



Wesfarmers

2001 ANNUAL REPORT

looking to the future



**COVER**

**back** - Wayne Enriquez, Graduate Accountant, Wesfarmers Limited

**left** - M'laini Louvel, Sales Assistant, Kleenheat Gas

**right** - Ben Cooper, Territory Sales Manager, Wesfarmers Landmark

**middle** - Terry Cloughessy, Mechanical Fitter, Wesfarmers CSBP

**front** - Anita DeSousa, Events Organiser, Bunnings warehouse



**far left** - Tahni Bricknell, team member, Bunnings warehouse

**left** - Michael Yap, Shift Supervisor, Wesfarmers LPG

**above** - Michael Lockwood-Hall, Operator, Wesfarmers CSBP

**right** - John Kevin, Wesfarmers Landmark franchise holder

**far right** - Amanda Dawson-Evenhuis, Surveyor/Environmental Engineer, Curragh Coal

**We are at** an exciting time in Wesfarmers' development. Our new simplified ownership structure is now in place, our businesses are performing well and we are ready to take advantage of the many opportunities ahead of us. In every sense, we are excited about the future.



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**Company Profile** - With operating revenue of \$4.4 billion and profits exceeding a quarter of a billion dollars, Wesfarmers is one of Australia's largest public companies.

Headquartered in Perth, Western Australia, the company measures its success in terms of shareholder returns and strives to be ranked with the leading performers among Australia's listed companies.

The company is proud of its origin in 1914 as a Western Australian farmers' co-operative - a history that forged strong links with the rural community. While building on these links, Wesfarmers has diversified over the past decade, greatly broadening its business and geographical base.

Today, Wesfarmers has interests in coal mining; gas processing and distribution; retailing of home and garden improvement products and building materials; provision

of rural merchandise, services and insurance; fertilisers and chemicals manufacture; industrial and safety product distribution; road and rail transport; and forest products.

Wesfarmers operates mainly in Australia and New Zealand and has significant export markets.

Since its public listing in 1984, Wesfarmers has recorded strong growth in assets and profits. At June 2001, the group employed about 11,300 people full-time and a further 3,800 on a part-time or casual basis. The acquisition of the Howard Smith group completed after the year-end has increased total employee numbers to around 27,000.

With a clear focus on shareholder value, Wesfarmers is actively expanding its existing businesses and assessing new opportunities throughout Australia and overseas.

## DIRECTORY

**Wesfarmers Limited**  
A.B.N. 28 008 984 049

### Executive directors

M A Chaney, Managing Director and  
Chief Executive Officer  
E Fraunschiel, Finance Director

### Non-executive directors

C H Perkins, A.O., Chairman  
K P Hogan, O.A.M., Deputy Chairman  
D J Asimus, A.O.  
T R Eastwood, A.M.  
T J Flügge, A.O.  
L A Giglia  
J P Graham  
R D Lester  
D E W Nuttall  
J M Paterson  
D C White

### Company Secretary

J C Gillam

### Audit committee

D C White, Chairman of the committee  
L A Giglia  
R D Lester  
D E W Nuttall

### Registered office

11th Floor, Wesfarmers House  
40 The Esplanade  
Perth, Western Australia 6000  
Telephone: (08) 9327 4211  
Facsimile: (08) 9327 4216

[www.wesfarmers.com.au](http://www.wesfarmers.com.au)



# Wesfarmers' objective

**The primary objective of Wesfarmers Limited is to provide a satisfactory return to shareholders. The company aims to achieve this by:**

- satisfying the needs of customers through the provision of goods and services on a competitive and professional basis;
- providing a fulfilling and safe working environment for employees, rewarding good performance and providing opportunities for advancement;
- contributing to the growth and prosperity of Australia by conducting existing operations in an efficient manner and by searching out opportunities for expansion;
- responding to the attitudes and expectations of the communities in which the company operates and placing strong emphasis on achieving sustainable development and protection of the environment; and
- acting with integrity and honesty in dealings both inside and outside the company.

## ANNUAL GENERAL MEETING

The 20th annual general meeting of Wesfarmers Limited will be held at the Hyatt Regency Perth, 99 Adelaide Terrace, Perth on Monday 5 November 2001 at 2.00 pm

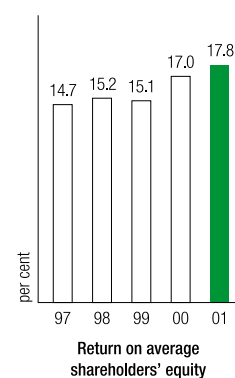
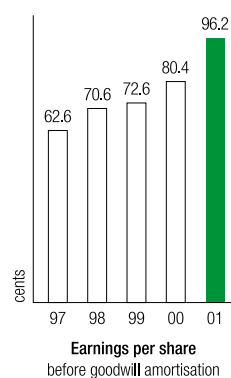
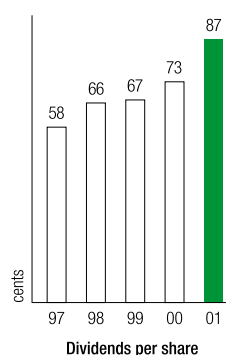
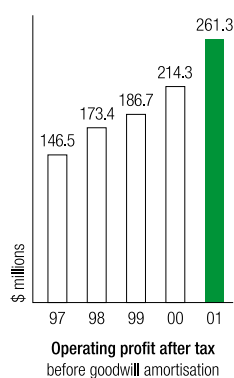
72,000 copies of this annual report have been produced at a cost of about \$2.10 per copy

## FINANCIAL CALENDAR

Final dividend payment, 60 cents per share	25 October 2001
Annual general meeting and quarterly announcement of results	5 November 2001
Half-year results and interim dividend announcement	February 2002
Half-year results summary mailed to shareholders	March 2002
Interim dividend payment	April 2002
Quarterly announcement of results	May 2002
Full-year results and final dividend announcement	August 2002
Annual report mailed to shareholders	October 2002
Final dividend payment	October 2002
Annual general meeting and quarterly announcement of results	November 2002

## highlights of the year

- operating profit after tax **up 21 per cent** to \$251 million (up 29 per cent before 1999/2000's abnormal items)
- successful **completion** of the Ownership Simplification Plan
- creation of Wesfarmers Landmark following the **acquisition** of IAMA Limited and the **merger** of the Wesfarmers Dalgety and IAMA rural operations
- 50 per cent **investment** in Australian Railroad Group venture
- the Howard Smith **takeover** bid, which was successfully completed subsequent to the year-end
- strong **growth** in energy business returns as a result of the Curragh coal mine acquisition
- continued **expansion** of the Bunnings warehouse business
- return on average shareholders' equity **increased** to 17.8 per cent



## FINANCIAL OVERVIEW

		2001	2000	% Change
Operating revenue	\$m	4,389	3,480	+26.1
Operating profit before interest and tax	\$m	424	320	+32.5
Operating profit after tax before goodwill amortisation	\$m	261	214	+22.0
Operating profit after tax	\$m	251	207	+21.2
Dividends	\$m	245	193	+27.2
Total assets	\$m	4,004	3,169	+26.3
Net borrowings	\$m	1,026	829	+23.8
Shareholders' equity	\$m	1,618	1,231	+31.4
Capital expenditure on property, plant and equipment	\$m	243	189	+28.6
Depreciation and amortisation	\$m	164	125	+31.2
Earnings per share before goodwill amortisation	cents	96.2	80.4	+19.7
Dividends per share	cents	87	73	+19.2
Net tangible assets per share	\$	4.61	4.13	+11.6
Cash flow per share	\$	1.53	1.25	+22.7
Return on average shareholders' equity	%	17.8	17.0	
Gearing (net debt to equity)	%	63.4	67.3	
Net interest cover (cash basis)	times	10.9	18.9	

## CREATING WEALTH AND ADDING VALUE

	2001	2000
	\$m	\$m
Wealth creation		
Total operating revenue	4,389	3,480
Total cost of materials, goods and services and other external costs	3,156	2,509
Total value-added, representing the wealth created by Wesfarmers	1,233	971
This created wealth was shared as follows:		
- to employees as salaries, wages and other benefits	515	420
- to governments as income tax, royalties and other taxes	233	186
- to lenders on borrowed funds	69	32
- to shareholders as dividends on their investment	246	194
- reinvested in the business as depreciation, amortisation and retained earnings	170	139

## dear shareholder,

*On behalf of the board, I am pleased to present the Wesfarmers 2001 annual report.*

*The 2000/2001 year was an excellent one for your company. In addition to reporting record revenues and profits, Wesfarmers' shareholding structure was simplified and a number of important acquisitions were made.*

*The factors behind the improved operating results are described in more detail in the review by the Managing Director, Michael Chaney, and the business unit reports in the following pages. I encourage you to read those reports.*

*On the acquisitions front, the listed company IAMA Limited became part of the group in February and was subsequently merged with Wesfarmers Dalgety to create Wesfarmers Landmark.*

*In December Wesfarmers acquired a 50 per cent interest in the Australian Railroad Group, operating in Western Australia and South Australia. The Curragh coal mine, acquired in June 2000, performed strongly during its first year under Wesfarmers ownership and provided a major proportion of the increase in energy business earnings.*

*The takeover of Howard Smith Limited, completed after the close of the financial year, will result in substantial growth in the group's hardware business in future years and will bring a significant industrial and safety product distribution business into the group.*

*Most significantly, the successful completion of the company's Ownership Simplification Plan marked the conclusion of the transition of Wesfarmers from a farmers' co-operative to a broadly based public company. The complexities of this restructuring were significant and it was gratifying that all stakeholders gave it such overwhelming support.*

*A fully-franked final dividend of 60 cents per share (last year 48 cents per share) has been declared. This lifts the full-year distribution to 87 cents per share compared to last year's 73 cents per share and represents a payout ratio of 98 per cent of after tax profit. The company's Dividend Investment Plan will operate for the final 2001 dividend, with the price for new Wesfarmers shares issued under the plan set at a 2.5 per cent discount to the market price, the same as last year.*

*One of the great strengths of the group is the high quality of our employees at all levels. On behalf of the board, I thank them all for their untiring efforts, commitment and loyalty, and acknowledge the important part the group's employees have played in achieving these outstanding results.*

*Yours sincerely*



**HARRY PERKINS AO**  
Chairman



Harry Perkins, Chairman



## a record year with strong growth anticipated



Michael Chaney, Managing Director

### IN BRIEF

- A record performance with strong revenue and earnings growth budgeted for 2002
- Wesfarmers remains one of Australia's top performing companies
- Continued focus on primary objective key to Wesfarmers' success
- Successful growth will come from innovation across the group

Wesfarmers achieved another record performance in 2000/2001, with operating profit after tax reaching \$251 million. This represented an effective increase of 29 per cent on the 2000 financial year reported profit before abnormal items of \$194 million and an increase of 21 per cent on last year's profit after abnormal items of \$207 million.

Earnings per share (before goodwill amortisation) of 96.2 cents increased by 27 per cent from the comparable figure of 75.7 cents last year.

Total operating revenue of \$4.4 billion was 26 per cent above last year's \$3.5 billion. All of Wesfarmers' major business segments recorded increased earnings and revenues.

The group's energy business achieved substantial growth during the year. Major factors in this were the inclusion of the Queensland Curragh coal mining operation for the first time following its acquisition in June 2000 and a continued lift in production at the New South Wales Bengalla coal mining operation as it moved into its second full year of operations.

