational excellence; adaptable stores; and a high performance culture. These strategies underpin the '6Ps and C' of product, place, price, promotion, people, profit and customer.

Kmart is focused on delivering growth and improvements in productivity and efficiencies for further investment in lower prices. Kmart will continue to invest in the store network by opening new stores to extend customer reach and refurbishing existing stores to optimise category mix and enhance the customer shopping experience. Kmart's high calibre team and strong culture underpins the success of the business.

Growth strategies	Achievements	Focus for the coming years
Volume retailer	Kmart has delivered strong growth in transactions and units sold. The online platform improvement has further enhanced Kmart's customer reach.	Kmart has identified growth categories for in-store and online expansion. Investing in growth categories and keeping the product range relevant will better meet customer expectations and create new sales opportunities.
Operational excellence	Kmart has made improvements in productivity during the year, primarily through sourcing, inventory management and costs of doing business.	Continue to focus on cost and productivity to improve end-to-end operational execution.
Adaptable stores	Kmart opened five new stores and completed 16 major refurbishments.	Kmart will continue to invest in the store network and expects to complete 33 store refurbishments and open 11 new Kmart stores in the 2015 financial year.
High performing culture	Kmart has placed strong emphasis on its core values: delivering results; integrity; customers coming first; teamwork; and boldness. Being accountable and responsible for these values has enabled Kmart to drive a strong culture and deliver results.	Kmart will continue to support and develop team members and maintain a strong culture. The business will focus on creating a stimulating and encouraging work environment so everyone can thrive.

Risk

Key risks include foreign exchange rate fluctuations, maintaining price leadership, new market entrants and the expansion of existing competitors. Fluctuations in the Australian dollar relative to the US dollar present a risk for Kmart as a decline in the Australian dollar may result in increased costs of goods sourced from overseas, affecting trading margins.

Price is a key differentiator between Kmart and its competitors, given high levels of product substitution exist within the market. Competitors' pricing strategies may pose a threat to Kmart's price leadership position. New market entrants and store network expansion by existing players will increase market competitiveness, creating a challenging environment to maintain and grow market share.

Risks	Mitigation
Exchange rate fluctuations	Further foreign exchange rate movements will be managed closely through Kmart's hedging, range and pricing policies.
Maintaining price leadership	Kmart will remain focused on maintaining its lowest price position and ensure the product pricing architecture continues to deliver value.
New market entrants and expansion of existing competitors	Kmart will continue to lead on price and value despite increased competition from new entrants, online and existing competitors.

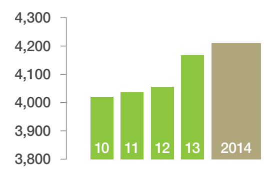
Year in review

Key financial indicators

For the year ended 30 June	2010	2011	2012	2013	**2014**
Revenue ($m)	4,019	4,036	4,055	4,167	**4,209**
Earnings before interest and tax ($m)	196	204	268	344	**366**
Capital employed (R12) ($m)	1,335	1,337	1,416	1,329	**1,361**
Return on capital employed (%)	14.7	15.2	18.9	25.9	**26.9**
Capital expenditure ($m)	79	101	136	91	**162**

Revenue

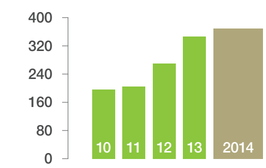
4,209 $m



2014	**4,209**
2013	4,167
2012	4,055
2011	4,036
2010	4,019

EBIT

366 $m



2014	**366**
2013	344
2012	268
2011	204
2010	196

The drivers of the above financial outcomes were as follows:

- Revenue was broadly in line with the prior year, with sales growth underpinned by a strong increase in customer transactions and units sold, which more than offset price deflation as the business continued to invest efficiencies in lower prices. Strong sales growth performance was achieved across the apparel and home categories, partially offset by declines in video games and DVDs in the entertainment category. Removal of the traditional Toy Sale event resulted in a decline in sales, however a shift in product mix led to higher margins and the business realised a reduction in operational costs.
- Earnings growth was achieved through improvements in range assortment, sourcing, inventory management and costs of doing business. Initiatives in these areas more than offset the effect of the depreciation of the Australian dollar over the year.
- Capital expenditure increased due to the accelerated store renewal program and opening of five new stores. Despite this increased investment, a continued focus on cost efficiency and working capital saw ROC improve to 26.9 per cent.

Prospects

Kmart's focus will remain on delivering growth through its key strategies: volume retailing; operational excellence; adaptable stores; and a high performance culture.

The safety of all team members, customers and suppliers remains a key priority and Kmart will continue its focus on ethical sourcing standards.

Kmart will continue to invest in the store network and in the 2015 financial year expects to complete 33 store refurbishments and open 11 new Kmart stores.

Kmart will continue to invest in the development and improvement of the online platform to complement its everyday business by enhancing customer experience. Growing the online channel will increase customer reach and drive volume. Investing in identified growth categories will also improve customer experiences and create new sales opportunities.

Guy Russo
Managing Director, Kmart

Target strives to achieve the best for its customers, team members and shareholders. In planning for future growth the business will maintain its focus on improving the customer experience, reviewing product ranges, providing great style and quality, improving pricing, and driving efficient and easy business operations with strong leadership and a great culture.

Target

Target is an iconic department store retailer delivering fashion, style and quality at affordable prices.

Highlights

Progress made in building organisational capability and store standards

Transformation plan progressed

Implementation of many changes to fix the basics

Our business

Target operates a national network of more than 300 stores generating sales of over $3.5 billion, with a growing online business. The business sells a wide range of products for the contemporary family, including apparel, homewares and general merchandise.

Target employs more than 21,000 team members across its stores, support offices and direct sourcing operations in Asia.

Our market

The Australian apparel, homewares and general merchandise retail sector is competitive and comprises department stores, independent specialty retailers and a growing online channel. The sector is characterised by an expanding presence of international retailers and an increasing level of direct sourcing.

Target has a strong competitive position supported by a brand heritage in quality and value. It is the market leader in childrenswear and underwear, and has the second largest market share in womenswear.

Sustainability

Sustainability continues to be a key priority with a focus on ethical sourcing, team member safety and energy.

Ethical sourcing

Target was one of the first Australian retailers to sign the Bangladesh Accord on Fire and Building Safety. This year Target opened an office in Bangladesh to build closer relationships with local suppliers and other stakeholders.

The business has improved its monitoring processes for compliance with its ethical sourcing framework. This has seen an increased level of engagement across the supplier base.

Team member safety

Target remains uncompromising on safety, with continued improvement in its performance. A 32 per cent reduction in the lost time injury frequency rate was achieved in the 2014 financial year and a 13 per cent reduction in the total recordable injury frequency rate.

Safety improvements have been driven by an increased focus on accident prevention, supported by a new web-based operational health and safety tool.

Energy efficiency

The business' energy and sustainability management framework provides standards for energy use, including lighting and air conditioning.

More than 130 sites have been audited and improvement plans have been put in place for those with the highest energy use. These plans include LED lighting upgrades and improvements to building management systems.

Operating and financial review Divisional summaries

Strategy

Target's purpose is to make fashion, style and quality affordable for the contemporary family, with mum at its heart.

To deliver on this purpose, Target has outlined a transformation plan to make Target great again. The plan has six key strategies:

- Outstanding customer experience
- Right product choices
- Fashion and style backed by good quality
- Low prices
- Better, simpler, cheaper
- Team with personality and pride

Growth strategies	Achievements	Focus for the coming years
Outstanding customer experience	– Improved stock availability. – $10 million investment in online, to deliver a stable and scalable platform. – Format upgrade in nine stores.	– Improving stock availability to above 90 per cent. – Reinvestment of productivity savings into service over the next four years. – New store format rollout. – Increased integration of online with bricks and mortar.
Right product choices	– 22 per cent reduction in stock keeping units (SKUs). – Edited ranges in place for each season, commencing with Spring-Summer 2015. – Improved inventory quality.	– 40 per cent reduction in SKUs by the 2016 financial year. – Implementation of new sourcing, allocation and replenishment systems.
Fashion and style backed by good quality	– New fabric and fit standards developed. – Target *essentials* relaunched.	– Reduced apparel lead times through improved efficiency in planning and design processes. – Designers for Target relaunch.
Low prices	– 12 per cent reduction in average selling prices. – Increased direct sourcing and reduced number of suppliers.	– Reduced reliance on China. – Further consolidation of raw material purchases and factories. – Increased direct sourcing.
Better, simpler, cheaper	– Store productivity review completed. – Significant reduction in stock loss. – Smaller, more effective support structure.	– Increased replenishment capability. – Consolidation of supply chain network.
Team with personality and pride	– New leadership team established. – New values launched. – Continued improvement in safety performance.	– Launch of Retail Leaders Program. – Ongoing focus on achieving a 'zero harm' workplace, ethical sourcing and energy efficiency.

Risk

The business is at the beginning of a transformation journey, with execution of the plan being a key risk. This journey will be undertaken in an increasingly competitive environment, with a growing number of international retailers expanding their presence in Australia and further development of online retailing.

Future performance will be largely dependent on re-building customer trust and realising sourcing benefits.

Risks	Mitigation
Execution of transformation plan	– Significant investment made in talent. – Operational plans underpinning key strategic initiatives, supported by clear accountabilities, timelines and key performance indicators. – Strong governance framework and culture.
Re-building customer trust	– Creating an outstanding customer experience through investment in service, both in-store and online. – Implementation of 'first price, right price' strategy to reduce reliance on over-ordering and over-promoting. – Improved stock availability to avoid customer disappointment. – Improved product quality through new fit and fabric standards.
Realisation of sourcing benefits	– Implementation of enhanced sourcing system. – Restructure of direct sourcing operations. – Adherence to ethical sourcing framework.

Target

Year in review

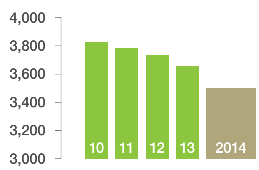
Key financial indicators

For the year ended 30 June	2010	2011	2012	2013	**2014**[1]
Revenue ($m)	3,825	3,782	3,738	3,658	**3,501**
Earnings before interest and tax ($m)	381	280	244	136	**86**
Capital employed (R12) ($m)	2,813	2,871	2,896	2,930	**2,979**
Return on capital employed (%)	13.6	9.8	8.4	4.6	**2.9**
Capital expenditure ($m)	91	95	67	91	**81**

[1] 2014 excludes a $677 million impairment of Target's goodwill (reported as a NTI).

Revenue

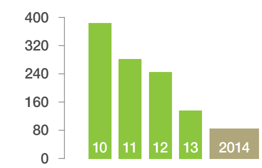
3,501 $m



2014	**3,501**
2013	3,658
2012	3,738
2011	3,782
2010	3,825

EBIT

86 $m



2014	**86**
2013	136
2012	244
2011	280
2010	381

The drivers of the above financial outcomes were as follows:

- Target's results for the 2014 financial year reflected a challenging and competitive environment. The progressive introduction of a 'first price, right price' strategy resulted in price deflation being made ahead of sourcing benefits.
- The business also implemented many changes as part of its focus on fixing the basics. This included high levels of clearance activity to manage excess aged and seasonal stock and the non-repeat of heavy promotional sales. The adverse earnings impact from these activities was offset by a number of benefits, which are not expected to be repeated, from changes to inventory processes, a return to historical stock loss levels and lower costs of doing business mainly due to reduced consulting costs.
- Progress was made in a number of areas with organisational capability significantly improved, and product rationalisation progressed with a SKU reduction of 22 per cent. Operational improvements were also made in store standards, queue reduction, stock availability and the online experience, although much work remains to be done. Encouragingly, customers responded positively when improved fashion, style and quality were delivered at lower prices.

Prospects

Target will continue to undergo significant change during the 2015 financial year, with the focus remaining on fixing the basics.

Improved ranges will be delivered for Spring-Summer 2015, supported by better sourcing and SKU rationalisation.

Further improvements in customer experience will be delivered through investments in service and improved stock availability from enhanced replenishment capability.

Target will maintain a strong focus on cost control, with initiatives during the 2015 financial year focused on delivering improvements in store productivity and rationalising the supply chain network. Initiatives to improve the store format will continue to be trialled.

Stuart Machin
Managing Director, Target

The Chemicals, Energy and Fertilisers division's objective is to develop a portfolio of successful and innovative industrial businesses that deliver satisfactory shareholder returns and continually strengthen its reputation for the management of health, safety and the environment.

Chemicals, Energy and Fertilisers

Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) operates chemical, gas and fertiliser businesses that service a range of sectors in both domestic and international markets.

Highlights

1.8 $b
operating revenue, in line with last year

Successful commissioning of production capacity increases within budget and on time

221 $m
in earnings

Improved safety performance

95 $m
gain on sale of 40 per cent interest in ALWA

Our business

WesCEF has eight businesses structured into three business units: Chemicals; Kleenheat Gas; and CSBP Fertilisers.

Our market

Chemicals includes:

- the manufacture and supply of ammonia, ammonium nitrate and industrial chemicals primarily to the Western Australian resource and industrial sectors through CSBP
- Queensland Nitrates (QNP) – CSBP's 50 per cent joint venture with Dyno Nobel Asia Pacific which manufactures and supplies ammonium nitrate to the resource sector in the Bowen Basin coal fields
- Australian Gold Reagents (AGR) – CSBP's 75 per cent joint venture with Coogee Chemicals which manufactures and supplies sodium cyanide to the Western Australian and international gold mining sector
- Australian Vinyls which manufactures and supplies polyvinyl chloride resin to the Australian industrial sector
- Australian Vinyls' subsidiary ModWood which manufactures wood-plastic composite decking and screening products

Kleenheat Gas extracts, distributes and markets LPG to the residential, commercial, industrial, rural and automotive markets across Australia and is a retailer of natural gas in the Perth metropolitan area. Kleenheat Gas also produces and supplies LNG to the heavy duty vehicle and remote power generation markets through EVOL LNG.

CSBP Fertilisers manufactures, imports and distributes phosphate, nitrogen and potassium based fertilisers for the Western Australian agricultural sector. CSBP Fertilisers also provides technical support services through a network of staff and accredited partners in regional Western Australia.

WesCEF has operations around Australia and employs approximately 1,500 people nationally.

Sustainability

During the year, the division focused on a range of areas to improve sustainability including improving safety, operating its businesses responsibly, and positively contributing to the communities in which we operate.

WesCEF's safety identity 'Safe Person, Safe Process, Safe Place' continues to support safety leadership, grow the safety culture and improve risk awareness to choose safer behaviours. In the 2014 financial year, WesCEF's total recordable injury frequency rate reduced by 27 per cent to 9.4, and lost time injury frequency rate reduced by 39 per cent to 3.1.

WesCEF continued its focus on regulatory compliance throughout the year, building on the already strong internal reporting culture. In the 2014 financial year, there were 20 occasions where environmental licence conditions were either exceeded or not fully met. None of these recorded events resulted in any material environmental harm. WesCEF continued to reduce its greenhouse gas emissions, with nitrous oxide abatement technology installed in CSBP's nitric acid plants at Kwinana delivering an average 92 per cent total nitrous oxide abatement during the year.

WesCEF continued to support a range of community organisations, including sponsorships with Youth Focus, the Clontarf Foundation, the Salvation Army and the WACA Regional Junior Cricket Program. In addition, WesCEF supported mental health first aid training in schools in Kwinana and Rockingham, Western Australia, a program delivered by Youth Focus.

Operating and financial review Divisional summaries

Strategy

WesCEF's objective is to develop a portfolio of successful and innovative industrial businesses that deliver satisfactory shareholder returns and continually strengthen its reputation for the management of health, safety and the environment.

WesCEF follows four key strategies to achieve its objective.

Growth strategies	Achievements	Focus for the coming years
Invest in the businesses' capacity to meet the needs of its customers	– Focused approach to maintenance management leading to increased plant utilisation across the chemicals businesses. – $2.6 million investment in sales systems consolidation and enhancements within the fertiliser business, leading to improved pricing analysis and contract management to better manage inventory positions.	– Cost and productivity improvement programs underway across LPG production and distribution to lift returns from existing businesses. – Continued focus on plant reliability and process efficiency throughout the chemicals businesses. – Developing services capability within the fertiliser business.
Execute opportunities for growth in existing and new markets	– Completion of ammonium nitrate production expansion at Kwinana by 260,000 tonnes per annum within time and budget. – Completion of sodium cyanide production expansion within budget and on time. – Growth of natural gas retailing business in Western Australia. – Record Flexi N liquid fertiliser sales achieved in the 2014 financial year. – Growth in shareholder value through sale of 40 per cent interest in ALWA.	– Ongoing evaluation of opportunities to grow in existing and new markets. – Growth in shareholder value through completion of announced sale process for east coast LPG distribution business.
Foster a culture that recognises that people are central to the success of the business	– Significant investment in the Aboriginal[1] Engagement and Employment Plan with an emphasis on cultural awareness training which strengthens the focus on creating an inclusive culture. – Delivery of structured leadership programs and the introduction of a management essentials program available to employees. – Programs for engineering graduates, engineering cadets and vacation programs. – WesCEF Women Forums and sponsorships for female university engineering students.	– Implementation of further targeted programs to attract, develop and retain an engaged, diverse workforce. – Continue a strong focus on leadership training and creating an inclusive culture. – Ongoing development of technical training and skills enhancement.
Focus on sustainable operations for the benefit of employees, customers and communities in which we operate	– Continued investment in a range of safety programs and training under its overarching safety identity, 'Safe Person, Safe Process, Safe Place', to support improvements in safety culture and performance. – Successful implementation of abatement technology in ammonium nitrate. – Community acceptance and regulatory compliance. – Direct community contributions of $499,691 in the 2014 financial year supporting Youth Focus, the Clontarf Foundation, Moorditj Koort, the Salvation Army and the WACA Regional Junior Cricket Program and a range of community organisations.	– Ongoing commitment to improve safety performance. – Continual focus on regulatory compliance. – Ongoing support of local community initiatives. – Complete remediation works and sell surplus land at Bayswater, Western Australia.

[1] All reference to Aboriginal people include Torres Strait Islander peoples.

Risk

WesCEF manages risk as an intrinsic part of its business and directs resources towards those risks of greatest importance. WesCEF is committed to conducting business activities in a way that ensures the continued growth of shareholder value in a sustainable manner. Risks deemed unacceptable are transferred (through contractual arrangements or insurance), reduced by mitigation action or avoided. The key risks applicable to the WesCEF businesses include:

Risks	Mitigation
Serious injury, safety or environmental incident	WesCEF continues to invest in improving safety culture and performance for the safe operation of its facilities in a way that minimises any adverse impact on people, the environment or the communities in which it operates. The division has a strong focus on operating its facilities in a manner which minimises the impact on the environment and it monitors emissions from its sites.
Raw material input price and exchange rate volatility	WesCEF mitigates earnings volatility from raw material price movements through a variety of price pass through arrangements with customers, and detailed demand planning and forecasting processes, including regular mark-to-market of inventories. Exchange rate impacts on raw material costs are monitored closely and are included as a criteria for product pricing decisions. Where appropriate and aligned with Wesfarmers' guidelines, foreign exchange hedges are put in place to remove earnings volatility.
Reducing market demand for products	WesCEF manages the risk of a slowdown in demand for its products by establishing a balance of long-term contracts with minimum volume requirements and established pricing mechanisms (predominantly with domestic customers) with short-term spot agreements, including placing products into export markets from time to time.

Year in review

Key financial indicators

For the year ended 30 June	2010[1]	2011[2]	2012[3]	2013	2014[4]
Revenue ($m)	1,570	1,641	1,786	1,805	**1,812**
Earnings before interest and tax ($m)	196	283	258	249	**221**
Capital employed (R12) ($m)	1,371	1,298	1,282	1,400	**1,539**
Return on capital employed (%)	14.3	21.8	20.1	17.8	**14.4**
Capital expenditure ($m)	49	63	167[5]	263[5]	**172[5]**

1 In July 2010, the Energy, and Chemicals and Fertilisers divisions merged to form WesCEF, and Coregas (formerly part of the Energy division) was transferred to the Industrial and Safety division. The 2010 figures have been restated to reflect the post-merger operating structure.

2 2011 includes $42 million Varanus Island insurance proceeds.

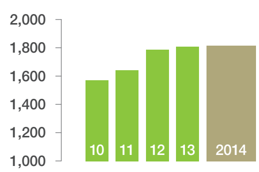
3 WesCEF divested the enGen business in August 2011 and the Bangladesh LPG joint venture in January 2012. Gains on disposal of these entities are excluded from the divisional results and reported as a NTI as part of 'Other' earnings within the Group's result.

4 2014 excludes a $95 million gain on sale of the 40 per cent interest in ALWA (reported as a NTI).

5 Excludes capitalised interest.

Revenue

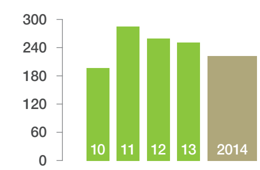
1,812 $m



2014	**1,812**
2013	1,805
2012	1,786
2011	1,641
2010	1,570

EBIT

221 $m



2014	**221**
2013	249
2012	258
2011	283
2010	196

The drivers of the above financial outcomes were as follows:

– Expansion of ammonium nitrate production capacity from 520 kilo tonnes per annum (ktpa) to 780 ktpa completed within budgeted time and cost.
– Lower chemicals earnings than prior year as previously foreshadowed:
  - reduced ammonium nitrate production volumes and increased repair costs resulting from planned and unplanned plant shutdowns
  - ammonia earnings slightly below last year, with strong plant performance largely offset by new gas supply arrangements
  - sodium cyanide continued to be challenged by weaker demand following gold price declines
  - Australian Vinyls' performance was significantly improved, with increased sales tonnes recorded due to stronger construction activity in the second half. High input costs relative to PVC selling prices and a strong Australian dollar continued to affect margins.
– Kleenheat Gas earnings below prior year, reflecting further expected declines in LPG content in the Dampier to Bunbury natural gas pipeline.
– Record harvest and strong grain pricing benefited the financial position for the majority of Western Australian farmers, leading to improved fertilisers earnings in the second half.

Prospects

The ammonium nitrate business is expected to benefit from a full-year of expanded production from the third ammonium nitrate facility at Kwinana. This will be partially offset by the loss of carbon abatement income (approximately $20 million in the 2015 financial year). Ammonia earnings are expected to be negatively affected by higher gas input costs (approximately $30 million in the 2015 financial year) and a planned shutdown in the first half of the 2015 financial year.

Demand for sodium cyanide is expected to be influenced by gold pricing, while Australian Vinyls' performance is expected to continue to experience challenging production economics. Kleenheat Gas earnings continue to be dependent upon international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline which is expected to remain at current low levels.

Fertiliser earnings, as always, remain dependent upon a good seasonal break in the second half of the financial year when the majority of sales occur. A strong 2013 harvest and therefore an improvement in the financial position of many Western Australian farmers leading into the 2014 growing season supports a positive outlook for the fertilisers business.

Tom O'Leary
Managing Director,
Wesfarmers Chemicals, Energy & Fertilisers

Wesfarmers Resources division seeks to deliver ongoing shareholder value through initiative, innovation and growth. The focus for the business is on ensuring: excellence in mining operations and customer relationships; the safety and development of team members; positively contributing to the communities in which it operates; and growth through the expansion of existing mines.

Resources

The Resources division is a significant Australian export miner with investments in two coal mines producing metallurgical and steaming coal. Both mines are world-scale, open-cut operations, with a majority of production exported to Asia.

Highlights

130$m
in earnings

Strong cost management offset the effect of lower export coal prices

1.5$b
in revenue

Acquisition of MDL 162 mining tenement adjacent to Curragh

Our business

Curragh (100 per cent)

The Curragh mine in Queensland's Bowen Basin produces metallurgical coal for export markets and steaming coal for supply to the Queensland Government's Stanwell Corporation under a long-term contract. Curragh's present export metallurgical coal nameplate production capacity is 8.5 million tonnes per annum (mtpa), with further concurrent nameplate capacity for approximately 3.5 mtpa of steaming coal production.

Bengalla (40 per cent)

The division has a 40 per cent interest in the Bengalla mine, near Muswellbrook in New South Wales, which produces steaming coal for export markets. The mine has a present nameplate capacity of 9.3 million tonnes run-of-mine (ROM) coal per annum (100 per cent basis).

Our market

Curragh

Curragh's export metallurgical coal is used in the steel-making process. Curragh has a well-established and geographically diverse customer portfolio with a number of long-standing relationships with world-leading steel-makers. In the 2014 financial year, Curragh's exports by volume went to Japan (37 per cent), South Asia (33 per cent), North Asia (20 per cent), Europe (six per cent) and other destinations (four per cent).

Bengalla

Bengalla's steaming coal is used for power generation and as an energy source, predominantly by customers in North Asia.

Sustainability

Wesfarmers Resources strives to be a highly ethical business that puts the welfare of its people first. It takes its environmental responsibilities seriously and seeks to make a positive and lasting contribution to the communities in which it operates and to the nation as a whole through its economic activity. This is achieved by focusing on its material sustainability issues such as health and safety to prevent workplace accidents and injuries where the business recorded a reduction of 66 per cent in the total recordable injury frequency rate from 14.8 to 5.0, improved water management and enhanced biodiversity on-site. By approaching sustainability this way it is able to make a positive difference in the areas which are important to both the business and its stakeholders.

Operating and financial review Divisional summaries

Strategy

The resources investment cycle is long-term and Curragh and Bengalla both have substantial remaining coal reserves and resources[1]. Development plans for Curragh and Bengalla seek to maximise shareholder value over the full expected mine life. Concurrently, the division also seeks and evaluates broader 'step-out' opportunities.

Growth strategies	Achievements	Focus for the coming years
Business optimisation	– Continuing strong cost control and productivity at both mines. – Curragh mine cash costs have been reduced 37 per cent from the first half of the 2012 financial year peak to the second half of this year. – Record production for the 2014 financial year.	– Global market competitiveness through strong mine cost performance, reliability and satisfaction of customer requirements.
Mine expansions	– **Curragh:** Feasibility study completed for 'capital-light' expansion to 10 million tonnes per annum export capacity. – **Bengalla:** Investment approval granted for 'capital-light' expansion to 10.7 million tonnes per annum ROM capacity (100 per cent basis).	– **Curragh:** Investment decision to expand to 10 million tonnes per annum when appropriate. – **Bengalla:** Delivery by Bengalla joint venture of the approved expansion to 10.7 million tonnes ROM capacity. – **Both mines:** Evaluation of 'next-stage' mine expansions.
Portfolio growth	– In January 2014, the division acquired the MDL 162 mining tenement adjacent to the Curragh mine. This tenement adds to the reserves and resources with potential to be developed by Curragh.	– Feasibility study for development of MDL 162 underway. – Continue to evaluate acquisitions and other 'step-out' opportunities where appropriate – this includes coal, other carbon-steel raw materials and energy.

[1] Refer to page 149 of this annual report for details of coal resources and reserves.

Risk

The Resources division competes in global markets with direct financial exposure (both upside and downside) to global economic conditions. A key exposure, in the case of Curragh, is to global steel production and subsequent demand for export metallurgical coal as, together with iron ore, metallurgical coal is one of the two key raw material inputs for steel-making. In the case of Bengalla, the principal market exposure is export demand for steaming coal for electricity generation in north Asia. The division seeks to manage its customer relationships and operations in a manner consistent with the Group's risk appetite. The level of controls implemented are commensurate with the effect on the business from respective risks.

Risks	Mitigation
Revenue – export coal price movements (both an upside and downside risk)	With respect to sales volume, the division's mines maintain long-standing and close supply relationships with substantial export customers. Sales are diversified by both customer and country. With respect to price, the division sells into cyclical export markets with price variability. As export coal prices are denominated in US$, the division moderates currency exposure by placing foreign exchange hedges for a portion of its expected revenues.
Mine operations	There are a range of risks inherent to mining including geological variability, weather, safety management, production logistics and equipment performance. Through detailed operating practices and procedures, the division seeks to ensure that both mines are operated sustainably and efficiently for the long term. Both Curragh and Bengalla have established track-records of operating performance, reliability and safety as reported on an ongoing basis.
Infrastructure (port and rail) access	Port and rail access is required in order to service seaborne markets (Curragh – Port of Gladstone and Bengalla – Port of Newcastle). Both mines have long-term contracts with appropriate infrastructure and service providers.

Year in review

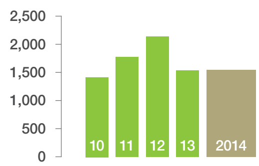
Key financial indicators

For the year ended 30 June	2010	2011	2012[1]	2013	**2014**
Revenue ($m)	1,416	1,778	2,132	1,539	**1,544**
Earnings before interest and tax ($m)	165	369	439	148	**130**
Capital employed (R12) ($m)	1,146	1,293	1,488	1,480	**1,459**
Return on capital employed (%)	14.4	28.5	29.5	10.0	**8.9**
Capital expenditure ($m)	228	372	392	79	**163**

[1] Resources divested the Premier Coal business in December 2011. A gain on disposal of this entity is excluded from the divisional results and reported as a NTI as part of 'Other' earnings within the Group's result.

Revenue

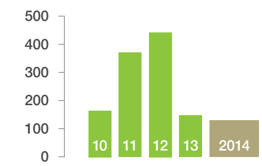
1,544 $m



2014	**1,544**
2013	1,539
2012	2,132
2011	1,778
2010	1,416

EBIT

130 $m



2014	**130**
2013	148
2012	439
2011	369
2010	165

The drivers of the above financial outcomes were as follows:

- Lower earnings reflected a significant decline in export coal prices for both metallurgical and steaming coal compared to the previous year. The effect of the export price decline was mitigated in part by a combination of record production and sales volumes and further reductions in unit mine cash costs.
- Increased total costs reflected higher production net of the underlying cost improvements.
- Stanwell rebate payments by Curragh of $102 million were down 33.8 per cent reflecting lower export prices. State government royalties of $119 million (both Curragh and Bengalla combined) were up 10.2 per cent reflecting stronger volumes.

Curragh

Metallurgical coal sales volumes of 8.78 million tonnes were 21.7 per cent above the prior year. Steaming coal sales volumes of 3.57 million tonnes were 12.8 per cent higher and reflected contract commitments to Stanwell. Through strong cost control and a favourable geological sequence, Curragh recorded average unit mine cash costs 11.1 per cent lower than the previous year. Unit mine cash costs (excluding carbon tax) for the second half were 37 per cent below the peak recorded in the first half of the 2012 financial year.

In January 2014, the Resources division acquired MDL 162, adjacent to Curragh for $70 million. The acquisition augments the total base of coal reserves potentially available for mining and processing by Curragh and is expected to extend Curragh's mine life.

Bengalla

Sales volumes from the Bengalla mine, in which Wesfarmers holds a 40 per cent interest, were up 13.8 per cent on the preceding year with production volumes up 11.5 per cent. Cost control at Bengalla was strongly managed, with unit mine cash costs (excluding carbon tax) 12.4 per cent below the prior year.

Bengalla's 'capital light' expansion to 10.7 mtpa ROM was approved in July 2014 for ramp-up in the 2016 financial year.

Prospects

In the near-term, challenging export market conditions are expected to continue.

For the 2015 financial year, Curragh's metallurgical coal sales volume is forecast to be in the range of 7.5 to 8.5 million tonnes subject, as always, to mine operating performance, weather and key infrastructure availability.

The focus on operational productivity and cost control will continue.

While managing for present conditions, the division will also maintain its focus on the longer-term. This will include implementation work for the low-capital expansion of the Bengalla mine to 10.7 million ROM tonnes per annum (100 per cent basis) which was approved by the joint venture in July 2014. At Curragh, where a feasibility study with respect to low-capital expansion to 10 million tonnes export capacity is complete, the division will continue to assess whether market conditions and opportunities are appropriate for that expansion. Concurrently, the feasibility study into development of MDL 162 will also be progressed.

Stewart Butel
Managing Director, Wesfarmers Resources

The businesses in the Industrial and Safety division will continue to focus on customer service and value, expansion into high growth sectors and diversification of the revenue base, while lowering the cost of doing business and improving the use of working capital.

Industrial and Safety

The Industrial and Safety division is the leading provider of industrial and safety products and services in Australia and New Zealand. It also has a presence in Indonesia, export activities across the region and sourcing and logistics operations in China.

Highlights

131$m
in earnings

Acquisition of Greencap Limited

1.6$b
in revenue

Focus on increasing market share of existing customers

Our business

Wesfarmers Industrial and Safety division comprises three customer focused streams: Blackwoods (including Blackwoods Protector in New Zealand); Safety Specialists (Protector Alsafe, Greencap, NZ Safety, Safety Source); and Industrial Specialists (Coregas, Bullivants, Fasteners Specialists, Packaging House).

It operates from a network of 210 industrial and safety locations and 158 additional gas distribution points, supported by large distribution centres, hundreds of external and internal sales resources and eBusiness, websites and telesales channels.

Our market

Wesfarmers Industrial and Safety division services customers across mining, oil and gas, construction and infrastructure, retail, manufacturing, health and government. It provides a comprehensive range of industrial and safety products which is complemented by specialised products and services offers in specific areas (i.e., safety, lifting and rigging, industrial gases).

During the year, the division acquired Greencap Limited, a leading safety, property and environmental risk management and compliance services business, strengthening the division's safety services capabilities.

Sustainability

Sourcing and products

Through supplier survey and site audit engagements for both domestic and globally sourced products, the division promotes the sustainability of its supply chain including ethical labour standards and the environmental impact of manufactured products.

People and operations

The division keeps a strong focus on the wellbeing and development of its people, including a commitment to employee safety. It aims to minimise its environmental impact with a waste management diversion focus and energy efficiency initiatives such as retrofit lighting projects, sustainable design for new buildings and hybrid vehicle technology.

Customers

The division is committed to delivering safe and sustainable products and services to customers on time to help them meet their business objectives. It measures DIFOT (delivered in-full on time), monitors quality issues associated with products and offers a 'Greener Work Place' range of sustainable products.

Operating and financial review Divisional summaries

Strategy

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

The division's customer-centric focus seeks to strengthen its relationships with customers by enhancing sales force effectiveness and customer service, broadening product and service range and deepening technical expertise, creating more value through better value propositions including to smaller customers, improving network capacity and continuously improving delivery performance.

Key priorities for the division include improving operational effectiveness through technology, process re-engineering, sourcing excellence, the continued expansion into higher growth sectors and diversification of the revenue base, as well as complementing organic growth through value creating acquisitions.

Growth strategies	Achievements	Focus for the coming years
Sales growth through a customer-centric focus	– Improved supply chain (network and technology). – Enhanced key account management capabilities and processes. – Penetrated new industries. – Training and development of sales team.	– Improve sales and operations planning and operational effectiveness, including sourcing. – Implement a new enterprise resource planning (ERP) system. – Further development of the sales and customer service teams.
Growing share of customers spend	– Focus on developing customer relationships by the sales teams. – Improved customer service levels, investment in supply chain improvements. – Expanded own brand range, launched own brand in workwear. – Introduced new on-site and safety services. – Further developed eBusiness capabilities.	– Broaden the range and selectively increase the depth of product and service offers. – Selectively strengthen specialist capabilities. – Grow offshore markets.
Developing new growth platforms	– Provision of additional services and capabilities through the acquisition of Greencap (safety, environmental and risk management business). – Launch of new digital sales platforms. – Expansion and development of new industrial gas sales channels (through Blackwoods and Bunnings).	– Provide innovative supply solution to customers. – Expand reach through industry diversification and targeting small-to-medium enterprise customers in Blackwoods. – Expand safety, risk and environmental consulting and training services. – Value adding acquisitions.