The Bunnings national hardware retailing business continued to grow strongly. A further eight warehouses were opened, expanding the company's national chain to 47 at the end of June 2001. Sales revenue and earnings increased despite an uncertain retail outlook and the pull-forward of revenues into the final quarter of the previous year due to the then imminent introduction of the Goods and Services Tax.

The profit turnaround achieved by the rural and insurance business in 1999/2000 continued into 2000/2001 with good growth in earnings and revenues. Operating revenue increased across all areas of activity except real estate, with a substantial lift in merchandise sales reflecting the contribution from the recently acquired IAMA business. The Wesfarmers Federation Insurance business achieved impressive growth in premium income and earnings.

Revenue and earnings from the group's fertilisers and chemicals business increased over the previous year but were below expectations. Fertiliser sales



**“The record operating profit result and higher cash flows from operating activities enabled the company to maintain its financial strength.”**

volumes were lower than in financial year 2000 as a result of one of the driest seasons on record. A six week failure in the new ammonia plant at Kwinana in Western Australia in the first half of the financial year adversely impacted chemicals earnings, as did commissioning problems at the Queensland nitrates plant.

Sotico forest products recorded reduced revenue and earnings due to the sale of its woodchipping and plantations businesses at the beginning of October 2000 and the depressed housing market. A proposal was put to the Western Australian Government in the latter part of the year regarding plans to restructure the industry. These will result in further rationalisation of the Sotico business.

In December 2000, the group expanded its interests in transport with an investment in the 50 per cent owned Australian Railroad Group, which comprises the South Australian and Western Australian rail freight businesses. This investment made a positive contribution in line with expectations. The group's road transport business performed satisfactorily in a difficult trading environment.



### Financial position

The record operating profit result and higher cash flows from operating activities enabled the company to maintain its financial strength. Cash flow per share of \$1.53 was 23 per cent higher than last year's \$1.24.

Cash outflows on capital items and acquisitions of \$541 million (up from \$426 million last year) included the purchase of all the shares in IAMA Limited, the investment in the Australian Railroad Group and a final payment on the Curragh coal acquisition. General capital expenditure on property, plant and equipment was \$196 million, a slight increase from \$189 million last year.

A placement of 11 million ordinary Wesfarmers shares at a price of \$19.00, raising \$209 million, was completed in February 2001.

The net effect of these cash flows was a decrease in the group's ratio of net debt to equity from 67.3 per cent last year to 63.4 per cent at 30 June 2001, within the target range of 40-65 per cent.

Net interest cover on a cash basis of 10.9 times was less than last year's 18.9 times but remains well above the group's minimum target of four times.

“As a result of the successful completion of the Howard Smith acquisition, **revenue and earnings from Bunnings** will increase significantly upon integration of its hardware operations with those of BBC.”



**top left** - Warwick Nightingale and Matthew Hallam, Wesfarmers Landmark Sales Agronomists, at a trial demonstration site, near Junee, NSW  
**left** - Wesfarmers LPG plant expansion, Kwinana, WA

### Growth of the Business

Since it listed on the Stock Exchange in 1984 Wesfarmers has been one of Australia's top performing companies. Its market capitalisation has increased from \$80 million on the day of listing to over \$9 billion today.

This growth has been achieved without the board or management, at any time, expressing any size aspirations for the group. Rather, the company's primary objective has been expressed as providing a satisfactory return to shareholders; that is a return on investment rather than an absolute level of profit.

Looking back over that time it is apparent that Wesfarmers' success has resulted from a number of fairly simple actions, namely:

- running the businesses more efficiently, with a "Best Practice" philosophy, and generating increased amounts of cash from them;
- hiring the best people available;
- developing a set of management systems which had a common shareholder focus;
- developing a set of valuation principles and not departing from them;
- utilising the increased cash and skilled people to take advantage of opportunities as they emerged; and
- using the management systems to improve the performance of newly acquired businesses.

These are the principles on which the company's future development will be based.

There are several challenges involved with such a growth strategy. The first is uncovering sufficient opportunities in which the numbers add up. Our approach to this has been to resource the group with a relatively large number of business analysts and to engage in a broad scan of opportunities.

In most cases the investments evaluated do not come to fruition, but in some, for example Western Collieries, Bunnings and the Australian Railroad Group, the result has been the acquisition of an entirely new business. Those, in turn, lead to new expansion opportunities in that industry – Bengalla and Curragh coal and Howard Smith being cases in point.

As the group gets larger, so the number of expansion opportunities seems to grow and at the present time our business development team and other corporate services groups are busier than ever.

The second challenge is to maintain strict financial disciplines in the face of external pressures to grow faster or to grow in a certain direction or to dispose of businesses which appear mature.

In our experience, a good business becomes a bad business when you pay too much for it, and businesses which seem to be "mature" often sprout new, related investment opportunities after a period of dormancy.

The key to growing successfully continues to be innovation – developing new products or new processes, expanding into new markets or into new businesses. Our aim is to ensure that a culture of innovation continues to characterise the Wesfarmers group.



“The incidence of work-related injury continued to decline in almost all group activities during 2000/2001. **Achieving a safer working environment has been a strong focus** of senior management in all businesses.”

### People

At June 2001, the Wesfarmers group had a total permanent work force of 11,300 people and employed a further 3,800 on a part-time or casual basis, mainly in the stores operated by Bunnings and Wesfarmers Landmark. This workforce expanded significantly after year-end following the completion of the Howard Smith acquisition.

It is pleasing that over 7,000 employees of the group now hold shares in the company through the Employee Share Plan. During 2000/2001, over 95 per cent of eligible employees accepted invitations to apply for shares under the plan.

It is also pleasing that the incidence of work-related injury continued to decline in almost all group activities during 2000/2001. Achieving a safer working environment has been a strong focus of senior management in all businesses in recent years. Continued improvements in safety performance reflect the acceptance by all employees that safety is an absolute priority.

Recently, two senior executives retired after significant periods of service with the company. Peter Knowles made a strong contribution to the group during his 13 year career in both the business development department and as head of the fertilisers and chemicals business. Peter Johnston joined Wesfarmers in 1994 following the acquisition of Bunnings and performed the role of Company Secretary with distinction. I thank them both for their great contributions.



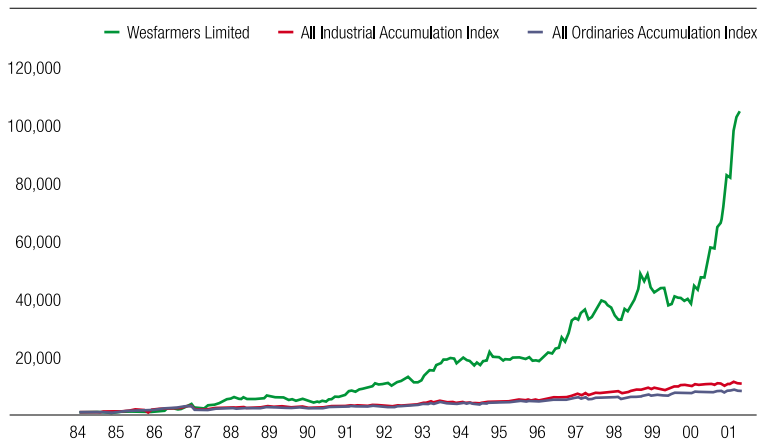
**top left** - John Wilkinson, Operator, Wesfarmers CSBP, at the carbon dioxide stripping plant, Kwinana, WA

**above** - Mac Adlam, Senior Statutory and Projects Engineer, at the Curragh coal mine, near Blackwater, Qld





#### AUSTRALIAN ACCUMULATION INDICES 1984-2001



#### Outlook

The company is budgeting for strong growth in revenue and earnings in the 2001/2002 financial year.

Coal earnings are expected to increase with the Curragh mine continuing to perform ahead of expectations and expanded production anticipated at the Bengalla mine. The benefit of stronger international coal prices which have been experienced in the last quarter of 2000/2001 is likely to be sustained for the coming 12 months. The Premier operation at Collie, Western Australia, is also expected to perform satisfactorily.

The outlook for the company's gas activities for 2001/2002 is for slightly reduced earnings on the assumption that current high international LP gas prices will not be sustained throughout the full year.

As a result of the successful completion of the Howard Smith acquisition, revenue and earnings from Bunnings will increase significantly upon integration of its hardware operations with those of BBC.

Finalisation of the Howard Smith acquisition has also introduced the Blackwoods industrial and safety product distribution business into the group. This will further diversify Wesfarmers' revenue and earnings base.

The outlook for the Wesfarmers Landmark rural services business for 2001/2002 is positive. The rural industry in Australia is showing signs of improvement with better commodity prices and favourable exchange rates for exports. Integration work which commenced in April 2001 following the merger of the Wesfarmers Dalgety and IAMA businesses is expected to realise significant efficiencies and cost savings in the coming year.

Wesfarmers Federation Insurance is also budgeting for a strong year.

The outlook for Wesfarmers CSBP is for increased earnings in the chemicals business partially offset by a challenging fertiliser market in Western Australia, where seasonal conditions have been poor for the last two years.













Following the sale of Sotico's woodchipping and plantations business in early October 2000, the forest products business now represents a small part of Wesfarmers' operations. Sotico's size will decrease in the future as the business is rationalised further.

An increased contribution will be achieved in the first full year of ownership of the company's rail freight business. The road transport business continues to be rationalised and is expected to report reduced earnings in 2001/2002.

A more detailed description of group activities is contained in the following pages.

**MICHAEL CHANEY**  
Managing Director

# a portfolio of diversified businesses

HARDWARE	GAS	COAL	FERTILISERS & CHEMICALS
<ul style="list-style-type: none"> <li>- Specialist retailer of home and garden improvement products and building materials</li> <li>- Servicing DIY project builders and the housing industry</li> <li>- Bargain hardware and variety</li> </ul>	<ul style="list-style-type: none"> <li>- National marketing and distribution of LP gas</li> <li>- LP gas extraction for domestic and export markets</li> <li>- Manufacture and marketing of industrial gases and equipment</li> </ul>	<ul style="list-style-type: none"> <li>- Coal mining and development</li> <li>- Coal marketing to both domestic and export markets</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacture and marketing of broadacre and horticultural fertilisers</li> <li>- Manufacture and marketing of chemicals for industry, mining and mineral processing</li> <li>- Soil and plant testing and agronomy advisory services</li> </ul>
<p><b>The year in brief</b></p> <ul style="list-style-type: none"> <li>- Strong growth in Bunnings warehouse hardware sales</li> <li>- Eight new warehouse stores opened in national chain</li> <li>- Commencement of seven day trading in Queensland</li> </ul> <p><b>Future directions</b></p> <ul style="list-style-type: none"> <li>- Integration of BBC hardware/ Hardwarehouse acquisition</li> <li>- Continued national rollout of warehouse stores</li> <li>- Enhanced technology and management systems</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;">    </div>	<p><b>The year in brief</b></p> <ul style="list-style-type: none"> <li>- Sales growth ahead of budget and last year</li> <li>- Merger of Kleenheat's east coast autogas operations with Elgas to form Unigas</li> <li>- 25 per cent expansion of the Kwinana LP gas extraction plant</li> <li>- Record LP gas production and export sales</li> <li>- Construction of LP gas import terminal in Bangladesh completed</li> <li>- Recovery in industrial gases markets</li> </ul> <p><b>Future directions</b></p> <ul style="list-style-type: none"> <li>- Plant enhancements to expand Kwinana capacity further</li> <li>- Pilot plant to develop LN gas as a transport fuel for heavy duty vehicles</li> <li>- Commencement of trading in Bangladesh</li> <li>- Search for new LP gas extraction opportunities</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;">    </div>	<p><b>The year in brief</b></p> <ul style="list-style-type: none"> <li>- Increased coal production and sales from the Curragh and Bengalla mines</li> <li>- Higher export prices</li> <li>- Lower coal deliveries from Premier mine</li> </ul> <p><b>Future directions</b></p> <ul style="list-style-type: none"> <li>- Continued focus on safety and environment</li> <li>- Development of adjacent coal deposits</li> <li>- Improved production and processing efficiencies</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;">    </div>	<p><b>The year in brief</b></p> <ul style="list-style-type: none"> <li>- Reduced fertiliser despatches due to adverse seasonal impact</li> <li>- Increased chemicals sales volumes</li> <li>- Chemicals operations impacted by plant equipment failure</li> </ul> <p><b>Future directions</b></p> <ul style="list-style-type: none"> <li>- Increased chemicals earnings</li> <li>- Strong position in competitive fertiliser market</li> <li>- Construction of solid sodium cyanide plant</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;">    </div>