Risk

As a supplier of industrial and safety products and services to business customers, the division's results are affected by the performance of relevant industry sectors, as well as macro-economic factors (exchange rates, interest rates, business investment and employment). Other risks include inherent risks associated with underlying operations such as safety incidents, products and services liability risks and supply chain issues.

Risks	Mitigation
Not delivering growth in a subdued market	– Prioritised strategic initiatives. – Established Program Management Office to monitor strategic initiatives. – Key talent management and development.
Product failure or misuse	– Established quality system and compliance with standards. – Strong, and in many cases, long-standing supplier relationships. – Standard operating procedures. Instructions provided to customers (as required).
Major safety/environmental incident	– Fully operational safety program, regular monitoring (including leading and lagging indicators), established and developing the safety culture. – Across the division, active engagement by senior management in safety. – Established quality and safety programs, with regular audits including Major Hazard Facility licence requirements. – Routine maintenance system and processes.

Year in review

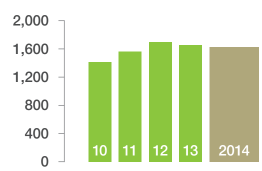
Key financial indicators

For the year ended 30 June	2010[1]	2011	2012	2013	**2014**
Revenue ($m)	1,412	1,557	1,690	1,647	**1,621**
Earnings before interest and tax ($m)	138	166	190	165	**131**
Capital employed (R12) ($m)	1,312	1,272	1,187	1,119	**1,127**
Return on capital employed (%)	10.5	13.1	16.0	14.7	**11.6**
Capital expenditure ($m)	29	32	49	50	**51**

[1] 2010 has been restated to reflect the current divisional structure.

Revenue

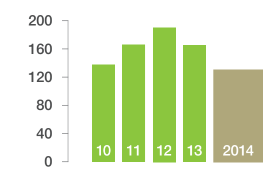
1,621 $m



2014	**1,621**
2013	1,647
2012	1,690
2011	1,557
2010	1,412

EBIT

131 $m



2014	**131**
2013	165
2012	190
2011	166
2010	138

The drivers of the above financial outcomes were as follows:

- Reduced demand from most industrial sectors in Australia, especially mining and manufacturing; more favourable market conditions in New Zealand.
- Volume declines partly offset by strong contracts resilience and the introduction of new on-site and safety services.
- Sales growth in Coregas and New Zealand (Blackwoods Protector, NZ Safety and Safety Source) as well as the acquisition of Greencap Limited.
- Heightened margin pressures as customers focused on reducing costs and competitive market pressures increased.
- Restructuring activities, including network closures, headcount reductions and other efficiency measures did not fully offset profit impact of sales and margin pressures.
- Ongoing focus on recruitment, diversity and development supported strong retention and strengthening of talent pool to deliver better outcomes to customers.
- Coregas results benefited from a strengthening of the customer value proposition and leveraging Blackwoods' customer relationships and network.

Prospects

Market conditions are expected to remain subdued with limited volume recovery and strong margin pressure likely to continue. In response to the challenging conditions, the division will focus on growing market share through being more efficient and customer-centric and maximising its share of customer spend.

Following the strengthening in recent years of information technology infrastructure, the division will commence the implementation of a new ERP system over coming years, which is expected to improve productivity and service capabilities and better position the division for future growth. The division will also actively target acquisition opportunities to complement organic growth, where it believes satisfactory returns can be achieved.

On 26 August 2014, Wesfarmers announced that the Industrial and Safety division had entered into an agreement to acquire the Workwear Group of Pacific Brands Limited for $180 million. The acquisition is subject to the satisfaction of conditions precedent, including obtaining clearance from the Australian Competition and Consumer Commission. Subject to satisfaction of the conditions precedent, the acquisition is expected to be complete in the first half of the 2015 financial year.

Olivier Chretien
Managing Director,
Wesfarmers Industrial and Safety

In June 2014, Wesfarmers sold its Insurance division. The underwriting operations in Australia and New Zealand were sold to Insurance Australia Group and the broking and premium funding operations were sold to Arthur J Gallagher & Co.

This report describes the activities of the businesses in this division during the year ended 30 June 2014.

Insurance

The Insurance division businesses were divested during 2014. Prior to sale, strong underwriting performance coupled with continued growth in broking earnings and income produced a new record result for the division.

Highlights

220$m
record earnings

Strong performance despite disruption from divestment activity

2.2$b
in revenue, up 4.0 per cent

Our business

Wesfarmers Insurance provided general insurance and risk management solutions to corporates, small-to-medium sized businesses, not-for-profit organisations and individuals across Australia, New Zealand and the United Kingdom. The insurance underwriting brands included WFI, Coles Insurance, Lumley Australia and Lumley New Zealand. The insurance broking operations were represented by OAMPS Australia, OAMPS UK and Crombie Lockwood in New Zealand. The premium funding operations in Australia and New Zealand included Lumley Finance and Monument Premium Funding.

Our market

The Insurance division comprised both underwriting and insurance broking operations.

In underwriting, the Wesfarmers Insurance business was the fifth largest in Australia and the third largest in New Zealand prior to being acquired by IAG. In insurance broking, OAMPS is an established player in a highly fragmented Australian market and Crombie Lockwood is the market leader in New Zealand. In June 2014, the broking and premium funding operations were sold to Arthur J Gallagher & Co.

Sustainability

Wesfarmers Insurance continued its sustainability activities during the year, focusing on a range of areas relating to developing people, health and safety, contributing to the regulatory environment and the ongoing support of local communities. In addition, the division remained actively involved in broader charity and fundraising events such as the OAMPS Make-a-Wish gala dinner, attended by more than 200 people and raising more than $80,000 in September 2013.

Health and safety

Following the launch of an enhanced health and safety program the previous year, the 20 per cent improvement stretch target was achieved with a total recordable injury frequency rate of 4.1 against the prior year of 5.1. Strategies driving this improvement included the delivery of health and safety leadership training across the division, the development of office ergonomics standards, the launch of the iSAFE framework to all employees and ensuring building standards and building management policies are in place for specified catastrophe events.

Women in Leadership

During the year, four Quarterly Women in Leadership Forums were run across Australia and New Zealand to drive further awareness and harness support across more than 260 leaders in the division. In addition, the launch of local Women in Leadership Networks commenced in November 2013 enabling local networking between emerging and established leaders to take place. Senior women across the division implemented the Women in Leadership events with executive sponsorship and the support of local leaders.

Operating and financial review Divisional summaries

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

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

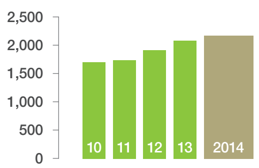
Year in review

Key financial indicators

For the year ended 30 June	2010	2011	2012	2013	**2014**
Revenue ($m)	1,698	1,739	1,915	2,083	**2,167**
Earnings before interest and tax and amortisation ($m)	131	30	17	218	**233**
Earnings before interest and tax ($m)	122	20	5	205	**220**
Capital employed (R12) ($m)	1,340	1,240	1,277	1,396	**1,497**
Return on capital employed (%)	9.1	1.6	0.4	14.7	**14.7**
Capital expenditure ($m)	26	47	47	26	**31**

Revenue

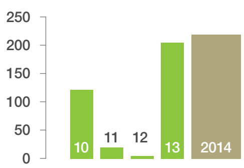
2,167 $m



2014	**2,167**
2013	2,083
2012	1,915
2011	1,739
2010	1,698

EBIT

220 $m



2014	**220**
2013	205
2012	5
2011	20
2010	122

The drivers of the financial outcomes were as follows:

- The increase in divisional earnings was largely driven by improved loss ratios resulting from disciplined underwriting practices and favourable claims experiences across most portfolios.
- Claims from natural perils were below internal allowances, while Christchurch earthquake reserves remained steady in the second half following an increase in reserves reported in the first half of $45 million.
- Solid growth in gross written premium was achieved during the year despite some softening of rates in certain commercial lines.
- Strong customer interest in Coles Insurance continued to drive substantial increases in sales of motor and home products, with more than 350,000 policies in force at 30 June 2014.
- Lower broking earnings were primarily attributable to the sale of the broking businesses during the year, with an 11-month contribution. Revenue and earnings were higher than the prior year on a like-for-like basis, with strong performance from the New Zealand broking businesses partially offset by lower earnings in Australia and the United Kingdom.

Other activities

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

Highlight

12

Bunnings properties sold and leased back to BWP Trust

BWP Trust

Wesfarmers' investment in BWP Trust (the Trust) contributed earnings of $37 million, compared to $27 million last year.

The Trust was established in 1998 with a focus on warehouse retailing properties and, in particular, Bunnings warehouses leased to Bunnings Group Limited. BWP Management Limited, the responsible entity for the Trust, is a wholly owned subsidiary of Wesfarmers Limited. Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly owned subsidiary, 24.7 per cent of the total units issued by the Trust as at 30 June 2014.

During the 2014 financial year, the Trust acquired a portfolio of 10 Bunnings Warehouses, two Bunnings Warehouse anchored large format retail centres, a Bunnings Warehouse development site, and a parcel of land adjoining an existing Trust-owned Bunnings Warehouse.

The Trust's portfolio as at 30 June 2014 consisted of a total of 87 properties: 78 established Bunnings warehouses; eight of which have adjacent retail showrooms that the Trust owns and are leased to other retailers, four development sites on which Bunnings Warehouses are being developed, a stand-alone showroom property, and four industrial properties.

Gresham Partners

Wesfarmers has a 50 per cent shareholding in Gresham Partners Group Limited, the holding company for the Gresham Partners investment house operations. Gresham is a leading independent financial services business focused primarily on the provision of financial advisory services, structured finance, and property and private equity funds management, which contributed a profit of $1 million for the year.

Following a recovery in Australia's corporate financial markets activity, Gresham participated in a number of significant advisory transactions, including mergers and acquisitions, corporate restructurings and refinancings on behalf of a range of domestic and international clients. Its property funds management business, which is the manager of two established institutional funds, continued to support a range of Australian development projects.

Wesfarmers is a participant in the Gresham Private Equity funds which saw the progressive realisation of investments during the year, with the continuing major holding being an underground mining services business operating both in Australian and overseas markets.

Wespine Industries

The 50 per cent-owned Wespine Industries, which operates a plantation softwood sawmill in Dardanup, Western Australia, contributed earnings of $5 million after tax, in line with last year.

Timber sales for the 2014 financial year improved by 17 per cent largely due to the strength of Western Australian house building activity. Safety performance deteriorated slightly and will remain a focus during the coming year, following the recent appointment of a safety specialist to the management team.

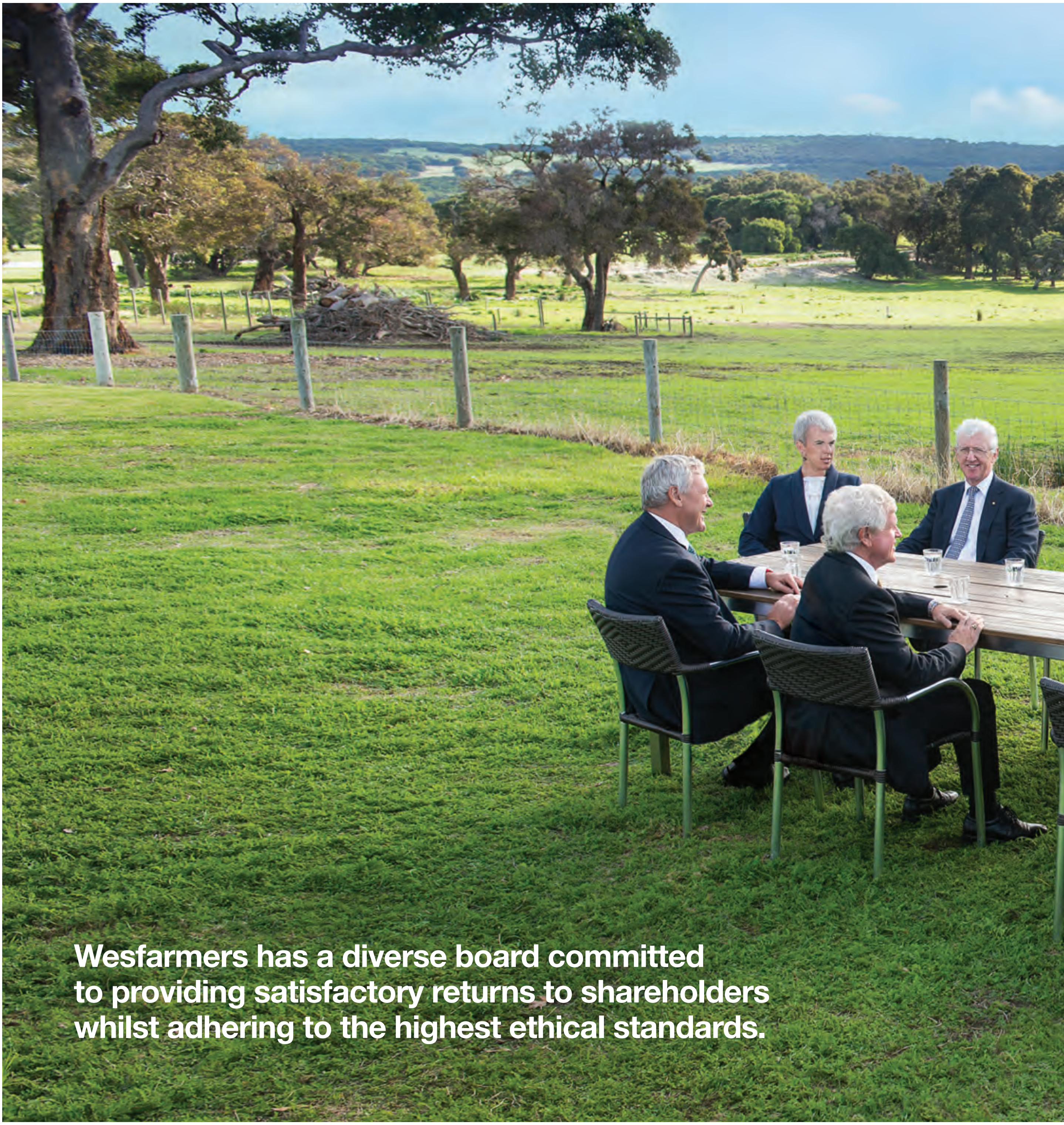
The management information system software was replaced during the year and will be fully operational by the end of the first half of the coming year. Improved customer service and operational efficiency are expected after the implementation.

‘Co-operation does not, and cannot live in the past; it is active in the present, while preparing for the future.’

John Thomson
General Manager 1925-1957

Members of the Wesfarmers Board hold a meeting at Clayton Mitchell’s property ‘Langton’, Mt Barker, Western Australia in the early 1960s.

Board of directors



Current members of the Wesfarmers Board at a property near Yallingup, Western Australia.

Board of directors

Bob Every AO, age 69

Chairman

BSc (Hons), PhD, Hon DSc (UNSW), FTSE, FAICD, FIE Aust

Term: Chairman since November 2008, director since February 2006.

Skills and experience: Bob was the Chairman of both Steel and Tube Holdings Limited and Iluka Resources Limited, as well as Managing Director and Chief Executive Officer of OneSteel Limited. Other executive positions previously held include Chief Executive Officer of Steel and Tube Holdings Limited, Managing Director of Tubemakers of Australia Limited and President of BHP Steel.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Chairman of Boral Limited (since May 2010)
- Harry Perkins Institute of Medical Research Incorporated (formerly WAIMR)
- UNSW Foundation Limited

Richard Goyder AO, age 54

Managing Director

BCom, FAICD

Term: Director since July 2002.

Skills and experience: Richard joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited. He was Managing Director of Wesfarmers Landmark Limited in 1999 until he became Finance Director of Wesfarmers Limited in 2002 and then Deputy Managing Director and Chief Financial Officer in 2004. Richard assumed the role of Managing Director and Chief Executive Officer in July 2005.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Gresham Partners Holdings Ltd
- Chairman of Australian B20
- Australian Football League Commissioner

Terry Bowen, age 47

Finance Director

BAcct, FCPA

Term: Director since May 2009.

Skills and experience: Terry has held a number of finance positions with Tubemakers of Australia Limited. Terry joined Wesfarmers in 1996 and undertook various roles with Wesfarmers Landmark Limited, including Chief Financial Officer until 2003. He then became Chief Financial Officer for Jetstar Airways, prior to rejoining Wesfarmers as Managing Director, Wesfarmers Industrial and Safety in 2005. Terry became Finance Director, Coles in 2007 and Wesfarmers Finance Director in 2009.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Gresham Partners Holdings Ltd
- Chairman of the Western Australian Opera Company Incorporated
- President of the National Executive of the Group of 100 Inc (retired December 2013)
- Harry Perkins Institute for Medical Research Incorporated (retired May 2013)

Paul Bassat, age 46

B.Comm, LL.B. (Melb)

Term: Director since November 2012.

Skills and experience: Paul commenced his career as a lawyer in 1991. He co-founded SEEK Limited in 1997, and served as Chief Executive Officer and then as joint Chief Executive Officer until 2011. He is an active investor in early stage and growth stage technology companies. Paul is a director of Square Peg Capital Pty Ltd, the Peter MacCallum Cancer Foundation, The Prince's Charities Australia Trust and the P&S Bassat Foundation.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- SEEK Limited (resigned July 2011)
- Australian Football League Commissioner

Colin Carter AM, age 71

B.Comm (Melb), MBA (Harvard), FAICD

Term: Director since October 2002.

Skills and experience: Colin has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- SEEK Limited (since 2005)
- Lend Lease Corporation Limited (since 2012)
- World Vision Australia and the Ladder Project
- President of the Geelong Football Club Limited
- Special Adviser to the Federal Government's Empowered Indigenous Communities Taskforce

James Graham AM, age 66

BE (Chem)(Hons)(Syd), MBA (UNSW), FTSE, FAICD, SF Fin

Term: Director since May 1998.

Skills and experience: James has had an active involvement in the growth of Wesfarmers since 1976 as Managing Director of Gresham Partners Limited, and previously as Managing Director of Rothschild Australia Limited. James was also Chairman of Rabobank Australia Limited and a director of Hill Samuel Australia Limited.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Wesfarmers General Insurance Limited (resigned on 30 June 2014)
- Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research

Tony Howarth AO, age 62

CitWA, Hon.LLD (UWA), SF Fin, FAICD

Term: Director since July 2007.

Skills and experience: Tony has more than 30 years' experience in the banking and finance industry. He was the Chairman of Home Building Society Limited and Deputy Chairman of Bank of Queensland Limited. Tony has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- BWP Management Limited
- Chairman of Mermaid Marine Australia Limited
- Chairman of St John of God Health Care Inc
- Alinta Holdings

Charles Macek, age 67

B.Ec., M.Admin., FAICD, FCA, FCPA, SF Fin

Term: Director since October 2001.

Skills and experience: Charles has a strong background in corporate governance and a long career in financial services working at a senior executive level. He brings extensive experience in formulating strategy and advising on investment opportunities. Charles is the Chairman of the Sustainable Investment Research Institute Pty Limited and the Vice-Chairman of the IFRS Advisory Council.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Federation Centres Limited
- Chairman of Racing Information Services Australia Pty Limited
- Vice-Chairman of IFRS Advisory Council
- Member of the AICD Corporate Governance Committee
- Member of Unisuper Investment Committee

Wayne Osborn, age 63

Dip Elect Eng, MBA, FAICD, FTSE

Term: Director since March 2010.

Skills and experience: Wayne commenced working in the iron ore industry in the mid-1970s and joined Alcoa in 1979. He worked in various roles across the Australian business, including accountability for Alcoa's Asia Pacific operations, prior to being appointed Managing Director in 2001, retiring in 2008.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Alinta Holdings
- Chairman of the Australian Institute of Marine Science
- Iluka Resources Limited (since March 2010)
- Leighton Holdings Limited (resigned March 2013)
- Chairman of Thiess Pty Ltd (resigned September 2012)

Diane Smith-Gander, age 56

B.Ec, MBA (UWA), FAICD, FGIA

Term: Director since August 2009.

Skills and experience: Diane has extensive experience in corporate governance and providing strategic advice to corporations in Australia and overseas. She was a partner with McKinsey & Company in the USA and has more than a decade of executive experience in the banking industry.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Chairman of Transfield Services Limited (director since 2010, Chairman since October 2013)
- Commissioner of Tourism WA
- Deputy Chairman of NBN Co Limited (National Broadband Network) (resigned September 2013)
- Co-operative Bulk Handling Limited and CBH Grain Limited (resigned February 2014)

Vanessa Wallace, age 51

B.Comm (UNSW), MBA (IMD Switzerland), MAICD

Term: Director since July 2010.

Skills and experience: Vanessa is an experienced management consultant who has been with Strategy& (formerly Booz & Company) for more than 25 years. She has deep expertise in the financial services sector across the spectrum of wealth management, retail banking and insurance, with particular functional depth in risk management, post-merger integration and capturing business opportunities associated with channels, customers and markets. Vanessa is based in Japan, focused on the Japanese market and continues post the PwC merger as the Executive Chairman of Strategy& (Japan).

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Executive Chairman of Strategy& (Japan) Inc. (April 2013 - current)
- Director of Booz & Company entities in Australia, New Zealand, Thailand, Indonesia (varied tenures through to 2012)

Jennifer Westacott, age 54

BA (Honours), FAICD, FIPAA

Term: Director since April 2013.

Skills and experience: Jennifer is Chief Executive of the Business Council of Australia. Prior to that, she was a Board Director and lead partner at KPMG. Jennifer has extensive experience in critical leadership positions in the NSW and Victorian governments.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Adjunct Professor at the City Research Futures Centre of the University of NSW
- Chair of the Mental Health Council of Australia
- Urban Renewal Authority South Australia (retired July 2013)

Corporate governance statement

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

Role and responsibilities of the Board and management

The role of the Board is to approve the strategic direction of the Group, guide and monitor the management of Wesfarmers and its businesses in achieving its strategic plans, and oversee good governance practice. The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

In performing its role, the Board is committed to a high standard of corporate governance practice and fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, accountability and respect for others.

The Board has a charter which clearly sets out its role and responsibilities and describes those matters expressly reserved for the Board's determination and those matters delegated to management.

The Wesfarmers Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers Leadership Team. Details of the members of the Leadership Team are set out on pages 12 and 13 of this annual report. The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

In fulfilling its roles and responsibilities, some key focus areas for the Board during the 2014 financial year are set out below.

Key focus areas of the Board

Key focus areas of the Board during the 2014 financial year included:

- Approving policies to improve the Group's system of corporate governance, including approving amendments to the Share Trading Policy, Market Disclosure Policy and Communications Policy, all of which have Group-wide application
- Approving the $579 million capital reduction by way of a return of capital of 50 cents per share and a 1 for 0.9876 consolidation of the company's fully-paid ordinary shares and partially protected shares
- Approving the sale of the entire business operations of Wesfarmers' Insurance division for which the company recorded a combined pre-tax profit on sale of $1,040 million
- Focusing on strategies aligned to the company's responsibilities to employees and the communities in which it operates, including overseeing management's initiatives to improve in the areas of safety, ethical sourcing, diversity and reconciliation with the Aboriginal and Torres Strait Islander peoples
- Monitoring the implementation of risk management plans to address identified operational, financial and reputational risks for Group businesses

Structure and composition of the Board

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

The Board currently comprises 12 directors, including 10 non-executive directors. Details of the directors, including their skills, experience and year of appointment, are set out on pages 66 and 67 of this annual report.

The Board has determined that it benefits from a variety of perspectives and skills and remains of a size which facilitates effective decision-making. As a large company with diverse business operations, the Board is of the view that its current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's corporate objectives.

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisers.

Mr Archie Norman, who has significant retail experience, was appointed in 2009 as an adviser to the Board on retail issues. In this role, Mr Norman attends Wesfarmers Board meetings as required and is a director of, and attends, Coles and Target divisional boards. Mr Norman has over the last 12 months worked closely with Target's management team to focus on improving that division's future earnings and competitive position, and maintaining its strong brand in the Australian market.

Independence of the Chairman

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

Dr Bob Every is the present serving Chairman. Further information about Dr Every is set out on page 66 of this annual report.

Director independence

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement, having regard to the best interests of the company as a whole.

Prior to accepting an invitation to become a director of an external company, each non-executive director is required to notify the Chairman. In considering the new appointment, the Chairman is to consider:

- any Board policies on multiple directorships;
- the terms of Wesfarmers' Conflicts of Interest Policy; and
- the time commitment required of the director to properly exercise his or her powers and discharge his or her duties as a director and member of any Board committees.

An independent director is a non-executive director who is not a member of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly assesses the independence of each non-executive director in light of the information which each director is required to disclose in relation to any material contract or other relationship with Wesfarmers in accordance with the director's terms of appointment, the *Corporations Act 2001*, the Board Charter and Wesfarmers' Conflicts of Interest Policy. Each non-executive director may be involved with other companies or professional firms which may from time to time have dealings with Wesfarmers. Details of some of the offices held by directors with other organisations are set out on pages 66 and 67 of this annual report and on the Group's website.

If there is a change in a non-executive director's interests, positions, associations or relationships that could bear upon his or her independence, the director is expected to inform the Board at the earliest opportunity. The Nomination Committee will then re-assess his or her independence as soon as practicable and if it is determined that his or her status as an independent director has changed, that determination will be disclosed and explained to the market.

The Board's assessment of independence and the criteria against which it determines the materiality of a relationship is formed by having regard to the second edition of the ASX Corporate Governance Principles and Recommendations (ASX Principles), in particular, the relationship factors set out in recommendation 2.1; the materiality guidelines applied in accordance with Australian Accounting Standards; any independent professional advice sought by the Board at its discretion; and developments in international corporate governance standards.

Considered from the perspective of the company, the director, and the person or entity with which the director has a relationship, the test of whether a relationship could, or could reasonably be perceived to, materially interfere with the independent exercise of a director's judgement is based on the nature of the relationship and the circumstances of that director. The Board considers a relationship to materially interfere with, or that could reasonably be perceived to materially interfere with, a director's independent judgement, where it is of such substance and consequence and there is a real and sensible possibility that it would affect the director's judgement across all aspects of the director's role.

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

- eight of the 10 non-executive directors are independent;
- Mr James Graham is deemed not to be independent, by virtue of his position as Chairman of Gresham Partners Limited (Gresham), which acts as an investment adviser to the company; and
- Ms Vanessa Wallace is deemed not to be independent, having regard to her role as leader of the financial services practice for global markets, Strategy& and Chairman of Strategy&, Japan. Strategy& is the consultancy firm formerly known as Booz & Company. Strategy& now forms part of the PwC Network, having completed a merger with PwC on 31 March 2014. PwC is a provider of material professional services to the Group.

Details of Mr Graham's association with Gresham is set out in note 26 on page 142 of this annual report.

The Board has determined that both the appointment of Mr Graham and Ms Wallace continues to be in the best interests of Wesfarmers because of the substantial knowledge, technical competencies and expertise that each director brings to the Board. There are a number of policies and protocols in place, including Wesfarmers' Conflicts of Interest Policy, the Gresham Mandate Review Committee (in relation to Mr Graham), Wesfarmers' Code of Conduct, Wesfarmers' Board Charter, and Directors' Standing Notices, to ensure that any conflicts of interest which may arise are managed in accordance with the ASX Principles and all applicable laws.

Non-executive directors

Independent	Non-independent
Bob Every, Chairman	James Graham
Paul Bassat	Vanessa Wallace
Colin Carter	
Tony Howarth	
Charles Macek	
Wayne Osborn	
Diane Smith-Gander	
Jennifer Westacott	

Directors' rights and obligations

The key rights and obligations of the directors are set out below:

Retirement and re-election

- One-third of directors (other than the Managing Director) must retire at each annual general meeting
- Directors filling casual or additional vacancies must have their appointment confirmed at the next annual general meeting
- The Nomination Committee makes recommendations on the re-appointment of directors
- The Chairman must retire from this position at the expiration of 10 years unless the Board decides otherwise
- The Chairman's appointment is formally reviewed at the end of each three-year period

Conflicts of interest

- Directors have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board
- Directors have an ongoing obligation to disclose to the Board immediately any real or substantial possibility of conflict of interest or duty
- Directors are required to declare material personal interests or other conflicts requiring disclosure by formal standing notices
- The Conflicts of Interest Policy sets out disclosure obligations and procedures to be followed by directors in the event of a conflict or potential conflict or interest or duty

Access to information and independent advice

- Directors are entitled to the following:
  - Unrestricted access to employees and records, subject to law
  - Independent professional advice at Wesfarmers' expense, where reasonable and necessary to fulfil their duties, and subject to prior consultation with the Chairman, and for the Chairman, with the Chairman of the Audit Committee

Related party transactions

- Related party transactions are included in note 26 of the financial statements as required under the relevant Accounting Standards

Committees of the Board

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Gresham Mandate Review Committee as standing committees to assist with the discharge of its responsibilities.

All directors have a standing invitation to attend committee meetings where there is no conflict of interest. These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's charter):

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

Details of the current membership and composition of each committee are set out on the following page. Details of meeting attendance for members of each committee are set out in the directors' report on page 80 of this annual report.

Committees of the Board	Members	Composition
Audit Committee	Tony Howarth (Chairman) Paul Bassat Bob Every Charles Macek Diane Smith-Gander Jennifer Westacott	In accordance with the ASX Principles: – Three or more non-executive directors who are sufficiently financially literate to understand financial statements and general accounting principles, for the purpose of assessing and questioning information presented in committee meetings – Majority of independent non-executive directors – At least one member with relevant financial qualifications and experience
Nomination Committee	Bob Every (Chairman) All other non-executive directors	All non-executive directors
Remuneration Committee	Wayne Osborn (Chairman) Bob Every Colin Carter James Graham Charles Macek Vanessa Wallace	Three or more non-executive directors
Gresham Mandate Review Committee	Any two of: Charles Macek (Chairman) Colin Carter Diane Smith-Gander	Such members as the Board determines from time to time

The role of the Company Secretary

Linda Kenyon is the Company Secretary of Wesfarmers, a member of the Leadership Team and her qualifications and experience are set out in the directors' report on page 81 of this annual report.

The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its committees and senior executives across the Group. The Company Secretary is also responsible for providing advice and support to the Board on governance-related matters. The appointment and removal of the Company Secretary is subject to Board approval and all directors have a right of access to information and advice, facilitated through the Company Secretary.

Board succession planning

Appointment of new directors

As part of the Nomination Committee's oversight of Board succession planning, it is also responsible for identifying suitable candidates to fill Board vacancies as and when they arise, or to identify candidates to complement the existing Board, and make recommendations to the Board on their appointment. Where appropriate, external consultants are engaged to assist in searching for candidates.

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

The Board aims through the notices of meeting for annual general meetings to provide shareholders with all material information known to the Board and relevant to a decision on whether or not to elect or re-elect a director.

Each director has a written contract with the company, setting out the terms of his or her appointment, such terms consistent with the ASX Principles.

The Board Charter requires a director to hold, directly or indirectly, a minimum of 1,000 ordinary shares in Wesfarmers within two months of their appointment and at all times during the director's period of office. To further align the interests of directors and shareholders, each director is expected, within five years of appointment, to increase his or her holdings in ordinary shares in the company to a number which is equivalent in approximate value to the gross annual base fee paid to each non-executive director at the relevant time.

Induction of new directors and ongoing director development

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

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

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

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

Evaluation of the Board and its committees

The Nomination Committee is responsible for scheduling formal performance reviews of the Board and its committees at least every two years. This includes the Audit and Remuneration Committees. The Board then undertakes an evaluation process to review its performance which is facilitated by an external consultant.

A Board performance review was conducted in July/August 2013. The next performance review of the Board committees is scheduled to be conducted in December 2014. Following the receipt by each director of a report with feedback on the performance of the Board or committees of the Board based on the survey results, the Board meets to discuss areas for improvement and identify actions to be taken for improvement. With respect to the Nomination Committee, the Board is responsible for periodically assessing its effectiveness, with a view to ensuring that its performance accords with best practice.

Evaluation of non-executive directors

The Nomination Committee is responsible for scheduling performance reviews of each non-executive director. In relation to the re-appointment of a non-executive director, the Nomination Committee reviews the performance of each non-executive director during their term of office and makes recommendations to the Board.

Annual performance reviews for each non-executive director for the 2014 financial year took place in July/August 2013. The performance review process comprises:

- completion by each director of a survey prepared and distributed by an external consultant; and
- an individual feedback session conducted by the Chairman with each non-executive director, covering his or her performance based on the survey results. A non-executive director is nominated by the Board to conduct a similar feedback session with the Chairman.

Key focus areas of Nomination Committee

Key focus areas of the Nomination Committee during the 2014 financial year included:

- Identifying potential candidates for election to the Board bringing other appropriate skills, experience and expertise to augment those of current directors to allow for Board renewal and succession planning
- Conducting a formal performance review of the Board and each non-executive director

Remuneration and evaluation of senior executives

Remuneration

Full details of the remuneration paid to non-executive and executive directors, and senior executives, are set out in the remuneration report on pages 84 to 102 of this annual report.

Evaluation of the performance of senior executives

Senior executives comprising members of the Wesfarmers Leadership Team have an annual and long-term incentive or 'at risk' component as part of their total remuneration package. The mix of remuneration components and the performance measures used in the incentive plans have been chosen to ensure that there is a strong link between remuneration earned and the achievement of the Group's strategy and business objectives and, ultimately, generating satisfactory returns for shareholders.

Annual incentives are based on the achievement of annual performance conditions, which are set at the start of the financial year and are heavily weighted to return and earnings-based measures, and also include non-financial measures which seek to achieve the Group's long-term objectives in areas such as safety, diversity, succession planning and talent management. Awards are determined after the preparation of the financial statements at the end of the financial year (in respect of the financial measures) and after a review of performance against the non-financial measures has been carried out by the Wesfarmers Managing Director. In the case of the Wesfarmers Managing Director, this review is conducted by the Chairman and the results are reported to the Board. The Board confirms final awards based on overall personal and financial performance after the reviews have been completed in August each year.

The Share Trading Policy restricts the Wesfarmers Leadership Team from entering into arrangements that have the effect of limiting exposure to risk in relation to an element of their remuneration that remains subject to restrictions on disposal under a Wesfarmers Group incentive plan, and reflects the Corporations Act restrictions on such arrangements.

As part of the annual performance and development review process, the potential future development of an executive is discussed, along with any training required to enhance the prospects of both the development objectives being achieved and overall progression within Wesfarmers. Annual performance reviews for the 2014 financial year have been undertaken in accordance with the process described above.

The Wesfarmers Long Term Incentive Plan (WLTIP) for the 2014 financial year comprised an allocation of performance rights, subject to a four-year performance period, with performance hurdles based on growth in return on equity and relative total shareholder return. Shareholder approval will be sought at the annual general meeting for WLTIP allocations to executive directors. The Board tests the WLTIP performance conditions following finalisation of the annual accounts at the end of the four-year performance period.

The remuneration report, which details Wesfarmers' policy on the remuneration of senior executives, is set out on pages 84 to 102 of this annual report.

Key focus areas for Remuneration Committee

Key focus areas of the Remuneration Committee during the 2014 financial year included a review, and recommendation to the Board of:

- Fixed, annual and long-term incentive awards for the Group Managing Director and his direct reports
- Senior executive remuneration framework and policies
- The performance metrics of the Long Term Incentive Plan
- Non-executive director fees

There have been no material changes to the structure of executive remuneration in the 2014 financial year. A summary of the key changes to remuneration-related matters is set out on page 84 of this annual report.

Governance policies

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2014 follow the recommendations contained in the ASX Principles. Noting that the third edition of the ASX Principles was released on 27 March 2014, and takes effect for a listed entity's first full financial year commencing on or after 1 July 2014, Wesfarmers will report against the third edition in its 2015 annual report. In preparation for that, Wesfarmers has commenced a process of reviewing and updating its corporate governance documentation and practices against the third edition of the ASX Principles.

Wesfarmers' compliance with the recommendations contained in the second edition of the ASX Principles and details of its associated corporate governance documents are summarised in the table on the following page.

The Corporate Governance section of the company's website at **www.wesfarmers.com.au/about-us/corporate-governance** contains access to all relevant corporate governance information, including director profiles, Board and committee charters, and Group policies referred to on the following page.

Corporate governance statement

Compliance with ASX Principles

ASX Principle	Corporate governance document	Aim of corporate governance document	Other comments	Compliant with ASX Principles	On company website
Principle 1	Board Charter (Feb 2013)	Sets out the role and responsibilities of the Board and describes the separate functions of management and delegated responsibilities.	–	✓	✓
Principle 2	Nomination Committee Charter (Sept 2011)	Sets out the role and responsibilities of the Nomination Committee.	–	✓	✓
	Conflicts of Interest Policy (Sept 2012)	Sets out the disclosure obligations of each director with respect to conflicts of interest and the procedures to be followed where: – a director has disclosed a conflict of interest in accordance with the policy; or – the Board has identified a matter which is, or is likely to be, brought before the Board which may place a particular director in a position of conflict.	Complements the Board's ongoing use of formal standing notice registers to notify the Board of the nature and extent of any material personal interests or other conflicts	✓	✓
Principle 3	Code of Conduct (April 2012)	Details Wesfarmers' policies, procedures and guidelines aimed at ensuring anyone who is employed by or works in the Wesfarmers Group acts in a manner consistent with the principles of honesty, integrity, fairness and respect, including ethical behaviour.	Compliance reporting to Audit Committee	✓	✓
	Group Whistleblower Policy (Feb 2013)	Promotes and supports a culture of honest and ethical behaviour. The policy encourages employees, contractors and suppliers to raise any concerns and report instances of unethical, illegal, fraudulent or undesirable conduct, either with management within his or her division (as applicable) or with a Protected Disclosure Officer.	Oversight by Audit Committee	✓	✓
	Anti-bribery Policy (June 2014)	Sets out the prohibition on all individuals who are employed by, act for, or represent Wesfarmers or its Group companies from engaging in activity that constitutes bribery or corruption, and provides guidelines as to what constitutes bribery or corruption.	Compliance reporting to Audit Committee	✓	✓
	Diversity Policy (Sept 2011)	Designed to promote and facilitate diversity at all levels within the Group.	See page 77 on diversity disclosures	✓	✓
Principle 4	Audit Committee Charter (Sept 2012)	Sets out the role and responsibilities of the Audit Committee.	–	✓	✓
Principle 5	Market Disclosure Policy (Aug 2013)	Requires timely disclosure of market sensitive information. Appoints a disclosure officer to administer the Market Disclosure Policy, and a disclosure sub-committee to manage and make determinations with respect to the Group's continuous disclosure obligations.	Regular training and compliance reporting to Audit Committee	✓	✓
Principle 6	Communications Policy (Aug 2013)	Establishes Wesfarmers' strategy for engaging and communicating with shareholders, including at the company's annual general meetings and regular investment briefings and strategy days.	High level summary document to complement Market Disclosure Policy	✓	✓
Principle 7	Risk Management Policy (Sept 2013)	Details the overarching risk management controls that are embedded in the Group's risk management framework and reporting systems.	As referred to on page 76	✓	✓
Principle 8	Remuneration Committee Charter (May 2011)	Sets out the role and responsibilities of the Remuneration Committee.	–	✓	✓
	Share Trading Policy (Sept 2013)	Sets out the prohibition: – on all employees and directors of the Group from trading in Wesfarmers' securities, securities in other entities in which Wesfarmers has an interest, or any other securities, if they are in possession of 'inside information'; and – on members of the Wesfarmers Leadership Team from entering into arrangements limiting risk exposure to an element of their remuneration.	Regular training and compliance reporting to Audit Committee	✓	✓
	ASX Principles Checklist	Cross-references the ASX Principles to the relevant sections of this statement and elsewhere in this annual report.	–	N/A	✓

Shareholder engagement

Wesfarmers recognises the importance of providing its shareholders with facilities to access up-to-date information, participate in shareholder decisions of the company and provide avenues for two-way communication between the company, the Board and shareholders.

The investor relations section of the company's website provides ready access to notices of meeting, annual reports, company announcements made to the ASX and webcasts of the company's annual general meetings, regular investment briefings and strategy days.

The company's investor relations team is responsible for the company's investor relations program, which is designed to promote understanding amongst institutional and retail shareholders and other stakeholders, of the Group's businesses, governance framework, financial and operational performance, and outlook. The investor relations team is also responsible for gauging and understanding shareholder feedback, which the company receives through its investor relations call centre, question and answer sessions at annual general meetings, and comments and questions received at investment briefings and strategy days.

In addition, the company's shareholders have the ability to elect to receive communications and other shareholding information electronically.

Integrity in financial reporting

Role of the Audit Committee

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

The membership and composition of the Audit Committee are set out on page 71 of this annual report.

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

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

Key focus areas of Audit Committee

Key focus areas of the Audit Committee during the 2014 financial year included:

- Reviewing and assessing the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including accounting standards
- Monitoring how the divisions ethically source products for resale from globally dispersed geographical locations, and ensuring that there are appropriate safeguards, processes and cross-Group education in place so that these activities are conducted in accordance with Wesfarmers' core principles of honesty, integrity, fairness and respect
- Conducting a broad risk review of all Wesfarmers' divisions and the corporate office to ensure that all significant risks across the Group, at a macro and micro level, are being identified, rated and managed appropriately
- Reviewing information technology risk and discussion of areas of potential exposure, with a focus on data and cyber security risks in the digital environment
- Reviewing regular reports from the Group General Counsel on significant litigation or regulatory matters involving Group businesses
- Monitoring the Group's compliance with the Anti-bribery Policy and Market Disclosure Policy
- Overseeing the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements

Role of the external auditor

Appointment and rotation of auditor

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

Mr Darren Lewsen was appointed as the new lead audit partner for Ernst & Young on 1 July 2013 in accordance with the requirement under the *Corporations Act 2001* to rotate the lead audit partner after five years.

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

Independence declaration

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2014. The independence declaration forms part of the directors' report and is provided on page 83 of this annual report.

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

The Board has considered the nature of the non-audit and assurance-related services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of fees paid (or payable) to Ernst & Young for non-audit and assurance-related services provided to the Group in the year ended 30 June 2014 are set out in the directors' report on page 82 of this annual report.

Attendance of external auditors at annual general meetings

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

Risk management

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

Risk Management Policy

The Risk Management Policy of Wesfarmers is approved by the Board. This policy details the overarching risk management controls that are embedded in the Group's risk management framework and reporting systems, the division of the key risk management functions between the Board, Wesfarmers Managing Director and Finance Director, Audit Committee, divisional management and Group Assurance and Risk, including:

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

Risk management oversight and responsibility

The division of the key risk management functions is set out below.

	Function
Board	Review, approve and monitor the Group's risk management systems, including internal compliance and control mechanisms Approve and monitor the systems and policies to ensure integrity of budgets, financial statements and other reporting
Wesfarmers Managing Director and Finance Director	Provide a declaration to the Board regarding the financial statements Assess and provide assurance to the Board that the Group's risk management and internal control systems are operating effectively in all material respects
Audit Committee	Review and assess the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including Accounting Standards Review the qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors Oversee the internal controls, assurance, policies and procedures which the Group uses to identify and manage business risks
Management	Implement and maintain risk management and internal control systems Prepare divisional Risk Compliance Reports (approved by each divisional board) Prepare a consolidated Group Risk Compliance Report setting out key risks and the controls and processes implemented to mitigate these risks (approved by the Wesfarmers Leadership Team) Report to the Board on the adequacy of the systems and processes in place to manage material business risks
Group Assurance and Risk	Monitor the effectiveness of risk management systems through a single outsourced audit provider Prepare internal audit reports and reporting to the Audit Committee on the adequacy of risk management and the internal control environment Maintain direct and unfettered access to the Audit Committee for the General Manager Group Assurance and Risk Facilitate the annual risk compliance reporting and preparing the Group Risk Compliance report for review by the Audit Committee

The Risk Management Policy also sets out the role of the Audit Committee in executing the internal audit function through a compliance reporting program developed to encompass the areas identified as most sensitive to risk. The General Manager Group Assurance and Risk monitors the internal control framework of the Group and provides reports to the Audit Committee, which then approves an internal audit charter and annual internal audit plan to ensure that planned audit activities are aligned to material business risks. The Audit Committee also reviews internal audit reports issued by the General Manager Group Assurance and Risk and monitors progress with recommendations made in those reports to ensure the adequacy of the internal control environment. The internal audit function and external audit are separate and independent of each other.

The roles and responsibilities of the Audit Committee are further set out in the Audit Committee Charter.

Risk certification

Financial risk

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

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

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

Non-financial risk

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

Divisional management is ultimately responsible to the Board for the relevant division's internal control and risk management systems. Management has reported to the Audit Committee on the effectiveness of the internal control and risk management systems throughout the year, and management of its material business risk.

In addition, the Insurance division's Australian licensed insurers were subject to the reporting obligations of the Australian Prudential Regulatory Authority. These reporting obligations, including a requirement to lodge Risk Management Strategies and Insurance Liability Valuation Reports, were complied with prior to its divestment on 30 June 2014.

Diversity Policy

Diversity

As a diverse workforce is of significant social and commercial value, Wesfarmers recognises the importance of being an inclusive employer. Wesfarmers strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and Wesfarmers pays particular attention to gender diversity and the inclusiveness of Aboriginal and Torres Strait Islander peoples.

Wesfarmers recognises the value that diversity can bring, which includes:

- broadening the skills and experience of the labour pool from which Wesfarmers can draw and attract top talent to our businesses;
- providing greater alignment to customer needs;
- improving creativity and innovation; and
- modelling responsible corporate citizenship.

Wesfarmers has developed and implemented a Diversity Policy that aims to foster diversity at all levels within the Group.

Aboriginal affairs – Reconciliation Action Plan

Wesfarmers' diversity strategy includes a commitment by every division to make its businesses places where Aboriginal and Torres Strait Islander peoples feel welcome and valued, as employees, customers and suppliers. To do this, Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP) in 2009, which outlines specific measurable actions to be undertaken across the Group, targeting Aboriginal employment, Aboriginal business engagement and community partnerships. Wesfarmers' long-term objective is to have a workforce that reflects the representation of Aboriginal people in the broader community. More details about the Wesfarmers RAP can be found on the community and sustainability section of the company's website at **www.wesfarmers.com.au/rap**. The 2014 RAP Review and 2015 RAP will be available in November 2014.

Gender diversity

As at 30 June 2014, Wesfarmers' workforce was made up of 56 per cent (116,284) women and 44 per cent (90,998) men. A key business opportunity for the Group is to increase the percentage of women in leadership positions. The Wesfarmers Diversity Policy outlines four core objectives which are used to measure performance in this area. The objectives are intended to remain relevant to the Group over a number of years and thus are not revised annually. Specific progress targets are linked to senior executive key performance objectives under the annual incentive plan. Given the diversity of the Wesfarmers portfolio, each division has developed its own gender diversity plan in line with the Group policy and tailored to the specific circumstances of that division.

The four objectives and indications of progress achieved during the 2014 financial year are outlined below.

Objective	Progress
Foster an inclusive culture This objective seeks to leverage each individual's unique skills, background and perspectives.	Inclusion begins with practices designed to increase retention of leaders with significant responsibilities outside of work. All Wesfarmers divisions have taken up this opportunity in a variety of ways, including flexible work at senior levels, paid parental leave, keep-in-touch programs and on-site vacation childcare. To ensure a consistent and continuous focus on gender inclusion in particular, Wesfarmers businesses are required to report quarterly on key statistics such as the percentage of women in management roles as well as rates pertaining to new hires, promotions and exits.
Improve talent management This objective seeks to embed gender diversity initiatives into our broader talent management processes in order to support the development of all talent.	A focus on increasing representation of women in leadership is embedded in a variety of Group and divisional talent management practices including talent reviews, formal leader development (i.e., 360 assessment, programs, coaching, mentoring) and development of talent through stretch assignments. For example, the Group Managing Director meets at least once annually with each division to formally review senior leader performance and development, succession plans for critical roles, and the pipeline of high-potential leaders. A key component of this process is to review women in leadership roles as well as in critical role succession plans, and to assess divisional progress towards increasing this representation.
Enhance recruitment practices This objective is a commitment to hiring the best person for the job, which requires consideration of a broad and diverse pool of talent.	In the 2014 financial year, 39 per cent (2013: 35 per cent) of externally recruited positions and 34 per cent (2013: 33 per cent) of internal promotions (all manager level and above roles) were filled by women. This represents an increase of four per cent and one per cent, respectively, since 2013.*
Ensure pay equity This objective aims to ensure equal pay for equal work across our workforce.	Since 2010, a Group review of gender pay equity has been conducted annually, with results reviewed by the Board and divisional Managing Directors. The 2014 review did not indicate any observable discrepancies in pay across each level, after taking into account performance, experience, location and job nature.

* The 2013 statistics have been restated to be comparable with the current year.

There are opportunities to improve the representation of women in leadership roles across the Wesfarmers businesses. In the 2015 financial year, all divisions will work to accelerate progress on this front through a variety of initiatives, including embedding supportive practices and policies, increasing diversity in pipelines to leadership positions, and development of internal senior talent.

Details of female representation across the Group are set out below:

Percentage of female employees	30 June 2010	30 June 2011	30 June 2012	30 June 2013	**30 June 2014**
Wesfarmers Limited non-executive directors	18	25	25	30	**30**
Senior executive positions* (general manager or above)	18	22	21	25	**25**
All management and professional roles*	25	26	28	28	**29**
Total workforce	57	57	57	57	**56**

* Senior executive positions and all management and professional roles are defined through job evaluation methodology.

In accordance with the *Workplace Gender Equality Act 2012*, Wesfarmers has recently lodged its annual compliance report with the Workplace Gender Equality Agency. Shareholders may obtain a copy of the report by calling Wesfarmers on 08 9327 4211.

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 4 to 78 forms part of the directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Results and dividends

Year ended 30 June	2014 $m	2013 $m
Profit		
Profit attributable to members of the parent entity	**2,689**	2,261
Dividends		
The following dividends have been paid by the company or declared by the directors since the commencement of the financial year ended 30 June 2014:		
(a) out of the profits for the year ended 30 June 2013 on the fully-paid ordinary shares and partially protected shares:		
(i) fully-franked final dividend of 103 cents (2012: 95 cents) per share paid on 27 September 2013 (as disclosed in last year's directors' report)	**1,192**	1,099
(b) out of the profits for the year ended 30 June 2014 and retained earnings on the fully-paid ordinary shares:		
(i) fully-franked interim dividend of 85 cents (2013: 77 cents) per share paid on 2 April 2014	**972**	891
(ii) fully-franked final dividend of 105 cents (2013: 103 cents) per share paid to be paid on 9 October 2014	**1,200**	1,192
(iii) a fully-franked special 'Centenary' dividend of 10 cents (2013: nil) per share to be paid on 9 October 2014	**114**	Nil
Capital Management		
The following capital return/distribution has been paid by the company or proposed by the directors since the commencement of the financial year ended 30 June 2014:		
(i) a capital return of 50 cents per fully-paid ordinary share and partially protected share (2013: nil)	**585**	Nil
(ii) a distribution of 100 cents per fully-paid ordinary share (proposed for payment in December 2014)	**1,143**	Nil

Principal activities

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

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

During the year, the businesses that comprised the Insurance division were divested.

Directors

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

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

All directors served on the Board for the period from 1 July 2013 to 30 June 2014.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 66 and 67 of this annual report.

Directors' shareholdings

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

	Wesfarmers Limited		
Wesfarmers Limited	BWP Trust (units)	Performance Rights	Shares
P M Bassat	–	–	19,752
T J Bowen*	23,237	105,000	474,961
C B Carter	–	–	30,672
R L Every	–	–	23,085
R J B Goyder*	–	188,000	1,038,418
J P Graham	15,120	–	797,310
A J Howarth	20,000	–	14,616
C Macek	–	–	20,319
W G Osborn	–	–	5,630
D L Smith-Gander	–	–	12,257
V M Wallace	–	–	9,722
J A Westacott	–	–	1,226

* R J B Goyder holds 188,000 performance rights and T J Bowen holds 105,000 performance rights, allocated under the 2012 Wesfarmers Long Term Incentive Plan (WLTIP) and 2013 WLTIP. The 2012 WLTIP performance rights of 100,000 and 50,000 respectively are subject to a four-year performance period, being 1 July 2012 to 30 June 2016. The 2013 WLTIP performance rights of 88,000 and 55,000 respectively are subject to a four-year performance period, being 1 July 2013 to 30 June 2017. In general, if the relative total shareholder return and compound annual growth rate in return on equity performance conditions are met, executives will be allocated Wesfarmers fully-paid ordinary shares at the end of the performance period. For further details, please see the remuneration report on pages 84 to 102 of this annual report.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2014 and the number of meetings attended by each director:

Current directors	Board		Audit Committee		Remuneration Committee		Nomination Committee		Gresham Mandate Review Committee	
	(A)[1]	(B)[2]	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
P M Bassat	13	13	6	6			3	3		
T J Bowen	13	13								
C B Carter	13	12			5	3	3	3	7	7
R L Every	13	13	6	6	5	4	3	3		
R J B Goyder	13	13								
J P Graham	13	13			5	4	3	3		
A J Howarth	13	13	6	6			3	3		
C Macek	13	13	6	6	5	4	3	3	7	6
W G Osborn	13	13			5	5	3	3		
D L Smith-Gander	13	13	6	6			3	3	7	7
V M Wallace	13	12			5	5	3	3		
J A Westacott	13	12	6	6			3	3		

1 (A) = number of meetings eligible to attend.
2 (B) = number of meetings attended.

Insurance and indemnification of directors and officers

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

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

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

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

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

Indemnification of auditors

The company's auditor is Ernst & Young.

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

During the financial year:

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

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 84 to 102 of this annual report.

Options

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

Company Secretary

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

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

Significant changes in the state of affairs

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

- revenue from continuing operations up from $57,749 million to $60,181 million
- profit for the year up from $2,261 million to $2,689 million
- dividends per share up from $1.80 to $2.00, including a special 'Centenary' dividend of $0.10
- total assets down from $43,155 million to $39,727 million
- shareholders' equity down from $26,022 million to $25,987 million
- net borrowings down from $5,259 million to $3,401 million
- net cash flows from operating activities down from $3,931 million to $3,226 million
- disposal of Insurance division for proceeds of $2,865 million

Review of results and operations

The operations, financial position, business strategies and prospects for future financial years of the consolidated entity are detailed in the operating and financial review on pages 14 to 25 of this report.

Significant events after the balance date

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

Dividend

On 20 August 2014, a fully-franked final ordinary dividend of 105 cents per share and a special 'Centenary' dividend of 10 cents per share resulting in a total dividend of $1,314 million was declared for a payment date of 9 October 2014. These dividends have not been provided for in the 30 June 2014 full-year financial statements.

Capital management

On 20 August 2014, Wesfarmers announced the intention to make a capital management distribution of 100 cents per share in December 2014 subject to a ruling by the Australian Taxation Office (ATO) on the taxation treatment of the payment, and approval by Wesfarmers shareholders at the Annual General Meeting in November 2014.

The distribution is likely to comprise both a capital component and a fully-franked dividend component. This distribution of approximately $1,143 million will be accompanied by an equal and proportionate share consolidation of its capital component. Wesfarmers has applied to the ATO for a ruling to confirm the income tax consequences of the distribution and share consolidation for Wesfarmers shareholders.

This distribution has not been provided for in the 30 June 2014 full-year financial statements.

Acquisition of Workwear Group of Pacific Brands Limited

On 26 August 2014, Wesfarmers announced the Industrial and Safety division had entered into an agreement to acquire the Workwear Group of Pacific Brands Limited for $180 million. The acquisition is subject to the satisfaction of conditions precedent, including obtaining clearance from the Australian Competition and Consumer Commission. Subject to satisfaction of the conditions precedent, the acquisition is expected to complete in the first half of the 2015 financial year.

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2014 and received, or is due to receive, the following amounts for the provision of these services:

	$'000
Tax compliance	**619**
Assurance related	
– Insurance division disposal	**1,890**
– Other	**1,105**
Other	**101**
Total	**3,715**

The total non-audit services fees of $3,715,000 represents 35.9 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2014. Excluding assurance related fees associated with the disposal of the Insurance division, total non-audit services fees represents 17.7 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2014.

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

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

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

The Directors received the following declaration from Ernst & Young:

Building a better working world

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

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

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2014, 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

Ernst & Young
9 September 2014

D S Lewsen
Partner

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Environmental regulation and performance

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

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

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

Proceedings on behalf of the company

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

Corporate governance

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have followed the second edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The company's corporate governance statement is on pages 68 to 78 of this annual report.

Corporate information

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

Rounding

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

Directors' report Remuneration report 2014 (audited)

Wesfarmers Limited and its controlled entities

Contents

Introduction: 2014 Overview

The Wesfarmers Limited Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking executive pay to the achievement of the Group's strategy and business objectives and, ultimately, generating satisfactory returns for shareholders. This report explains how Wesfarmers' performance for the 2014 financial year has driven the remuneration outcomes for senior executives.

Senior executive remuneration is set at levels which are competitive with executives in comparable companies and roles. This is vital to attracting and retaining the best people, and reflects the executive's contribution, competencies and capabilities.

Key changes

There have been no material changes to the structure of executive remuneration in the 2014 financial year. A summary of the key changes to remuneration-related matters is set out below:

Executive directors and senior executives

Fixed remuneration

- The majority of senior executives, including the Group Managing Director, did not receive a fixed remuneration increase during the 2014 financial year, as the current levels of remuneration were considered appropriate.

Annual incentive

- Annual incentives for the majority of senior executives exceeded target this year, reflecting the strong performance of many of our divisions.

Long-term incentive

- No long-term incentive awards were eligible to vest in the 2014 financial year, due to the transition from a three-year performance period for the 2010 Wesfarmers Long Term Incentive Plan (WLTIP) (to 30 June 2013), to a four-year performance period for the 2011 WLTIP (to 30 June 2015).

Group Managing Director

- The Group Managing Director, Mr Goyder, has not received an increase in his fixed remuneration since October 2011.
- Mr Goyder's total reported remuneration for the 2014 financial year was $9.4 million, the full detail of which is shown on page 91. This includes an accounting expense of $2.4 million in relation to his unvested performance rights and shares granted under the 2011, 2012 and 2013 WLTIP, and $1.3 million in relation to the deferred share component of his 2012, 2013 and 2014 annual incentive.
- Excluding these accounting charges for securities that have not vested during the year, Mr Goyder's remuneration for the 2014 financial year was $5.7 million, which comprised fixed remuneration, non-monetary benefits, post-employment benefits (including superannuation) and his annual cash incentive payment.

Non-executive directors

- In line with market practice, the Board agreed for the Chairman to receive a main board fee only and to not be paid additional fees for committee obligations. The change from main board plus committee fees to a single fee approach for the Chairman resulted in a 7.9 per cent increase, effective 1 January 2014.
- Following a freeze on non-executive director fees in the 2013 financial year, main board fees were increased by 3.2 per cent effective 1 January 2014, in order to remain competitive in the market.
- The increase in total fees as shown on page 99 is mainly due to full-year remuneration disclosures of the two new non-executive directors appointed during the 2013 financial year, and additional subsidiary board fee payments.

Section 1: Executive remuneration framework

1.1 Executive key management personnel

The executive key management personnel includes the executive directors (comprising the Group Managing Director and the Finance Director) and those executives who have authority and responsibility for planning, directing and controlling the activities of a major profit-generating division of Wesfarmers.

The key management personnel of the Group also includes the non-executive directors. Details of their remuneration are set out in section 5.

The executive key management personnel detailed in this report are:

Executive directors	
R J B Goyder	Group Managing Director, Wesfarmers Limited
T J Bowen	Finance Director, Wesfarmers Limited

Senior executives	
S A Butel	Managing Director, Wesfarmers Resources
J C Gillam	Managing Director, Home Improvement and Office Supplies
S B Machin	Managing Director, Target
I J W McLeod[1]	Managing Director, Coles
T J P O'Leary	Managing Director, Wesfarmers Chemicals, Energy and Fertilisers
G A Russo	Managing Director, Kmart

[1] As previously announced, Mr McLeod stepped down as Managing Director of Coles on 30 June 2014, with John Durkan appointed to the role effective 1 July 2014. Mr McLeod moves to a senior role within the wider Wesfarmers Group as Group Commercial Director.

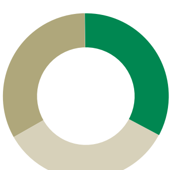
1.2 Remuneration framework

Our executive remuneration framework comprises three principal elements:

- fixed annual remuneration
- an annual incentive or bonus
- a long-term incentive.

Wesfarmers' mix of fixed and at risk components for each of the executives disclosed in the remuneration report, as a percentage of total target annual remuneration for the 2014 financial year, is as follows:

Group Managing Director



	%
FAR	34
STI	33
LTI	33

Other senior executives

	%
FAR	42
STI	25
LTI	33

- Fixed annual remuneration (FAR)
- At risk pay – annual incentive (STI)
- At risk pay – long-term incentive (LTI)

The diagram below provides a snapshot of our framework and the way in which each element of remuneration has been structured to support our Group business objectives and to align with the generation of shareholder wealth:

Component	Performance measure	At risk weight	Strategic objective/performance link
FIXED ANNUAL REMUNERATION (FAR) Salary and other benefits (including statutory superannuation) +	**Key result areas for the role** As outlined in the position description		– Remuneration set at competitive levels, to attract, retain and engage key talent Considerations: – Role and responsibility – Business and individual performance – Internal and external relativities – Contribution, competencies and capabilities
ANNUAL INCENTIVE (STI) Cash for target performance Restricted shares for performance above target Voluntary deferral (of portion of cash award into shares) +	**Group financial measures (for Group executives):** Group Net Profit After Tax (NPAT) and Return on Equity (ROE) **Divisional measures (for divisional executives):** Divisional Earnings Before Interest and Tax (EBIT), Divisional Return on Capital (ROC) and where appropriate, store sales growth, coal sales and mine cash costs **Non-financial measures (for both):** including diversity, talent management, safety and agreed key objectives	**STI at risk** Group MD – Target 100% of FAR. Maximum 120% of FAR Others – Target 60% of FAR. Maximum 120% of FAR	– Reward performance at Group level. The financial performance measures were chosen principally because Group profit and ROE should drive dividends and share price growth over time. – Recognises and rewards achievement of divisional goals in the areas of earnings, return on capital employed in the division and business-specific financial targets. – Drives leadership performance and behaviours consistent with achieving the Group's long-term objectives in areas including safety, diversity, succession planning and talent management. – Aligns to the Group's material business risks, including strategy execution (earnings delivery) and loss of key management personnel (succession planning).
LONG-TERM INCENTIVE (LTI) Performance rights	**Wesfarmers' Compound Annual Growth Rate (CAGR) in ROE** (75% weighting) and **Total Shareholder Return (TSR)** (25% weighting) Measured over a four-year performance period	**LTI at risk** Group MD – Target 100% of FAR. Maximum 200% of FAR Others – Target 80% of FAR. Maximum 160% of FAR	– Ensure strong link with the creation of shareholder value – CAGR in ROE was chosen as a performance hurdle as it is: – used by Wesfarmers to measure the return on its portfolio of businesses; – a key metric to measure Wesfarmers' long-term success as it contains clear links to shareholder value creation; and – an internal measure that an executive can influence and avoids the unintended consequences of share market volatility. – TSR was chosen because it: – provides a relative, external market performance measure having regard to Wesfarmers' ASX 50 peers. *No LTI awards were eligible to vest in 2014*
= **TOTAL REMUNERATION**	The remuneration mix is designed to reflect the diversified nature of the Wesfarmers business and is structured to reward executives for performance at a Group level and, for divisional executives, also at a divisional level, and to align executive and stakeholder interests through share ownership.		

Section 2: Company performance and remuneration outcomes

2.1 Overview of company performance

The table below summarises details of Wesfarmers' earnings (shown in the form of NPAT and earnings per share) and the consequences of that performance on shareholder value for the financial year and the previous four financial years in the form of dividends, any returns of capital and return on equity.

Financial year ended 30 June	2010	2011	2012	2013	2014
Net profit after tax (NPAT) ($m)	1,565	1,922	2,126	2,261	**2,689**[1]
Dividends per share (cents)	125	150	165	180	**200**
Capital return (cents)	–	–	–	–	**50**
Earnings per share (cents)	135.7	166.7	184.2	195.9	**234.6**
Return on equity (rolling 12) (%)	6.4	7.7	8.4	8.9	**10.5**[1]

[1] 2014 reported numbers include non-trading items of $291 million of after-tax profit. Excluding non-trading items NPAT would be $2,398 million and return on equity would be 9.4 per cent.

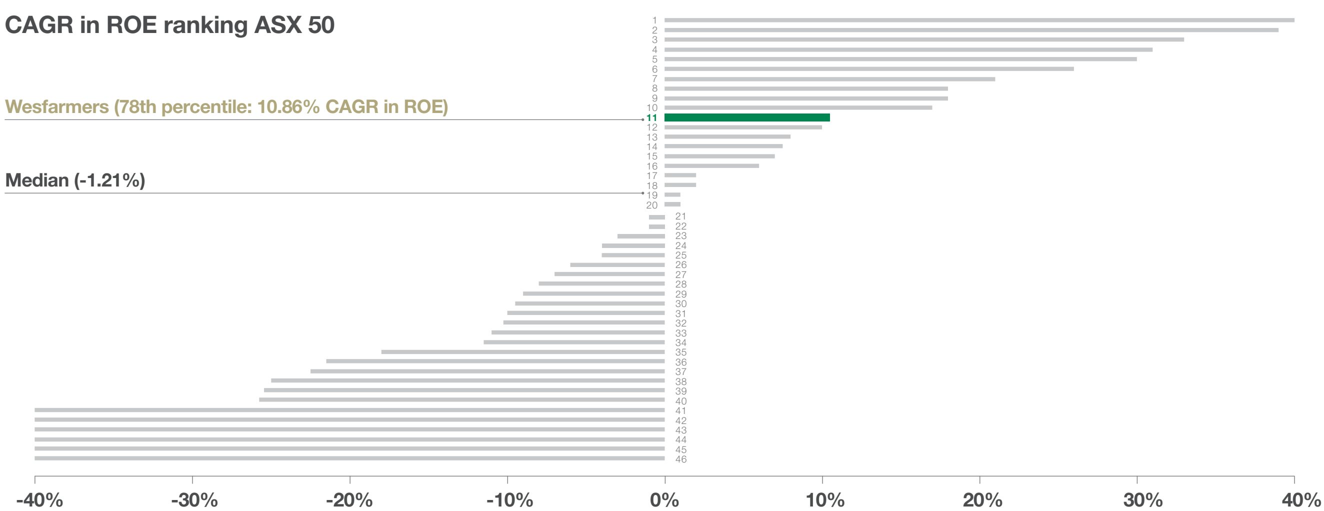
2.2 LTI performance metrics: relative TSR and relative CAGR in ROE

Wesfarmers Long Term Incentive Plan (WLTIP) is tested against two key measures of long-term performance – relative total shareholder return (TSR) and the relative rate of compound annual growth in Return on Equity (ROE).

The 2011 WLTIP award is the next award that is due to vest and will be tested against these two measures over the four-year period from 1 July 2011 to 30 June 2015 (refer further to section 2.3). As the WLTIP is three years into the four-year performance period, the graphs below show our performance against both relative TSR and relative CAGR in ROE over the past three years to 30 June 2014. These graphs reflect the strong performance of Wesfarmers relative to the ASX 50 Accumulation Index over this period.

TSR: Wesfarmers and ASX 50

CAGR in ROE ranking ASX 50



The initial peer group comprises all companies within the Standard and Poor's (S&P) ASX 50 determined as at the beginning of the performance period. However, at the testing date some companies are excluded from the calculation, for example, if a company in the comparator group is taken over, merged with or acquired (unless the acquiring/merging company is in the comparator group). Note the graph above has been scaled to show growth between -40% and +40%. A number of companies achieved growth outside these parameters.

2.3 LTI outcomes

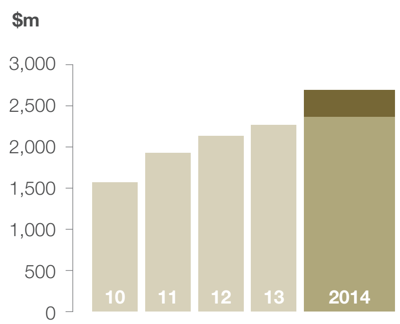
As a result of the change in performance period for WLTIP from three years to four years in 2011, no WLTIP award was eligible to vest this year. The 2011 WLTIP award will be tested against the relative TSR and relative CAGR in ROE performance conditions over the period 1 July 2011 to 30 June 2015.

Details of the changes in WLTIP holdings for our key management personnel during the year are set out in section 4.3.

2.4 Annual incentives performance metrics: Group NPAT and ROE, divisional EBIT and ROC and other measures

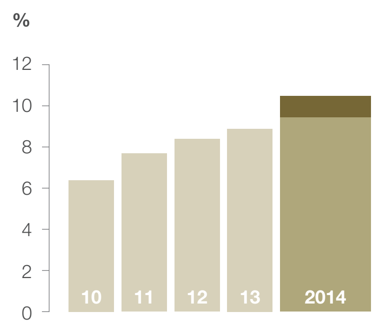
Wesfarmers' annual incentive plan is designed to reward performance against measures developed for each of the key management personnel based upon their areas of responsibility (refer divisional performance graph below and section 2.5). For the Group Managing Director and Finance Director, these include measures of group performance – specifically Group NPAT and Group ROE. The graph below illustrates the strong growth in both over the past five years.

Wesfarmers: Group NPAT



	Group NPAT $m
2014	**2,689**
2013	2,261
2012	2,126
2011	1,922
2010	1,565

Wesfarmers: Group ROE



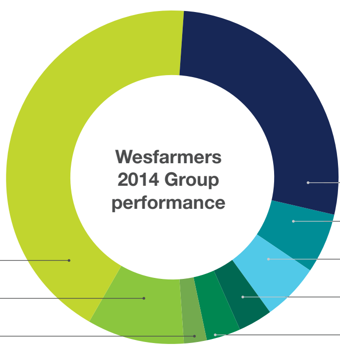
	Group ROE %
2014	**10.5**
2013	8.9
2012	8.4
2011	7.7
2010	6.4

■ 2014 reported numbers include non-trading items of $291 million of after-tax profit. Excluding non-trading items NPAT would be $2,398 million and return on equity would be 9.4 per cent.

Wesfarmers: Divisional performance by 2014 EBIT and ROC

Group NPAT
2,689 $m
2013: $2,261m

Group ROE
10.5 %
2013: 8.9%



	EBIT $m	ROC %
Coles	1,672	10.3
Kmart	366	26.9
Target	86	2.9
Home Improvement and Office Supplies		
– Bunnings	979	29.3
– Officeworks	103	9.4
Chemicals, Energy and Fertilisers	221	14.4
Insurance	220	14.7
Industrial and Safety	131	11.6
Resources	130	8.9

2.5 Annual incentives outcomes

The strong performance of Home Improvement and Office Supplies, Kmart, Insurance, and Resources divisions resulted in 'at or above' target awards for the executives of those divisions.

Summary of actual performance – 2014 financial year

The table below sets out the performance conditions for the 2014 annual incentive, and the weighting between these measures for each of the executive directors and senior executives. Also indicated in the table is whether the threshold or target performance level for each of the financial measures was met or exceeded.