## RURAL SERVICES & INSURANCE

- Supplier of rural merchandise and fertilisers to cotton, cropping, viticulture, horticulture and grazing industries
- Provider of:
  - wool and livestock marketing services
  - real estate and rural property sales
  - seasonal finance, term loans and deposit facilities
  - rural, domestic and commercial insurance

### The year in brief

- Formation of Wesfarmers Landmark through merger of Wesfarmers Dalgety and IAMA Ltd
- Continued expansion of the merchandise business, especially in the cotton, cropping, horticulture and viticulture sectors
- Higher cattle and wool prices
- Increased rural lending
- Record profit by Wesfarmers Federation Insurance with strong premium income growth and lower claims

### Future directions

- Capturing synergies from the IAMA acquisition
- Continued expansion of core business activities
- Focus on key business drivers including costs and capital
- Development of e-business strategies



## FOREST PRODUCTS

- Manufacturer of products to service the wholesale timber market in Australia and internationally, industrial customers and furniture/cabinet/joinery manufacturers
- Forestry and timber operations

### The year in brief

- Sale of the woodchipping, plantations and plantation management business completed
- Significantly reduced demand due to severe Australian housing downturn
- Commencement of restructuring of the WA hardwood forest industry as a result of new Government forest policy
- 40 per cent production capacity upgrade at the 50 per cent owned Wespine sawmill at Dardanup
- Record safety performance

### Future directions

- Restructure the business based on reduced log supply



## ROAD & RAIL TRANSPORT

- General and freezer freight transport
- Specialised transport, bulk and heavy haulage, warehousing and storage
- 50 per cent interest in South Australian and Western Australian rail freight businesses

### The year in brief

- Launch of 50 per cent owned Australian Railroad Group
- Sale of Niteroad Express
- Strong performance from freight services

### Future directions

- Development of value-added services and enhanced technology service systems
- Focus on service levels



## INDUSTRIAL & SAFETY PRODUCTS DISTRIBUTION

- Supplier and distributor of industrial, engineering and safety products, power transmission machinery, bearings, fasteners and metals
- Specialist supplier and distributor of industrial safety products and services

### The year in brief

- The industrial and safety products distribution businesses were acquired after the year end and their trading performance for the year ending 30 June 2001 did not form part of the Wesfarmers group results

### Future directions

- Development of enhanced technology and management systems to improve services and reduce costs
- Continued expansion of core business activities
- Integration of Atkins Carlyle and Protector Safety acquisitions

## Blackwoods

## A.E. BAKER & CO



# hardware



## IN BRIEF

- Eight new warehouse stores opened across Australia in 2000/2001
- Earnings increased by 13 per cent
- Continued expansion of B2B electronic trading system
- Warehouse rollout programme for 2001/2002 accelerated with acquisition of BBC hardware group

About 87 per cent of business is conducted with do-it-yourself consumers and the balance with builders and contractors.

The business recorded another outstanding year with sales of \$1.4 billion. Earnings for the financial year were 13 per cent above last year. It was a good result considering the significant drop in new housing statistics.

During the year, eight new warehouse stores were opened, expanding the national Bunnings warehouse chain to 47. Warehouse stores now account for 81 per cent of total Bunnings hardware sales compared to last year's 77 per cent.

While the warehouse concept has been well accepted by customers, Bunnings continues to strive to further improve key elements of the business by widening its enormous product range, improving levels of service and taking competitive leadership in the market.

The eight new warehouse stores that were opened last year included several regional stores designed specifically for less densely populated centres and to service metropolitan markets where existing stores are over shopped.

This warehouse building programme was accompanied by a reduction of traditional hardware stores to 22. Although fewer in number, the remaining traditional stores are continuing to perform well and are all making a strong contribution.

The acquisition after year-end of the BBC hardware group - which includes the Hardwarehouse stores and New Zealand based Benchmark Building Supplies operations - has accelerated the Bunnings warehouse rollout programme. A focus for the coming year will be the integration of the BBC hardware operations into Bunnings, as well as the continued rollout of new Bunnings warehouse stores.

Bunnings now has almost 9,800 employees. That number will more than double in the 2002 financial year with the continued warehouse store rollout programme and the BBC hardware group acquisition.

To support the large recruitment effort demanded by the warehouse rollout, investment in the human resource areas is increasing. A significant focus on improvements in recruitment processes, induction and ongoing skills training continues to be made to ensure all

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**Eight new Bunnings warehouse hardware stores were opened during the year, expanding the national chain to 47. With the acquisition of the BBC hardware group finalised after year-end, the Bunnings marketing strategy - lowest prices, widest product range and best service - will be extended throughout Australia and New Zealand.**

Bunnings Building Supplies Pty Ltd is a specialist retailer of home and garden improvement products and building materials.





left - Tony Martiniello, Tool Shop  
Co-ordinator, Bunnings warehouse,  
Taylors Lakes, Vic

employees are well equipped to deliver the desired high customer service levels. All Bunnings employees have the opportunity to participate in various incentive schemes aimed at delivering them a share of the success of their business.

A modern and flexible technology base is continually being upgraded to support the rapid growth of the business. Over the past year the focus has returned to business improvement programmes. Phase two and three of the internet based electronic trading system with suppliers have been developed and are now ready to be rolled out. This includes electronic invoicing and price updating through direct links with supplier systems. Over 80 per cent of orders are now processed through this system. Modules which provide the facility to deal electronically with small to medium sized builders as well as project builders with more sophistication have been tested over the past year. The facility should be available to all trade customers by the end of the first quarter.

All supply chain and warehouse administration processes have been

reviewed and improved efficiencies are planned through better uses of technology now available.

The WA Salvage bargain hardware and variety business, operating from 17 metropolitan and regional Western Australia stores, had a difficult year. Sales fell slightly but margins improved due to a better product mix.

Disruption to supply of imported products which severely impacted the two main trading periods of the year, Christmas and Easter, was the major contribution to the poor result. The business is now no longer vulnerable to the performance of any one overseas supplier and a strong recovery is expected this year.



**“The Bunnings and BBC merger creates Australia’s leading supplier of home improvement products to consumers and building materials to the housing industry. Combining the strengths of both organisations will deliver a ‘stand-out’ team and strong growth in the fragmented Australian and New Zealand markets.”**

Joe Boros  
Managing Director  
Bunnings Building Supplies

# coal



## IN BRIEF

- Curragh sales 10 per cent higher than budget
- Bengalla sales 76 per cent above previous year's result
- Celebration of 50 years in the Collie Basin
- Record health and safety result

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**Wesfarmers Energy's coal interests comprise the Premier open-cut operations at Collie in Western Australia's south-west, the Curragh mine in Queensland's Bowen Basin and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales.**

### Premier, Western Australia

Wesfarmers Premier Coal operates the Premier open-cut coal mine near Collie, 200km south of Perth in Western Australia.

Sales of 3.6 million tonnes of coal in 2000/2001 were three per cent below the previous year, as a result of lower tonnage delivered to our major customer Western Power. Earnings were comparable year-to-year, with lower sales tonnes being offset by improved production costs.

Overburden removal of 29.5 million bank cubic metres in 2000/2001 was similar to the previous year's result.

In November 2000 the company celebrated 50 years of operation in the Collie Basin. Several thousand people attended a celebratory event at the mine site.

Employee occupational health and safety continues to be a major focus, including development and implementation of safe work practices, behavioural systems and health checks. A record period was achieved without a lost-time injury.

Premier is committed to enhancing its market position by ensuring coal quality exceeds sale contract parameters, and by reducing production costs. All mining processes, from overburden removal to final delivery of coal to the customer, are subject to ongoing review and implementation of improved practices.

Rehabilitation of completed mine areas is well underway, including reshaping, replacing topsoil and planting of original vegetation. The overall concept includes filling of mine voids with water to enhance the potential community value of the areas and encourage a possible aquaculture industry. Environmental awareness of employees is being improved via training programmes.

Studies continue to show that Collie coal used for electricity generation in the south west of Western Australia is on par with gas from the North West Shelf in respect to greenhouse gas emissions. Premier is pursuing opportunities to facilitate additional sales of coal for power generation.

### Curragh, Queensland

Wesfarmers operates and markets coal from the Curragh open-cut coal mine situated near Blackwater, 200km west of Rockhampton in Queensland's Bowen Basin.

Sales of 4.9 million tonnes of coal in 2000/2001 were 10 per cent higher than budget, with the higher tonnage being export-quality coking coal, sold to a number of overseas steelmakers.



**far left** - Dragline operations at the Curragh mine, Qld

**left** - Coal wash plant, Curragh, Qld

**left below** - Premier open-cut coal operation, Collie, WA



“The addition of Curragh to our Premier and Bengalla coal interests, and the strong committed performance of employees at all three operations, provides an exciting platform for growth well into the future.”

David Robb  
Managing Director  
Wesfarmers Energy

Earnings were higher than budget due to the increased volumes, combined with stronger US\$ selling prices and a favourable exchange rate.

Overburden removal and ROM coal production were both higher than budget, to meet the increase in sales volumes.

During the year, Curragh’s dragline fleet performed well and upgrading of the mobile equipment fleet commenced.

Safety and environmental management performance are two of Curragh’s core values and objectives, and during the financial year performance continued to exceed industry standards.

Further volume increases, together with continued firm US\$ prices for export coal, and continuing on-site productivity

improvements suggest a further profit improvement in the 2001/2002 year.

#### **Bengalla, New South Wales**

Bengalla is an open-cut steaming coal mine located in the Hunter Valley in New South Wales managed by Coal and Allied. Wesfarmers holds a 40 per cent interest in the Bengalla mine which was officially opened in July 1999.

Sales volumes continued to increase, reaching five and a half million tonnes for the year, 76 per cent above the previous year and well ahead of budget.

The higher sales volumes together with stronger international coal prices resulted in significantly higher earnings.



# gas



## IN BRIEF

- Kleenheat and Elgas merged to form new Unigas autogas business
- LP gas plant upgrade commissioned with record gas production result
- Commissioning of Air Liquide acetylene plant

comprehensive network of depots, company operated branches, dealers and franchisees, servicing in excess of 22,000 bulk and 243,000 domestic customer installations.

Gas sales volumes were 12 per cent higher than in the previous year, an excellent result in a market in which results were affected by record high international LP gas prices, which reduced margins and demand in some areas.

In April, Kleenheat and Elgas announced the merger of their autogas wholesaling and retailing businesses in all states except Western Australia. The merged entity, Unigas, will be a specialist supplier of autogas to over 1,000 independent service stations in rural and regional areas and the major cities. Unigas will provide real benefits to autogas consumers through increased operational efficiencies and a stronger market presence, contributing to continued growth for Kleenheat in the autogas sector.

During the year, Kleenheat's national Customer Service Centre at Myaree in Western Australia was further enhanced to provide first point of contact for resolution of all customers requirements.

Kleenheat's commitment to safety, quality and environmental management was reinforced with continued development of an on-line operations management system, and a strong focus on safety communication, training and consultation with all staff, particularly those involved in the direct handling of LP gas.

Kleenheat has continued the development of an LP gas business in Bangladesh. This includes the construction of a 1,500 tonnes storage facility and cylinder filling plant at Port Mongla, which will be operational in the first quarter of the 2001/2002 year.

The use of liquefied natural gas as a clean, economical, transport and power generation fuel is well established in other countries. Kleenheat has established a small pilot plant at Wesfarmers' LP gas plant in Kwinana and is working to develop transport and power markets in Australia using liquefied natural gas as the fuel source.

### Wesfarmers LPG

Wesfarmers LPG owns and operates a plant at Kwinana in Western Australia, which extracts LP gas from the natural gas stream in the Dampier to Bunbury pipeline.

**Wesfarmers Energy's gas activities comprise Wesfarmers Kleenheat Gas Pty Ltd (distribution and marketing), Wesfarmers LPG Pty Ltd (production and export) and Air Liquide WA Pty Ltd (industrial gases).**

### Kleenheat

Kleenheat is a major distributor of liquefied petroleum gas (LP gas) to a broad range of domestic, commercial, autogas and industrial customers. Kleenheat operates in all mainland states of Australia through a



**far left** - Paul Buckingham, Process Technician, at the LNG pilot plant, Kwinana, WA

**left** - Air Liquide, Kwinana, WA

**above** - Scott Bardon, Marketing Manager, Unigas, Broadmeadows, Vic

Product from the plant supplies much of the state's domestic market, with the balance exported to Japan under a long term sales contract.

The plant continues to operate at high levels of availability and efficiency producing a record 300,000 tonnes for 2000/2001, well in excess of the 1999/2000 production of 252,000 tonnes. This followed the commissioning of the plant upgrade on time and ahead of budget during December 2000.

Strong domestic demand saw sales increase while export sales were at record levels of 234,000 tonnes (up from 159,000 tonnes last year).

Export sales again benefited from record high international LP gas prices and a favourable Australian dollar exchange rate, which produced revenues and earnings well ahead of budget and last year.

Wesfarmers LPG's safety record continued with no lost-time injuries incurred during the year. The plant has operated for more than four years without a lost-time injury. This excellent safety performance was mirrored by the plant upgrade construction team with

no lost-time injuries incurred during construction and commissioning of the plant upgrade.

#### **Air Liquide WA Pty Ltd**

Air Liquide WA Pty Ltd is a 40 per cent owned company, managed by Wesfarmers Energy. Air Liquide produces and markets a comprehensive range of industrial, medical, scientific and environmental gases as well as welding products.

Sales and earnings have shown a recovery against the same period last year, and have been assisted by the company's local production capacity.

During this period the company's acetylene plant expansion was commissioned and now produces all of the acetylene gas sold in Western Australia.

Air Liquide's Healthcare business continues to grow strongly with a number of major and new supply contracts secured.

Air Liquide, through significant efforts of all its staff continues to maintain its commitment to its quality, safety and environmental objectives. In excess of 3,000 days have been worked without a lost-time injury.

**“New alliances, products, customers and markets, together with expanded production and a continuing investment in our people will underpin a clean, ‘green’ and growing future for our gas businesses.”**

**David Robb**  
Managing Director  
Wesfarmers Energy

# rural services & insurance



## IN BRIEF

- Wesfarmers Dalgety merges with IAMA to form Wesfarmers Landmark
- Lending to primary producers reached record levels
- High prices for cattle and sheep lift livestock marketing revenue
- Record earnings for insurance business



**The rural services and insurance businesses, Wesfarmers Landmark and Wesfarmers Federation Insurance, have the financial resources, skill base and commitment to deliver real benefits to Australian primary producers and the food and fibre chain.**

**The acquisition of IAMA Limited and its merger in February 2001 with Wesfarmers Dalgety to form Wesfarmers Landmark was a major step forward in the rationalisation of the rural services sector.**

### Merchandise

Merchandise turnover established new records despite lower-than-expected results in Western Australia as a result of adverse cropping conditions. Generally good seasons in the eastern States, with a record cropping season in South Australia, boosted sales. Expansion of the company's horticulture and viticulture business also contributed to higher sales.

Wesfarmers Landmark has a significant merchandise business and the merger has presented an opportunity to

develop and implement more efficient processes for the handling, storage and distribution of agricultural chemicals and other farm inputs.

### Cotton

Wesfarmers Landmark now has a large cotton industry presence, originally established by IAMA. As well as providing seed, fertilisers and agricultural chemicals to the industry, technical information on pests, diseases and nutritional information is available to growers through a team of specialist agronomists. The company also has a research and development unit at a dedicated site on the "St Elmo" property near Moree, in New South Wales.

The company's involvement as a major service provider to the industry has been enhanced by the merger, with cotton growers now able to access a full range of farm business services from Wesfarmers Landmark.

### Wool

Wool prices continued to improve, with increases being experienced by broader

microns as well as the finer end of the clip. The Eastern Market Indicator rose 13.6 per cent and the Western Market Indicator rose 16.3 per cent during the year. The official wool stockpile no longer exists and with the sheep flock at its lowest levels since the mid-fifties, wool supply is better matched to international demand.

The wool broking business met its bale throughput and sales revenue budget for the year. The number of growers taking advantage of risk management products has increased.

Wesfarmers Landmark is also encouraging growers to market wool through Precision Wool Marketing, which includes Fibre Direct. Supplying wool in commercial processing lots to domestic and international processors is an expanding business for Wesfarmers Landmark, with growers benefiting from processor feedback and participation in a marketing system offering efficiencies in the wool pipeline.

### Livestock

Livestock marketing revenue was well above budget and last year's result due to record cattle prices and high prices for sheep and lambs. The Australian livestock industry is experiencing very strong export demand for meat and live exports, assisted by the low Australian dollar and reduced beef supplies from the United States.

As with wool, Wesfarmers Landmark is developing supply-chain relationships which allow producers to trade their stock to specification. A range of specialist services including enhanced feedback is also available.

These services will improve the opportunity for producers to achieve more consistent returns for their stock and provide



**far left** - Des Quilty, Wesfarmers Landmark Viticulture Agronomist, at Andrew Harris Vineyards, Mudgee, NSW

**left** - Greg Curtis, Retail Sales Manager, at Wesfarmers Landmark, Wagga Wagga, NSW

processors, supermarket chains, live exporters and lot-feeders with a regular supply of livestock to their specifications.

#### Real estate

Revenue from real estate and rural property sales met expectations, following a record year in 1999/2000.

Strong interest in properties suitable for beef production has seen prices rise in this section of the market, reflecting high cattle prices and the general positive outlook.

Wesfarmers Landmark was again appointed to market a number of significant rural holdings around Australia, reflecting its expertise and professionalism in this specialised area.

#### Rural finance services

Lending to primary producers reached record levels during the year. Wesfarmers Landmark provides competitive seasonal and term finance through an alliance with the Primary Industry Bank of Australia Limited (PIBA), a subsidiary of Rabobank. The credit risk on loans made by Wesfarmers Landmark to its customers is borne by PIBA. Deposits also reached record levels.

An on-line facility was introduced for finance customers, enabling them to check account balances and print tax invoices and account sales.

#### Insurance

Wesfarmers Federation Insurance - operating through 79 outlets around Australia - achieved record earnings following strong premium income growth, lower-than-expected claims and strong expense management.

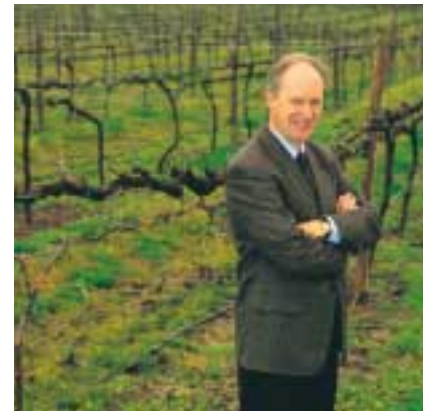
WFI continues to build its reputation as a specialist insurer in rural and regional Australia. It is the preferred insurer for a number of state primary producer organisations including NSW Farmers Association, Agforce and Queensland Fruit and Vegetable Growers.

The dual insurance agency operated by Wesfarmers Landmark through Wesfarmers Federation Insurance and CGU in states other than Western Australia is operating successfully. Insurance sales and earnings increased in 2000/2001 compared to the previous year.

#### The future

The focus in the coming year will be on maximising the benefits from the merger with IAMA which include the implementation of a single management information system and the consolidation of the branch network.

The performance of the Australian rural sector improved during 2000/2001 and the outlook for rural commodities is positive. Wesfarmers Landmark is poised to capitalise on emerging opportunities in the sector.



**“2001/2002 will see Wesfarmers Landmark capture synergies from the IAMA and Wesfarmers Dalgety merger. We have an exceptionally skilled team across the country committed to serving all agricultural sectors. Our scale and strength will allow us to drive efficiencies in all areas of our business. The opportunities are very exciting.”**

**Richard Goyder**  
Managing Director  
Wesfarmers Landmark



# fertilisers & chemicals



## IN BRIEF

- Fertiliser earnings up 27 per cent despite difficult trading conditions
- Opening of new CSBP \$5 million soil and plant analysis laboratory
- Strong demand for ammonia continues

**Wesfarmers CSBP Limited is Western Australia's major supplier of fertilisers and chemicals to the agricultural, mining and industrial sectors.**

Despite difficult trading conditions for both the fertilisers and chemicals businesses in the 2000/2001 year, total revenue grew nine per cent and earnings by 17 per cent. These results were, however, below budget expectations, reflecting lower fertiliser volumes and new chemical plant start-up problems.

## 22 Fertilisers

CSBP manufactures, markets and distributes a broad range of fertiliser products and services to Western Australian agricultural enterprises, covering broadacre cropping and/or livestock operations and the more intensive horticulture and dairy properties.

Demand was impacted by one of driest seasons on record, with a grain harvest some 40 per cent down on the previous year and farm enterprise cash flows under severe pressure. This led to an overall

13 per cent fall in sales volumes despite stronger demand in the last two months of the 2001 financial year. Given current economic uncertainty, however, it is evident that customers are adopting a cautious purchasing approach.

Cropping fertiliser demand was lower overall as a consequence of the prevailing economic conditions in this industry sector, with many growers looking at their third consecutive poor season.

After a reduced demand for SuperPhos based products in the first three quarters of the trading period, the re-emerging confidence within the wool, sheep meat and beef industries was reflected in the encouraging offtake of all pasture products in the last quarter.

The continued strong demand for Flexi-N, a liquid nitrogen product delivering real on-farm productivity benefits, has vindicated a strong CSBP commitment and investment in new application technologies.

Sales of fertiliser under the home garden range Cresco brand increased by 14 per cent on top of a growth of 26 per cent in the previous year.