	Weighting of financial measures				Weighting of non-financial measures
Name	**Group NPAT and ROE, balance sheet**[1]	**Divisional EBIT**	**Divisional ROC**	**Store sales growth, coal sales and mine cash costs**	**Agreed objectives include diversity, talent management and safety**
R J B Goyder	30%	10%	10% on Coles turnaround[2]	10%	40%
T J Bowen[3]	30% / 10%	5% / 5%	N/A	N/A	50%
S A Butel Resources	N/A	20%	20%	10% / 20%	20% / 10%[4]
J C Gillam Home Improvement and Office Supplies	N/A	35%	35%	N/A	20% / 10%[4]
S B Machin Target	N/A	40%	10%	10%	30% / 10%[4]
I J W McLeod Coles	N/A	40%	20%	20%	10% / 10%[4]
T J P O'Leary Chemicals, Energy and Fertilisers	N/A	35%	35%	N/A	20% / 10%[4]
G A Russo Kmart	N/A	40%	20%	10%	20% / 10%[4]

Threshold performance level not met

Threshold performance level met or exceeded

Target performance level met or exceeded

[1] Group NPAT and ROE applies to both R J B Goyder and T J Bowen (with a 30 per cent weighting), and balance sheet management (with a 10 per cent weighting) only applies to T J Bowen.

[2] Whilst the official five-year turnaround period for Coles concluded last year, Wesfarmers continued to pursue growth in the Coles division and the weighting of financial measures for R J B Goyder's annual incentive in 2014 reflects this objective. For the 2015 financial year the Board has decided that the financial measures applicable to Mr Goyder's annual incentive will solely relate to Group performance.

[3] Divisional EBIT for T J Bowen reflects performance of the Industrial and Safety division and Insurance division, respectively.

[4] Safety targets are based on an improvement on last year's result. The safety performance for all divisions met or exceeded target performance in the 2014 financial year.

Summary of annual incentive awards – 2014 financial year

Specific information relating to the actual annual incentive awards for the 2014 financial year, including the breakdown between cash and restricted shares (where applicable), is set out in the table below.

Name	Total annual incentive award $	Amount of award in cash[1] $	Amount of award in shares[2] $	Number of restricted shares – mandatory deferred[3]	Number of restricted shares – voluntary deferred[3]	Allocation share price $	Percentage of maximum STI awarded[4] %
R J B Goyder	3,579,368	2,103,600	1,475,768	32,941	–	44.80	85.1
T J Bowen[5]	2,100,000	1,050,000	1,050,000	23,437	–	44.80	100.0
S A Butel	1,090,685	618,000	472,685	10,551	–	44.80	88.2
J C Gillam	1,526,776	870,000	656,776	14,660	–	44.80	87.7
S B Machin	87,429	87,429	–	–	–	–	6.1
I J W McLeod	1,639,605	1,560,000	79,605	1,776	–	44.80	52.6
T J P O'Leary	871,304	400,000	471,304	6,055	4,464	44.80	72.6
G A Russo	990,854	744,000	246,854	5,510	–	44.80	66.6

1 Annual incentive awards for the 2014 financial year were paid in cash to a maximum of 60 per cent of FAR, with the balance deferred into shares. Details of the portion of the total annual incentive paid in cash is set out in the table in section 2.6 (under the column titled 'short-term benefits, short-term incentive').

2 For the annual incentive deferred into shares, 46.1 per cent of the value is shown in the table in section 2.6 (under the column titled 'share-based payments, value of short-term incentive shares') as the 2014 annual incentive mandatory deferral into shares commenced vesting from 1 July 2013 and may be subject to forfeiture if the executive resigns prior to 28 August 2015. The shares are subject to a three-year trading restriction to 1 September 2017 while the executive remains an employee of Wesfarmers. T J Bowen and G A Russo requested upfront that an additional trading restriction (to 28 February 2020) apply to any shares allocated.

3 The number of shares is determined based upon the allocation share price on 28 August 2014. For accounting purposes, the service period for the 2014 annual incentive plan commenced on 1 July 2013 and the grant date is September 2013. In addition to the mandatory deferral arrangement, participants were provided with the opportunity to elect upfront to voluntarily defer a portion of the 2014 financial year annual incentive cash award into shares (these shares are not subject to forfeiture, but are subject to restrictions on dealings).

4 The maximum annual incentive payment a key management personnel can earn for the 2014 financial year is 120 per cent of FAR. Any amount not earned or awarded is not paid to the executive (and is forfeited). The annual incentive payment for senior executives for target performance is 60 per cent of FAR, and 100 per cent of FAR for the Group MD.

5 Having regard to the Finance Director's role in leading the sale of the Insurance business, the Board exercised its discretion to increase Mr Bowen's annual incentive payment to the maximum annual incentive available.

2.6 Reported remuneration

The remuneration table on page 91 sets out the remuneration for the executive directors and senior executives who are considered to be the key management personnel (KMP) of the Group.

These notes refer to the table on the following page:

1 Long-term benefits relate to leave entitlements accrued for the year. Comparative information has been reclassified to be presented on a consistent basis with the current year's presentation.

2 Share-based payments: Refer to sections 2.5 and 4.2 for detailed disclosures under the annual incentive plan and sections 4.2 and 4.3 for the various long-term incentive plans.

The amounts included for the 'Value of short-term incentive shares' includes the portion of the 2014 annual incentive that was deferred into shares and is recognised for accounting purposes over the performance and forfeiture periods, which together are referred to as the 'service period'. Refer to section 2.5 for additional information. For accounting purposes, the 2012 and 2013 annual incentive shares continue to be expensed in the 2014 financial year as these shares are subject to performance and forfeiture conditions.

The amount for G A Russo includes shares allocated under the retention incentive plan, now closed, which were subject to future service periods. As at 30 June 2014, a total of 61,512 shares have vested, with 17,895 shares vesting during the year. These shares were restricted until the end of Mr Russo's first five years of service with the Group (being 1 October 2013). The shares were recognised for accounting purposes over the service period of five years.

The amount for I J W McLeod in the 2013 financial year relates to the cash settled award made for the period under the Coles Long Term Incentive Plan. Refer to page 89 of the 2013 annual report for additional information.

The amounts included for the 'Value of long-term incentive equity' for the 2013 WLTIP are detailed in section 4.3. For accounting purposes, the 2011 and 2012 WLTIP continue to be expensed in the 2014 financial year as these shares are subject to performance and forfeiture conditions, together referred to as the service period.

3 Percentage performance related is the sum of the short-term incentive and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year, as compared to the target percentage of remuneration at risk shown in section 1.2. The percentage of total remuneration that consists of performance rights only, being the amount expensed in the 2014 financial year for the 2012 and 2013 WLTIP, is as follows: R J B Goyder 13.3%; T J Bowen 13.9%; S A Butel 13.8%; J C Gillam 14.0%; S B Machin 20.6%; I J W McLeod 12.0%; T J P O'Leary 14.8% and G A Russo 14.6%.

4 The amount of the individual components of fixed remuneration may vary depending on the elections made by executives.

5 Short-term benefits, non-monetary benefits, include the cost to the company of providing parking, vehicle, life insurance and travel. Short-term benefits, other, includes the cost of directors and officer insurance.

6 Post-employment benefits, other benefits, relate to the movement in the retention incentive accrual (equal to nine months FAR) from last year, which is payable upon termination of employment for T J Bowen, S A Butel, J C Gillam, T J P O'Leary and G A Russo. R J B Goyder and S B Machin do not have this benefit.

	Short-term benefits				Long-term benefits[1]	Post-employment benefits		Share-based payments[2]		Termination benefits	Total	Percentage performance related[3]
	Cash salary[4] $	Short-term incentive $	Non-monetary benefits[5] $	Other[5] $	Leave $	Super-annuation $	Other benefits[6] $	Value of short-term incentive (STI) – STI shares and other $	Value of long-term incentive (LTI) – LTI equity and cash settled LTI $	Termination payments $	$	%
Executive directors												
R J B Goyder – Group Managing Director, Wesfarmers Limited												
2014	**3,349,587**	**2,103,600**	**147,267**	**8,198**	**58,433**	**23,146**	**–**	**1,305,950**	**2,402,062**	**–**	**9,398,243**	**61.8**
2013	3,349,587	2,103,600	220,450	8,964	58,433	23,146	–	1,013,237	1,816,537	–	8,593,954	57.4
T J Bowen – Finance Director, Wesfarmers Limited												
2014	**1,726,854**	**1,050,000**	**13,760**	**8,198**	**29,166**	**23,146**	**–**	**722,139**	**1,519,921**	**–**	**5,093,184**	**64.6**
2013	1,714,354	700,000	38,842	8,964	29,166	23,146	37,500	754,471	1,144,308	–	4,450,751	58.4
Senior executives												
S A Butel – Managing Director, Wesfarmers Resources												
2014	**959,056**	**618,000**	**49,652**	**8,198**	**17,167**	**23,146**	**–**	**217,841**	**682,291**	**–**	**2,575,351**	**58.9**
2013	951,532	525,300	49,676	8,964	17,167	23,146	22,500	–	751,765	–	2,350,050	54.3
J C Gillam – Managing Director, Home Improvement and Office Supplies												
2014	**1,426,854**	**870,000**	**1,854**	**8,198**	**24,166**	**23,146**	**–**	**449,056**	**1,218,129**	**–**	**4,021,403**	**63.1**
2013	1,414,354	870,000	1,854	8,964	24,166	23,146	37,500	176,279	1,089,782	–	3,646,045	58.6
S B Machin – Managing Director, Target												
2014	**1,176,854**	**87,429**	**1,854**	**8,198**	**20,000**	**23,146**	**–**	**–**	**340,849**	**–**	**1,658,330**	**25.8**
I J W McLeod – Managing Director, Coles												
2014	**2,510,454**	**1,560,000**	**73,625**	**8,198**	**43,333**	**17,775**	**–**	**36,687**	**576,962**	**–**	**4,827,034**	**45.0**
2013	1,964,259	1,716,934	201,432	174,151	34,500	16,470	–	–	6,630,000	–	10,737,746	77.7
T J P O'Leary – Managing Director, Wesfarmers Chemicals, Energy and Fertilisers												
2014	**948,050**	**400,000**	**30,658**	**8,198**	**16,667**	**23,146**	**–**	**510,448**	**697,215**	**–**	**2,634,382**	**61.0**
G A Russo – Managing Director, Kmart												
2014	**1,216,854**	**744,000**	**1,854**	**8,198**	**20,667**	**23,146**	**–**	**343,531**	**947,741**	**–**	**3,305,991**	**61.6**
2013	1,206,854	744,000	1,854	8,964	20,667	23,146	30,000	529,212	992,686	–	3,557,383	63.7
Former senior executive												
D L Rogers – Managing Director, Target – ceased 31 May 2013												
2013	1,011,899	–	85,175	76,977	–	15,098	–	78,818	333,779	1,025,000	2,626,746	15.7
Total												
2014	**13,314,563**	**7,433,029**	**320,524**	**65,584**	**229,599**	**179,797**	**–**	**3,585,652**	**8,385,170**	**–**	**33,513,918**	
2013	11,612,839	6,659,834	599,283	295,948	184,099	147,298	127,500	2,552,017	12,758,857	1,025,000	35,962,675	

Section 3: Remuneration governance

3.1 Responsibility for setting remuneration

The following diagram represents Wesfarmers' remuneration governance framework.

Board

The Board approves:

- the overall remuneration policy and ensures it is competitive, fair and aligned with the long-term interests of the Group
- non-executive director remuneration, executive director and senior executive remuneration

Remuneration Committee

The Remuneration Committee is delegated responsibility by the Board to review and make recommendations on:

- the remuneration policies and framework for the Group
- non-executive director remuneration
- remuneration for executive directors and senior executives
- executive incentive arrangements

Management

- Provides information relevant to remuneration decisions and makes recommendations to the Remuneration Committee
- Obtains remuneration information from external advisers to assist the Remuneration Committee (i.e., factual information, legal advice, accounting advice and tax advice)

Remuneration consultants and other external advisers

- Provide independent advice, information and recommendations relevant to remuneration decisions
- The Chairman of the Remuneration Committee appoints and engages advisers directly in relation to KMP remuneration matters
- PricewaterhouseCoopers (PwC) was engaged to review and provide recommendations on the appropriateness of the Group MD and senior executive remuneration. PwC ceased to act as independent remuneration adviser at the end of March 2014
- '3 degrees consulting' was engaged to provide independent governance and legal advice in relation to KMP remuneration matters and to review and provide advice on the appropriateness of the Group MD and senior executive remuneration from April 2014
- Any advice or recommendations provided by external advisers are used to assist the Board – they do not substitute for the Board and committee processes

Detail of the composition of the Remuneration Committee is set out on page 71 of this annual report. Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, which is available on the Corporate Governance section of the company's website at **www.wesfarmers.com.au**

During the 2014 financial year, PricewaterhouseCoopers (PwC) provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $35,000 (2013: $12,000) for these services. For each of the remuneration recommendations provided, the Board is satisfied that the recommendations were made free from any undue influence. In addition to the Board-approved protocols that have been adhered to, in each case PwC provided a formal declaration confirming that the recommendation was made free from 'undue influence' by the members of the KMP to whom the recommendation related.

In addition to providing remuneration recommendations, PwC provided advice on other aspects of the remuneration of the Group's employees and various non-audit services (including advice in relation to taxation, accounting, operations, technology and people matters across all Wesfarmers' divisions) and was paid a total of approximately $8.18 million (2013: $12.03 million) for services to the Wesfarmers Group to the end of March 2014.

'3 degrees consulting' did not provide any remuneration recommendations during the 2014 financial year.

3.2 Remuneration policy and principles

The Remuneration Committee has adopted four guiding principles that are used as a reference when considering remuneration plans and policies that apply to senior executives.

The overriding objective is to provide satisfactory returns to shareholders and the remuneration principles are focused on driving the leadership performance and behaviours consistent with achieving this objective.

These guiding principles also reaffirm the Board's commitment to communicating KMP remuneration arrangements to key stakeholders in an open and transparent manner. The principles used to guide Wesfarmers' remuneration policy for senior executives are:

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

3.3 Senior executive share ownership

The Board considers it an important foundation of the Wesfarmers executive remuneration framework that the senior executive team hold a significant number of Wesfarmers shares to encourage executives to behave like long-term 'owners'. All senior executive KMP hold at least one year's Fixed Annual Remuneration in Wesfarmers shares, with the majority holding significantly more.

Wesfarmers' share trading policy prohibits executive directors and senior executives from entering into arrangements that protect against the risk of any fluctuation in the value of shares obtained under an employee share plan for as long as the shares remain subject to a restriction on disposal under the plan. Strict compliance with the share trading policy is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

Where securities are no longer subject to restrictions, Wesfarmers executive directors and senior executives may enter into transactions that limit their risk exposure to price fluctuations for those securities, provided they first provide full details of the arrangement to the Company Secretary and otherwise comply with insider trading laws and other provisions of the policy. The policy also requires Wesfarmers' directors and senior executives to advise the Company Secretary if they intend to enter, or have entered into, a margin-lending or other security arrangement affecting the company's securities. The Company Secretary may refer to the disclosure sub-committee to determine if such arrangements are material and require disclosure to the market. The policy is available on the Corporate Governance section of the company's website at **www.wesfarmers.com.au**

Section 4: Further information on executive remuneration

4.1 Fixed Annual Remuneration

Wesfarmers practice is not to increase fixed remuneration for senior executives by reference to inflation or indexation as a matter of course. Rather, Wesfarmers policy is to give increases based on:

- merit; or
- where there has been a material change in role or responsibility; or
- the market rate for comparable roles rising materially or as a result of internal relativities.

The majority of senior executives did not receive a fixed remuneration increase during the 2014 financial year as the current levels of remuneration were considered by the Board to be appropriate.

The Board determined that no increase would be made to the fixed remuneration for the Group Managing Director for the 2014 financial year and 2015 financial year, as the current level of remuneration is considered appropriate.

4.2 At risk component

The key details of Wesfarmers annual incentive plan and long-term incentive plan, known as Wesfarmers Long Term Incentive Plan (WLTIP) are summarised below.

<table>
<tr><th></th><th>Annual incentive (STI)</th><th>Long-term incentive (LTI)</th></tr>
<tr><td>Description</td><td>Annual incentive plan delivered in cash (up to 60% of FAR) and mandatory deferred shares (any amounts awarded above that) restricted for three years with forfeiture condition. Opportunity to elect upfront for a longer restriction (up to seven years) and to defer a portion of the cash award into shares (in addition to the mandatory deferral arrangement).</td><td>Award of performance rights subject to a four-year performance period.</td></tr>
<tr><td>Conditions</td><td>Financial and non-financial performance conditions (see section 2.5).</td><td>There are two performance hurdles: Wesfarmers' CAGR in ROE (with a 75% weighting) and Wesfarmers' TSR (with a 25% weighting), relative to the CAGR in ROE and TSR of the ASX 50 Index.</td></tr>
<tr><td>Performance period</td><td>The financial year.</td><td>Four years.</td></tr>
<tr><td>Amount that can be earned</td><td><table>
<tr><th>Level of performance[1]</th><th>Percentage of FAR received</th></tr>
<tr><td>Below threshold or below expectations</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Up to 60%
(up to 100% for the Group MD)</td></tr>
<tr><td>Target or meets expectations</td><td>60%
(100% for the Group MD)</td></tr>
<tr><td>Above target or well above expectations</td><td>Up to 120%</td></tr>
</table></td><td>Each year an assessment is made of the performance of each executive.

Based upon that assessment by the Board upon recommendation of the Group MD, a member of the KMP may receive an LTI award equal in value to a minimum of 80% of FAR up to a maximum of 160% of FAR for outstanding performance in the preceding year.

In the case of the Group MD, the Board may determine his LTI award in the range from minimum of 100% of FAR up to a maximum of 200% of FAR depending upon his performance rating in the preceding year.

The number of performance rights allocated is determined based upon the 10 day volume weighted average price of Wesfarmers shares over the period immediately following the full-year results announced in August.</td></tr>
<tr><td>Vesting</td><td>Incentive awards are determined after the preparation of the financial statements each year (in respect of the financial measures) and after a review of performance against non-financial measures by the Group MD (and in the case of the Group MD, by the Board) at the end of the financial year.

The Board confirms final awards based on overall personal and Group performance. In accordance with the terms of the plan, the Board has discretion to make adjustments to the performance conditions.

Annual incentive cash payments are made and deferred restricted shares are allocated in late August.</td><td>The following vesting schedule applies to both performance hurdles:<table>
<tr><th>Percentile ranking</th><th>Percentage of awards vesting</th></tr>
<tr><td>Below the 50th percentile</td><td>0% vesting</td></tr>
<tr><td>Equal to the 50th percentile</td><td>50% vesting</td></tr>
<tr><td>Between the 50th and 75th percentile</td><td>An additional 2% of awards vest for each percentile increase</td></tr>
<tr><td>Equal to the 75th percentile or above</td><td>100% vesting</td></tr>
</table></td></tr>
<tr><td>Restrictions upon shares allocated</td><td>Restricted shares are subject to a three-year trading restriction while the executive remains an employee of Wesfarmers and the executive can elect for an additional restriction of up to seven years.

The Board may determine that mandatory restricted shares are forfeited if an executive resigns or is terminated for cause within one year of the share allocation.</td><td>Shares allocated on vesting of the rights after the four-year performance period are not subject to any additional trading restrictions. An executive can, however, elect upfront for an additional three-year trading restriction to apply.

If an executive ceases employment with Wesfarmers before the end of the performance period, their entitlement to the rights (if any) will depend on the circumstances of cessation.

All rights will lapse in the event of resignation or termination for cause.

If an executive ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the executive will generally be entitled to a pro-rata number of rights based on achievement of the ROE and TSR hurdles over the performance period up to ceasing employment and to the extent the performance hurdles have been satisfied at the time of cessation.</td></tr>
<tr><td>Change of control</td><td>Board discretion to release restricted shares.</td><td>Board discretion to determine treatment of awards.</td></tr>
</table>

[1] In respect of the financial measures, depending on the division, threshold begins at 92.5% or 95% of target and stretch is awarded at or above 105% or 110% of target.

	Annual incentive (STI)	Long-term incentive (LTI)
Clawback	The terms of the STI and LTI plan contain a mechanism for the Board to clawback or adjust any incentive awards which vest (or may vest) as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. The Board has discretion to adjust any conditions applicable to an award, if considered appropriate. The Board may, up to the value of the overpaid remuneration, reduce or defer or otherwise require the repayment of any amount paid or payable to the executive to ensure no unfair benefit is derived.	
Outcome	Refer to section 2.5.	No long-term incentive awards were eligible to vest in the 2014 financial year due to the transition from a three-year performance period for the 2010 WLTIP (to 30 June 2013) to a four-year performance period for the 2011 WLTIP (to 30 June 2015).

4.3 Summary of awards held under Wesfarmers' long-term incentive arrangements

The table below sets out details of performance rights granted to senior executives under the 2013 WLTIP allocation (i.e., during the 2014 financial year), as well as details of shares and rights granted under prior year WLTIP awards.

Name		Held at 1 July 2013[1]	Granted during year[2]	Value at grant[3]	Vested	Other[4]	Held at 30 June 2014[5]
R J B Goyder	Rights	100,000	88,000	$2,958,340	—	—	188,000
	Shares	206,480	–	—	—	(2,560)	203,920
T J Bowen	Rights	50,000	55,000	$1,848,963	—	—	105,000
	Shares	118,730	—	—	—	(1,472)	117,258
S A Butel	Rights	29,102	25,739	$817,145	—	—	54,841
	Shares	47,739	—	—	—	(591)	47,148
J C Gillam	Rights	40,743	45,293	$1,437,928	—	—	86,036
	Shares	95,726	—	—	—	(1,187)	94,539
S B Machin	Rights	—	47,979	$1,523,210	—	—	47,979
	Shares	—	—	—	—	—	—
I J W McLeod	Rights	—	81,215	$2,578,369	—	—	81,215
	Shares	—	—	—	—	—	—
T J P O'Leary	Rights	28,113	31,236	$991,665	—	—	59,349
	Shares	45,068	—	—	—	(558)	44,510
G A Russo	Rights	34,922	38,733	$1,229,665	—	—	73,655
	Shares	68,022	—	—	—	(843)	67,179

1 Held at 1 July 2013 reflects prior year WLTIP allocations which are subject to performance conditions at that time (i.e., under the 2011 WLTIP share allocation and 2012 WLTIP allocation of performance rights).

2 The performance rights under the 2013 WLTIP were allocated to participants on 8 November 2013, and the number of rights awarded is determined based upon the 10 day volume weighted average price of Wesfarmers shares immediately following the 2013 results announcement. For accounting purposes, the service period for the 2013 WLTIP commenced on 1 July 2013 and the grant date is 7 November 2013 for executive directors and 16 September 2013 for all other participants. The 2013 WLTIP is subject to a four-year performance period. Shares allocated on vesting of the rights after the four-year performance period are not subject to any additional trading restrictions on deals. J C Gillam, T J P O'Leary and G A Russo requested upfront that an additional trading restriction (to 8 November 2018 or 8 November 2020) apply to the shares allocated.

3 For accounting purposes, the fair value at grant date is shown above, in accordance with AASB 2: Share Based Payment. The rights subject to market conditions (TSR hurdle) have been independently valued using Monte Carlo simulation (using the Black-Scholes framework). The rights subject to non-market conditions (CAGR in ROE hurdle) have been valued using the Black-Scholes option pricing model. The value per right for executive directors for the TSR performance hurdle and ROE hurdle is $22.78 and $37.23 respectively. The value per right for all other participants was $20.40 and $35.53 respectively.

4 'Other' relates to the capital return approved at the 2013 Annual General Meeting, which was accompanied by an equal and proportionate share consolidation. The share consolidation was undertaken through the conversion of one fully-paid ordinary Wesfarmers share into 0.9876 ordinary share to reflect the size of the capital return. The share consolidation reduced the number of shares held under the 2011 WLTIP, which are available to vest in 2015. The capital return did not apply to unvested performance rights allocated to executives under the 2012 WLTIP and 2013 WLTIP and were therefore not impacted by the share consolidation. R J B Goyder was not entitled to the capital return on his 2011 WLTIP shares, notwithstanding that these shares were impacted by the share consolidation.

5 Held at 30 June 2014 reflects the WLTIP allocations subject to performance conditions at that time (i.e., the 2011 shares, 2012 WLTIP rights and 2013 WLTIP rights).

4.4 Summary of distributions paid on WLTIP shares

The table below sets out details of distributions (i.e., dividends and capital returns) paid on unvested shares allocated under WLTIP awards made prior to the 2012 financial year to participating senior executives. Unvested shares are those shares that remain subject to performance conditions during the 2014 financial year. The total of the 2013 final dividend (paid 27 September 2013 of 103 cents) and the 2014 interim dividend (paid 2 April 2014 of 85 cents) paid during the year on these unvested shares is set out below. No dividends are paid on WLTIP allocations which are made in the form of performance rights for 2012 and later years. The capital return payment (effective 18 November 2013 of 50 cents) was accompanied by an equal and proportionate share consolidation.

Name	Total value of dividend payments[1]	Total value of capital return payments[2]
R J B Goyder[3]	–	–
T J Bowen	$221,961	$59,365
S A Butel	$89,247	$23,870
J C Gillam	$178,956	$47,863
S B Machin	–	–
I J W McLeod	–	–
T J P O'Leary	$84,254	$22,534
G A Russo	$127,165	$34,011

1 Total value of dividend payments reflects the shares that were subject to performance conditions during the 2014 financial year and are considered 'unvested' shares (i.e., 2011 WLTIP share award allocation, which is subject to performance and forfeiture conditions to 30 June 2015).

2 The capital return approved at the 2013 Annual General Meeting was accompanied by an equal and proportionate share consolidation. The share consolidation was undertaken through the conversion of one fully-paid ordinary Wesfarmers share into 0.9876 ordinary share to reflect the size of the capital return. The share consolidation was implemented in a manner which ensured that each shareholder's proportionate interest in Wesfarmers remained unchanged post the capital return, and became effective on 18 November 2013.

3 None of Mr Goyder's long-term incentive arrangements (i.e., 2011 WLTIP share award allocation) carry the entitlement to dividends or capital returns.

4.5 Service agreements

The remuneration and other terms of employment for the executive directors and senior executives are covered in formal employment contracts. All service agreements are for unlimited duration.

All executives are entitled to receive pay in lieu of any accrued but untaken annual and long service leave on cessation of employment.

Name	Notice periods / Termination payment
R J B Goyder	12 months' notice (or payment in lieu) May be terminated immediately for serious misconduct
I J W McLeod	Six months' notice by either party (or payment in lieu) May be terminated immediately for serious misconduct
T J Bowen[1]	Three months' notice by either party (or payment in lieu) May be terminated immediately for serious misconduct
S A Butel[1] J C Gillam[1] T J P O'Leary[1] G A Russo[1]	Three months' notice by either party and six months' notice in the case of redundancy (or payment in lieu) May be terminated immediately for serious misconduct
S B Machin	Three months' notice by either party (or payment in lieu) and, in the event of termination by the company, an additional severance payment equal to nine months FAR May be terminated immediately for serious misconduct

1 A portion of the retention incentive previously earned for satisfying the applicable service condition under the legacy retention incentive plan, equal to nine months FAR, is payable to these executives at the time of termination of employment (except in the case of termination for serious misconduct). These amounts were earned in the 2010 financial year; however, the payment is not due to be made until the relevant employee ceases his employment with the Group. Although it will be paid at the time of cessation of employment, such payments do not constitute a termination benefit for the purposes of the termination payment legislation.

Section 5: Non-executive director remuneration

5.1 Non-executive directors

The non-executive directors of the company are:

Non-executive directors	
R L Every	Chairman (non-executive)
P M Bassat	Director (non-executive)
C B Carter	Director (non-executive)
J P Graham	Director (non-executive)
A J Howarth	Director (non-executive)
C Macek	Director (non-executive)
W G Osborn	Director (non-executive)
D L Smith-Gander	Director (non-executive)
V M Wallace	Director (non-executive)
J A Westacott	Director (non-executive)

5.2 Key changes for 2014

Key changes to non-executive director remuneration-related matters approved for the 2014 financial year are set out below:

Increase in non-executive directors' fees

Following a freeze on non-executive director fees in the 2013 financial year, main board fees were increased by 3.2 per cent (from $197,600 to $204,000 per annum), to position fees at the median of fees paid to non-executive directors in ASX 25 companies, effective 1 January 2014.

The increase in total fees as shown on page 99 is mainly due to full-year remuneration disclosures of the two new non-executive directors appointed during the 2013 financial year, and additional subsidiary board fee payments.

Chairman to be paid 'all in' fee

Wesfarmers past practice has been to pay the Chairman a fee for his services as Chairman and to pay an additional fee for his chairing or membership of board committees. As it is more common amongst our peer companies for the Chairman to be paid a single fee for all of his commitments, and to not be paid additional fees for committee obligations, the Board sought the advice of PwC, which recommended, in line with market practice and having regard to the market median of Wesfarmers comparator group, that Wesfarmers move from a 'main board plus committee' fee approach to a 'main board fee only' for the Chairman. The change from main board plus committee fees to a single fee approach for the Chairman resulted in a 7.9 per cent increase from $657,800 to $710,000 per annum, effective 1 January 2014.

5.3 Overview of remuneration policy and arrangements

Policy objectives	Wesfarmers policy regarding fees for non-executive directors is intended to: – **be market competitive** – aim to set fees at a level competitive with non-executive directors in comparator companies; and – **safeguard independence** – to not include any performance-related element, to preserve the independence of non-executive directors.
Aggregate fees approved by shareholders	The current aggregate fee pool for non-executive directors of $3,300,000 was approved by shareholders at the 2012 Annual General Meeting. Board and committee fees, as well as statutory contributions made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, are included in this aggregate fee pool.
Regular reviews of remuneration	The Board periodically reviews the level of fees paid to non-executive directors and seeks independent advice in that regard. A review was undertaken during the 2014 financial year with the assistance of PwC.
Non-executive director shareholdings	In addition to the requirement for directors to hold a minimum of 1,000 Wesfarmers shares within two months of appointment, directors are expected to increase their holdings in Wesfarmers shares to a number which is equivalent in approximate value to the gross annual base fee paid at the relevant time within a five-year period of appointment.
Share acquisition plan	Non-executive directors have the facility to acquire shares out of their fees under the Wesfarmers Employee Share Acquisition Plan (WESAP). Participation in the plan is voluntary and enables non-executive directors to use their after-tax fees to acquire Wesfarmers shares. Shares are purchased on behalf of the directors on a monthly basis (except during blackout periods) and are subject to a 12 month trading restriction, during which time the shares are held by the plan trustee. The shares are acquired on-market at the prevailing market price. For the 2014 financial year, V M Wallace and J A Westacott voluntarily elected to participate in the WESAP using after-tax fees to acquire Wesfarmers shares. A total of 2,861 shares were purchased on behalf of Ms Wallace (with a total value of $120,014.33) and 238 shares were purchased on behalf of Ms Westacott (with a total value of $9,984.04) at share prices ranging between $41.17 and $43.52. The number of Wesfarmers shares held by non-executive directors as at the date of this annual report is shown in section 6.1.

5.4 Non-executive director fees and other benefits

The table below provides details of Board and committee fees (inclusive of superannuation) for the 2014 financial year and current committee membership. The fees shown in the table below took effect from 1 January 2014. Members of the Nomination Committee and Gresham Mandate Review Committee do not receive any additional fees.

Fees/benefits	Description	2014 $	Included in shareholder approved cap?
Board fees	**Main Board**		
	Chairman – R L Every	710,000	
	Members – all non-executive directors	204,000	Yes
Committee fees	**Audit Committee**		
	Chairman – A J Howarth	80,000	
	Members – P M Bassat, R L Every[1], C Macek, D L Smith-Gander, J A Westacott	40,000	Yes
	Remuneration Committee		
	Chairman – W G Osborn (from 1 February 2013)	50,000	
	Members – C B Carter, R L Every[1], J P Graham, C Macek, V M Wallace	25,000	Yes
Superannuation	Superannuation contributions are made on behalf of the non-executive directors to the Wesfarmers Group Superannuation Plan or another regulated superannuation fund. An amount is deducted from gross fees equal to the applicable superannuation guarantee percentage, which satisfies the company's statutory superannuation obligations.		Yes
Other Group fees	Non-executive directors are paid additional fees for participation on Wesfarmers' divisional boards, where applicable. These amounts are disclosed separately in the table below.		No
Other benefits	Non-executive directors are entitled to be reimbursed for business-related expenses, including travel expenses, and also receive the benefit of coverage under a directors and officer insurance policy.		No

1 As from 1 January 2014, R L Every as Chairman of the Board no longer receives a separate fee for sitting on any of the Board's committees.

5.5 Non-executive director remuneration for 2014

The fees paid or payable to the non-executive directors in relation to the 2014 financial year are set out below:

Non-executive director		Fees – Wesfarmers Limited $	Superannuation[1] $	Fees – Wesfarmers Group $	Other benefits[2] $	Total $
P M Bassat	**2014**	**223,025**	**17,775**	**–**	**8,198**	**248,998**
	2013	139,320	10,980	–	5,624	155,924
C B Carter	**2014**	**208,025**	**17,775**	**–**	**8,198**	**233,998**
	2013	206,130	16,470	–	8,964	231,564
R L Every	**2014**	**666,125**	**17,775**	**–**	**8,198**	**692,098**
	2013	655,913	16,470	–	8,964	681,347
J P Graham[3]	**2014**	**225,800**	**–**	**106,120**	**8,198**	**340,118**
	2013	222,600	–	106,120	8,964	337,684
A J Howarth[4]	**2014**	**263,025**	**17,775**	**94,900**	**8,198**	**383,898**
	2013	261,130	16,470	70,125	8,964	356,689
C Macek	**2014**	**244,485**	**21,315**	**–**	**8,198**	**273,998**
	2013	242,590	20,010	–	8,964	271,564
W G Osborn	**2014**	**233,025**	**17,775**	**–**	**8,198**	**258,998**
	2013	216,547	16,470	–	8,964	241,981
D L Smith-Gander	**2014**	**223,025**	**17,775**	**–**	**8,198**	**248,998**
	2013	221,130	16,470	–	8,964	246,564
V M Wallace	**2014**	**208,025**	**17,775**	**–**	**8,198**	**233,998**
	2013	214,880	16,470	–	8,964	240,314
J A Westacott	**2014**	**223,025**	**17,775**	**–**	**8,198**	**248,998**
	2013	53,482	4,118	–	2,186	59,786
Total	**2014**	**2,717,585**	**163,515**	**201,020**	**81,980**	**3,164,100**
	2013	2,433,722	133,928	176,245	79,522	2,823,417

1 Superannuation contributions are made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations. Also included is any part of a non-executive director's fees that have been sacrificed into superannuation.

2 The benefit included in this column is an apportionment of the premium paid on a policy for directors and officer insurance.

3 J P Graham's fees are paid to Gresham Partners Group Limited for participation on the boards of Wesfarmers Limited, Wesfarmers Insurance Pty Ltd and Wesfarmers General Insurance Limited. Mr Graham ceased participation on the Insurance boards, following the sale of this business on 30 June 2014.

4 A J Howarth receives fees for participation on the board of BWP Management Limited.

Section 6: Other information

6.1 Key management personnel holdings of equity instruments in Wesfarmers Limited

Shares

The share holdings in Wesfarmers Limited for key management personnel (KMP) for the 2014 financial year is shown in the table below. This disclosure includes shares held directly, indirectly or beneficially by each KMP or close members of their family or an entity over which the person or the family member has either direct or indirect control, joint control or significant influence.