The \$5 million CSBP futurefarm soil and plant analysis laboratory, located in the southern Perth suburb of Bibra Lake, was officially opened during the year. While the growing importance of soil testing as a means of making sound nutrient decisions is clearly demonstrated by an encouraging 15 per cent of farmers using the service, there remain many who are yet to adopt this cost-effective service as a routine part of their farm planning and decision making process.

Consistent with the CSBP futurefarm philosophy, significant funds were also invested in state-of-the-art materials

handling and blending infrastructure at Albany, Bunbury, Esperance and Geraldton. These facilities deliver effective and cost-efficient logistical outcomes to our customers.

As part of a rationalisation of its manufacturing facilities, CSBP has announced the closure of sulphuric acid production at Albany and Esperance. Superphosphate production at Esperance will cease before the end of 2001, with future stocks being supplied from Albany.

The outlook for demand in 2001/2002 is unfavourable, in light of the extensive and prolonged dry conditions in Western Australia impacting the current season's crop. In these difficult circumstances, CSBP's long term commitment to optimising agricultural productivity through its analytical and advisory services should be of real value to farmers, and position the company well for the future.

## Chemicals

**Ammonia/ammonium nitrate** - Deliveries of ammonia rose significantly over the previous period with a full year of deliveries to Western Mining Corporation, and stronger demand from the lateritic nickel projects. Further increases are anticipated as these projects complete their ramp-up of production.

The majority of these sales were satisfied by the new plant at Kwinana. However, a manufacturing fault in the new plant caused significant downtime in the first half of the financial year and resulted in the unplanned importation of one shipment and consequently lower earnings. Since repair, the plant has run consistently at nameplate capacity.

Sales of ammonium nitrate to the explosives industry were marginally weaker than in 1999/2000, reflecting reduced





**far left** - Bulk fertiliser at Wesfarmers CSBP, Kwinana, WA

**left** - Wesfarmers CSBP's new \$5 million futurefarm soil and plant analysis laboratory at Bibra Lake, WA

usage by the major mining companies in Western Australia. Offsetting this reduction, internal usage of ammonium nitrate as a component of liquid fertilisers increased significantly, from a low base.

Manufacturing facilities performed satisfactorily, and overall output could have been higher if not for periodic storage constraints.

Sales from the Queensland Nitrate Project were below expectations. The impact of wet weather and industrial action on the Queensland coal fields reduced overall demand. The production facilities at Moura were adversely impacted by post-commissioning equipment failures until the final quarter of 2000/2001, when reliability was improved. The plant is now operating near nameplate capacity on a consistent basis.

**Sodium cyanide** - Australian Gold Reagents' (AGR) sales of sodium cyanide rose in this financial year, despite a continued reduction in Australian demand as further gold mines closed. However, the industry over-supply position continued to pressure sales margins downwards, or prevent the full recovery of input-related cost increases.

Given the outlook for, at best, flat demand for cyanide in Australia, AGR has committed to the investment of some \$26 million to construct facilities to convert solution into solid form. This initiative builds on existing solution plant capacity and will allow AGR to compete in international markets.

**Industrial chemicals** - Demand for chlorine and its derivative products was slightly stronger over the period. Production facilities performed satisfactorily throughout.

Sales to industrial customers of sulphuric acid, prilled urea and sulphate of ammonia were higher in the reported period.

#### Technology development

Substantial progress was achieved in projects to upgrade the company's business systems and develop e-procurement capabilities. These projects will deliver simplified and streamlined business processes and responsiveness to customers.

#### Environment

Discharges of solid, liquid and gaseous wastes from the company's operations remained within licence conditions throughout the period, and continued to be reduced wherever practicable.

The company pleaded guilty to a charge relating to the release of arsenic that occurred in September 1999, and was fined \$20,000 plus \$5,000 costs.

#### People

All employees made substantial efforts to improve performance over the year. It is therefore disappointing to report that, after 21 months without a lost-time injury, there were nine such accidents this financial year. Nevertheless, the total number of compensable injuries was reduced.

Various employee development initiatives were undertaken in 2000/2001, including a Team Co-ordinator Development Programme, a programme to upgrade operator skills to national standards and the Wesfarmers Executive Development Programme. CSBP also supported 11 apprentices in instrument/electrical and mechanical trades.



**“Although market conditions remain difficult our investments in business systems, analytical facilities and manufacturing capacity have positioned CSPB for profitable growth.”**

**Mark Allison**  
Managing Director  
Wesfarmers CSBP

# forest products



**below** - Chad Van Kleef, operator at Sotico's Welshpool Processing Centre, WA



## IN BRIEF

- Sale of woodchipping, plantation operations and assets
- \$13 million upgrade to Wespine plantation softwood sawmill
- International sales of hardwood timber increased 35 per cent

### Sotico Pty Ltd produces and markets Western Australian timbers.

Sotico recorded significantly reduced results in 2000/2001 due to the sale in October 2000 of the woodchipping, plantation services operations and plantation assets for \$58 million - in line with book value - and a severe downturn in Australian housing activity.

Timber sales to Western Australian customers reduced significantly during the year. Sales to other Australian customers also reduced, but exceeded budget. International sales of hardwood timber increased 35 per cent over the year in line with budget.

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In December 2000, the 50 per cent owned Wespine Industries officially opened a \$13 million upgrade to its plantation softwood sawmill at Dardanup in Western Australia which increased the annual capacity of this mill by over 40 per cent. The plant upgrade enabled the operation to meet local and national building industry demand and offer export opportunities.

### WA forest management

In February 2001, the newly elected Western Australian state government

implemented its policy of banning all logging of old-growth forest in the state. This will result in sawlog availability reducing by 55 per cent for jarrah and 70 per cent for karri at the conclusion of the current log supply contracts in December 2003.

In May 2001, Sotico announced a proposal it had put to Government to restructure the industry progressively through to mid-2004, with stepped reductions in log volumes to the company's four hardwood sawmills and staged redundancies timed to allow a focus on maximising regional employment opportunities. Sotico believes the government should fund redundancy payments and provide other support for workers displaced as a result of its forest policy. Negotiations are continuing with the government on the details of the Sotico proposal.

### Safety

During the year, the Sotico workforce achieved a record safety performance. The number of lost-time injuries per million man hours worked for the year was 0.9 - the best result ever achieved by the business.



**Ron Adams**, Managing Director, Sotico

### Outlook

It is anticipated that Western Australian housing activity will improve during the 2001/2002 year with the assistance of the first home-owner grant scheme. This will improve structural timber demand which can be well serviced by the upgraded Wespine operation. The focus on decorative hardwood markets will continue, particularly co-operation with Western Australian furniture manufacturers and their market development initiatives.

# road & rail transport



**Ian Thomson**, General Manager, Wesfarmers Transport

## IN BRIEF

- Road transport profit contribution improved
- Sale of Niteroad Express business at year-end
- Acquisition of Westrail Freight business
- ARG is the largest private rail freight operator in Australia



**Transport interests expanded with the acquisition in December 2000 of a 50 per cent stake in Australian Railroad Group, which comprises the South Australian and Western Australian rail freight businesses. Road transport operations, conducted through Wesfarmers Transport Limited, comprise two business units: transport and logistics and specialised services.**

### Road transport

Operating revenue from the road transport business was down on the previous year but profit contribution improved.

The transport and logistics operations reported good results from all areas. Freight Services, Niteroad Express and Logistics Services activities all reported improved profit performances reflecting the impact of necessary rationalisation, particularly in the freight services operation.

The transport and logistics operations comprise freight services – providing regular general freight and refrigerated transport services to destinations throughout Western Australia and the Northern Territory; Niteroad Express – providing express freight and overnight services to destinations throughout

regional Western Australia; and logistics services – providing contract warehousing, distribution, logistics and freight management for a number of significant Western Australian companies across a range of industries.

At the end of the financial year the company announced the sale of the Niteroad Express business with the profits from this sale included in the results for year ended June 2001.

Specialised services operating revenue was reduced due to the lower volumes carried in Western Australian bulk haulage operations and the poor results from Johnstone River Transport in North Queensland, where the cane season was severely affected by floods.

The specialised services operations are involved in the cartage of dangerous goods and chemicals, heavy haulage and bulk storage. These operations extend throughout Western Australia, the Hunter Valley and Tamworth in New South Wales and sugar haulage activities in northern Queensland and the north of Western Australia.

Wesfarmers Transport has embarked on a rationalisation programme aimed at capturing maximum value from existing

operations whilst continuing to deliver sound value propositions to its customers.

### Australian Railroad Group Pty Ltd

Australian Railroad Group Pty Ltd (ARG) commenced operations in December 2000 following the successful acquisition of the Westrail Freight business from the Western Australian Government. ARG is a joint-venture owned 50 per cent by Wesfarmers Limited and 50 per cent by the United States based Genesee & Wyoming Inc (GWI).

As part of the transaction to complete the formation of ARG, GWI contributed its 100 per cent owned Australia Southern Railroad operations and its interest in the Asia Pacific Transport Consortium which has been selected to construct the Alice Springs to Darwin Railroad.

ARG comprises three business units. Australia Southern Railroad and Australia Western Railroad conduct the freight operations for the group. The third business unit is WestNet Rail Pty Ltd, the infrastructure company of the group, which holds the lease over the track and manages the access arrangements for all train operators seeking to use the Western Australian rail network.

ARG is now the largest private rail freight operator in Australia, employs over 1,150 staff and has 180 locomotives and 3,800 wagons. As part of the acquisition of the Westrail Freight business, ARG entered into a 49 year lease with the State Government for 5,300km of track in Western Australia. This is in addition to the 50 year lease plus a 15 year option over 1,290km of track in South Australia.

Revenue and earnings for the year to 30 June were in line with expectations. There is, however, considerable work to be undertaken to ensure ARG maintains its position as a market leader in Australia's deregulated rail industry.



**Harry Perkins**

Non-executive Chairman; age 62.

Joined the board in 1984. Harry is Chancellor of the Curtin University of Technology; Chairman of the Western Australian Institute for Medical Research and a director of Scientific Services Ltd and Adelaide Brighton Limited. He was a Nuffield Farming Scholar in 1972.

**David Asimus**

Non-executive director; age 69.

Joined the board in 1994. David holds a Bachelor of Economics degree from the University of Sydney, an Honorary Doctorate in Science from the University of New South Wales and an Honorary Doctorate in Agricultural Economics from the University of Sydney. He is Chancellor of Charles Sturt University; and a director of Rural Press Limited and The Industrial Bank of Japan Australia Limited. David was formerly Chairman of the Australian Wool Corporation and International Wool Secretariat; a former member of the Executive of CSIRO; and a past director of BHP Limited, Delta Electricity, Austrade and of Australian Eagle Insurance. He was a Nuffield Farming Scholar in 1958.

**Michael Chaney**

Chief Executive Officer and Managing Director; age 51.

Joined the board in 1988. Michael holds Bachelor of Science and Master of Business Administration degrees from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1992. He is Chief Executive Officer and a director of a number of Wesfarmers group subsidiaries. He worked in the finance and petroleum industries in Australia and the United States of America before joining Wesfarmers in 1983. Michael is a director of BHP Billiton Limited, Gresham Partners Group Limited and the Centre for Independent Studies. He is a member of the board of the Business Council of Australia and the Council of the National Gallery of Australia and is Vice President of the Australia Japan Business Co-operation Committee.

**Trevor Eastwood**

Non-executive director; age 59.

Joined the board in 1994. Trevor holds a Bachelor of Engineering degree from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1982. He commenced his career with the group as an employee of Westralian Farmers Co-operative Limited in 1963 and held a number of management positions in the group up to his retirement in 1992, including his final eight years as Managing Director of Wesfarmers Limited. Trevor is Chairman of West Australian Newspapers Holdings Ltd, Gresham Partners Holdings Ltd and Gresham Rabo Management Limited; and a director of Qantas Airways Limited.

**Trevor Flügge**

Non-executive director; age 54.

Joined the board in 1998. Trevor is Chairman of the AWB Limited and a director of AWB joint venture companies in China, Egypt and Vietnam. He is a member of the Rabobank Food & Agribusiness Advisory Board and a director of Australian Wool Services Limited (AWS) and AWS subsidiaries TWC Holdings Pty Ltd and The Woolmark Company Pty Ltd. He was formerly President of the Grains Council of Australia; and a past director of the Grains Research and Development Corporation. Trevor received the Monash University/Rabobank Agribusiness Leader of the Year award in 1998 and in 1997 was awarded the Farrer Memorial Medal for his contribution to agriculture.

**Erich Fraunschiel**

Finance Director; age 55.

Joined the board in 1992. Erich holds a Bachelor of Commerce degree with Honours from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1991. He joined Wesfarmers in 1984 after working in the finance, management consulting and petroleum marketing industries. He is Chief Financial Officer and a director of a number of Wesfarmers group subsidiaries. He is also a director of Gresham Partners Group Limited, Gresham Private Equity Pty Ltd and Australian Railroad Group Pty Ltd.



Trevor Eastwood



Harry Perkins



Michael Chaney



David Asimus



Trevor Flügge



Lou Giglia

# board of directors

**Lou Giglia**

Non-executive director; member of the audit committee; age 60.

Joined the board in 1984. Lou is President of the Royal Agricultural Society of Western Australia (Inc) and is a director of Farmwest Services Limited. He is a former member of the advisory board of National Foods Limited, the Herd Improvement Service Board and the Dairy Industry Authority of Western Australia.

**Kevin Hogan**

Non-executive Deputy Chairman; age 68.

Joined the board in 1984. Kevin is a trustee of the Country Medical Foundation; and a member of the Kununoppin Hospital Board. He was the founding Chairman of the West Australian Rural Counselling Services.

**James Graham**

Non-executive director; age 53.

Joined the board in 1998. James holds a Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney and a Master of Business Administration from the University of New South Wales. He has had an active involvement in the growth of Wesfarmers since 1977 in his roles as Managing Director of Gresham Partners Limited and previously as a director of Hill Samuel Australia Limited and Managing Director of Rothschild Australia Limited. In addition to his investment banking activities, James is Deputy Chairman of Primary Industry Bank of Australia Ltd and of Rabo Australia Ltd. He is a trustee or member of a number of community organisations and was Chairman of the Darling Harbour Authority in New South Wales for a period of six years.

**Dick Lester**

Non-executive director; member of the audit committee; age 62.

Joined the board in 1995. Dick is a graduate with Honours from Dookie Agricultural College, Victoria and is a licenced property valuer. He was Principal and Chief Executive Officer of Growth Equities Mutual Limited until he sold his interest in that organisation in 1994. He was an inaugural member of the Companies and Securities Advisory Committee established by the Federal Attorney General to advise the Australian Government on securities industries laws. Dick is actively involved in real estate investment and development in the Perth metropolitan and south-west regions of Western Australia.

**David Nuttall**

Non-executive director; member of the audit committee; age 67.

Joined the board in 1990. David holds a Diploma of Valuation and Farm Management from Lincoln College, Canterbury University, New Zealand and has practised as a farm management consultant in Western Australia since 1961. He is Managing Director of Agribusiness Counsellors Pty Ltd, a farm business consulting firm, and holds directorships in a number of farming companies.

**John Paterson**

Non-executive director; age 69.

Joined the board in 1984. John is the Mayor of the City of Nedlands; a director of the Black Swan Theatre; a trustee of the Scotch College Foundation and Chairman of the Rock Lobster Industry Advisory Committee.

**David White**

Non-executive director; Chairman of the audit committee; age 53.

Joined the board in 1990. David holds a Bachelor of Business degree from Curtin University (formerly Western Australian Institute of Technology) and is a fellow of CPA Australia. He is the Treasurer of The Royal Agricultural Society of Western Australia (Inc) and Chairman of the Beverley Health Services Board.



Erich Fraunschiel



Dick Lester



David White



James Graham



David Nuttall



Kevin Hogan



John Paterson

# corporate governance

In fulfilling its obligations and responsibilities to its various stakeholders, the board of Wesfarmers Limited is a strong advocate of best practice in corporate governance.

This statement outlines the principal corporate governance practices that were followed by the company throughout the 2000/2001 financial year.

## Role of shareholders

The shareholders of Wesfarmers play an important role in corporate governance by virtue of their responsibility for voting on the appointment of directors.

The board ensures that shareholders are kept fully informed on developments affecting the company through:

- the annual and half-year reports which are distributed to all shareholders;
- quarterly reports released through the Australian Stock Exchange and the media;
- compliance with Australian Stock Exchange's continuous disclosure requirements; and
- the annual general meeting and other meetings called to obtain approval for board action.

## Board composition

In view of the diverse business activities of the Wesfarmers group, the company has recognised the importance of having a balanced board comprised of directors with an appropriate range of backgrounds, skills and experience.

The company considers that the preferred number of directors is between 8 and 12 although a number outside this range may be acceptable from time to time. It is company policy that the board has a majority of non-executive directors.

The board is currently comprised of 11 non-executive directors, including the Chairman and Deputy Chairman, and two executive directors, namely the Managing Director and the Finance Director. Details of the age, experience and qualifications of directors are set out on pages 26 and 27 of this annual report.

The composition of the board is determined by application of the following additional principles:

- Persons nominated as non-executive directors shall be expected to have qualifications, experience and expertise of benefit to the company and to bring an independent view to the board's deliberations. Persons nominated as executive directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairman and Deputy Chairman shall be non-executive directors who shall be expected to retire from those positions at the expiration of 10 years unless the board decides otherwise. The appointments of both positions shall be formally reviewed at the end of each five years of their respective terms.
- All non-executive directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the company.
- Executive directors shall be expected to retire from the board on the relinquishment of their executive position with the company. They are then eligible for re-appointment if they meet the guidelines for non-executive directors.

## Committee structure

The board of Wesfarmers is supported by the following committees comprised wholly of non-executive directors. These committees assist the board in the discharge of its obligations by the review of financial reports, audit, remuneration and the composition and self appraisal of the board itself.

**Nomination committee** - The nomination committee comprises the Chairman of the company, Mr C H Perkins, the Deputy Chairman, Mr K P Hogan, and Messrs Asimus, Eastwood and Flügge.

The main responsibilities of the committee are to review the composition, performance and membership of the board and make recommendations on new appointments.

Any director may, at any time, recommend a person to the nomination committee for consideration as a director.

Upon appointment, a new director receives an orientation pack including the board policy statement, the constitution and other relevant information about the company.

The nomination committee reports at least annually to the board.

**Audit committee** - The members of the audit committee are Messrs D C White (Chairman), L A Giglia, R D Lester and D E W Nuttall, all non-executive directors. The Finance Director, General Manager Group Accounting, Company Secretary and the external audit partner in charge of the Wesfarmers audit attend meetings by invitation. The committee also meets regularly with the external auditors, independent of management.

The committee monitors internal control policies and procedures designed to safeguard company assets and to ensure the integrity of financial reporting.

Among its specific responsibilities, the committee reviews and advises the board on the nomination and remuneration of external auditors and the adequacy of existing external and internal audit arrangements including the scope and quality of audits.

The committee meets and reports to the board at least five times each year. Four of these meetings are timed to review quarterly profit announcements made to the Australian Stock Exchange and the committee also meets to review the end of year financial statements prior to approval by the board and publication in the company's annual report. Other meetings are held as required.

**Compensation committee** - All non-executive directors are members of the compensation committee which is chaired by the Chairman of the company.

The committee determines remuneration policies and practices for Wesfarmers as a whole, including those affecting the Managing Director and senior executives who report to the Managing Director. In determining policies and practices that are market competitive and will attract,

motivate and retain high quality people, the committee regularly seeks appropriate external advice.

The aggregate amount of non-executive directors' fees approved by the shareholders of the company currently stands at \$768,500. The constitution of the company provides that this aggregate amount may be divided among the directors participating in the sum in such proportions as the directors shall agree. In determining fees, each year the board seeks appropriate external advice.

### **Responsibilities and functions of the board**

The board is responsible for ensuring that Wesfarmers is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of employees, customers, suppliers, lenders and the wider community.

The relationship between the board and management is a partnership that is crucial to the company's long term success. The separation of responsibilities between the board and management is clearly understood and respected.

The board is responsible for setting the strategic directions for the company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the board for the day-to-day management of the company.

The board's responsibilities and duties include the following:

- appointing the Managing Director;
- determining the strategic direction of the company and measuring performance against approved strategies;
- adopting operating budgets at the commencement of each financial year and monitoring progress on a regular basis against budget by both financial and non-financial key performance indicators;
- monitoring and overseeing the company's financial position and risk management priorities;
- evaluating the performance of the Managing Director and senior executives and determining their remuneration;
- determining that satisfactory arrangements are in place for auditing the company's financial affairs; and
- ensuring that policies and compliance systems consistent with the company's objectives and best practice are in place and that the company and its officers act legally, ethically and responsibly on all matters.

### **Ethical standards**

The board has adopted the principles outlined in the booklet - Corporate Practices and Conduct - Third Edition - a guide produced by a working group comprising representatives of a number of Australian industry and professional organisations.

The board has drawn from this guide to develop its own policy statement which establishes procedures and guidelines to ensure that the highest ethical standards, corporate behaviour and accountability are maintained.

### **Non financial accountability**

For the past three years Wesfarmers has published an environment, safety and health report detailing the performance of business units in these years.

Last year's report was independently verified as will be the 2001 document.

### **Independent professional advice**

After prior approval of the Chairman, directors may obtain independent professional advice at the expense of the company on matters arising in the course of their board duties.

### **Share trading by directors**

Directors are each required to own a minimum of 2,000 shares in the company. In addition to statutory and other particular restrictions, the directors in the past adopted a policy to restrict their trading in Wesfarmers securities to a period of four weeks immediately following quarterly profit announcements. Particulars of directors' shareholdings are shown on page 70.

In light of the continuous disclosure requirements now applying to all Australian Stock Exchange listed companies, the directors have resolved to amend the existing policy regarding restrictions on their trading in Wesfarmers securities. From October 2001, directors will be permitted to trade in Wesfarmers securities at any time subject to compliance with statutory and other relevant regulatory restrictions and after reference to the Company Secretary.

### **Other directorships**

Directors are required continually to evaluate the number of boards on which they serve to ensure that each can be given the time and attention required properly to fulfil duties and responsibilities. Directors are required to notify the Chairman in writing prior to accepting an invitation to become a director of any corporation. Executive directors may not accept appointment to the board of any

corporation outside the Wesfarmers group of companies without the prior approval of the board.

### **Code of conduct**

The company has adopted a code of conduct which sets out the minimum acceptable standard of behaviour expected of all employees of the group. All employees are required to act with honesty, decency and integrity at all times.