Name	Balance at beginning of year	Granted as remuneration	Net change[1]	Balance at year end	Number of shares not vested at year end[2]
Non-executive directors					
P M Bassat	20,000	–	(248)	19,752	–
C B Carter	30,025	–	647	30,672	–
R L Every	28,373	–	(350)	28,023	–
J P Graham	817,957	–	(10,138)	807,819	–
A J Howarth	14,280	–	336	14,616	–
C Macek	20,971	–	(239)	20,732	–
W G Osborn	7,252	–	(89)	7,163	–
D L Smith-Gander	12,410	–	(153)	12,257	–
V M Wallace	6,947	–	2,775	9,722	–
J A Westacott	1,000	–	226	1,226	–
Executive directors and senior executives					
R J B Goyder	1,043,229	30,700	(68,452)	1,005,477	234,240
T J Bowen	463,990	19,786	(32,252)	451,524	128,269
S A Butel	161,190	–	(17,894)	143,296	47,148
J C Gillam	483,572	7,754	(6,087)	485,239	102,197
S B Machin	51,045	–	(25,839)	25,206	–
I J W McLeod	66,250	–	177	66,427	–
T J P O'Leary	397,229	22,819	(5,199)	414,849	52,424
G A Russo	379,548	8,850	(7,310)	381,088	75,920
Total	**4,005,268**	**89,909**	**(170,089)**	**3,925,088**	**640,198**

1 The 'net change' above includes the impact of the capital return approved at the 2013 Annual General Meeting, which was accompanied by an equal and proportionate share consolidation. The share consolidation was undertaken through the conversion of one fully-paid ordinary Wesfarmers share into 0.9876 ordinary share to reflect the size of the capital return. The share consolidation was implemented in a manner which ensured that each shareholder's proportionate interest in Wesfarmers remaining unchanged post the capital return and became effective on 18 November 2013.

2 The number of shares not vested reflects the 2011 WLTIP (which is subject to a TSR and ROE performance condition to 30 June 2015) and the 2013 annual incentive mandatory deferral into shares (which may be subject to forfeiture if the executive resigns prior to 30 August 2014).

Performance rights

Details of performance rights allocated to senior executives during the 2014 and 2013 financial years are below. Further details of awards under Wesfarmers' long-term incentive arrangements are in section 4.3.

Name		Balance at beginning of year	Granted as remuneration[1]	Vested	Lapsed/ forfeited	Balance at year end[2]
Executive directors and senior executives						
R J B Goyder[3]	**2014**	**100,000**	**88,000**	**—**	**—**	**188,000**
	2013	100,000	100,000	—	(100,000)	100,000
T J Bowen	**2014**	**50,000**	**55,000**	**—**	**—**	**105,000**
	2013	—	50,000	—	—	50,000
S A Butel	**2014**	**29,102**	**25,739**	**—**	**—**	**54,841**
	2013	—	29,102	—	—	29,102
J C Gillam	**2014**	**40,743**	**45,293**	**—**	**—**	**86,036**
	2013	—	40,743	—	—	40,743
S B Machin	**2014**	**—**	**47,979**	**—**	**—**	**47,979**
I J W McLeod	**2014**	**—**	**81,215**	**—**	**—**	**81,215**
	2013	—	—	—	—	—
T J P O'Leary	**2014**	**28,113**	**31,236**	**—**	**—**	**59,349**
G A Russo	**2014**	**34,922**	**38,733**	**—**	**—**	**73,655**
	2013	—	34,922	—	—	34,922
Former key management personnel						
D L Rogers[4]	2013	—	34,922	(3,730)	(31,192)	—
Total	**2014**	**282,880**	**413,195**	**—**	**—**	**696,075**
Total	2013	100,000	289,689	(3,730)	(131,192)	254,767

1 Refer to section 4.2 of the 2014 remuneration report for further details of the 2013 WLTIP allocation.

2 As the 2012 and 2013 WLTIP allocations were of performance rights (i.e., the right to be allocated a share in the future) the performance rights were not entitled to participate in the 50 cent per share return of capital nor were they impacted by the share consolidation. All performance rights remain 'unvested' until the performance measures have been tested at the end of the relevant performance period.

3 The 100,000 performance rights held by R J B Goyder under the Group Managing Director Rights Plan lapsed at 30 June 2013.

4 Ceased to be a key management personnel during the 2013 financial year.

6.2 Other transactions and balances with key management personnel

J P Graham, a director of Wesfarmers, has a majority shareholding interest in a company which jointly owns Gresham Partners Group Limited on an equal basis with a wholly owned subsidiary of Wesfarmers. Partly owned subsidiaries of Gresham Partners Group Limited have provided financial advisory services to Wesfarmers and were paid fees of $13,209,962 in 2014 (2013: $1,024,279).

V M Wallace, a director of Wesfarmers, is a partner of Strategy& (formerly Booz & Company, which was acquired by PwC effective 3 April 2014). In anticipation of this combination and to avoid any potential perceived conflict of interest, PwC ceased acting as independent remuneration consultant to Wesfarmers prior to the completion of the acquisition. Booz & Company (as it was then known) had not provided consultancy services to Wesfarmers since 2012.

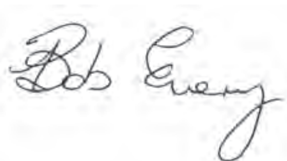
From time to time, directors of the company or its controlled entities, or their director-related entities, may purchase goods or services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

There were no loans made during the year or remaining unsettled at 30 June 2014 between Wesfarmers and its key management personnel and their related parties.

6.3 Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 148 of this annual report for Ernst & Young's report on the remuneration report.

This directors' report, including the remuneration report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.



R L Every AO
Chairman

R J B Goyder AO
Managing Director

Melbourne
9 September 2014

Financial statements

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

Contents

Income statement

for the year ended 30 June 2014

	Note	CONSOLIDATED 2014 $m	RESTATED 2013 $m
Continuing operations			
Revenue	1	**60,181**	57,749
Expenses			
Raw materials and inventory		**(41,424)**	(39,617)
Employee benefits expense	2	**(7,746)**	(7,517)
Freight and other related expenses		**(1,032)**	(1,021)
Occupancy-related expenses	2	**(2,502)**	(2,341)
Depreciation and amortisation	2	**(1,082)**	(1,033)
Impairment expenses	2	**(734)**	(49)
Other expenses	2	**(3,178)**	(2,993)
Total expenses		**(57,698)**	(54,571)
Other income	1	**342**	227
Share of profits/(losses) of associates and joint ventures	18	**65**	48
		407	275
Earnings before interest and income tax expense (EBIT)		**2,890**	3,453
Finance costs	2	**(346)**	(417)
Profit before income tax		**2,544**	3,036
Income tax expense	3	**(939)**	(908)
Profit from continuing operations		**1,605**	2,128
Discontinued operations			
Profit after tax for the year from discontinued operations	20	**1,084**	133
Profit attributable to members of the parent		**2,689**	2,261
Earnings per share (EPS) attributable to ordinary equity holders of the parent from continuing operations		**cents**	cents
Basic earnings per share		**140.1**	184.4
Diluted earnings per share		**139.8**	184.1
Earnings per share attributable to ordinary equity holders of the parent			
Basic earnings per share	13	**234.6**	195.9
Diluted earnings per share	13	**234.2**	195.6

Statement of comprehensive income

for the year ended 30 June 2014

	Note	CONSOLIDATED 2014 $m	2013 $m
Profit attributable to members of the parent		**2,689**	2,261
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve	12		
Exchange differences on translation of foreign operations		**86**	40
Exchange differences recognised in the income statement on disposal of foreign subsidiaries		**(10)**	-
Available-for-sale financial assets reserve	12		
Changes in the fair value of available-for-sale financial assets		**3**	3
Tax effect	3	**(1)**	(1)
Cash flow hedge reserve	12		
Unrealised gains on cash flow hedges		**26**	193
Realised gains transferred to net profit		**(1)**	(120)
Realised (gain)/loss transferred to non-financial assets		**(113)**	25
Tax effect	3	**26**	(29)
Items that will not be reclassified to profit or loss:			
Retained earnings	12		
Remeasurement gain on defined benefit plan		**1**	2
Tax effect	3	**-**	(1)
Other comprehensive income for the year, net of tax		**17**	112
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations (including goodwill impairment)		**1,632**	2,240
Discontinued operations (including gain on disposal of the Insurance division)		**1,074**	133
		2,706	2,373

Balance sheet

as at 30 June 2014

	Note	CONSOLIDATED 2014 $m	2013 $m
Assets			
Current assets			
Cash and cash equivalents	4	**2,067**	1,333
Trade and other receivables	5	**1,584**	2,341
Inventories	6	**5,336**	5,047
Derivatives	16	**66**	187
Investments backing insurance contracts, reinsurance and other recoveries		**-**	1,316
Other		**258**	362
Total current assets		**9,311**	10,586
Non-current assets			
Investments in associates and joint ventures	18	**540**	420
Deferred tax assets	3	**441**	370
Property	7	**2,419**	2,947
Plant and equipment	7	**7,533**	7,217
Goodwill	8	**14,510**	16,151
Intangible assets	8	**4,446**	4,459
Derivatives	16	**418**	436
Investments backing insurance contracts, reinsurance and other recoveries		**-**	357
Other		**109**	212
Total non-current assets		**30,416**	32,569
Total assets		**39,727**	43,155
Liabilities			
Current liabilities			
Trade and other payables		**5,417**	5,999
Interest-bearing loans and borrowings	14	**745**	70
Income tax payable		**269**	310
Provisions	9	**1,473**	1,379
Insurance liabilities		**-**	1,540
Derivatives	16	**75**	52
Other		**250**	222
Total current liabilities		**8,229**	9,572
Non-current liabilities			
Interest-bearing loans and borrowings	14	**4,320**	5,709
Provisions	9	**1,072**	1,117
Insurance liabilities		**-**	613
Derivatives	16	**24**	66
Other		**95**	56
Total non-current liabilities		**5,511**	7,561
Total liabilities		**13,740**	17,133
Net assets		**25,987**	26,022
Equity			
Equity attributable to equity holders of the parent			
Issued capital	12	**22,708**	23,290
Reserved shares	12	**(30)**	(26)
Retained earnings	12	**2,901**	2,375
Reserves	12	**408**	383
Total equity		**25,987**	26,022

Cash flow statement

for the year ended 30 June 2014

	Note	CONSOLIDATED 2014 $m	2013 $m
Cash flows from operating activities			
Receipts from customers		**67,603**	64,946
Payments to suppliers and employees		**(63,021)**	(59,768)
Dividends and distributions received from associates		**50**	67
Interest received		**110**	128
Borrowing costs		**(344)**	(402)
Income tax paid		**(1,172)**	(1,040)
Net cash flows from operating activities	4	**3,226**	3,931
Cash flows from investing activities			
Net acquisition of insurance deposits		**(337)**	(55)
Payments for property, plant and equipment and intangibles	4	**(2,233)**	(2,331)
Proceeds from sale of property, plant and equipment and intangibles	4	**1,017**	659
Net proceeds from sale of controlled entities and associates		**2,641**	4
Net investments in associates and joint arrangements		**(100)**	7
Acquisition of subsidiaries, net of cash acquired		**(36)**	(44)
Net cash flows from/(used in) investing activities		**952**	(1,760)
Cash flows from financing activities			
Proceeds from borrowings		**888**	2,056
Repayment of borrowings		**(1,591)**	(2,040)
Proceeds from exercise of in-substance options under the employee share plan	12	**4**	4
Equity dividends paid		**(2,160)**	(1,985)
Capital return paid		**(585)**	-
Net cash flows used in financing activities		**(3,444)**	(1,965)
Net increase in cash and cash equivalents		**734**	206
Cash and cash equivalents at beginning of year		**1,333**	1,127
Cash and cash equivalents at end of year	4	**2,067**	1,333

Statement of changes in equity

for the year ended 30 June 2014

		Attributable to equity holders of the parent					
CONSOLIDATED	Note	Issued capital $m	Reserved shares $m	Retained earnings $m	Hedging reserve $m	Other reserves $m	Total equity $m
Balance at 1 July 2012		23,286	(31)	2,103	160	109	25,627
Net profit for the year		-	-	2,261	-	-	2,261
Other comprehensive income							
Exchange differences on translation of foreign operations	12	-	-	-	-	40	40
Changes in the fair value of available-for-sale financial assets, net of tax	12	-	-	-	-	2	2
Changes in the fair value of cash flow hedges, net of tax	12	-	-	-	69	-	69
Remeasurement gain on defined benefit plan, net of tax	12	-	-	1	-	-	1
Total other comprehensive income for the year, net of tax		-	-	1	69	42	112
Total comprehensive income for the year, net of tax		-	-	2,262	69	42	2,373
Share-based payment transactions	12	-	-	-	-	3	3
Issue of shares	12	4	-	-	-	-	4
Own shares acquired	12	-	(3)	-	-	-	(3)
Proceeds from exercise of in-substance options	12	-	4	-	-	-	4
Equity dividends	12,11	-	4	(1,990)	-	-	(1,986)
		4	5	(1,990)	-	3	(1,978)
Balance at 30 June 2013 and 1 July 2013		**23,290**	**(26)**	**2,375**	**229**	**154**	**26,022**
Net profit for the year		**-**	**-**	**2,689**	**-**	**-**	**2,689**
Other comprehensive income							
Exchange differences on translation of foreign operations	12	**-**	**-**	**-**	**-**	**86**	**86**
Exchange differences recognised in the income statement arising from disposal of foreign subsidiaries	12	**-**	**-**	**-**	**-**	**(10)**	**(10)**
Changes in the fair value of available-for-sale financial assets, net of tax	12	**-**	**-**	**-**	**-**	**2**	**2**
Changes in the fair value of cash flow hedges, net of tax	12	**-**	**-**	**-**	**(62)**	**-**	**(62)**
Remeasurement gain on defined benefit plan, net of tax	12	**-**	**-**	**1**	**-**	**-**	**1**
Total other comprehensive income for the year, net of tax		**-**	**-**	**1**	**(62)**	**78**	**17**
Total comprehensive income for the year, net of tax		**-**	**-**	**2,690**	**(62)**	**78**	**2,706**
Share-based payment transactions	12	**-**	**-**	**-**	**-**	**9**	**9**
Issue of shares	12	**3**	**-**	**-**	**-**	**-**	**3**
Capital return and share consolidation	11	**(585)**	**-**	**-**	**-**	**-**	**(585)**
Own shares acquired	12	**-**	**(12)**	**-**	**-**	**-**	**(12)**
Proceeds from exercise of in-substance options	12	**-**	**4**	**-**	**-**	**-**	**4**
Equity dividends	12,11	**-**	**4**	**(2,164)**	**-**	**-**	**(2,160)**
		(582)	**(4)**	**(2,164)**	**-**	**9**	**(2,741)**
Balance at 30 June 2014		**22,708**	**(30)**	**2,901**	**167**	**241**	**25,987**

Notes to the financial statements: About this report

for the year ended 30 June 2014

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

The consolidated general purpose financial report of the Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 9 September 2014. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for investments held by associates, financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($'000,000) unless otherwise stated, in accordance with ASIC Class Order 98/100;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2013. Refer to note 27(a) for further details;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 27(b) for further details; and
- equity accounts for associates listed at note 18.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note 19.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Foreign currency

The functional currency of overseas subsidiaries is listed in note 19. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Other accounting policies

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

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Note 1:	Income	Page 113
Note 3:	Tax expense	Page 115
Note 6:	Inventories	Page 117
Note 7:	Property, plant and equipment	Page 118
Note 8:	Goodwill and intangible assets	Page 119
Note 9:	Provisions	Page 120
Note 17:	Impairment of non-financial assets	Page 133
Note 18:	Associates and joint arrangements	Page 134
Note 21:	Commitments and contingencies	Page 140

The notes to the financial statements

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

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

The notes are organised into the following sections:

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

Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The disposal of the underwriting, premium funding and broking operations, which collectively constituted the entire business operations of the Wesfarmers' Insurance division, in June 2014. Wesfarmers recorded a combined pre-tax profit of $1,040 million during the year in relation to these discontinued operations (refer to note 20);
- The disposal of the Group's 40 per cent interest in the Western Australian-based industrial gas producer and supplier Air Liquide WA Pty Ltd and its associated interest in the Kwinana Industrial Gas Joint Venture in December 2013. On completion of the transaction Wesfarmers recognised a pre-tax profit of $95 million;
- The carrying value of the Target cash generating unit (CGU) exceeded its recoverable amount and an impairment of $677 million was recognised in respect of its goodwill in 'impairment expenses'. The decrease in the recoverable amount largely reflects a financial performance in 2014 below expectations as a result of difficult trading conditions and an increase in the discount rate on account of the risk associated with Target's turnaround strategy (refer to note 17);
- The recognition of a $94 million provision for restructuring activities commenced within the Coles Liquor business;
- The acquisition of additional coal resources, being Mineral Development Licence 162, from Peabody Energy Budjero Pty Ltd for $70 million in January 2014, which is expected to extend Curragh's mine life and provide future options to further optimise mine operations;
- The sale and lease back of a portfolio of 27 Bunnings Warehouse properties for $591 million; and
- A capital return to shareholders of 50 cents per fully-paid ordinary and partially protected share in November 2013, accompanied by a proportionate share consolidation (refer to note 10).

Notes to the financial statements: Segment information

for the year ended 30 June 2014

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

Each segment represents a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision-makers) monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

The types of products and services from which each reportable segment derives its revenues are disclosed below. Segment performance is evaluated based on operating profit or loss (segment result), which in certain respects, is presented differently from operating profit or loss in the consolidated financial statements.

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

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

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

Retail

Coles

- Supermarket and liquor retailer, including a hotel portfolio;
- Retailer of fuel and operator of convenience stores; and
- Coles property business operator.

Home Improvement and Office Supplies (HIOS)

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

Kmart

- Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables; and
- Provision of automotive service, repairs and tyre service.

Target

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

Insurance

- Supplier of specialist rural and small business regional insurance; and
- Supplier of broking services and general insurance through broking intermediaries.

The Group has classified the Insurance segment as a discontinued operation in 2014.

Industrial

Resources

- Coal mining and development; and
- Coal marketing to both domestic and export markets.

Industrial and Safety (WIS)

- Supplier and distributor of maintenance, repair and operating products;
- Manufacture and marketing of industrial gases and equipment;
- Specialised supplier and distributor of industrial safety products and services; and
- Provider of risk management and compliance services.

Chemicals, Energy and Fertilisers (WesCEF)

- Manufacture and marketing of chemicals for industry, mining and mineral processing;
- Manufacture and marketing of broadacre and horticultural fertilisers;
- National marketing and distribution of LPG and LNG;
- LPG and LNG extraction for domestic and export markets; and
- Manufacture, marketing and distribution of industrial, medical and specialty gases.

Other

Includes:

- *Forest products:* non-controlling interest in Wespine Pty Ltd;
- *Property:* non-controlling interest in BWP Trust;
- *Investment banking:* non-controlling interest in Gresham Partners Group Limited;
- *Private equity investment:* non-controlling interests in Gresham Private Equity Fund No. 2 and Gresham Private Equity Fund No. 3; and
- *Corporate:* includes treasury, head office, central support functions and other corporate entity expenses. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

Seasonality

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

- For retail divisions, earnings are typically greater in the December half of the financial year due to the impact of the Christmas holiday shopping period;
- For the Resources division, the majority of the entity's coal contracted tonnages are renewed on an annual basis from April each calendar year and are subject to price renegotiation on a quarterly basis; and
- For the Chemicals, Energy and Fertilisers division, earnings are typically greater in the second half of the financial year due to the impact of the Western Australian winter season break on fertiliser sales.

Geographical information

The table below provides information on the geographical location of revenue and non-current assets (other than financial instruments, deferred tax assets and pension assets). Revenue from external customers is allocated to a geography based on the location of the operation in which it was derived. Non-current assets are allocated based on the location of the operation to which they relate. Revenue and non-current assets from the Insurance division have been excluded.

	Revenue		Non-current assets	
	2014	2013	**2014**	2013
	$m	$m	**$m**	$m
Australia	**58,959**	56,787	**28,949**	29,558
New Zealand	**1,218**	961	**574**	611
Other foreign countries	**4**	1	**5**	19
	60,181	57,749	**29,528**	30,188

Segment information (continued)

	CONTINUING OPERATIONS																		DISCONTINUED OPERATIONS	
	COLES		HIOS		KMART		TARGET		RESOURCES[1]		WIS		WesCEF		OTHER		CONSOLIDATED			
	2014 $m	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Segment revenue	37,391	35,780	10,121	9,167	4,209	4,167	3,501	3,658	1,544	1,539	1,621	1,647	1,812	1,805	(18)	(14)	**60,181**	57,749	2,167	2,083
Adjusted EBITDA[2]	2,157	1,987	1,230	1,145	448	415	167	216	290	299	161	192	314	348	(119)	(116)	**4,648**	4,486	261	243
Depreciation and amortisation	(485)	(454)	(148)	(148)	(82)	(71)	(81)	(80)	(160)	(151)	(30)	(27)	(93)	(99)	(3)	(3)	**(1,082)**	(1,033)	(41)	(38)
Segment result	**1,672**	1,533	**1,082**	997	**366**	344	**86**	136	**130**	148	**131**	165	**221**	249	**(122)**	(119)	**3,566**	3,453	**220**	205
Items not included in segment result[3]	(94)	-	-	-	-	-	(677)	-	-	-	-	-	95	-	-	-	**(676)**	-	1,040	-
EBIT																	**2,890**	3,453	1,260	205
Finance costs																	**(346)**	(417)	(17)	(15)
Profit before income tax expense																	**2,544**	3,036	1,243	190
Income tax expense																	**(939)**	(908)	(159)	(57)
Profit attributable to members of the parent																	**1,605**	2,128	1,084	133
Other segment information																				
Segment assets	20,532	20,367	5,706	5,888	2,131	2,145	2,963	3,561	1,904	1,920	1,349	1,292	1,746	1,675	2,415	1,077	**38,746**	37,925	-	4,440
Investments in associates and joint ventures	43	17	17	-	-	-	-	-	-	-	-	-	89	97	391	306	**540**	420	-	-
Tax assets															441	370	**441**	370	-	-
Total assets																	**39,727**	38,715	-	4,440
Segment liabilities	(3,974)	(4,145)	(1,177)	(957)	(692)	(750)	(486)	(464)	(384)	(420)	(273)	(281)	(355)	(303)	(1,065)	(1,880)	**(8,406)**	(9,200)	-	(1,844)
Tax liabilities															(269)	(310)	**(269)**	(310)	-	-
Interest-bearing liabilities															(5,065)	(4,754)	**(5,065)**	(4,754)	-	(1,025)
Total liabilities																	**(13,740)**	(14,264)	-	(2,869)
Other net assets[4]	(564)	(183)	(3,460)	(3,826)	276	320	(480)	(422)	(1,326)	(1,363)	(474)	(503)	(847)	(819)	6,875	6,796	**-**	-	-	-
Net assets	16,037	16,056	1,086	1,105	1,715	1,715	1,997	2,675	194	137	602	508	633	650	3,723	1,605	**25,987**	24,451	-	1,571
Capital expenditure[5]	1,018	1,181	557	549	162	91	81	91	163	79	51	50	191	273	4	2	**2,227**	2,316	31	26
Share of net profit or loss of associates included in EBIT	-	-	-	-	-	-	-	-	-	-	-	-	22	27	43	21	**65**	48	-	-

1 Resources' result includes Stanwell rebate expenses of $102 million (2013: $154 million) and hedge gains of $8 million (2013: $130 million).

2 Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and other items not included in the segment results outlined in footnote 3.

3 Items not included in the segment result reflect the $94 million Coles Liquor restructuring provision, the $677 million impairment of Target's goodwill, the $95 million gain on disposal of WesCEF's interest in Air Liquide WA Pty Ltd and the $1,040 million gain on disposal of the Insurance division.

4 Other net assets relate predominantly to inter-company financing arrangements and segment tax balances.

5 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is $2,233 million (2013: $2,331 million).

1: Income

	CONSOLIDATED 2014 $m	2013 $m
Sale of goods	**59,881**	57,466
Rendering of services	**12**	9
Other	**288**	274
Revenue	**60,181**	57,749
Gains on disposal of property, plant and equipment	**27**	20
Gains on disposal of controlled entities	**14**	3
Gain on disposal of associate	**95**	-
Other	**206**	204
Other income	**342**	227

Recognition and measurement

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised if it meets the criteria outlined below.

Sale of goods

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

- Merchandise direct to customers through the Group's retail operations;
- Sales to other businesses of products for which the Group has distribution rights, principally related to industrial maintenance and industrial safety;
- Fertilisers and speciality gases;
- Coal, both nationally and internationally; and
- LPG and LNG.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and it can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue from lay-by transactions is recognised on the date when the customer completes payment and takes possession of the merchandise.

Rendering of services

With respect to services rendered, revenue is recognised depending on the stage of completion of those services.

Interest

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

Dividends

Revenue from dividends is recognised when the Group's right to receive the payment is established.

Operating lease rental revenue

Operating lease revenue consists of rentals from investment properties and sub-lease rentals. Rentals received under operating leases and initial direct costs are recognised on a straight line basis over the term of the lease.

Key estimates:

Loyalty program

The Group operates a loyalty points program, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for products, subject to a minimum number of points being obtained. Consideration received on transactions where points are issued is allocated between the products sold and the points issued. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. At 30 June 2014, $168 million of revenue is deferred in relation to the loyalty program (2013: $128 million). Any reasonably possible change in the estimate is unlikely to have a material impact.

Gift cards

Revenue from the sale of gift cards is recognised when the card is redeemed and the customers purchase goods by using the card, or when the customer card is no longer expected to be redeemed. At 30 June 2014, $178 million of revenue is deferred in relation to gift cards (2013: $172 million). The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers, which are reviewed annually based on historical information. Any reassessment of expected redemption rates in a particular year impacts the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any reasonably possible change in the estimate is unlikely to have a material impact.

2: Expenses

	CONSOLIDATED	
	2014	2013
	$m	$m
Remuneration, bonuses and on-costs	**7,111**	6,923
Superannuation expense	**544**	508
Share-based payments expense	**91**	86
Employee benefits expense	**7,746**	7,517
Minimum lease payments	**1,927**	1,769
Contingent rental payments	**85**	66
Other	**490**	506
Occupancy-related expenses	**2,502**	2,341
Depreciation	**875**	842
Amortisation of intangibles	**76**	76
Amortisation other	**131**	115
Depreciation and amortisation	**1,082**	1,033
Impairment of plant, equipment and other assets	**11**	21
Impairment of freehold property	**46**	28
Impairment of goodwill	**677**	-
Impairment expenses	**734**	49
Government mining royalties	**119**	108
Stanwell rebate	**102**	154
Repairs and maintenance	**385**	368
Utilities and office expenses	**1,092**	1,056
Insurance expenses	**251**	205
Other	**1,229**	1,102
Other expenses	**3,178**	2,993
Interest expense	**297**	354
Capitalised interest	**(19)**	(10)
Discount rate adjustment	**38**	42
Amortisation of debt establishment costs	**7**	8
Other finance-related costs	**23**	23
Finance costs	**346**	417

Recognition and measurement

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 9. The policy relating to share-based payments is set out in note 28.

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

Occupancy-related expenses

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and released to the income statement on a straight line basis over the lease term.

Fixed rate increases to lease payments, excluding contingent or index based rental increases, are recognised on a straight line basis over the lease term.

An asset or liability is recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight line basis.

Contingent rental payments

Contingent rental payments are made as a result of either turnover based rentals or movements in relevant indexes. Such payments are recognised in the income statement as they are incurred.

Depreciation and amortisation

Refer to notes 7 and 8 for details on depreciation and amortisation.

Impairment

Impairment expenses are recognised to the extent that the carrying amount of assets exceed their recoverable amount. Refer to note 17 for further details on impairment.

Finance costs

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

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

Capitalisation of borrowing costs

To determine the amount of borrowing costs to be capitalised as part of the costs of major construction projects, the Group uses the weighted average interest rate (excluding non-interest costs) applicable to its outstanding borrowings during the year. For 2014 this was 4.96 per cent (2013: 6.25 per cent).

3: Tax expense

The major components of tax expense are:	CONSOLIDATED 2014 $m	2013 $m
Income statement (continuing operations)		
Current income tax expense		
Current year	**974**	894
Adjustment for prior years	**(9)**	(42)
Deferred income tax expense		
Temporary differences	**(14)**	42
Adjustment for prior years	**(12)**	14
Income tax reported in the income statement	**939**	908
Statement of changes in equity		
Net gain/(loss) on revaluing cash flow hedges	**(26)**	29
Other	**1**	2
Income tax reported in equity	**(25)**	31
Tax reconciliation (continuing operations)		
Profit before tax	**2,544**	3,036
Income tax at the statutory tax rate of 30%	**763**	911
Adjustments relating to prior years	**(21)**	(28)
Carried forward losses recognised	**(29)**	-
Non-deductible items	**220**	13
Share of associated companies net result after tax	**(13)**	12
Tax on undistributed associates' profit	**9**	3
Other	**10**	(3)
Income tax on profit before tax	**939**	908
Deferred income tax in the balance sheet relates to the following:		
Provisions	**213**	214
Employee benefits	**342**	341
Accrued and other payables	**125**	72
Borrowings	**43**	50
Derivatives	**30**	35
Trading stock	**77**	83
Fixed assets	**169**	162
Other individually insignificant balances	**69**	61
Deferred tax assets	**1,068**	1,018
Accelerated depreciation for tax purposes	**178**	202
Mining assets recognised for accounting purposes	**72**	60
Derivatives	**145**	187
Accrued income and other	**108**	57
Intangible assets	**71**	80
Other individually insignificant balances	**53**	62
Deferred tax liabilities	**627**	648
Net deferred tax assets	**441**	370
Deferred income tax in the income statement relates to the following:		
Provisions	**13**	41
Accruals and other	**(18)**	10
Other individually insignificant balances	**(9)**	(9)
Deferred tax expense	**(14)**	42
Unrecognised deferred tax assets		
Capital losses in Australia[1]	**130**	284
Mineral Resources Rent Tax (MRRT)	**217**	151

[1] Capital losses have been utilised to partially offset the tax payable on the gains on disposal of the Insurance division and the Group's share in Air Liquide WA Pty Ltd.

Recognition and measurement

Current taxes

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

Deferred taxes

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

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

– Where they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

– Where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:

1. Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
2. Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

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

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

Offsetting deferred tax balances

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Key estimate: unrecognised deferred tax assets

Capital losses: The Group has unrecognised benefits relating to carried forward capital losses, which can only be offset against eligible capital gains. The Group has determined that at this stage future eligible capital gains to utilise the tax assets are not currently sufficiently probable.

MRRT: A deferred tax asset associated with the MRRT has not been recognised as it is not considered probable that the deferred tax asset will be utilised based on current forecasts and given the repeal of the MRRT subsequent to 30 June 2014. Pre-existing annual royalty and rebate commitments for the Group's only wholly owned and operated mine, Curragh, are already in excess of the effective MRRT rate. For the 2014 financial year over $221 million (2013: $262 million) was paid to the Queensland Government and its instrumentalities by way of standard government royalties and Stanwell rebate.

4: Cash and cash equivalents

	CONSOLIDATED	
	2014	2013
	$m	$m
Cash on hand and in transit	**403**	615
Cash at bank and on deposit	**1,664**	520
Insurance broking trust accounts	**-**	198
	2,067	1,333
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**2,689**	2,261
Non-cash items		
Depreciation and amortisation	**1,123**	1,071
Impairment and writedowns of assets	**734**	49
Gain on disposal of controlled entities	**(1,054)**	(3)
Gain on disposal of associate	**(95)**	-
Net loss on disposal of non-current assets	**41**	21
Share of (profits)/losses of associates and joint ventures	**(65)**	(48)
Dividends and distributions received from associates	**50**	67
Capitalised borrowing costs	**(19)**	(10)
Discount adjustment in borrowing costs	**38**	42
Other	**20**	27
(Increase)/decrease in assets		
Trade and other receivables	**54**	31
Inventories	**(266)**	(17)
Prepayments	**(28)**	(24)
Reinsurance and other recoveries	**198**	290
Deferred tax assets	**(40)**	74
Other assets	**34**	(90)
Increase/(decrease) in liabilities		
Trade and other payables	**(91)**	552
Current tax payable	**(35)**	(148)
Provisions	**59**	(35)
Other liabilities	**(121)**	(179)
Net cash flows from operating activities	**3,226**	3,931
Capital expenditure		
Net capital expenditure		
Payment for property	**612**	734
Payment for plant and equipment	**1,499**	1,455
Payment for intangibles	**122**	142
	2,233	2,331
Less: Proceeds from sale of property, plant, equipment and intangibles	**1,017**	659
Net capital expenditure	**1,216**	1,672

Recognition and measurement

Cash at bank and on deposit

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand, and short-term deposits with an original maturity of three months or less, excluding deposits held as investments by the Insurance business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Insurance broking trust accounts

In accordance with local laws, all broking receipts were held in separate insurance broking bank accounts and approved investments. These deposits could not be used for purposes other than the payment of underwriters and refunds to policy holders.

5: Trade and other receivables

	CONSOLIDATED	
	2014	2013
	$m	$m
Trade receivables	**1,050**	1,736
Allowance for credit losses	**(52)**	(49)
Finance advances and loans	**-**	307
Other debtors	**586**	347
	1,584	2,341
Allowance for credit losses		
Movements in the allowance for credit losses were as follows:		
Carrying value at the beginning of the year	**49**	48
Allowance for credit losses recognised	**9**	9
Receivables written off as uncollectable	**(4)**	(8)
Unused amounts reversed	**(2)**	-
Allowance for credit losses at year end	**52**	49
Trade receivables past due but not impaired		
Under three months	**116**	243
Three to six months	**24**	33
Over six months	**2**	15
	142	291

Recognition and measurement

Trade receivables generally have terms of up to 30 days. They are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment.

Customers who wish to trade on credit terms are subject to extensive credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Impairment of trade receivables

Collectability and impairment are assessed on an ongoing basis at a divisional level. Impairment is recognised in the income statement when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Debts that are known to be uncollectable are written off when identified. If an impairment allowance has been recognised for a debt that then becomes uncollectable, the debt is written off against the allowance account. If an amount is subsequently recovered, it is credited against profit or loss.

Finance advances and loans

Finance advances and loans consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost. A risk assessment process is used for new loan applications, which ranges from conducting credit assessments to relying on the assessments of financial risk provided by credit insurers.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

6: Inventories

	CONSOLIDATED	
	2014	2013
	$m	$m
Raw materials	**117**	103
Work in progress	**31**	27
Finished goods	**5,188**	4,917
	5,336	5,047

Inventories recognised as an expense for the year ended 30 June 2014 totalled $44,069 million (2013: $42,218 million).

Recognition and measurement

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

Key estimate: net realisable value

The key assumptions, which require the use of management judgement, are the variables affecting estimated costs to sell and the expected selling price. These key assumptions are reviewed annually. The total expense relating to inventory writedowns during the year was $19 million (2013: $51 million). Any reasonably possible change in the estimate is unlikely to have a material impact.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- *Raw materials* – purchase cost on a weighted average basis.
- *Manufactured finished goods and work in progress* – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. Work in progress also includes run-of-mine coal stocks for the Resources division, consisting of production costs of drilling, blasting and overburden removal.
- *Retail and wholesale merchandise finished goods* – purchase cost on a weighted average basis, after deducting any settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are recognised as a reduction in the cost of inventory.