### **Risk management**

The company has in place a framework to safeguard company assets and ensure that business risks are identified and properly managed.

The company has in place a number of risk management controls which include the following:

- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies, financial instruments, commodity derivatives and movements in interest rates;
- guidelines and limits for the approval of capital expenditure and investments;
- a group regulatory compliance programme supported by approved guidelines and standards covering crisis management, the environment, occupational health and safety, trade practices, equal employment opportunity, anti-discrimination and sexual harassment; and
- a comprehensive insurance programme including external risk management surveys.

Management is required to provide regular reports on all these matters.

### **Group strategic planning**

The company has adopted a formal, dynamic planning process of preparing five-year strategic plans each year for each operating activity and the group. A special board planning meeting is held annually at which these plans are presented and the board reviews and endorses strategies designed to ensure the continued profitable growth of the group.

# environmental and community interaction

## Environmental management and behaviour

Wesfarmers is committed to the management of all its business operations in an environmentally responsible manner.

A strong compliance framework exists within the group, with the objective of achieving best practice environmental management. In line with community attitudes and expectations there is a strong emphasis on achieving sustainable development and protection of the environment. Legal compliance is the minimum requirement - the goal is to achieve much more.

An Environmental Standard has been established under which each operating business unit is required to have its own programme for managing environmental risk. These programmes are tailored to the relevant business activity and define objectives and targets, procedures and a management framework including designated responsibilities. Each business unit must report annually on its environmental performance and the standard also requires regular audits by external experts and Wesfarmers staff to review continuing suitability and effectiveness.



## Environment, safety and health report

Again this year, Wesfarmers produced a comprehensive and independently verified environment, safety and health report providing greater detail about the performance of its business units in these areas.

A key motivation in publishing this report is creating a public focus on performance in these areas to increase the pressure to improve. The report was published in December 2000 and copies are available via the Wesfarmers website

([www.wesfarmers.com.au](http://www.wesfarmers.com.au)) or on request from the Public Affairs Co-ordinator, telephone (08) 9327 4211. The 2001 environment, safety and health report is due for publication before the end of the year.

## Support for environmental initiatives

Wesfarmers actively supports community and industry based initiatives to improve the environment, such as Wesfarmers CSBP's sponsorship of the Chair of Cleaner Production at the John Curtin International Institute, Wesfarmers Landmark's participation in the Co-operative Research Centre for Plant-Based Solutions to Dryland Salinity and the group's ongoing involvement with the internationally respected Earthwatch organisation.

Wesfarmers Premier Coal and Wesfarmers CSBP are participants in the Commonwealth Government's Greenhouse Challenge programme, part of the national policy to address climate change issues.

Kleenheat Gas was the major supporter of a free video distributed to over 130,000 households in Western Australia which focussed on home waste minimisation and other key domestic environmental messages.





**left** - Curtin University's Tim Storer with aquaculture students from Collie TAFE, working on a research project at Premier Coal mine Collie, investigating water acidity in rehabilitated mine voids.

**below** - Wesfarmers was a major sponsor of the Landcare pavilion at the 2000 Perth Royal Show.



### Community interaction

A positive and interactive involvement in the communities within which the group operates is a central element of the group's operational approach. Examples of such involvement include the extensive community relations and consultation programmes conducted by Wesfarmers Energy's Curragh coal and Premier Coal operations and the active role that Wesfarmers CSBP takes in the Kwinana Community and Industries Forum.

### Sponsorships and donations

At a corporate level, Wesfarmers Limited, through the Wesfarmers Arts programme, is a major supporter of the visual and performing arts in Western Australia, in partnership with key arts organisations including West Australian Ballet, West Australian Opera, West Australian Symphony Orchestra, Black Swan Theatre Company and The Bell Shakespeare Company.

In the past year, Wesfarmers Limited also continued its \$5 million over 5 years support programme for the Western Australian Institute for Medical Research.

In rural and regional Australia, Wesfarmers Landmark has an extensive community interaction programme

ranging from educational scholarships, sponsorships for national and state country week sporting carnivals and teams as well as the support of key agribusiness associations.

In Western Australia, Wesfarmers CSBP's sponsorship programme adds to the group's rural and regional community involvement, particularly through the CSBP futurefarm community donations programme.

Bunnings is a major supporter of many community organisations, such as the Juvenile Diabetes Foundation's national 'walk for the cure' event. Bunnings' community interaction programme includes donations, in-store fund raising and personal time commitments from staff. Bunnings' efforts in Victoria were recognised with the Victoria Day Council's '2001 Good Corporate Citizen' award.

All businesses in the group actively contribute to many community focussed activities and organisations in the areas where those businesses operate.

# investor information

## Shareholder inquiries

**Please contact the company's share registry if you have questions about your shareholding or dividends.**

**Computershare Investor Services Pty Limited  
Level 2, 45 St George's Terrace  
Perth, Western Australia 6000  
Investor enquiries: (61 8) 9323 2077  
Facsimile: (61 8) 9323 2033**

When communicating with the share registry, it will assist if you can quote your current address together with your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/ CHESS statements.

## Stock exchange listing

Wesfarmers shares are listed on the Australian Stock Exchange and reported in the "industrial" section in daily newspapers - code WES.

## Dividend investment plan

The company has in place a dividend investment plan. The dividend investment plan is a convenient method by which shareholders can increase their share holding without incurring the cost of brokerage fees or other costs.

Shares issued under the plan will be at a discount of 2.5 per cent to the market price unless otherwise advised.

Details of the plan are available from the share registry or the Wesfarmers website.

## Electronic payment of dividends

Shareholders may nominate a bank, building society or credit union account for the payment of dividends by direct credit. Payments are electronically credited on the dividend date and confirmed by mailed payment advice. Shareholders wishing to take advantage of payment by direct credit should contact the share registry.

## Uncertificated share register

The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

Issuer sponsored holdings. This type of holding is sponsored by Wesfarmers and has the advantage of being uncertificated without the need to be sponsored by a stockbroker.

Broker sponsored holdings. Shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement. This type of holding is attractive to regular stockmarket traders or those shareholders who have their share portfolio managed by a stockbroker.

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 your holding.

## Change of address or banking details

Shareholders should notify the share registry in writing immediately of changes of address or banking details for dividends electronically credited to a bank account.

## Publications

The annual report is the main source of information for shareholders. Shareholders are also sent a half-year report which reviews, in summary, the six months to December.

Other publications available on request include March and September quarterly reports and the Chairman's address given at the annual general meeting in November. The company also produces a separate environment, safety and health report. The next environment, safety and health report is due for publication before the end of December 2001.

Further information and publications about the company's operations are available from the Public Affairs Co-ordinator, telephone (08) 9327 4211 or from the Wesfarmers website.

## Wesfarmers website

Wesfarmers has an internet address at [www.wesfarmers.com.au](http://www.wesfarmers.com.au)

This site contains the company's latest annual report, interim reports and media statements released through the Australian Stock Exchange.

## Removal from annual report mailing list

Shareholders can choose not to receive an annual report by contacting the share registry. Shareholders will continue to receive all other information including the notice of annual general meeting and proxy form.

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED		WESFARMERS LIMITED	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
Revenues from ordinary activities	2	4,388,650	3,480,156	870,612	645,185
Expenses from ordinary activities	3	(3,970,919)	(3,166,684)	(494,622)	(411,800)
Borrowing expenses	3	(68,681)	(32,330)	(66,725)	(37,646)
Share of net profits of associates		21,053	15,617	-	-
Profit from ordinary activities before income tax expense		370,103	296,759	309,265	195,739
Income tax expense relating to ordinary activities	6	118,499	88,989	27,975	13,318
Profit from ordinary activities after income tax expense		251,604	207,770	281,290	182,421
Net profit attributable to outside equity interests		598	741	-	-
<b>Net profit attributable to members of the parent entity</b>	23	<b>251,006</b>	207,029	<b>281,290</b>	182,421
Net exchange difference on translation of financial report of foreign controlled entities		109	(73)	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>251,115</b>	206,956	<b>281,290</b>	182,421
Net profit attributable to members of the parent entity consists of:					
Net profit before goodwill amortisation		261,372	214,314	281,290	182,421
Goodwill amortisation		(10,366)	(7,285)	-	-
<b>Net profit after goodwill amortisation</b>		<b>251,006</b>	207,029	<b>281,290</b>	182,421
Basic earnings per share (cents per share)					
- before goodwill amortisation	35	96.2	80.4		
- after goodwill amortisation	35	92.4	77.6		
Franked dividends per share (cents per share)	7	87.0	73.0		

The statement of financial performance should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED		WESFARMERS LIMITED	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>Current assets</b>					
Cash assets	8	110,753	57,999	28,361	2,799
Receivables	9	741,317	558,181	1,480,041	1,314,358
Inventories	10	722,031	544,580	-	-
<b>Total current assets</b>		<b>1,574,101</b>	1,160,760	<b>1,508,402</b>	1,317,157
<b>Non-current assets</b>					
Receivables	9	191,723	138,733	140,174	121,674
Investments accounted for using the equity method	11	258,558	112,285	884	889
Other financial assets	12	106,514	72,820	3,152,789	491,656
Property, plant and equipment	13	1,512,069	1,522,788	23,748	21,299
Deferred tax assets		57,716	22,036	-	4,968
Intangible assets	14	295,751	135,488	-	-
Other	15	7,639	3,850	-	-
<b>Total non-current assets</b>		<b>2,429,970</b>	2,008,000	<b>3,317,595</b>	640,486
<b>Total assets</b>		<b>4,004,071</b>	3,168,760	<b>4,825,997</b>	1,957,643
<b>Current liabilities</b>					
Interest bearing liabilities	16	383,212	401,104	65,000	237,267
Payables	17	629,539	560,399	2,477,489	123,201
Current tax liabilities		47,657	50,988	10,968	12,632
Provisions	18	206,735	133,236	99,919	72,908
Other	19	141,193	128,832	4,016	3,404
<b>Total current liabilities</b>		<b>1,408,336</b>	1,274,559	<b>2,657,392</b>	449,412
<b>Non-current liabilities</b>					
Interest bearing liabilities	16	751,129	483,905	719,023	466,039
Payables	17	2,256	2,249	593	572
Deferred tax liabilities		97,429	92,583	7,672	349
Provisions	20	86,625	58,841	8,995	8,066
Other	21	40,488	25,167	-	-
<b>Total non-current liabilities</b>		<b>977,927</b>	662,745	<b>736,283</b>	475,026
<b>Total liabilities</b>		<b>2,386,263</b>	1,937,304	<b>3,393,675</b>	924,438
<b>Net assets</b>		<b>1,617,808</b>	1,231,456	<b>1,432,322</b>	1,033,205
<b>Shareholders' equity</b>					
Contributed equity	22	1,234,171	892,192	1,234,171	892,192
Reserves	23	109,304	107,886	84,524	125,427
Retained profits	23	250,666	225,121	113,627	15,586
Shareholders' equity attributable to members of Wesfarmers Limited		1,594,141	1,225,199	1,432,322	1,033,205
Outside equity interests in controlled entities	24	23,667	6,257	-	-
<b>Total shareholders' equity</b>		<b>1,617,808</b>	1,231,456	<b>1,432,322</b>	1,033,205