7: Property, plant and equipment

CONSOLIDATED	PROPERTY		PLANT AND EQUIPMENT			
	Freehold land $m	Buildings $m	Leasehold improve-ments $m	Plant, vehicles and equipment $m	Mineral lease and development $m	Total $m
Year ended 30 June 2014						
Cost	**1,580**	**955**	**1,396**	**11,368**	**719**	**16,018**
Accumulated depreciation and impairment	**-**	**(116)**	**(476)**	**(5,233)**	**(241)**	**(6,066)**
Net carrying amount	**1,580**	**839**	**920**	**6,135**	**478**	**9,952**
Movement						
Net carrying amount at the beginning of the year	**1,924**	**1,023**	**805**	**5,987**	**425**	**10,164**
Additions	**174**	**436**	**203**	**1,223**	**81**	**2,117**
Disposals and write-offs	**(519)**	**(565)**	**(20)**	**(84)**	**-**	**(1,188)**
Depreciation and amortisation	**-**	**(20)**	**(95)**	**(880)**	**(38)**	**(1,033)**
Acquisition/(disposal) of controlled entities	**-**	**-**	**-**	**(84)**	**-**	**(84)**
Transfers between classes	**6**	**(33)**	**27**	**-**	**-**	**-**
Other including foreign exchange movements	**(5)**	**(2)**	**-**	**(27)**	**10**	**(24)**
Net carrying amount at the end of the year	**1,580**	**839**	**920**	**6,135**	**478**	**9,952**
Assets under construction included above:	**-**	**238**	**151**	**483**	**-**	**872**
Year ended 30 June 2013						
Cost	1,924	1,141	1,214	10,821	628	15,728
Accumulated depreciation and impairment	-	(118)	(409)	(4,834)	(203)	(5,564)
Net carrying amount	1,924	1,023	805	5,987	425	10,164
Movement						
Net carrying amount at the beginning of the year	1,714	917	737	5,641	454	9,463
Additions	359	387	168	1,265	14	2,193
Disposals and write-offs	(154)	(264)	(20)	(82)	-	(520)
Depreciation and amortisation	-	(19)	(82)	(846)	(34)	(981)
Other including foreign exchange movements	5	2	2	9	(9)	9
Net carrying amount at the end of the year	1,924	1,023	805	5,987	425	10,164
Assets under construction included above:	-	398	121	970	-	1,489

Recognition and measurement

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

Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight line basis over their useful lives. The estimated useful life of buildings is between 20 and 40 years; plant and equipment is between 3 and 40 years. Land is not depreciated.

Expenditure on mining areas of interest in which production has commenced is amortised over the life of the mine, based on the rate of depletion of the economically recoverable reserves. If production has not yet commenced, amortisation is not charged.

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

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits.

Any gain or loss from derecognising the asset (the difference between) the proceeds of disposal and the carrying amount of the asset) is included in the income statement in the period the item is derecognised.

Impairment

Refer to note 17 for details on impairment testing.

Key estimate: useful lives of assets

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

8: Goodwill and intangible assets

CONSOLIDATED	GOODWILL Goodwill $m	INTANGIBLE ASSETS Trade names $m	 Contractual and non-contractual relationships[1] $m	 Software $m	 Gaming and liquor licences $m	Total $m
Year ended 30 June 2014						
Cost	**15,410**	**3,808**	**42**	**908**	**159**	**20,327**
Accumulated amortisation and impairment	**(900)**	**(17)**	**(4)**	**(450)**	**-**	**(1,371)**
Net carrying amount	**14,510**	**3,791**	**38**	**458**	**159**	**18,956**
Movement						
Net carrying amount at the beginning of the year	**16,151**	**3,795**	**101**	**405**	**158**	**20,610**
Additions	**-**	**-**	**1**	**130**	**2**	**133**
(Disposal)/acquisition of controlled entities	**(995)**	**-**	**(54)**	**(5)**	**1**	**(1,053)**
Amortisation for the year	**-**	**(4)**	**(14)**	**(72)**	**-**	**(90)**
Impairment charge	**(677)**	**-**	**-**	**-**	**(2)**	**(679)**
Other including foreign exchange movements	**31**	**-**	**4**	**-**	**-**	**35**
Net carrying amount at the end of the year	**14,510**	**3,791**	**38**	**458**	**159**	**18,956**
Year ended 30 June 2013						
Cost	16,374	3,808	175	800	158	21,315
Accumulated amortisation and impairment	(223)	(13)	(74)	(395)	-	(705)
Net carrying amount	16,151	3,795	101	405	158	20,610
Movement						
Net carrying amount at the beginning of the year	16,097	3,798	110	331	154	20,490
Additions	-	-	-	148	1	149
Acquisitions of controlled entities	32	-	1	-	-	33
Amortisation for the year	-	(3)	(14)	(73)	-	(90)
Impairment (charge)/reversal	-	-	-	(1)	3	2
Other including foreign exchange movements	22	-	4	-	-	26
Net carrying amount at the end of the year	16,151	3,795	101	405	158	20,610

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

Recognition and measurement

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Refer to note 17 for further details on impairment.

Intangible assets

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

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

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

Intangible asset	Useful life
Trade names	Indefinite and finite (up to 20 years)
Contractual and non-contractual relationships	Finite (up to 15 years)
Software	Finite (up to seven years)
Gaming and liquor licences	Indefinite

Indefinite useful life is reviewed at each reporting period to determine whether it continues to be appropriate. If not, it is changed to a finite life and accounted for prospectively as a change in accounting estimate.

Key judgement: useful lives of intangible assets

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

Gaming and liquor licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.

Notes to the financial statements: Key numbers | for the year ended 30 June 2014

8: Goodwill and intangible assets (continued)

	CONSOLIDATED	
	2014 $m	2013 $m
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of intangibles		
Home Improvement and Office Supplies		
– Bunnings	**1**	1
– Officeworks	**160**	160
Industrial and Safety	**10**	10
Coles	**2,968**	2,967
Kmart	**268**	268
Target	**533**	535
	3,940	3,941
Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Chemicals, Energy and Fertilisers	**6**	6
Home Improvement and Office Supplies		
– Bunnings	**866**	866
– Officeworks	**799**	799
Industrial and Safety	**567**	548
Insurance	**-**	988
Coles	**10,258**	10,253
Kmart	**759**	759
Target	**1,255**	1,932
	14,510	16,151

Impairment

Refer to note 17 for details on impairment testing.

9: Provisions

	CONSOLIDATED	
	2014 $m	2013 $m
Current		
Employee benefits	**967**	1,025
Self-insured risks	**247**	157
Restructuring and make good	**91**	25
Surplus leased space	**13**	14
Off-market contracts	**77**	75
Other	**78**	83
	1,473	1,379
Non-current		
Employee benefits	**175**	177
Self-insured risks	**372**	388
Mine and plant rehabilitation	**208**	214
Restructuring and make good	**7**	7
Surplus leased space	**20**	28
Off-market contracts	**28**	105
Other	**262**	198
	1,072	1,117
Total provisions	**2,545**	2,496

Recognition and measurement

Provisions are recognised when:

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

Key estimate: discounting

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not included in the cash flows.

Provisions have been calculated using discounted rates between two per cent and four per cent (2013: between two per cent and four per cent).

Employee benefits

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

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date, are recognised in provisions and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

9: Provisions (continued)

Annual leave and long service leave

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

Key estimate: long service leave

Management judgement is required in determining the following key assumptions used in the calculation of long service leave at balance date:

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

The total long service leave liability is $522 million (2013: $498 million). Given the magnitude of the liability and the nature of the key assumptions, any reasonably possible change in one or a combination of the estimates is unlikely to have a material impact.

Surplus leased space

The surplus leased space provision covers future payments for leased premises that are surplus to the Group's requirements, net of actual and expected sub-leasing revenue, for commitments of up to four years (2013: four years). Actual lease payments may vary from the amounts provided where alternate uses are found for these premises, including attraction of new tenants.

Off-market contracts

Wesfarmers took on responsibility for a number of contracts that were in place when it acquired the Coles group. Changes in market conditions had resulted in the original terms of a significant contract becoming unfavourable in comparison to market supply conditions present at the date of acquisition.

The obligation for the discounted future above-market payments has been provided for, calculated using a discount rate of nine per cent. The value of the contract is released to earnings over the period of the contract and expires in 2015.

Self-insured risks

The Group is self-insured for workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuarially determined method.

Key estimate: self-insured risks

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

- future inflation;
- investment return;
- average claim size;
- claim development; and
- claim administration expenses.

These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers' compensation or claims expense (either increasing or decreasing the expense).

Mine and plant rehabilitation

Mining lease agreements and Group policies impose obligations to remediate areas where mining activity has taken place. Work is ongoing at various sites and in some cases will extend for more than 20 years. Provisions for remediation have been calculated assuming current technologies. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates.

Restructuring and make good

These provisions relate principally to:

- the closure of retail outlets or distribution centres;
- the disaggregation of shared services and supply chain within the former Coles group divisions;
- restructuring; and
- associated redundancies.

Provisions for restructuring are recognised where steps have been taken to implement a detailed plan, including discussions with affected personnel, with employee-related costs recognised over the period of any required further service.

CONSOLIDATED	Surplus leased space $m	Off-market contracts $m	Self-insured risks $m	Mine and plant rehabilitation $m	Restructuring and make good $m	Other $m	Total $m
Carrying amount at 1 July 2012	45	261	590	223	67	201	1,387
Arising during the year	6	16	120	7	27	164	340
Utilised	(9)	(89)	(165)	-	(62)	(84)	(409)
Adjustments	-	(8)	-	(16)	-	-	(24)
Carrying amount at 30 June 2013 and 1 July 2013	**42**	**180**	**545**	**214**	**32**	**281**	**1,294**
Arising during the year	**1**	**14**	**239**	**17**	**128**	**164**	**563**
Utilised	**(10)**	**(89)**	**(165)**	**(23)**	**(62)**	**(107)**	**(456)**
Adjustments	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Carrying amount at 30 June 2014	**33**	**105**	**619**	**208**	**98**	**340**	**1,403**

Notes to the financial statements: Capital

for the year ended 30 June 2014

10: Capital management

The Group's capital management objectives

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

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

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

		CONSOLIDATED	
		2014	2013
	Note	**$m**	$m
Equity and reserves			
Issued capital	12	**22,708**	23,290
Reserved shares	12	**(30)**	(26)
Retained earnings	12	**2,901**	2,375
Reserves	12	**408**	383
		25,987	26,022
Net financial debt			
Total interest-bearing debt	14	**5,065**	5,779
Less: Cash and cash equivalents	4	**(2,067)**	(1,333)
		2,998	4,446
Net capital		**28,985**	30,468

The Group manages its capital through various means, including:

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

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

	CONSOLIDATED[1]	
	2014	2013
	$m	$m
Cash interest cover		
Profit before income tax	**3,787**	3,226
Finance costs	**363**	432
Depreciation and amortisation	**1,123**	1,071
EBITDA (A)	**5,273**	4,729
Net cash interest paid (excluding interest revenue earned in any Insurance business) (B)	**332**	389
Cash interest cover (times) (A/B)	**15.9**	12.2
Debt cover		
Total interest-bearing debt	**5,065**	5,779
Less: cash and cash equivalents	**(2,067)**	(1,333)
Net financial debt (C)	**2,998**	4,446
EBITDA (A)	**5,273**	4,729
Debt cover (times) (C/A)	**0.6**	0.9
Fixed charges cover		
EBITDA	**5,273**	4,729
Minimum lease payments	**1,953**	1,794
EBITDA plus minimum lease payments (D)	**7,226**	6,523
Finance costs (net of discount adjustment), and minimum lease payments (E)	**2,278**	2,184
Fixed charges cover (times) (D/E)	**3.2**	3.0
Group credit ratings		
Standard & Poor's	**A-(stable)**	A-(stable)
Moody's	**A3(stable)**	A3(stable)

[1] The income statement metrics include both continuing and discontinued operations.

Capital return and share consolidation

On 15 November 2013, Wesfarmers undertook a capital return of 50 cents per fully-paid ordinary share and partially protected share, accompanied by a proportionate share consolidation at a rate of one for 0.9876.

Reclassification of partially protected shares

On 21 November 2013, the trigger for the early reclassification of Wesfarmers' partially protected shares into Wesfarmers ordinary shares occurred. As a result, all outstanding partially protected shares were reclassified into Wesfarmers ordinary shares on 9 December 2013 on a one-for-one basis.

11: Dividends and distributions

	CONSOLIDATED	
	2014	2013
	$m	$m
Declared and paid during the period		
Final dividend for 2013: $1.03 (2012: $0.95) (fully-franked at 30 per cent)	**1,192**	1,099
Interim dividend for 2014: $0.85 (2013: $0.77) (fully-franked at 30 per cent)	**972**	891
Capital return for 2014: $0.50	**585**	-
	2,749	1,990
Proposed and unrecognised as a liability		
Final dividend for 2014: $1.05 (2013: $1.03) (fully-franked at 30 per cent)	**1,200**	1,192
Special 'Centenary' dividend for 2014: $0.10 (fully-franked at 30 per cent)	**114**	-
Distribution for 2014: $1.00	**1,143**	-
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for the payment of income tax and dividends receivable or payable	**471**	243
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	**(563)**	(511)

Wesfarmers' dividend policy considers free cash flow generation, profit generation, availability of franking credits and seeks to deliver growing dividends over time.

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

An issue of shares under the dividend investment plan results in an increase in issued capital unless the Group elects to purchase the required number of shares on-market.

12: Equity and reserves

	Ordinary shares		Partially protected shares		Total issued capital		Reserved shares	
Movement in shares on issue	Thousands	$m	Thousands	$m	Thousands	$m	Thousands	$m
At 1 July 2012	1,006,509	16,969	150,563	6,317	1,157,072	23,286	(3,169)	(31)
Own shares acquired	-	-	-	-	-	-	(89)	(3)
Exercise of in-substance options	-	-	-	-	-	-	410	4
Dividends applied	-	-	-	-	-	-	-	4
Issue of ordinary shares under the Wesfarmers Annual Incentive Plan	67	2	-	-	67	2	-	-
Issue of ordinary shares under the Wesfarmers Employee Share Acquisition Plan	55	2	-	-	55	2	-	-
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	41	2	(41)	(2)	-	-	-	-
At 30 June 2013 and 1 July 2013	**1,006,672**	**16,975**	**150,522**	**6,315**	**1,157,194**	**23,290**	**(2,848)**	**(26)**
Own shares acquired	**-**	**-**	**-**	**-**	**-**	**-**	**(265)**	**(12)**
Exercise of in-substance options	**-**	**-**	**-**	**-**	**-**	**-**	**326**	**4**
Dividends applied	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
	(12,241)	**(510)**	**(1,739)**	**(75)**	**(13,980)**	**(585)**	**-**	**-**
Issue of ordinary shares under the Wesfarmers Employee Share Acquisition Plan	**61**	**3**	**-**	**-**	**61**	**3**	**-**	**-**
Partially protected ordinary shares converted to ordinary shares at:								
- $41.95 per share	**20**	**1**	**(20)**	**(1)**	**-**	**-**	**-**	**-**
- $42.92 per share	**484**	**21**	**(484)**	**(21)**	**-**	**-**	**-**	**-**
Partially protected ordinary shares converted to ordinary shares on a one-for-one basis	**148,279**	**6,218**	**(148,279)**	**(6,218)**	**-**	**-**	**-**	**-**
At 30 June 2014	**1,143,275**	**22,708**	**-**	**-**	**1,143,275**	**22,708**	**(2,787)**	**(30)**

12: Equity and reserves (continued)

The nature of the Group's contributed equity

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

All outstanding partially protected shares (PPS) were reclassified into ordinary shares on 9 December 2013 on a one-for-one basis. PPS carried the same rights as ordinary shares, but also provided a level of downside share price protection.

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

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

CONSOLIDATED	Retained earnings $m	Restructure tax reserve $m	Capital reserve $m	Foreign currency translation reserve $m	Cash flow hedge reserve $m	Available-for-sale financial assets reserve $m	Share-based payments reserve $m
Balance at 1 July 2012	2,103	150	24	(66)	160	1	-
Net profit	2,261	-	-	-	-	-	-
Dividends	(1,990)	-	-	-	-	-	-
Remeasurement gain on defined benefit plan	1	-	-	-	-	-	-
Net gain on financial instruments recognised in equity	-	-	-	-	193	3	-
Tax effect of revaluation	-	-	-	-	(58)	(1)	-
Realised losses transferred to balance sheet/net profit	-	-	-	-	(95)	-	-
Tax effect of transfers	-	-	-	-	29	-	-
Currency translation differences	-	-	-	40	-	-	-
Share-based payment transactions	-	-	-	-	-	-	3
Balance at 30 June 2013 and 1 July 2013	**2,375**	**150**	**24**	**(26)**	**229**	**3**	**3**
Net profit	**2,689**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends	**(2,164)**	**-**	**-**	**-**	**-**	**-**	**-**
Remeasurement gain on defined benefit plan	**1**	**-**	**-**	**-**	**-**	**-**	**-**
Net gain on financial instruments recognised in equity	**-**	**-**	**-**	**-**	**26**	**3**	**-**
Tax effect of revaluation	**-**	**-**	**-**	**-**	**(8)**	**(1)**	**-**
Realised losses transferred to balance sheet/net profit	**-**	**-**	**-**	**-**	**(114)**	**-**	**-**
Tax effect of transfers	**-**	**-**	**-**	**-**	**34**	**-**	**-**
Currency translation differences	**-**	**-**	**-**	**76**	**-**	**-**	**-**
Share-based payment transactions	**-**	**-**	**-**	**-**	**-**	**-**	**9**
Balance at 30 June 2014	**2,901**	**150**	**24**	**50**	**167**	**5**	**12**

Nature and purpose of reserves

Restructure tax reserve

The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 ownership simplification plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.

Capital reserve

The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash flow hedge reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

Available-for-sale financial assets reserve

The available-for-sale reserve records fair value changes on available-for-sale investments.

Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 28 for further details of these plans.

13: Earnings per share

	CONSOLIDATED 2014	2013
Profit attributable to ordinary equity holders of the parent ($m)	**2,689**	2,261
WANOS[1] used in the calculation of basic EPS[2,3] (shares, million)	**1,146**	1,154
WANOS[1] used in the calculation of diluted EPS[2,3] (shares, million)	**1,148**	1,156
Basic EPS (cents per share)	**234.6**	195.9
Diluted EPS (cents per share)	**234.2**	195.6

1. Weighted average number of ordinary shares (WANOS).
2. Includes Wesfarmers' PPS.
3. The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to in-substance options.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements which would impact on the above EPS calculations.

Calculation of earnings per share

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

– costs of servicing equity (other than dividends);

– the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

– other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

14: Interest-bearing loans and borrowings

	CONSOLIDATED 2014 $m	2013 $m
Current		
Unsecured		
Commercial paper	**-**	32
Term loans	**222**	-
Bank overdrafts	**1**	4
Corporate bonds	**502**	-
Other bank loans	**20**	34
	745	70
Non-current		
Unsecured		
Term loans	**-**	767
Other bank loans	**-**	100
Corporate bonds	**4,320**	4,842
	4,320	5,709
Total interest-bearing loans and borrowings	**5,065**	5,779

Recognition and measurement

All loans and borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Funding activities

The following table provides details of all loans and borrowings on issue at 30 June 2014:

Loans and borrowings detail	Expiry	Carrying value 2014 $m	2013 $m
Commercial paper NZ$38 million	15/07/2013	**-**	32
Other bank loan NZ$41 million	29/10/2013	**-**	34
Corporate bond A$100 million	11/09/2014	**100**	100
Corporate bond A$400 million	11/09/2014	**402**	413
Other bank loan NZ$22 million	29/10/2014	**20**	-
Term loan A$550 million	21/12/2014	**-**	545
Term loan A$222 million	27/02/2015	**222**	222
Corporate bond €500 million	10/07/2015	**740**	731
Other bank loan A$100 million	23/04/2016	**-**	100
Corporate bond US$650 million	18/05/2016	**705**	721
Corporate bond A$500 million	04/11/2016	**498**	496
Corporate bond US$750 million	20/03/2018	**779**	785
Corporate bond A$500 million	28/03/2019	**494**	493
Corporate bond A$350 million	12/03/2020	**348**	348
Corporate bond €650 million	02/08/2022	**756**	755
		5,064	5,775

During June 2014, revolving debt facilities were repaid using part of the proceeds from the sale of the Insurance division. Wesfarmers revolving facilities remained A$20 million drawn as at 30 June 2014.

In August 2014, the Group cancelled the term loan that was due to expire on 21 December 2014. For further information on the Group's debt arrangements, refer to www.wesfarmers.com.au/debt-investors

Notes to the financial statements: Risk

for the year ended 30 June 2014

15: Financial risk management

The Group holds financial instruments for the following purposes:

Financing: to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The principal types of instruments used include syndicated and other bank loans, bank accepted bills, commercial paper, corporate bonds and cash and short-term deposits.

Operational: the Group's activities generate financial instruments, including cash, trade receivables, trade payables and finance advances.

Risk management: to reduce risks arising from the financial instruments described above, including forward exchange contracts and interest rate swaps.

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

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

- liquidity risk (note 15(b));
- market risk, including foreign currency, interest rate and commodity price risk (note 15(c)); and
- credit risk (note 15(d)).

These risks affect the fair value measurements applied by the Group. This is discussed further within note 15(e).

15(a) Offsetting financial instruments

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

The amounts set out in note 16 represent the derivative financial assets and liabilities of the Group, that are subject to the above arrangements and are presented on a gross basis.

15(b) Liquidity risk

Nature of the risk

Wesfarmers is exposed to liquidity risk primarily due to its capital management policies, which view debt as a key element of the Group's capital structure (see note 10). In addition, Wesfarmers maintains a flexible financing structure to enable it to take advantage of new investment opportunities that may arise. To facilitate effective use of debt as part of the capital structure, the Group continues to maintain investment grade credit ratings from Standard & Poor's and Moody's.

These policies expose the Group to risk including the sufficiency of available unused facilities and the maturity profile of existing financial instruments.

Liquidity risk management

Liquidity risk is managed centrally by Group Treasury, by considering over a period of time the operating cash flow forecasts of the underlying businesses and the degree of access to debt and equity capital markets.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of the principal. The Group aims to spread maturities to avoid excessive refinancing in any period.

The Group endeavours to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets with highly rated counterparties.

	CONSOLIDATED	
	2014	2013
Financing facilities available	**$m**	$m
Total facilities		
Term loans	**1,472**	1,472
Commercial paper	**60**	160
Other bank loans	**2,867**	2,356
	4,399	3,988
Facilities used at balance date		
Term loans	**222**	772
Commercial paper	**-**	32
Other bank loans	**20**	134
	242	938
Facilities unused at balance date		
Term loans	**1,250**	700
Commercial paper	**60**	128
Other bank loans	**2,847**	2,222
	4,157	3,050

Assets pledged as security

A controlled entity has issued a floating charge over assets, capped at $80 million, as security for payment obligations to a trade creditor. The assets are excluded from financial covenants in all debt documentation.

Maturity of financial liabilities

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

Expected future interest payments on loans and borrowings exclude accruals already recognised in trade and other payables. Derivative cash flows exclude accruals recognised in trade and other payables.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid.

For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables, and have been estimated using forward interest rates applicable at the reporting date.

15(b) Liquidity risk (continued)

CONSOLIDATED	< 3 months, or on demand $m	>3-<6 months $m	>6-<12 months $m	>1-<2 years $m	>2-<3 years $m	>3-<4 years $m	>4-<5 years $m	>5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities $m
Year ended 30 June 2014										
Non-derivatives										
Trade and other payables	5,388	16	13	-	-	-	-	-	5,417	5,417
Loans and borrowings before swaps	501	20	222	1,466	500	856	500	1,553	5,618	5,065
Expected future interest payments on loans and borrowings	26	22	61	170	106	92	77	143	697	-
Total non-derivatives	5,915	58	296	1,636	606	948	577	1,696	11,732	10,482
Derivatives										
Hedge interest rate swaps (net settled)	(2)	-	-	-	-	-	-	-	(2)	(2)
Cross currency interest rate swaps (gross settled)										
– (inflow)	(6)	(8)	(18)	(1,558)	(43)	(900)	(29)	(1,330)	(3,892)	(349)
– outflow	15	23	66	1,469	77	798	45	921	3,414	-
Net cross currency interest rate swaps	9	15	48	(89)	34	(102)	16	(409)	(478)	(349)
Hedge foreign exchange contracts (gross settled)										
– (inflow)	(1,044)	(879)	(1,198)	(1,029)	(394)	(182)	-	-	(4,726)	(34)
– outflow	1,048	882	1,192	1,022	380	168	-	-	4,692	-
Net foreign exchange contracts	4	3	(6)	(7)	(14)	(14)	-	-	(34)	(34)
Total derivatives	11	18	42	(96)	20	(116)	16	(409)	(514)	(385)
Year ended 30 June 2013										
Non-derivatives										
Trade and other payables	5,929	39	31	8	-	-	-	-	6,007	6,007
Loans and borrowings before swaps	35	35	-	1,271	1,601	500	907	2,050	6,399	5,779
Expected future interest payments on loans and borrowings	31	32	97	216	175	105	93	219	968	-
Total non-derivatives	5,995	106	128	1,495	1,776	605	1,000	2,269	13,374	11,786
Derivatives										
Hedge interest rate swaps (net settled)	(3)	1	(6)	(7)	(1)	-	-	-	(16)	(15)
Non-hedge interest rate swaps (net settled)	1	-	-	-	-	-	-	-	1	1
Cross currency interest rate swaps (gross settled)										
– (inflow)	(6)	(8)	(18)	(92)	(1,595)	(44)	(952)	(1,356)	(4,071)	(342)
– outflow	15	23	66	140	1,481	82	807	966	3,580	-
Net cross currency interest rate swaps	9	15	48	48	(114)	38	(145)	(390)	(491)	(342)
Hedge foreign exchange contracts (gross settled)										
– (inflow)	(1,047)	(741)	(916)	(848)	(463)	(228)	-	-	(4,243)	(149)
– outflow	985	702	879	820	479	237	-	-	4,102	-
Net foreign exchange contracts	(62)	(39)	(37)	(28)	16	9	-	-	(141)	(149)
Total derivatives	(55)	(23)	5	13	(99)	47	(145)	(390)	(647)	(505)

15(c) Market risk

Nature of foreign currency risk

The Group's primary currency exposure is to US dollars and arises from sales or purchases by a division in currencies other than the division's functional currency. The Group is also exposed to the US dollar and Euro through its borrowing facilities.

As a result of operations in New Zealand, the Group's balance sheet can also be affected by movements in the AUD/NZD exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in NZ dollars in New Zealand. As the Insurance division has been sold, the Group no longer has a material NZ dollar exposure.

Exposure

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

CONSOLIDATED	USD A$m	EUR A$m
2014		
Financial assets		
Cash and cash equivalents	**38**	**-**
Trade and other receivables	**150**	**-**
Cross currency interest rate swap	**164**	**204**
Hedge foreign exchange derivative assets	**36**	**-**
Financial liabilities		
Trade and other payables	**606**	**31**
Interest-bearing loans and borrowings	**1,484**	**1,496**
Cross currency interest rate swap	**-**	**19**
Hedge foreign exchange derivative liabilities	**-**	**2**
2013		
Financial assets		
Cash and cash equivalents	71	1
Trade and other receivables	148	3
Cross currency interest rate swap	195	176
Hedge foreign exchange derivative assets	146	3
Financial liabilities		
Trade and other payables	413	10
Interest-bearing loans and borrowings	1,512	1,490
Cross currency interest rate swap	-	29

Foreign currency risk management

The hedging function of the Group to address foreign currency risk is managed centrally. The Group requires all divisions to hedge foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. Before hedging, the divisions are also required to take into account their competitive position. The hedging instrument must be in the same currency as the hedged item. Divisions are not permitted to speculate on future currency movements.

The objective of Wesfarmers' policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons:

- protection of competitive position; and
- greater certainty of earnings due to protection from sudden currency movements.

The Group aims to hedge approximately 45 per cent to 55 per cent (over five years) of its foreign currency sales for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to June 2018. Such foreign currency purchases arise predominantly in the Resources division.

The Group aims to hedge approximately 70 to 100 per cent of its non-capital expenditure-related foreign currency purchases for which firm commitments or highly probable forecast transactions exist, up to 12 months forward. The Group currently hedges 100 per cent of capital expenditure-related foreign currency purchases to match expected payment dates and these may extend beyond 12 months. The current hedge contracts extend out to May 2016. The Group has also hedged 100 per cent of its US dollar and Euro borrowing facilities.

The Wesfarmers Audit Committee can approve temporary amendments to this policy, such as the hedging time horizon and hedge levels, with such amendments reviewed on a regular basis.

The Group's sensitivity to foreign exchange movements

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange risk exposures existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements.

The following exchange rates have been used in performing the sensitivity analysis:

	USD	EUR
Actual 2014	**0.94**	**0.69**
+10%	**1.03**	**0.76**
-10%	**0.85**	**0.62**
Actual 2013	0.92	0.71
+10%	1.01	0.78
-10%	0.83	0.64

The impact on profit and equity is estimated by relating the hypothetical changes in the US dollar and Euro exchange rate to the balance of financial instruments at the reporting date. Foreign currency risks, as defined by AASB 7 *Financial Instruments: Disclosures*, arise on account of financial instruments being denominated in a currency that is not the functional currency in which the financial instrument is measured.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis and as such the NZ dollar has no material impact. The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

- the impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit;
- to the extent that the foreign currency denominated derivatives on balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not affect profit; and
- movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net effect on profit.

At 30 June 2014, had the Australian dollar moved against the US dollar and Euro, as illustrated in the table above, with all other variables held constant, the Group's profit after tax and other equity would have been affected by the change in value of its financial assets and financial liabilities as shown in the table on the following page.

15(c) Market risk (continued)

CONSOLIDATED	USD exposure A$m	AUD/USD + 10% Impact on profit A$m	AUD/USD + 10% Impact on equity A$m	AUD/USD - 10% Impact on profit A$m	AUD/USD - 10% Impact on equity A$m	EUR exposure A$m	AUD/EUR + 10% Impact on profit A$m	AUD/EUR + 10% Impact on equity A$m	AUD/EUR - 10% Impact on profit A$m	AUD/EUR - 10% Impact on equity A$m
Year ended 30 June 2014										
Financial assets										
Cash and cash equivalents	**38**	**(3)**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**
Trade and other receivables	**150**	**(11)**	**-**	**11**	**-**	**-**	**-**	**-**	**-**	**-**
Cross currency interest rate swap	**164**	**(95)**	**(3)**	**116**	**4**	**204**	**-**	**(69)**	**-**	**84**
Hedge foreign exchange derivative assets	**36**	**(26)**	**(9)**	**31**	**11**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables	**606**	**42**	**-**	**(42)**	**-**	**31**	**2**	**-**	**(2)**	**-**
Interest-bearing loans and borrowings	**1,484**	**95**	**-**	**(116)**	**-**	**1,496**	**48**	**-**	**(59)**	**-**
Cross currency interest rate swap	**-**	**-**	**-**	**-**	**-**	**19**	**(48)**	**(1)**	**59**	**2**
Hedge foreign exchange derivative assets	**-**	**-**	**-**	**-**	**-**	**2**	**(1)**	**(4)**	**2**	**5**
Net impact		**2**	**(12)**	**3**	**15**		**1**	**(74)**	**-**	**91**
Year ended 30 June 2013										
Financial assets										
Cash and cash equivalents	71	(5)	-	5	-	1	-	-	-	-
Trade and other receivables	148	(10)	-	10		3	-	-	-	-
Cross currency interest rate swap	195	(96)	(4)	118	5	147	(48)	(66)	58	80
Hedge foreign exchange derivative assets	146	-	44	-	(55)	3	-	(4)	-	5
Financial liabilities										
Trade and other payables	413	29	-	(29)	-	10	1	-	(1)	-
Interest-bearing loans and borrowings	1,512	96	-	(118)	-	1,490	48	-	(58)	-
Net impact		14	40	(14)	(50)		1	(70)	(1)	85

Nature of interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.

Interest rate risk management

The policy of the Group is to limit the Group's exposure to adverse fluctuations in interest rates, which could erode Group profitability and adversely affect shareholder value. The policy requires that an interest rate risk management (IRRM) plan be developed based on cash flow forecasts. A committee comprising senior management meets periodically to review the IRRM plan and make interest rate hedging recommendations, which are provided to the Finance Director for approval. The Group's interest rate hedging profile is regularly reported to the Wesfarmers Board and senior executives.

To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. At 30 June 2014, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 58 per cent of the Group's core borrowings are exposed to movements in variable rates (2013: approximately 33 per cent).

From a Group perspective, any internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Although Wesfarmers has issued US and Euro bonds, cross-currency swaps are in place that removes any exposure to US and Euro interest rates. These cross currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.

Exposure

As at the reporting date, the Group had the following financial assets and liabilities with exposure to interest rate risk. Interest on financial instruments, classified as floating rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. The classification between fixed and floating interest takes into account applicable hedge instruments. Other financial instruments of the Group that are not included in the following table are non-interest-bearing and are therefore not subject to interest rate risk.

15(c) Market risk (continued)

	2014		2013	
	Balance $m	Weighted average interest rate %	Balance $m	Weighted average interest rate %
Financial assets				
Fixed rate				
Finance advances and loans	25	9.30	334	17.89
Floating rate				
Investments backing insurance contracts - corporate bonds	-	-	197	4.96
Investments backing insurance contracts - term deposits	-	-	1,018	4.80
Cash assets	1,664	2.42	718	2.54
Weighted average effective interest rate on floating rate assets		2.42		3.98
Total weighted average effective interest rate on financial assets at balance date		2.52		6.03
Financial liabilities				
Fixed rate				
Term loans	-	-	545	7.44
Other bank loans	-	-	100	7.60
Corporate bonds	2,096	5.98	2,092	5.98
Weighted average effective interest rate on fixed rate liabilities		5.98		6.33
Floating rate				
Bank overdraft	1	8.45	4	8.45
Term loans	222	6.01	222	6.12
Other unsecured bank loan	20	4.15	34	3.45
Commercial paper	-	-	32	3.05
Corporate bonds	2,726	4.64	2,750	4.75
Weighted average effective interest rate on floating rate liabilities		4.74		4.82
Total weighted average effective interest rate on financial liabilities:				
at balance date		5.25		5.54
during the year		4.96		6.25
during the year, including bank and liquidity charges		5.43		6.65

The Group's sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Group profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data.

The results of the sensitivity analysis are driven by three main factors, as outlined below:

- for unhedged floating rate financial instruments, any increase or decrease in interest rates will impact profit;
- to the extent that derivatives form part of an effective cash flow hedge relationship, there will be no impact on profit and any increase/(decrease) in the fair value of the underlying derivative instruments will be deferred in equity; and
- movements in the fair value of derivatives in an effective fair value hedge relationship will be recognised directly in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. If interest rates had moved by +/-100bps and with all other variables held constant, profit after tax and equity would be affected as follows:

CONSOLIDATED	Impact on profit A$m	Impact on equity A$m
2014		
Australian variable interest rate + 100bps	(8)	41
Australian variable interest rate - 100bps	8	(44)
2013		
Australian variable interest rate + 100bps	(12)	2
Australian variable interest rate - 100bps	12	(2)

Nature of commodity price risk

The Group's exposure to commodity price risk is purely operational and arises largely from coal price fluctuations, which impact on its coal mining operations, or in relation to the purchase of inventory with commodity price as a significant input, such as natural gas. The Group does not enter into any financial instruments that vary with movements in commodity prices. Excluding the foreign exchange risk component, which is managed as part of the Group's overall foreign exchange risk management policies and procedures referred to previously, these exposures are not hedged.

No sensitivity analysis is provided for the Group's coal and gas 'own use contracts' as they are outside the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. Such contracts are to buy or sell non-financial items and were entered into, and continue to be held, for the purpose of the receipt or delivery of the non-financial item, in accordance with the division's expected purchase, sale or usage requirements.

15(d) Credit risk

Nature of the risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with financial institutions, foreign exchange transactions and other financial instruments.

Credit risk management: trade and other receivables

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties. Depending on the division, credit terms are generally up to 30 days from date of invoice. The Group's exposure to bad debts is not significant and default rates have historically been very low.

Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

An ageing of trade receivables past due is included in note 5. The credit quality of trade receivables neither past due nor impaired has been assessed as high on the basis of credit ratings (where available) or historical information about counterparty default. The carrying amounts of the Group's trade and other receivables are denominated in Australian dollars, US dollars or NZ dollars. Since the Group trades only with recognised third parties, no requests or requirement for collateral covering trade and other receivables balances have been made.

The following concentrations of the maximum credit exposure of current trade and other receivables are shown for the consolidated entity:

	2014	2013
	%	%
Coles	**20.6**	12.3
Home Improvement and Office Supplies	**22.6**	8.7
Kmart	**1.9**	1.1
Target	**0.7**	0.4
Insurance	**-**	49.9
Resources	**11.5**	6.8
Industrial and Safety	**16.1**	9.7
Chemicals, Energy and Fertilisers	**14.7**	8.8
Corporate	**11.9**	2.3
	100.0	100.0

Credit risk management: financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with Board approved policy. Investments of surplus funds are made only with approved counterparties or counterparties rated AA or higher by Standard & Poor's. Surplus funds are invested within credit limits assigned to each counterparty, unless appropriate approval is provided.

Credit risk from corporate bonds is managed by an external investment adviser as appointed in accordance with the Wesfarmers General Insurance Limited's Investment Policy. Investments in diversified fixed interest investments are limited to counterparties with a credit rating between BBB+ and AAA by Standard & Poor's.

The limits outlined above are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when the Group provides a guarantee to another party. Details of contingent liabilities are disclosed in note 21. There are no significant concentrations of credit risk within the Group.

15(e) Fair values

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

	CONSOLIDATED	
	2014	2013
	$m	$m
Corporate bonds: carrying amount	**4,822**	4,842
Corporate bonds: fair value	**5,195**	5,309

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

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

Other financial assets/liabilities

The fair values of derivatives, corporate bonds, term deposits held at fair value and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments were valued using market observable inputs (Level 2) with the exception of shares in unlisted companies at fair value (Level 3) that were valued at $6 million (2013: $6 million).

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 during the year. There were no material Level 3 fair value movements during the year.

16: Hedging

Types of hedging instruments

The Group is exposed to risk from movements in foreign exchange and interest rates. As part of the risk management strategy set out in note 15, the Group holds the following types of derivative instruments.

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

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

Cross currency interest rate swaps: to both reduce the Group's exposure to exchange rate variability in its interest repayments of foreign currency denominated debt (cash flow hedge) and to hedge against movements in the fair value of those liabilities due to exchange and interest rate movements (fair value hedge).

			2014			2013	
Derivative instrument	**Nature of hedge**	**Notional $m**	**Asset $m**	**Liability $m**	Notional $m	Asset $m	Liability $m
Foreign exchange contracts	Cash flow hedge - forward sales	**US$1,843**	**106**	**(5)**	US$2,169	85	(81)
	Cash flow hedge - forward purchases	**US$2,338**	**8**	**(73)**	US$1,616	142	-
	Cash flow hedge - forward purchases	**€58**	**-**	**(2)**	€41	3	-
Interest rate swap contracts	Cash flow hedge	**A$300**	**-**	**-**	A$650	-	(8)
	Fair value hedge	**A$400**	**2**	**-**	A$1,112	22	-
Cross currency interest rate swaps	Cash flow hedge	**US$1,400**	**6**	**-**	US$1,400	15	-
	Fair value hedge		**158**	**-**		180	-
	Cash flow hedge	**€1,150**	**204**	**(4)**	€1,150	176	(5)
	Fair value hedge		**-**	**(15)**		-	(24)
			484	**(99)**		623	(118)

Recognition and measurement

Recognition

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value per note 15(e). Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as effective cash flow hedges, are taken directly to net profit or loss for the year.

Hedge accounting

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and their effectiveness is regularly assessed to ensure they continue to be so.

For the purposes of hedge accounting, hedges are classified as:

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

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

Fair value hedges

For fair value hedges, the carrying value of the hedged item is adjusted for gains and losses attributable to the risk being hedged. The derivative is also remeasured to fair value, and gains and losses from both are taken to profit or loss. The net amount recognised in the income statement in this financial year was less than $1 million.

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, is terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

If the hedged item is a financial instrument for which the effective interest method is used, the accumulated changes in its carrying value are amortised to profit or loss over the remaining life of the instrument from the point at which hedge accounting is discontinued.

Cash flow hedges

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The maturity profile of these hedges is shown in note 15(b), the recognition of the gain or loss is expected to be consistent with this.

Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

17: Impairment of non-financial assets

Testing for impairment

The Group tests PPE, intangibles and goodwill for impairment:

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

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the CGU to which it belongs.

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

Impairment calculations

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

Reversal of impairment

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

Recognised impairment

During the year the carrying value of the Target CGU exceeded its recoverable amount and an impairment of $677 million was recognised in respect of its goodwill in 'impairment expenses'. The decrease in the recoverable amount largely reflects a financial performance in 2014 below expectations as a result of difficult trading conditions and an increase in the discount rate on account of the risk associated with Target's turnaround strategy.

Inputs to impairment calculations

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

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

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

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

Key assumptions used in fair value less costs of disposal calculations

The key assumptions used for assessing the recoverable amounts of the Coles and Target CGUs, being the two CGUs which collectively account for over 80 per cent of the Group's goodwill and intangible assets with indefinite useful lives, are set out below.

EBIT growth over the forecast period is based on past experience, expectations of general market conditions and, in the case of Target, a program of business improvement strategies. The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved, whilst the growth rates are based on the long-term average growth rates of the businesses.

	Coles		Target	
	2014	2013	**2014**	2013
Discount rate (post-tax)	**9.0%**	9.3%	**12.5%**	10.0%
Growth rate beyond financial plan	**3.0%**	2.9%	**2.9%**	2.9%
Headroom as a percentage of the CGU's net carrying value	**61.1%**	55.1%	**-**	4.4%
Terminal value as a percentage of the CGU's recoverable value			**76.0%**	78.0%

Target's recoverable amount equals its carrying value and therefore any adverse movement in a key assumption would lead to a further impairment. The recoverable value of Target is sensitive to changes in its discount rate and its forecast long-term EBIT that drives terminal value. A one per cent change in discount rate or a 15 per cent change in its forecast long-term EBIT approximates a $250 million change in recoverable value.

Based on current economic conditions and CGU performances, no reasonably possible change in a key assumption used in the determination of the recoverable value of Coles or other CGUs would result in a material impairment to the Group.

Notes to the financial statements: Group structure

for the year ended 30 June 2014

18: Associates and joint arrangements

	CONSOLIDATED 2014 $m	2013 $m
Investment in associates	**523**	420
Interest in joint ventures	**17**	-
	540	420
Profit from operations of associates	**64**	48
Other comprehensive income of associates	**-**	-
Profit from operations of joint ventures	**1**	-
Other comprehensive income of joint ventures	**-**	-
Total comprehensive income	**65**	48

Investment in associates

Recognition and measurement

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries nor jointly controlled assets, are accounted for using the equity method. Under this method, the investment in associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the associates' net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment. The Group's income statement reflects the Group's share of the associate's result.

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

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

Investment properties owned by associates are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss of the associate, in the year in which they arise. This is consistent with the Group's policy.

Interests in joint arrangements

Recognition and measurement

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

Key judgement: control and significant influence

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

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

18: Associates and joint arrangements (continued)

Interests in associates and joint arrangements

				Ownership	
				2014	2013
Associates	*Principal activity*	*Reporting date*	*Country of incorporation*	**%**	%
Air Liquide WA Pty Ltd	Industrial gases	30 June	Australia	**-**	40.0
Albany Woolstores Pty Ltd	Wool handling	30 June	Australia	**-**	35.0
Bengalla Agricultural Company Pty Limited	Agriculture	31 December	Australia	**40.0**	40.0
Bengalla Coal Sales Company Pty Limited	Sales agent	31 December	Australia	**40.0**	40.0
Bengalla Mining Company Pty Limited	Management company	31 December	Australia	**40.0**	40.0
BWP Trust	Property investment	30 June	Australia	**24.7**	24.3
Gresham Partners Group Limited	Investment banking	30 September	Australia	**50.0**	50.0
Gresham Private Equity Funds	Private equity fund	30 June	Australia	**(a)**	(a)
HAL Property Trust	Property ownership	30 June	Australia	**50.0**	50.0
iCiX International, Inc.	Information technology	31 January	USA	**20.0**	-
Queensland Nitrates Management Pty Ltd	Chemical manufacture	30 June	Australia	**50.0**	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	30 June	Australia	**50.0**	50.0
Wespine Industries Pty Ltd	Pine sawmillers	30 June	Australia	**50.0**	50.0
Joint operations	*Principal activity*	*Reporting date*	*Country of incorporation*	**%**	%
Sodium Cyanide	Sodium cyanide manufacture	30 June	Australia	**75.0**	75.0
Bengalla	Coal mining	31 December	Australia	**40.0**	40.0
ISPT	Property ownership	30 June	Australia	**25.0**	25.0
Joint ventures	*Principal activity*	*Reporting date*	*Country of incorporation*	**%**	%
Kwinana Industrial Gases	Oxygen and nitrogen manufacture	30 June	Australia	**-**	40.0
BPI NO 1 Pty Ltd	Property management	30 June	Australia	**(b)**	-

(a) Gresham Private Equity Funds: Whilst the Group's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 and 3 (Funds) amounts to greater than 50.0 per cent, they are not controlled entities as the Group does not have the practical ability to direct their relevant activities. Such control requires a unitholders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds. Gresham Private Equity Fund No. 3 is subject to future capital calls.

(b) BPI NO 1 Pty Ltd: Whilst the consolidated entity owns the only equity share in BPI NO 1 Pty Ltd, the Group's effective interest approximates 50 per cent and joint control is effected through contractual arrangements with the joint venture partner.

19: Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table. Refer to page 139 for the respective legend.

Entity	2014 %	2013 %
AALARA Risk Management Pty Ltd ~	-	50
A.C.N. 003 921 873 Pty Limited	100	100
A.C.N. 004 191 646 Pty Ltd (formerly Lumley Corporation Pty Limited)	100	100
A.C.N. 008 648 799 Pty Ltd (formerly Lumley Management Services Pty Limited)	100	100
A.C.N. 008 734 567 Pty Ltd	100	100
A.C.N. 081 459 878 Pty Ltd	100	100
A.C.N. 082 931 486 Pty Ltd	100	100
A.C.N. 112 719 918 Pty Ltd	100	100
AEC Environmental Pty Ltd @	100	-
All Transport Insurance Brokers Pty Ltd	100	100
ALW Newco Pty Limited	100	100
Andearp Pty Ltd	100	100
Arana Hills Properties Pty Limited	100	100
Auridiam Botswana (Pty) Ltd @ ◢	100	-
Australian Gold Reagents Pty Ltd	75	75
Australian Graphics Pty Ltd	100	100
Australian Grocery Holdings Pty Ltd	100	100
Australian International Insurance Limited +	100	100
Australian Liquor Group Ltd +	100	100
Australian Underwriting Holdings Limited +	100	100
Australian Underwriting Services Pty Ltd	100	100
Australian Vinyls Corporation Pty Ltd +	100	100
AVC Holdings Pty Ltd +	100	100
AVC Trading Pty Ltd	100	100
Bakop Pty Ltd	-	100
Barrier Investments Pty Ltd	100	100
BBC Hardware Limited +	100	100
BBC Hardware Properties (NSW) Pty Ltd	100	100
BBC Hardware Properties (Vic) Pty Ltd	100	100
Bi-Lo Pty Limited +	100	100
Blacksmith Jacks Pty Ltd	100	100
BPI Management Pty Ltd	100	100
BPI NO 1 Pty Ltd	-	100
Brian Pty Ltd	100	100
Broking Agency Pty Ltd (formerly OAMPS Agency Pty Ltd)	100	100
Bullivants International Pty Ltd @	100	-
Bullivants Pty Limited +	100	100
Bunnings Group Limited +	100	100
Bunnings Joondalup Pty Ltd	100	100
Bunnings Limited # ■	100	100
Bunnings Management Services Pty Ltd	100	100
Bunnings Manufacturing Pty Ltd	100	100
Bunnings (NZ) Limited ■	100	100
Bunnings Properties Pty Ltd	100	100
Bunnings Pulp Mill Pty Ltd	100	100
BWP Management Limited <	100	100
Byrne Watkinson Kaye Insurance Brokers Pty Ltd	100	100
C S Holdings Pty Limited +	100	100
Calixus Insurance Group Limited @	100	-
Campbells Hardware & Timber Pty Limited	100	100
Car Rental Risk Management Services Pty Ltd	100	100
CGNZ Finance Limited ■	100	100

Entity	2014 %	2013 %
Charlie Carter (Norwest) Pty Ltd +	100	100
Chef Fresh Pty Ltd	100	100
Chemical Holdings Kwinana Pty Ltd +	100	100
Clarkson Shopping Centre Pty Ltd	100	100
CMFL Services Ltd +	100	100
CMNZ Investments Pty Ltd	100	100
CMPQ (CML) Pty Ltd	100	100
CMPQ (PEN) Pty Ltd	100	100
CMTI Pty Ltd	100	100
Coles Ansett Travel Pty Ltd	97.5	97.5
Coles Direct Sourcing Private Limited # ●	100	100
Coles Financial Services Pty Ltd @	100	-
Coles Group Asia Pty Ltd +	100	100
Coles Group Deposit Services Pty Ltd	100	100
Coles Group Employee Share Plan Pty Ltd	100	100
Coles Group Finance Limited +	100	100
Coles Group Finance (USA) Pty Ltd	100	100
Coles Group International Pty Ltd	100	100
Coles Group Limited +	100	100
Coles Group New Zealand Holdings Limited ■	100	100
Coles Group Properties Holdings Ltd +	100	100
Coles Group Properties Pty Ltd	100	100
Coles Group Property Developments Ltd +	100	100
Coles Group Superannuation Fund Pty Ltd	100	100
Coles Group Supply Chain Pty Ltd +	100	100
Coles LD Australia Pty Ltd	100	100
Coles Melbourne Ltd +	100	100
Coles Online Pty Ltd	100	100
Coles Properties WA Ltd +	100	100
Coles Property Management Pty Ltd	100	100
Coles Retail Group Pty Ltd	100	100
Coles Retail Services Pty Ltd	100	100
Coles Stores (New Zealand) Limited ■	100	100
Coles Supercentres Pty Ltd	100	100
Coles Supermarkets Australia Pty Ltd +	100	100
Comnet Pty Ltd	100	100
Comprehensive Holiday Insurance (Underwriting Agents) Pty Ltd	100	100
ConsortiumCo Pty Ltd	100	100
Coo-ee Investments Pty Limited	100	100
Coregas Pty Ltd +	100	100
Crombie Lockwood (NZ) Limited # ■	-	100
CSA Retail (Finance) Pty Ltd	100	100
CSBP Ammonia Terminal Pty Ltd	100	100
CSBP Limited +	100	100
Cuming Smith and Company Limited +	100	100
Curragh Coal Sales Co Pty Ltd	100	100
Curragh Queensland Mining Pty Ltd	100	100
Dairy Properties Pty Ltd	100	100
Dennison & Associates Pty Ltd ~	-	100
Direct Fulfilment Group Pty Ltd	100	100
e.colesgroup Pty Ltd +	100	100
e.tailing (Coles Group) Pty Ltd	100	100
Eastfarmers Pty Ltd	100	100

19: Subsidiaries (continued)

Entity	2014 %	2013 %
ECC Pty Ltd @	**100**	-
ENV.Australia Pty Ltd @	**100**	-
Environmental and Licensing Professionals Pty Ltd @	**100**	-
Eskdale Holdings Pty Ltd	**-**	100
Eureka Operations Pty Ltd +	**100**	100
Expresspak Pty Ltd	**100**	100
FBP Awards Fund Pty Ltd	**100**	100
FIF Investments Pty Limited	**100**	100
Financial Network Card Services Pty Ltd	**100**	100
Fitzgibbons Hotel Pty Ltd	**100**	100
Fitzinn Pty Ltd	**100**	100
Fosseys (Australia) Pty Ltd +	**100**	100
Fraser MacAndrew Ryan Limited ■	**-**	100
Fulthom Pty Limited	**100**	100
G J Coles & Coy Pty Limited	**100**	100
Gault Armstrong Kemble Pty Ltd	**-**	100
Gault Armstrong SARL ▼	**-**	100
GBPL Pty Ltd	**100**	100
General Merchandise & Apparel Group Pty Ltd	**100**	100
GotStock Pty Ltd	**100**	100
GPML Pty Ltd	**100**	100
Greencap Limited @	**100**	-
Greencap Pte Ltd (formerly ENV Asia Pte Ltd) @ ▬	**99**	-
Grocery Holdings Pty Ltd +	**100**	100
Guidel Pty Ltd	**100**	100
Hadrill Insurance Brokers Pty Ltd ~	**-**	100
Harris Technology (NZ) Pty Ltd	**100**	100
Harris Technology Pty Ltd +	**100**	100
Hedz No 2 Pty Ltd	**100**	100
Hedz No 3 Pty Ltd	**100**	100
Hedz No 4 Pty Ltd	**100**	100
Hedz No 5 Pty Ltd	**100**	100
Hedz No 6 Pty Ltd	**100**	100
Hedz No 7 Pty Ltd	**100**	100
Hill's Environmental Limited ▲	**-**	100
Hotel Wickham Investments Pty Ltd	**100**	100
HouseWorks Co Pty Ltd	**100**	100
Howard Smith Limited +	**100**	100
Howard Smith Nominees Pty Limited	**100**	100
HT (Colesgroup) Pty Ltd	**100**	100
Idobent Pty Ltd	**-**	100
Integrated Safety Training Pty Ltd (formerly Arnold Risk Consulting Pty Ltd) @	**100**	-
J Blackwood & Son Pty Ltd +	**100**	100
KAS Pty Limited @ ◆	**100**	-
Katies Fashions (Aust) Pty Limited	**100**	100
Kleenheat Gas House Franchising Pty Ltd	**100**	100
Kmart Australia Limited +	**100**	100
Kmart Australia Sourcing Pty Ltd @	**100**	-
Knox Liquor Australia Pty Ltd	**100**	100
Kwinana Nitrogen Company Proprietary Limited	**100**	100
Lawvale Pty Ltd	**100**	100
LHG Pty Ltd +	**100**	100
LHG2 Pty Ltd +	**100**	100
LHG3 Pty Ltd	**100**	100
Liftco Pty Limited +	**100**	100

Entity	2014 %	2013 %
Liquorland (Australia) Pty Ltd +	**100**	100
Liquorland (Qld) Pty Ltd +	**100**	100
Loggia Pty Ltd +	**100**	100
Loyalty Pacific Pty Ltd +	**100**	100
Lumley Finance (NZ) Limited # ■	**-**	100
Lumley General Insurance (NZ) Limited ■	**-**	100
Lumley Insurance Group Limited	**-**	100
Lumley Superannuation Pty Limited	**-**	100
Lumley Technology Pty Ltd	**-**	100
Manacol Pty Limited +	**100**	100
Masters Hardware Limited ■	**100**	100
Masters Home Improvement Limited ■	**100**	100
Mawhinney Insurance Brokers Pty Ltd	**100**	100
MC2 Pacific Pty Ltd @	**100**	-
Meredith Distribution (NSW) Pty Ltd	**100**	100
Meredith Distribution Pty Ltd	**100**	100
MIB Insurance Brokers Pty Ltd	**-**	100
Millars (WA) Pty Ltd	**100**	100
Modwood Technologies Pty Ltd	**100**	100
Monument Finance Limited # ■	**-**	100
Monument Insurance (NZ) Limited # ■	**-**	100
Morley Shopping Centre Pty Limited	**100**	100
Multimedia Services Pty Ltd	**100**	100
Mycar Automotive Pty Ltd	**100**	100
Newmart Pty Ltd +	**100**	100
Noel Arnold & Associates Pty Ltd @	**100**	-
now.com.au Pty Ltd	**100**	100
NZ Finance Holdings Pty Limited ■	**100**	100
OAMPS (UK) Limited # ▲	**-**	100
OAMPS Consulting Pty Ltd	**-**	100
OAMPS Credit Pty Ltd	**-**	100
OAMPS Gault Armstrong Pty Ltd	**-**	100
OAMPS Insurance Brokers Ltd	**-**	100
OAMPS Life Solutions Ltd	**-**	100
OAMPS Ltd	**-**	100
OAMPS Special Risks Ltd # ▲	**-**	100
OAMPS Sports Services Pty Limited	**-**	100
Officeworks Businessdirect Pty Ltd +	**100**	100
Officeworks Ltd (formerly Officeworks Superstores Pty Ltd)+	**100**	100
Officeworks Property Pty Ltd	**100**	100
Officeworks Superstores NZ Limited ■	**100**	100
Offshore Market Placements Limited # ■	**-**	100
OHES Environmental Limited # ▲	**-**	100
OMP Insurance Brokers Ltd	**-**	100
ORZO Pty Limited	**100**	100
Osmond Hotel Pty Ltd	**100**	100
Outfront Liquor Services Pty Ltd	**100**	100
Pacific Liquor Wholesalers Pty Ltd	**100**	100
Pailou Pty Ltd +	**100**	100
Parks Insurance Pty Ltd	**-**	100
Patrick Operations Pty Ltd	**100**	100
Penneys Pty Limited	**100**	100
Petersen Bros Pty Ltd	**100**	100
Philip Murphy Melbourne Pty Ltd	**100**	100
Philip Murphy Niddrie Pty Ltd	**100**	100

Notes to the financial statements: Group structure | for the year ended 30 June 2014

19: Subsidiaries (continued)

Entity	2014 %	2013 %
Philip Murphy Toorak Pty Ltd	**100**	100
Philip Murphy Wine & Spirits Pty Ltd	**100**	100
Powertrain Pty Limited	**100**	100
Premier Power Sales Pty Ltd +	**100**	100
Price Point Pty Ltd	**100**	100
Procurement Online Pty Ltd	**100**	100
Protector Alsafe Pty Ltd +	**100**	100
Protex Healthcare (Aus) Pty Ltd @	**100**	-
Protex Healthcare (UK) Limited	**25**	-
PT Blackwoods Indonesia ♥	**100**	100
Q.R.L. Insurance Finance Agency Pty Ltd ~	**-**	50
R & N Palmer Pty Ltd	**100**	100
Rapid Evacuation Training Services Pty Ltd @	**100**	-
Relationship Services Pty Ltd	**100**	100
Retail Australia Consortium Pty Ltd	**100**	100
Retail Investments Pty Ltd	**100**	100
Richmond Plaza Shopping Centre Pty Ltd @	**100**	-
Ronell Pty Ltd	**-**	100
SBS Rural IAMA Pty Limited	**100**	100
Scones Jam n Cream Pty Ltd	**100**	100
Sellers (SA) Pty Ltd	**100**	100
Share Nominees Limited	**100**	100
Sorcha Pty Ltd	**100**	100
Sotico Pty Ltd	**100**	100
Sportsure Pty Ltd ~	**-**	50
Target Australia Pty Ltd +	**100**	100
TGT Business Consulting Services (Shanghai) Co Ltd # ♣	**100**	100
TGT Procurement Asia Limited # ◆	**100**	100
TGT Sourcing Asia Limited # ◆	**100**	100
TGT Sourcing India Private Limited # ●	**100**	100
The Builders Warehouse Group Pty Limited	**100**	100
The Franked Income Fund	**100**	100
The Grape Management Pty Ltd +	**100**	100
Theo's Liquor Pty Ltd	**100**	100
Tickoth Pty Ltd	**100**	100
Tooronga Holdings Pty Ltd	**100**	100
Tooronga Shopping Centre Pty Ltd	**100**	100
TotalGuard Pty Limited	**100**	100
Trimevac Pty Ltd @	**100**	-
Tyre and Auto Pty Ltd @	**100**	-
Tyremaster (Wholesale) Pty Ltd	**100**	100
Tyremaster Pty Ltd	**100**	100
Ucone Pty Ltd +	**100**	100
Universal Underwriting Services Pty Limited	**100**	100
Validus Group Pty Ltd @	**100**	-
Valley Investments Pty Ltd +	**100**	100
Vigil Underwriting Agencies Pty Ltd	**100**	100
Viking Direct Pty Limited	**100**	100
W4K.World 4 Kids Pty Ltd	**100**	100
Waratah Cove Pty Ltd	**100**	100
Wesfarmers Agribusiness Limited +	**100**	100
Wesfarmers Bengalla Limited +	**100**	100
Wesfarmers Bioenergy Pty Ltd	**100**	100
Wesfarmers Broking (NZ) Limited ■	**-**	100
Wesfarmers Bunnings Limited +	**100**	100
Wesfarmers Chemicals, Energy & Fertilisers Limited +	**100**	100

Entity	2014 %	2013 %
Wesfarmers Coal Resources Pty Ltd +	**100**	100
Wesfarmers Curragh Pty Ltd +	**100**	100
Wesfarmers Emerging Ventures Pty Ltd	**100**	100
Wesfarmers Energy (Gas Sales) Limited +	**100**	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	**100**	100
Wesfarmers Fertilizers Pty Ltd +	**100**	100
Wesfarmers Gas Limited +	**100**	100
Wesfarmers Holdings Pty Ltd	**100**	100
Wesfarmers Industrial & Safety Holdings NZ Ltd # ■	**100**	100
Wesfarmers Industrial & Safety NZ Limited # ■	**100**	100
Wesfarmers Industrial and Safety Pty Ltd +	**100**	100
Wesfarmers Insurance Investments Pty Ltd +	**100**	100
Wesfarmers Investments Pty Ltd	**100**	100
Wesfarmers Kleenheat Gas Pty Ltd +	**100**	100
Wesfarmers LNG Pty Ltd +	**100**	100
Wesfarmers Loyalty Management Pty Ltd	**100**	100
Wesfarmers LPG Pty Ltd +	**100**	100
Wesfarmers Private Equity Pty Ltd	**100**	100
Wesfarmers Provident Fund Pty Ltd	**100**	100
Wesfarmers Railroad Holdings Pty Ltd	**100**	100
Wesfarmers Resources Limited +	**100**	100
Wesfarmers Retail Holdings Pty Ltd +	**100**	100
Wesfarmers Retail Pty Ltd +	**100**	100
Wesfarmers Risk Management Limited # ♠	**100**	100
Wesfarmers Risk Management (Singapore) Pte Ltd ▬	**100**	100
Wesfarmers Securities Management Pty Ltd	**100**	100
Wesfarmers Sugar Company Pty Ltd	**100**	100
Wesfarmers Superannuation Pty Ltd	**100**	100
Wesfarmers Transport Indonesia Pty Ltd	**100**	100
Wesfarmers Transport Limited +	**100**	100
Weskem Pty Ltd	**100**	100
Westralian Farmers Co-operative Limited	**100**	100
Westralian Farmers Superphosphates Limited +	**100**	100
WEV Capital Investments Pty Ltd @	**100**	-
WFCL Investments Pty Ltd	**100**	100
WFI Dormant Pty Ltd (formerly Wesfarmers Federation Insurance Pty Ltd)	**-**	100
WFI Insurance Holdings Pty Ltd (formerly Wesfarmers Insurance Pty Ltd)	**-**	100
WFI Insurance Limited (formerly Wesfarmers General Insurance Limited)	**-**	100
WI Premium Funding Limited	**-**	100
Wideland Insurance Brokers Pty Ltd	**-**	100
Wideland Life Insurance Agency Pty Ltd	**100**	100
WIS Australia Pty Ltd	**100**	100
WIS International Pty Ltd	**100**	100
WIS Solutions Pty Ltd	**100**	100
WPP Holdings Pty Ltd	**100**	100
XCC (Retail) Pty Ltd	**100**	100
ZIB Group Holdings Company Limited	**-**	100
ZIB Holdings Pty Limited	**-**	100
ZIB Insurance Brokers Holdings Limited	**-**	100
ZIB Trust	**-**	100

19: Subsidiaries (continued)

Entity acquired/incorporated during the year.	@
Entity dissolved/deregistered during the year.	~
Audited by firms of Ernst & Young International.	#
Audited by other firms of accountants.	<
An ASIC-approved Deed of Cross Guarantee has been entered into by Wesfarmers Limited and these entities.	+
Refer note 24 for further details.	

All subsidiaries are incorporated in Australia unless identified with one of the following symbols:

New Zealand	■
India	●
New Caledonia	▼
United Kingdom	▲
Hong Kong	◆
Indonesia	♥
China	♣
Bermuda	♠
Singapore	—
Botswana	◢

All entities utilise the functional currency of the country of incorporation with the exception of Wesfarmers Risk Management Limited, which utilises the Australian dollar and PT Blackwoods Indonesia, which utilises the US dollar.

20: Discontinued operations

On 16 December 2013, the Group announced its decision to sell its underwriting operations, followed on 7 April 2014 by an announcement to sell its broking and premium funding operations. The two transactions were completed in June 2014 and represent the disposal of the Group's Insurance segment. The segment was not a discontinued operation or classified as held-for-sale as at 30 June 2013 and the comparative consolidated income statement and statement of comprehensive income have been restated to show the discontinued operation separately from continuing operations.

	2014 $m	2013 $m
Results of discontinued operation		
Revenue	**2,167**	2,083
Expenses	**(1,964)**	(1,893)
Profit before income tax	**203**	190
Income tax expense	**(58)**	(57)
Gain on disposal after income tax	**939**	-
Profit after tax from discontinued operations	**1,084**	133
Assets and liabilities of controlled entities at date of disposal		
Assets		
Cash and cash equivalents	**437**	347
Goodwill and intangibles	**1,079**	1,051
Trade, reinsurance and other recoveries receivable	**2,849**	3,057
Other assets	**309**	391
Total assets disposed	**4,674**	4,846
Liabilities		
Trade payables	**585**	644
Insurance liabilities	**2,093**	2,153
Other liabilities	**190**	385
Total liabilities disposed	**2,868**	3,182
Net assets disposed	**1,806**	1,664
Cash flows of discontinued operation		
Net cash from operating activities	**294**	222
Net cash used in investing activities	**(214)**	(80)
Net cash from/(used in) financing activities	**10**	(20)
Net cash flows for the year	**90**	122
Gain on disposal		
Total consideration received	**2,865**	-
Carrying amount of net assets disposed	**(1,806)**	-
Transaction costs and other items	**(19)**	-
Gain on disposal before income tax	**1,040**	-
Income tax expense	**(101)**	-
Gain on disposal after income tax	**939**	-
Earnings per share - discontinued operations	**cents**	cents
Basic earnings per share	**94.6**	11.5
Diluted earnings per share	**94.4**	11.5

The accounting policies related to the insurance activities discontinued during the year are disclosed in note 27(c).

Notes to the financial statements: Unrecognised items

for the year ended 30 June 2014

21. Commitments and contingencies

	CONSOLIDATED	
	2014 $m	2013 $m
Operating lease commitments		
Group as lessee (i)		
Within one year	**1,944**	1,796
Greater than one year but not more than five years	**6,046**	5,613
More than five years	**7,253**	6,433
	15,243	13,842
Group as lessor (ii)		
Within one year	**27**	22
Greater than one year but not more than five years	**62**	39
More than five years	**119**	6
	208	67
Capital commitments (iii)		
Within one year	**256**	338
Greater than one year but not more than five years	**-**	25
Arising from agreements to invest in Gresham Private Equity Funds	**2**	67
	258	430
Other expenditure commitments (iv)		
Within one year	**114**	105
Greater than one year but not more than five years	**135**	206
More than five years	**27**	44
	276	355
Contingencies (v)		
Trading guarantees	**900**	1,349

At 30 June 2014, the Group did not have any commitments relating to its joint ventures.

i. The Group has entered into commercial leases on office, retail and distribution properties, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings, the lease terms range from one year to 25 years and have various renewal or purchase options, escalation clauses, termination rights and residual liability clauses. Operating lease commitments refer to future undiscounted minimum rentals payable under non-cancellable operating leases not included within this financial report. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and released to earnings on a straight line basis over the lease term. Fixed rate increases to lease payments, excluding contingent or index based rental increases, such as Consumer Price Index, turnover rental and other similar increases, are recognised on a straight line basis over the lease term.

ii. Contracted non-cancellable future minimum lease payments expected to be received in relation to non-cancellable sub-leases are not included in this financial report.

iii. Commitments arising from contracts for capital expenditure contracted for at balance date are not included in this financial report.

iv. Contracted other expenditure commitments are not included in this financial report.

v. Contingent liabilities at balance date and not included in this financial report.

Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

On acquisition of the Coles group, Wesfarmers assumed responsibility for the guarantees entered into by the Coles group relating to the sale of its Myer business in June 2006, under which Coles group had guaranteed the performance of certain lease agreements held by Myer Ltd. The guarantees amount to $8 million (2013: $19 million). The fair value of these guarantees is not considered to be material and has not been recognised in this financial report.

Other

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

Key estimate: leases

The Group classifies leases between finance and operating depending on whether the Group holds substantially all of the risks and rewards incidental to ownership or not. In making this assessment the Group primarily considers the asset ownership at the end of the lease term, any purchase options, the lease term in respect to the assets' life, the present value of future lease payments in relation to the assets' fair value and the nature of the asset.

22: Subsequent events

Dividend

A fully-franked final ordinary dividend of 105 cents per share and a special 'Centenary' dividend of 10 cents per share resulting in a total dividend of $1,314 million was declared for a payment date of 9 October 2014. These dividends have not been provided for in the 30 June 2014 full-year financial statements.

Capital Management

On 20 August 2014, Wesfarmers announced the intention to make a distribution of 100 cents per share in December 2014 subject to a final ruling by the Australian Taxation Office (ATO) on the taxation treatment of the payment and approval by Wesfarmers shareholders at the Annual General Meeting in November 2014.

The distribution is likely to comprise both a capital component and a fully-franked dividend component. This distribution of approximately $1,143 million will be accompanied by an equal and proportionate share consolidation of its capital component. Wesfarmers has applied to the ATO for a ruling to confirm the income tax consequences of the distribution and share consolidation for Wesfarmers shareholders. This distribution has not been provided for in the 30 June 2014 full-year financial statements.

Acquisition of Workwear Group of Pacific Brands Limited

On 26 August 2014, Wesfarmers announced the Industrial and Safety division had entered into an agreement to acquire the Workwear Group of Pacific Brands Limited for $180 million. The acquisition is subject to the satisfaction of conditions precedent, including obtaining clearance from the Australian Competition and Consumer Commission. Subject to satisfaction of the conditions precedent, the acquisition is expected to complete in the first half of the 2015 financial year.

Notes to the financial statements: Other

for the year ended 30 June 2014

23: Parent disclosures

	PARENT 2014 $m	2013 $m
Assets		
Current assets	**9,797**	8,710
Non-current assets	**22,799**	23,166
Total assets	**32,596**	31,876
Liabilities		
Current liabilities	**1,872**	718
Non-current liabilities	**4,830**	6,240
Total liabilities	**6,702**	6,958
Net assets	**25,894**	24,918
Equity		
Equity attributable to equity holders of the parent		
Issued capital	**22,700**	23,284
Employee reserved shares	**(12)**	(19)
Retained earnings	**2,908**	1,373
Restructure tax reserve	**150**	150
Hedging reserve	**148**	130
Total equity	**25,894**	24,918
Profit attributable to members of the parent	**3,697**	2,152
Total comprehensive income for the year, net of tax, attributable to members of the parent	**3,716**	2,303
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	**817**	880

Wesfarmers is party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

Guarantees

Wesfarmers Limited and certain Australian controlled entities are parties to a Deed of Cross Guarantee (the Deed) as disclosed in note 24.

Parent entity financial information

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

Investments in subsidiaries, associates and joint venture entities

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

24: Deed of Cross Guarantee

The subsidiaries identified with a '+' in note 19 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

These subsidiaries and Wesfarmers Limited together referred to as the 'Closed Group', either originally entered into the Deed on 27 June 2008 or have subsequently joined the Deed by way of an Assumption Deed. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group. The entities joining the Closed Group by way of an Assumption Deed dated 27 June 2014 are:

- Fosseys (Australia) Pty Ltd
- Loyalty Pacific Pty Ltd
- Premier Power Sales Pty Ltd

The entities leaving the Closed Group by way of a Revocation Deed dated 27 June 2014 are:

- A.C.N. 004 191 646 Pty Ltd (formerly Lumley Corporation Pty Limited)
- AVC Trading Pty Ltd

Where entities previously included in the Closed Group have been disposed of in the current year, those entities are released from their obligations under the Deed provided that none of the parties to the Deed are wound up and no winding up of those parties is commenced within six months after the notice of disposal was lodged with ASIC. The entities leaving the Closed Group by way of disposal are:

- OAMPS Insurance Brokers Ltd
- OAMPS Ltd
- OMP Insurance Brokers Ltd
- WI Premium Funding Limited
- ZIB Group Holdings Company Limited
- ZIB Holdings Pty Limited
- ZIB Insurance Brokers Holdings Limited

The consolidated income statement of the entities that are members of the Closed Group is as follows:

Consolidated income statement	Deed 2014 $m	Deed 2013 $m
Profit from continuing operations before income tax	**3,629**	2,938
Profit from discontinued operations before income tax	**1,596**	-
Income tax expense	**(1,090)**	(872)
Net profit for the year	**4,135**	2,066
Retained earnings at beginning of year	**1,742**	1,665
Remeasurement gain on defined benefit plan, net of tax	**1**	1
Adjustment for companies transferred into/out of the Closed Group	**14**	-
Total available for appropriation	**5,892**	3,732
Dividends provided for or paid	**(2,164)**	(1,990)
Retained earnings at end of year	**3,728**	1,742

24: Deed of Cross Guarantee (continued)

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

Consolidated balance sheet	Deed 2014 $m	Deed 2013 $m
Assets		
Current assets		
Cash and cash equivalents	**1,904**	1,025
Trade and other receivables	**1,434**	1,599
Inventories	**5,081**	4,821
Derivatives	**66**	182
Other	**297**	290
Total current assets	**8,782**	7,917
Non-current assets		
Receivables	**692**	727
Investment in controlled entities	**4,184**	5,051
Investments in associates and joint ventures	**163**	193
Deferred tax assets	**489**	402
Property	**2,254**	2,760
Plant and equipment	**7,399**	7,022
Goodwill	**14,463**	15,228
Intangible assets	**4,443**	4,379
Derivatives	**418**	432
Other	**40**	28
Total non-current assets	**34,545**	36,222
Total assets	**43,327**	44,139
Liabilities		
Current liabilities		
Trade and other payables	**5,226**	5,896
Interest-bearing loans and borrowings	**1,567**	1,029
Income tax payable	**339**	283
Provisions	**1,456**	1,190
Derivatives	**75**	52
Other	**305**	330
Total current liabilities	**8,968**	8,780
Non-current liabilities		
Payables	**2,182**	3,000
Interest-bearing loans and borrowings	**4,320**	5,709
Provisions	**1,063**	1,206
Derivatives	**24**	66
Other	**93**	17
Total non-current liabilities	**7,682**	9,998
Total liabilities	**16,650**	18,778
Net assets	**26,677**	25,361
Equity		
Issued capital	**22,708**	23,290
Reserved shares	**(31)**	(26)
Retained earnings	**3,728**	1,742
Reserves	**272**	355
Total equity	**26,677**	25,361

25: Auditors' remuneration

Fees of the auditors of the company for:	CONSOLIDATED 2014 $'000	2013 $'000
Audit and review of financial reports		
Ernst & Young (Australia)	**5,914**	5,832
Ernst & Young (Overseas network firms)	**705**	606
	6,619	6,438
Assurance related services		
Ernst & Young (Australian & overseas network firms) [1]	**2,995**	1,819
Non-Ernst & Young audit firms	**31**	30
	3,026	1,849
Non-assurance related services		
Ernst & Young (Australian & overseas network firms):		
- tax compliance	**619**	840
- other	**101**	363
	720	1,203
Total paid to auditors	**10,365**	9,490

[1] The 2014 Ernst & Young assurance related services fee includes an amount of $1,890,000 associated with the disposal of the Insurance division.

26: Related party transactions

	CONSOLIDATED 2014 $m	2013 $m
Associates		
Management fees received	**10**	10
Operating lease rent paid	**120**	104
Financial advisory fees paid	**13**	1
Amounts receivable from associates	**12**	10
Amounts owing to associates	**6**	1
Joint arrangements		
Operating lease rent paid	**54**	8
Amounts receivable from joint ventures	**1**	-

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd and BWP Trust, to the consolidated entity on normal commercial terms and conditions for staff and other services provided to the associates.

Rent for retail stores and warehouses has been paid by the consolidated entity to an associated entity, the BWP Trust, and to the ISPT and BPI No. 1 Pty Ltd joint arrangements. During the year, the entities acquired rental properties from the consolidated entity and gains and losses were made on disposal, a portion of which was eliminated in the consolidated accounts under equity accounting.

J P Graham, a director of Wesfarmers, has a majority shareholding interest in a company which jointly owns Gresham Partners Group Limited on an equal basis with a wholly owned subsidiary of Wesfarmers. Partly owned subsidiaries of Gresham Partners Group Limited have provided financial advisory services to Wesfarmers and were paid fees of $13,209,962 in 2014 (2013: $1,024,279).

27: Other accounting policies

(a) New and amended accounting standards and interpretations adopted from 1 July 2013

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2013 to the Group have been adopted, including:

Reference	Description
AASB 10 *Consolidated Financial Statements*	AASB 10 established a new control model for determining whether the Group controls another entity. The model is based on the Group's power to direct relevant activities and its exposure to variable returns from the entity. No changes to the Wesfarmers consolidated group arose on initial application of this Standard.
AASB 11 *Joint Arrangements*	AASB 11 uses the new control principle of AASB 10 to define joint control and removes the option to account for jointly controlled entities using proportionate consolidation. Under AASB 11 a joint arrangement is classified and accounted for as either a joint venture or joint operation depending on the nature of the arrangement. There was no material change to Wesfarmers' financial statements arising from initial application of this Standard.
AASB 12 *Disclosures of Interests in Other Entities*	AASB 12 outlines the disclosures required around Wesfarmers' interests in subsidiaries, joint arrangements and associates. Additional disclosures have been provided about the judgements applied in determining whether control exists and summarised financial information about associates and joint arrangements and associates.
AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*	AASB 13 defines fair value, provides a single framework for measuring fair value when required by individual standards and defines the disclosures requirements for assets and liabilities carried at fair value. Additional disclosures have been provided throughout the financial statements where fair value has been applied.
AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (2011)*	The amendment revises the accounting for defined benefits and changes the definition of short-term employee benefits. The latter change results in annual leave being accounted for and classified as, 'long-term' employee benefit on the basis that the whole annual leave balance is not expected to be settled wholly within 12 months of the reporting date. There was no material change to Wesfarmers' financial statements arising from the application of the amended AASB 119 (2011).
Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*	This interpretation clarifies the accounting of stripping costs incurred during the production phase of a surface mine and is consistent with Wesfarmers existing accounting policy and therefore there was no change to Wesfarmers' financial statements arising from the interpretation.
AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*	This amendment requires the disclosure regarding the effect or potential effect of netting arrangements on the entity's financial position. Refer note 15(a).
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	This amendment removes the requirement to include individual key management personnel disclosures in the notes to the financial statements. Whilst this information has been removed from the financial statements, Wesfarmers continues to disclose this information in the remuneration report.

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

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

Reference	Description	Application of Standard	Application by Group
The potential effects of the following standards and interpretations have not yet been fully determined:			
AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*	This amendment provides guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 January 2014	1 July 2014
AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	AASB 9 includes requirements for the classification and measurement of financial assets and was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements aim to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. It also includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018

27: Other accounting policies (continued)

Reference	Description	Application of Standard	Application by Group
AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	This Standard amends the disclosure requirements in AASB 136 *Impairment of Assets* and requires the disclosure of financial information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs to dispose.	1 January 2014	1 July 2014
AASB 2014-1 *Part A: Annual Improvements to IFRSs 2010-2012 Cycle*	This Standard sets out amendment to a number of IFRS including clarification of the definitions in IFRS 2 *Share-based Payment* and IAS 24 *Related Party Disclosures*, removing references to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in IFRS 3 *Business Combinations* and requiring additional disclosures in IFRS 8 *Operating Segments*.	1 July 2014	1 July 2014
AASB 2014-1 *Part A: Annual Improvements to IFRSs 2011-2013 Cycle*	This Standard sets out amendments to IFRS including clarification of the portfolio exception in paragraph 52 of IFRS 13 *Fair Value Measurement* and clarification of items in IAS 40 *Investment Property*.	1 July 2014	1 July 2014
The effects of the following Standards are not expected to be material:			
AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*	This Amendment permits the continuation of hedge accounting where a derivative designated as a hedging instrument is novated from one counterparty to a central counterparty as a result of laws or regulations.	1 January 2014	1 July 2014
The following Standards have not yet been adopted by the AASB and the effects of these Standards have not yet been fully determined:			
IFRS 15 *Revenue from Contracts with Customers*	This Standard establishes new principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers and supersedes a number of current Revenue Standards. The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2017	1 July 2017

(c) Accounting policies related to insurance activities discontinued during the year

Insurance premium revenue

Premium revenue comprises amounts charged to policy holders, excluding taxes collected on behalf of third parties and any unearned premiums. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium funding activities is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a prepayment at balance date.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries on paid claims, reported claims not yet paid, insurance claims incurred but not reported and insurance claims incurred but not enough reported are recognised as revenue.

(d) Tax consolidation

Wesfarmers and its 100 per cent-owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The possibility of such a default is considered remote at the date of this report.

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgment of the consolidated return and payment of the tax liability.

28: Share-based payments

The Group provides benefits to employees (including executive directors) of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares. The expense arising from these transactions is shown in note 2.

Recognition and measurement

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

Equity settled transactions

The cost of equity-settled transactions with employees is measured using their fair value at the date at which they are granted. In determining the fair value, no account is taken of any performance conditions other than those linked to the price of the shares of Wesfarmers Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions (excluding market conditions) are met, ending on the date on which the employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market condition not being met.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described above.

Cash settled transactions

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

Additional information on award schemes

Wesfarmers Employee Share Plan (WESP)

The last issue under the WESP was made in December 2004. Under the plan, employees were invited to apply for ordinary shares in the company, funded by an interest-free loan from the Group. The employee's obligation for repayment of the loans is limited to the dividends declared and capital returns by the company and, in the event the employee ceases employment, the market price achieved on the sale of the shares.

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

Wesfarmers Long Term Incentive Plan (WLTIP)

Long-Term Incentive

Under the WLTIP in 2014, eligible executives were invited to receive performance rights in the company. There are two performance hurdles, Wesfarmers' CAGR in ROE (with a 75% weighting) and Wesfarmers' TSR (with a 25% weighting), relative to the CAGR in ROE and TSR of the ASX 50 Index. Further details of the WLTIP and of the terms of the grants during the year are in the remuneration report (pages 95 to 96). The fair value of the performance rights are determined using an option pricing model with the following inputs:

Grant date	**7 Nov 2013**	**16 Sep 2013**
Grant date share price	**$43.52**	**$41.75**
Volatility (per cent)	**17.44**	**17.82**
Dividend yield (per cent)	**4.38**	**4.35**
Risk-free rate (per cent)	**3.26**	**3.03**
Fair value	**$33.62**	**$31.75**

Annual Incentive

Eligible executives also received a restricted (mandatorily deferred) share award under the WLTIP. However, if an executive resigns or is terminated for cause within one year of the share allocation, the Board may decide to cancel that share allocation. The fair value of the share at grant date is expensed over the one year forfeiture period.

Coles Long Term Incentive Plan (CLTIP)

The CLTIP was established for a select number of Coles executives, who can make an election to receive the award in cash. The plan operated from 1 July 2008 to 30 June 2013, with awards accruing over that period but no additional awards granted. The liability relating to this cash settled scheme at 30 June 2014 is nil (2013: $30 million) and is included within the provision for employee liabilities.

Equity settled awards outstanding

Weighted average share price in 2014 was $41.87 (2013: $37.21)

	WESP	**WLTIP**		**CLTIP**	**WESAP**
	(options)	**(shares)**	**(rights)**	**(shares)**	**(shares)**
Outstanding at the beginning of the year	**2,230,816**	**1,130,301**	**474,660**	**81,740**	**2,781,282**
Granted during the year	**-**	**149,441**	**683,884**	**1,398**	**2,765,048**
Exercised during the year	**(265,061)**	**(455,506)**	**-**	**(83,138)**	**(2,818,780)**
Lapsed during the year	**-**	**-**	**-**	**-**	**(208,272)**
Outstanding at the end of the year	**1,965,755**	**824,236**	**1,158,544**	**-**	**2,519,278**
Exercisable at the end of the year	**485,231**	**2,835,171**	**1,060,587**	**-**	**2,167,745**

28: Share-based payments (continued)

Group Managing Director (MD) Long Term Incentive Plan (Rights plan)

The Group MD Rights Plan was a one-off special purpose plan pursuant to which performance rights were granted to the Group MD that vested subject to satisfying an ROE-based vesting condition. As the vesting condition was not met on 30 June 2013, the applicable performance hurdles can no longer be satisfied. No expense was recognised in respect of these rights in the 2013 financial year. The Board has, subsequent to year end, closed the Group MD Rights Plan.

Wesfarmers Employee Share Acquisition Plan (WESAP)

The WESAP was introduced in October 2009. Under the plan, all eligible employees are invited to acquire fully-paid ordinary shares in the company. The shares are either acquired under a salary sacrifice arrangement or are granted as an award, subject to the Group achieving a net profit after tax performance hurdle. Eligibility for an award of shares is dependent upon an in-service period with a participating division and being a permanent employee.

The Plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 83A of the Income Tax Assessment Act 1997 (as amended) for Australian resident employees. The fair value of the equity instruments granted (2014 average: $42.22 (2013 average: $37.16)) is determined with reference to the share price on the date of grant.

29: Director and executive disclosures

Compensation of key management personnel

The remuneration disclosures are provided in sections one to six of the remuneration report on pages 84 to 102 of this annual report designated as audited and forming part of the directors' report.

	CONSOLIDATED	
	2014	2013
	$'000	$'000
Short-term benefits	**24,134**	21,857
Long-term benefits	**230**	184
Post-employment benefits	**343**	409
Termination benefits	**-**	1,025
Share-based payments	**11,971**	15,311
	36,678	38,786

Other transactions and balances with key management personnel

Refer to note 26 in relation to transactions with Gresham Partners Group Limited, of which J P Graham is a director.

From time to time, directors of Wesfarmers or its controlled entities, or their director-related entities, may purchase goods or services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:

    1.1 the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity for the full-year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

    (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

    1.2 the financial statements and notes comply with International Financial Reporting Standards as disclosed in the notes to the financial statements on page 109 of the 2014 Annual Report; and

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

2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group comprising the company and the controlled entities marked '+' as identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 24.

On behalf of the Board:

R L Every AO
Chairman

R J B Goyder AO
Managing Director

Melbourne
9 September 2014

Independent auditor's report

to the members of Wesfarmers Limited

Report on the financial report

We have audited the accompanying financial report of Wesfarmers Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the Notes to the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

a. the financial report of Wesfarmers Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in the Notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Wesfarmers Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth, 9 September 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Annual statement of coal resources and reserves

as at 30 June 2014

Coal resources

The table below details the coal resources for the Wesfarmers Group, as at 30 June 2014:

						2014 Coal resources tonnes (millions)				Resources quality (in situ)			
Mine	**Ownership**	**Beneficial Interest**	**Location of tenements**	**Likely mining method**	**Coal type**	**Measured**	**Indicated**	**Inferred**	**Total**	**Ash (%)**	**CV (MJ/kg)**	**Sulphur (%)**	**VM (%)**
Curragh	Wesfarmers Curragh Pty Ltd	100% equity (Note 3)	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	456	242	242	**940**	20	28	0.5	17
Bengalla	Wesfarmers Bengalla Limited	40% (Note 3)	Hunter Valley, New South Wales	Open cut and underground	Metallurgical and steaming	68	112	66	**246**	19	26	0.6	–

Comparative resources as at 30 June 2013

						2013 Coal resources tonnes (millions)	Resources quality (in situ)			
Mine	**Ownership**	**Beneficial Interest**	**Location of tenements**	**Likely mining method**	**Coal type**	**Total**	**Ash (%)**	**CV (MJ/kg)**	**Sulphur (%)**	**VM (%)**
Curragh	Wesfarmers Curragh Pty Ltd	100% equity (Note 3)	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	**700**	18	28	0.5	19
Bengalla	Wesfarmers Bengalla Limited	40% (Note 3)	Hunter Valley, New South Wales	Open cut and underground	Metallurgical and steaming	**246**	19	26	0.6	–

Resource notes:

1 Inclusion/exclusion of reserves

a. Curragh's coal resources are reported as being **inclusive** of coal reserves.

b. Bengalla's coal resources are reported as being **in addition** to coal reserves.

2 Quality

a. Curragh's in situ resource quality parameters are quoted on an air-dried basis.

b. Bengalla's in situ resource quality parameters are quoted on an air-dried basis.

3 Resources reported on a 100 per cent project basis

Curragh

a. Curragh's resources, as stated, are 100 per cent of the site resources, including all resources in the Curragh and Curragh North mining lease areas plus MDL 162 (collectively the '**Curragh Project**').

- Wesfarmers Curragh Pty Ltd ('**WCPL**') and Stanwell Corporation ('**Stanwell**') share in value generated from certain parts of the Curragh Project (being the Curragh and Curragh North mining areas, but excluding the MDL 162 area) pursuant to the terms of a Coal Supply Agreement between them ('**Stanwell CSA**').
- Resources are reported above on a project basis before any division of economic value under the Stanwell CSA. It is not possible to express the economic entitlements of Stanwell with respect to the Curragh Project as a simple numerical percentage. The reason such a statement is not possible is that the entitlements of Stanwell pursuant to the Stanwell CSA are variable with, and dependent upon, contingent events which include all of the actual export volumes, prices, and the duration of the Stanwell CSA relative to the timing and mine sequencing of production from the various areas of the Curragh Project. It is not necessary for the Competent Person to analyse the Stanwell CSA and respective entitlements of WCPL and Stanwell thereunder given that resources are stated on a total Curragh Project basis before application of the Stanwell CSA.

b. In addition to the requirements of the Stanwell CSA, an estimated 316 million tonnes of the resources reported, while within the Curragh North Mining Lease, require further agreement with Stanwell in order for WCPL to access ('**Stanwell Reserved Area**').

c. Resources are inclusive of 255 million tonnes of resource for MDL 162, the acquisition of which by WCPL was reported to the Australian Securities Exchange on 20 January 2014, and the report is available at **www.wesfarmers.com.au**

d. Since 30 June 2013, resources for the Curragh Project have been modified by: (1) the abovementioned addition of the MDL 162 resource; and (2) reduced by mining depletion tonnages from the Curragh and Curragh North mining lease areas, based on production reporting by the operation, which have been applied to the coal resources that have been estimated and previously reported as at 30 June 2013. With the exception of the MDL 162 acquisition, no other activity has taken place which would constitute a material change to the resources.

Bengalla

a. Bengalla's resources, as stated, are 100 per cent of the site resources, with Wesfarmers Bengalla Limited's beneficial interest in the Bengalla unincorporated joint venture being 40 per cent.

b. Bengalla's resources include the AL13 area.

c. No other activity has taken place which would constitute a material change to the resources.

Annual statement of coal resources and reserves

as at 30 June 2014

Coal reserves

The table below details the coal reserves for the Wesfarmers Group, as at 30 June 2014:

						2014 Coal reserve tonnes (millions)			Reserve quality (inclusive of loss and dilution)			
Mine	Ownership	Beneficial Interest	Location of tenements	Likely mining method	Coal type	Proved	Probable	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)	VM (%)
Curragh	Wesfarmers Curragh Pty Ltd	100% equity (Note 2)	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	244	40	**284**	24.2	23.5	–	16.3
Bengalla	Wesfarmers Bengalla Limited	40% (Note 2)	Hunter Valley, New South Wales	Open cut	Steaming	145	10	**155**	28.8	22.3	0.6	–

Comparative reserves as at 30 June 2013

						2013 Coal reserves tonnes (millions)	Reserve quality (inclusive of loss and dilution)			
Mine	Ownership	Beneficial Interest	Location of tenements	Likely mining method	Coal type	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)	VM (%)
Curragh	Wesfarmers Curragh Pty Ltd	100% equity (Note 2)	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	**232**	20.7	24.8		16.3
Bengalla	Wesfarmers Bengalla Limited	40% (Note 2)	Hunter Valley, New South Wales	Open cut	Steaming	**166**	28.8	22.3	0.6	–

Reserve notes:

1 Quality and quantity

a. Curragh's reserve quality parameters are quoted on a run-of-mine moisture basis.

b. Bengalla's reserve quality parameters are quoted on an air-dried basis.

c. Reserve qualities and quantities are inclusive of mining loss and out-of-seam dilution.

2 Reserves reported on a 100 per cent project basis

Curragh

a. Curragh's reserves, as stated, are 100 per cent of the site reserves, including all reserves in the Curragh and Curragh North mining lease areas plus MDL 162 (collectively the '**Curragh Project**').

– Wesfarmers Curragh Pty Ltd ('**WCPL**') and Stanwell Corporation ('**Stanwell**') share in value generated from certain parts of the Curragh Project (being the Curragh and Curragh North mining areas, but excluding the MDL 162 area) pursuant to the terms of a Coal Supply Agreement between them ('**Stanwell CSA**').

– Reserves are reported above on a project basis before any division of economic value under the Stanwell CSA. It is not possible to express the economic entitlements of Stanwell from the Curragh Project as a simple numerical percentage. The reason such a statement is not possible is that the entitlements of Stanwell pursuant to the Stanwell CSA are variable with, and dependent upon, contingent events which include all of the actual future export volumes, prices, and the duration of the Stanwell CSA relative to the timing and mine sequencing of production from the various areas of the Curragh Project. It is not necessary for the Competent Person to analyse the Stanwell CSA and respective entitlements of WCPL and Stanwell thereunder given that reserves are stated on a total Curragh Project basis before application of the Stanwell CSA.

b. No reserves have been declared with respect to the Stanwell Reserved Area.

c. Reserves are inclusive of 67 million tonnes of reserves for MDL 162, the acquisition of which was reported to the Australian Securities Exchange on 20 January 2014, and the report is available at **www.wesfarmers.com.au**

d. Since 30 June 2013, reserves for the Curragh Project have been modified by: (1) the abovementioned addition of the MDL 162 reserves; and (2) reduced by mining depletion tonnages from the Curragh and Curragh North mining lease areas, based on production reporting by the operation, which have been applied to the coal reserves that have been estimated and previously reported as at 30 June 2013. With the exception of the MDL 162 acquisition, no other activity has taken place which would constitute a material change to the reserves.

Bengalla

a. Bengalla's reserves, as stated, are 100 per cent of the site reserves, with Wesfarmers Bengalla Limited's beneficial interest in the Bengalla unincorporated joint venture being 40 per cent.

b. Other than depletion through mining activity, no other activity has taken place which would constitute a material change to the reserves.

Annual statement of coal resources and reserves

as at 30 June 2014

Characteristics of coal reserves and resources

Curragh

The coal is bituminous and is used for power generation (principally domestic) and metallurgical processes (primarily steel production overseas). The resource is contained in five seams of varying thickness and quality characteristics. Coal is produced from all of these seams. Coal is extracted by open cut methods and processed through a wash plant using dense medium cyclones and froth flotation.

Bengalla

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from eight seams of varying thickness and quality characteristics. The seams occur at relatively shallow depths and dip gently to the west. Coal is extracted by open cut methods.

JORC Code compliance

With respect to the Bengalla Project and the Curragh Project (excluding MDL 162), the statement of coal resources and coal reserves presented in this report has been produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Iron Ore Reserves, December 2004 ('**JORC Code 2004**'). It has not been updated since to comply with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Iron Ore Reserves, December 2012 ('**JORC Code 2012**') on the basis that the information has not materially changed since it was last reported.

With respect to the MDL 162 component of the Curragh Project, the statement of coal resources and coal reserves presented in this report has been produced in accordance with the JORC Code 2012. Additional materials with respect to MDL 162 were released to ASX on 20 January 2014 and are available at www.wesfarmers.com.au

The above versions of the JORC Code are, collectively, referred to below as the '**JORC Code**'.

Governance arrangements and internal controls

Wesfarmers has put in place governance arrangements and internal controls with respect to its estimates of reserves and resources and the estimation process, including:

- Oversight and approval of each annual statement by responsible senior officers;
- Establishment of internal procedures and controls to meet JORC Code 2012 compliance in all external reporting;
- Independent external review of new and materially changed estimates;
- Annual reconciliation with internal planning to validate reserves estimates for operating mines;
- Internal technical audits of resources and reserves estimates for each asset conducted every two years.

For the Bengalla Project, where the Wesfarmers Group is not the managing entity, the Wesfarmers Group relies on the estimates of reserves and resources as reported by the managing entity, being a subsidiary of Rio Tinto.

General

Preparation of this statement requires the Competent Person to adopt certain forward-looking assumptions including export coal price and cost assumptions. These assumptions are commercially confidential. Long-term export price assumptions are considered reasonable but differ from actual prices prevailing as at the balance date. These types of forward-looking assumptions are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Wesfarmers Limited Group. For the avoidance of doubt, neither the Competent Persons nor the Wesfarmers Limited Group makes any undertaking to subsequently update any forward-looking statements in this release to reflect events after the date of this release.

The information in this report relating to coal resources and reserves is based on, and fairly represents, information compiled by Competent Persons (as defined in the JORC Code, and listed below). All Competent Persons have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Competent Persons

Curragh

Mr Barry Saunders, Director of QGESS Pty Ltd
Member AusIMM(CP), Member AIG

Mr Johan Ballot, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly-owned subsidiary of Wesfarmers Curragh Pty Ltd
Member AusIMM

Mr Ken Hill, Director Xenith Consulting Pty Ltd,
Member AusIMM

Bengalla

Mr Andrew Prentice, a full-time employee of Rio Tinto Coal Australia Pty Limited
Member AusIMM

Mr Richard Ruddock, a full-time employee of Rio Tinto Coal Australia Pty Limited
Member AusIMM

Shareholder information

Wesfarmers Limited and its controlled entities

Substantial shareholders

As at the date of this report there were no persons with a substantial shareholding in the company for the purposes of Part 6C.1 of the *Corporations Act 2001*.

Voting rights

Wesfarmers fully-paid ordinary shares carry voting rights of one vote per share.

Distribution of members and their holdings

Size of holdings	Number of shareholdings
1 – 1,000	404,218
1,001 – 5,000	93,876
5,001 – 10,000	10,454
10,001 – 100,000	5,398
100,001 and over	189

There were 11,846 holders holding less than a marketable parcel of Wesfarmers ordinary shares.

There were 1.33 per cent of shareholders with registered addresses outside Australia.

Twenty largest shareholders

The 20 largest shareholders of ordinary shares on the company's register as at 9 September 2014 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	176,232,986	15.41
J P Morgan Nominees Australia Limited	153,973,270	13.47
National Nominees Limited	99,039,365	8.66
Citicorp Nominees Pty Limited	52,282,309	4.57
BNP Paribas Noms Pty Ltd (DRP)	22,074,823	1.93
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	16,789,480	1.47
Australian Foundation Investment Company Limited	7,553,236	0.66
AMP Life Limited	6,933,864	0.61
Argo Investments Limited	5,535,796	0.48
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	5,276,497	0.46
CPU Share Plans Pty Limited (WESAP DFE Control A/C)	4,560,754	0.40
CPU Share Plans Pty Limited (WES WLTIP Control A/C)	4,053,500	0.35
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	4,035,842	0.35
UBS Wealth Management Australia Nominees Pty Ltd	3,550,681	0.31
Milton Corporation Limited	2,863,064	0.25
QIC Limted	2,508,184	0.22
Navigator Australia Ltd (MLC Investment Sett A/C)	2,443,039	0.21
CPU Share Plans Pty Limited (WES Exu Control A/C)	2,351,901	0.21
Questor Financial Services Limited (TPS RF A/C)	2,011,171	0.18
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett A/C)	1,898,357	0.17

The percentage holding of the 20 largest shareholders of Wesfarmers ordinary shares was 50.38.

Five-year financial history

Wesfarmers Limited and its controlled entities

All figures in $m unless shown otherwise	2014	2013 Restated	2012	2011	2010
SUMMARISED INCOME STATEMENT[1]					
Sales revenue	**59,881**	57,466	57,685	54,513	51,485
Other operating revenue	**300**	283	395	362	342
Operating revenue	**60,181**	57,749	58,080	54,875	51,827
Operating profit before depreciation and amortisation, finance costs and income tax	**3,972**	4,486	4,544	4,155	3,786
Depreciation and amortisation	**(1,082)**	(1,033)	(995)	(923)	(917)
EBIT	**2,890**	3,453	3,549	3,232	2,869
Finance costs	**(346)**	(417)	(505)	(526)	(654)
Income tax expense	**(939)**	(908)	(918)	(784)	(650)
Profit after tax from discontinued operations	**1,084**	133	n/a	n/a	n/a
Operating profit after income tax attributable to members of Wesfarmers Limited	**2,689**	2,261	2,126	1,922	1,565
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) '000s as at 30 June	**1,143,275**	1,157,194	1,157,072	1,157,072	1,157,072
Paid up ordinary capital as at 30 June	**22,708**	23,290	23,286	23,286	23,286
Fully-franked dividend per ordinary share declared (cents)	**190**	180	165	150	125
Special dividend (fully-franked) per ordinary share declared (cents)	**10**	–	–	–	–
Capital return paid per share (cents)	**50**	–	–	–	–
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	**234.6**	195.9	184.2	166.7	135.7
Earnings per share growth	**19.8%**	6.4%	10.5%	22.8%	(14.4%)
Return on average ordinary shareholders' funds (R12)	**10.5%**	8.9%	8.4%	7.7%	6.4%
Fixed charges cover (R12, times)	**3.2**	3.0	2.9	2.7	2.4
Net interest cover (cash basis) (R12, times)	**15.9**	12.2	10.8	9.5	6.8
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	**39,727**	43,155	42,312	40,814	39,236
Total liabilities	**13,740**	17,133	16,685	15,485	14,542
Net assets	**25,987**	26,022	25,627	25,329	24,694
Net tangible asset backing per ordinary share	**$6.14**	$4.69	$4.45	$4.12	$3.61
Net debt to equity	**13.1%**	20.2%	19.1%	17.1%	16.3%
Total liabilities/total assets	**34.6%**	39.7%	39.4%	37.9%	37.1%
STOCK MARKET CAPITALISATION AS AT 30 JUNE	**47,835**	45,936	34,846	36,913	33,171

[1] The financial years 2010 to 2012 income statement balances have not been restated for classification of the Insurance division as a discontinued operation.

Investor information

Wesfarmers Limited and its controlled entities

Managing your shareholding

The company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

The Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

– view the company share price;
– change your banking details;
– change your address (for non-CHESS sponsored holdings);
– update your dividend instructions;
– update your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
– select email and communication preferences; and
– view transaction history.

Visit **www.wesdirect.com.au** and click on 'Create Login' for portfolio membership or click on 'Access a Single Holding' for holding information.

When communicating with Computershare or accessing your holding online you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post: GPO Box 2975 Melbourne, Victoria 3001 Australia

Telephone
Australia: 1300 558 062
International: (+61 3) 9415 4631

Facsimile
Australia: (03) 9473 2500
International: (+61 3) 9473 2500

Website: **www.investorcentre.com/contact**

Tax File Numbers

While it is not compulsory to provide a Tax File Number (TFN), if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly-franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate plus the Medicare Levy. Shareholders can go online to update their TFN by visiting **www.wesdirect.com.au**

Change of name or consolidation of holdings

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms, which can be downloaded from **www.wesdirect.com.au** and clicking on 'View All Printable Forms' in the 'Company Research' tab.

Uncertificated Share Register: The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

– *Issuer sponsored holdings* – these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
– *Broker sponsored holdings* – shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting **www.wesdirect.com.au**

Information on Wesfarmers

Wesfarmers website

Up-to-date information on the company can be obtained from the company's website **www.wesfarmers.com.au**

Securities Exchange listing

Wesfarmers shares are listed on the Australian Securities Exchange under the code, WES.

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at **www.asx.com.au**

Dividend investment plan

The company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from the share registry or the Wesfarmers website.

Privacy

A copy of the Wesfarmers Privacy Policy is available on the Wesfarmers website.

Wesfarmers Corporate Affairs department

Further information and publications about the company's operations are available from the Corporate Affairs department on (08) 9327 4366 (within Australia) or (+61 8) 9327 4366 (International) or from the Wesfarmers website.

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

Level 11, Wesfarmers House

40 The Esplanade, Perth, Western Australia 6000

Telephone:	(+61 8) 9327 4211
Facsimile:	(+61 8) 9327 4216
Website:	www.wesfarmers.com.au
Email:	info@wesfarmers.com.au

Executive directors

Richard Goyder AO
Group Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

Bob Every AO, Chairman
Paul Bassat
Colin Carter AM
James Graham AM
Tony Howarth AO
Charles Macek
Wayne Osborn
Diane Smith-Gander
Vanessa Wallace
Jennifer Westacott

Company Secretary

Linda Kenyon

Share registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria 3067

Telephone

Australia:	1300 558 062
International:	(+61 3) 9415 4631

Facsimile

Australia:	(03) 9473 2500
International:	(+61 3) 9473 2500

Website: **www.investorcentre.com/wes**

Financial calendar+

Final and special dividends paid	9 October 2014
Record date for final and special dividends	2 September 2014
Annual general meeting	20 November 2014
Half-year end	31 December 2014
Half-year profit announcement	February 2015
Record date for interim dividend	February 2015
Interim dividend payable	April 2015
Year end	30 June 2015

+Timing of events is subject to change.

Annual general meeting

The 33rd Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Thursday, 20 November 2014 at 1:00pm (Perth time).

Website

To view the 2014 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit the Wesfarmers website at **www.wesfarmers.com.au**

The cover and pages 1 to 102 are printed on Monza. Monza Recycled is Certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Protocol and ISO 14040 framework. Monza Recycled contains 55% recycled fibre (25% post consumer and 30% pre consumer) and is FSC® Mix Certified, which ensures that all virgin pulp is derived from responsible sources. It is manufactured by an ISO 14001 certified mill.

The paper used from page 103 to 156 is printed on white offset laser. This is an environmentally responsible paper manufactured under the environmental management system ISO 14001 using Elemental Chlorine Free (ECF) pulp derived from responsible sources. This paper is FSC® Mixed Sources Chain of Custody (CoC) certified.

Designed by Clarity Communications

www.wesfarmers.com.au