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The balance sheet should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED		WESFARMERS LIMITED	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
<b>Cash flows from operating activities:</b>					
Receipts from customers		4,311,473	3,284,408	750,214	526,089
Payments to suppliers and employees		(3,708,691)	(2,960,892)	(626,304)	(498,571)
Dividends received from associates		9,901	15,232	-	-
Dividends received other		3,263	359	1	1
Dividends received from controlled entities		-	-	224,071	157,684
Interest received		10,644	8,587	64,021	45,797
Borrowing costs		(60,744)	(32,146)	(61,187)	(36,431)
Net GST paid		(77,780)	-	(6,621)	-
Income tax paid		(104,416)	(61,150)	(17,351)	(711)
<b>Net cash provided by operating activities</b>	25	<b>383,650</b>	254,398	<b>326,844</b>	193,858
<b>Cash flows from investing activities:</b>					
Acquisition of property, plant and equipment		(242,690)	(189,396)	(4,188)	(3,159)
Acquisition of investments		(138,118)	(76,449)	-	(26,678)
Acquisition of entities	25	(118,372)	(157,697)	(113,609)	-
Disposal of entities	25	53,777	-	14,877	-
Advances to controlled entities		-	-	(384,594)	(320,096)
Loans advanced to related parties		(7,700)	(33,085)	(932)	-
Proceeds from sale of non-current assets		45,975	84,166	352	11,239
Other items		(4,118)	(1,452)	(3,603)	45
<b>Net cash used in investing activities</b>		<b>(411,246)</b>	(373,913)	<b>(491,697)</b>	(338,649)
<b>Cash flows from financing activities:</b>					
Proceeds from issue of shares – Wesfarmers Limited		206,066	-	206,066	-
– outside shareholders		-	5,092	-	-
Share buy back		-	(107,930)	-	(107,930)
Costs associated with restructure		(30,709)	-	(30,709)	-
Proceeds (repayments) from borrowings		(28,675)	380,471	80,717	391,226
Repayment of employee share plan loans		54,972	14,777	54,972	14,777
Dividends paid					
- Ordinary shareholders		(120,631)	(170,387)	(120,631)	(170,387)
- Outside shareholders		(673)	(875)	-	-
<b>Net cash provided by financing activities</b>		<b>80,350</b>	121,148	<b>190,415</b>	127,686
Net increase (decrease) in cash held		52,754	1,633	25,562	(17,105)
Cash at the beginning of the financial year		57,999	56,366	2,799	19,904
<b>Cash at the end of the financial year</b>	25	<b>110,753</b>	57,999	<b>28,361</b>	2,799

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The statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company and the consolidated accounts are a general purpose financial report which has been drawn up in accordance with applicable accounting standards and the requirements of the Corporations Act 2001 and other mandatory professional reporting requirements (Urgent Issues Consensus Views). They have been prepared in accordance with the historical cost convention. Under the transitional provision of AASB1041 the company has elected to carry all assets at cost. Cost in relation to assets represents the cash amount paid or the fair value of the assets given in exchange. The accounting policies are consistent with those of the previous year unless otherwise specified.

### (a) Principles of consolidation

The consolidated accounts are those of the consolidated entity, comprising Wesfarmers Limited (the chief entity) and all entities which Wesfarmers Limited controlled from time to time during the year and at year's end.

All significant inter-entity balances, transactions and unrealised profits arising from inter-entity transactions have been eliminated in full.

The consolidated entity's proportion of joint venture assets, liabilities and expenses is included in the accounts under the relevant items. The consolidated entity's interest in joint ventures is shown in note 36.

The consolidated entity has accounted for its investments in associates in accordance with the equity accounting method of accounting in its consolidated accounts. The cost method of accounting has continued to be applied in Wesfarmers Limited's accounts. The consolidated entity's interest in associated entities is shown in note 33.

### (b) Revenue recognition

Revenues are recognised when the control of goods sold has passed to a buyer or when services have been rendered.

### (c) Receivables

Receivables are carried at nominal amounts less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

#### Finance advances and loans

Rural advances are made for a maximum of 365 days and are usually secured against clients' livestock and wool. The maximum loan to a client is usually determined as a proportion of their anticipated cashflow.

#### Employee share plan

Employee share plan loans are repayable from dividends, capital returns or proceeds from the sale of the shares by employees.

#### Trade debtors

Credit sales are normally on 7-30 day terms.

### (d) Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. For manufactured inventory, cost is derived on an absorption costing basis, which includes the cost of direct materials and labour and a proportion of fixed and variable overheads based on normal operating capacity.

### (e) Investments

The consolidated entity's interests in companies, other than controlled entities and associated entities, are included in the accounts as investments and only dividend income received or receivable is taken into profits. Associated entities are those in which the consolidated entity holds a significant shareholding of the issued ordinary share capital and participates in commercial and policy decision making. Particulars of associated entities are set out in note 33.

Long term investments are stated at the lower of cost and their recoverable amount.

### (f) Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or deferred tax liability. The net deferred tax asset relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain.

The income tax expense for the year is calculated using the 34% tax rate, however the deferred tax balances have been adjusted for the decreased corporate tax rate of 30% for the tax year 2001-02 and thereafter. The adjustment recognises that reversal of timing differences will occur during income tax years, at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Depreciation and amortisation

Buildings, plant and equipment are depreciated on a straight line basis so as to write off the cost or valuation of each asset less estimated residual value at the end of the life of the asset over its anticipated useful life. The major depreciation periods are:

Plant and equipment	5 – 15 years
Buildings	20 – 40 years

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

### (h) Mining, exploration and development costs

Accumulated exploration and evaluation expenditure on areas where activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves or where such costs are expected to be recouped through successful exploitation or sale, is carried forward. All other exploration and evaluation expenditure is either provided for or written off.

Expenditure carried forward in respect of areas of interest in which production has commenced is amortised over the life of the mine based on the rate of depletion of the economically recoverable reserves.

Amortisation is not charged on expenditure carried forward in respect of areas of interest in the development phase in which production has not yet commenced.

### (i) Leases

The consolidated entity leases certain land and buildings and plant and equipment. The cost of improvements to or on leasehold property is disclosed as leasehold improvements and amortised over the unexpired period of the lease or the anticipated useful life of the improvements, whichever is shorter.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

### (j) Capitalisation of interest

Interest charges on funds invested in major projects with substantial development and construction phases are capitalised to the project until such time as the project becomes operational.

### (k) Deferred expenditure

Significant items of expenditure on new projects having a benefit or relationship to more than one period are carried forward and written off over the periods to which the benefit of the expenditure relates.

### (l) Intangibles

#### Trade names

The trade names of the consolidated entity are considered to be identifiable assets and are included in the financial accounts at the lower of cost of acquisition or recoverable amount.

The residual value of these assets is such that there is no depreciable amount to be amortised and accordingly no amortisation has been provided against the carrying value of these assets.

#### Goodwill

Goodwill represents the excess of the purchase consideration over the adjusted book value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is assessed at the time of acquisition and is amortised over a period not exceeding 20 years.

### (m) Borrowings

#### Bank overdraft

The bank overdraft is carried at its principal amount subject to set off arrangements. Interest is charged on a monthly basis as an expense at the banks' benchmark rate as it accrues.

#### Deposits

Retail deposits are carried at their principal amount and are repayable either at call or over a period not exceeding four years. Interest is charged on a monthly basis as an expense at commercial deposit rates as it accrues.

#### Bank and other loans

Bank and other loans are carried at their principal amount less any unexpired discount for bank bills. These loans are generally borrowed for short terms under long term facilities. The loans are allocated between current and non-current based on the repayment period for the facilities. Interest is charged as an expense at short term commercial rates as it accrues.



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Accounts payable

Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the consolidated entity. These liabilities are normally settled on 30 day terms.

### (o) Employee entitlements

Provisions have been made against profits for amounts expected to be paid to employees for accrued annual leave, long service leave and retirement entitlements. Expenses which are consequential to the employment of the employees, for example payroll tax associated with employee entitlements, have also been recognised as liabilities and included in the amount for employee entitlements.

Contributions to superannuation funds are charged to the profit and loss when paid.

### (p) Restoration obligations

Provision is made for the consolidated entity's estimated liability under specific legislative requirements and the conditions of its mining leases for future costs, at undiscounted amounts, expected to be incurred restoring areas of interest. The liability includes the cost of reclamation of the site using existing technology, including plant removal and landfill costs. These costs are recognised gradually over the life of each mine with any changes to the total estimated liability being recognised on a prospective basis.

### (q) Dividends payable

Dividends payable are recognised when declared by the company. The provision for dividend represents the probable cash pay out portion of the company's final dividend. The dividend reinvestment reserve represents the probable final dividend to be reinvested under the terms of the company's dividend investment plan.

### (r) Unearned income

Insurance premiums and commission income are brought to account using the 365ths method of calculation.

### (s) Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange applicable at the date of each transaction. Foreign currency balances arising from these transactions are translated at the rate of exchange at balance date. To the extent that such balances are hedged, the effect of the hedging is taken into account. Gains and losses arising from these transactions are taken directly to the profit and loss account.

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of the purchase or sale are included with the purchase or sale.

Assets and liabilities of foreign controlled entities that are outstanding at balance date are converted at the rates of exchange ruling at balance date. The resulting translation gains or losses on capital invested are transferred to the foreign currency translation reserve.

### (t) Terms and condition of contributed equity

#### *Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

### (u) Comparison

Certain reclassifications have been made to the prior year's accounts in order to enhance comparability with those of the current year.

### (v) Rounding

The amounts contained in this report have been rounded to the nearest thousand dollars under the option available to the company under ASIC Class Order 98/100.



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>2 REVENUE FROM ORDINARY ACTIVITIES</b>				
Revenue from the sale of goods	3,723,705	2,848,114	414,760	426,935
Revenue from services	519,579	510,381	6,639	2,623
Proceeds on sale of non-current assets	91,194	75,166	160,789	11,239
Dividends				
- Controlled entities	-	-	224,071	157,684
- Other corporations	3,262	359	1	1
Interest (see note 4)	12,934	7,596	63,951	45,708
Rent received	5,908	9,824	-	583
Other income	32,068	28,716	401	412
Total revenue from ordinary activities	4,388,650	3,480,156	870,612	645,185
<b>3 EXPENSES AND OTHER GAINS (LOSSES)</b>				
<b>(a) Expenses</b>				
Cost of goods sold	2,776,733	2,102,068	352,779	372,195
Distribution expenses	95,320	88,527	-	-
Sales and marketing expenses	558,085	465,436	-	-
Direct selling expenses	288,511	296,642	-	-
Administration expenses	174,171	147,388	34,004	27,730
Other expenses	78,099	66,623	107,839	11,875
Total expense from ordinary activities	3,970,919	3,166,684	494,622	411,800
Bad and doubtful debts				
Trade debtors	1,297	2,689	(60)	(14)
Finance advances and loans	-	50	-	-
	1,297	2,739	(60)	(14)
Depreciation and amortisation				
Depreciation - Buildings	4,769	4,726	59	195
- Plant and equipment	137,024	108,586	1,402	1,376
Amortisation - Leasehold improvements	6,453	1,159	21	42
- Mineral exploration and development costs	5,721	3,269	-	-
- Goodwill	10,366	7,285	-	-
	164,333	125,025	1,482	1,613
Borrowing expenses				
Interest paid (see note 4)	66,757	31,181	64,801	36,497
Other borrowing costs	1,924	1,149	1,924	1,149
	68,681	32,330	66,725	37,646

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>3 EXPENSES AND OTHER GAINS (LOSSES) (continued)</b>				
<b>(a) Expenses (continued)</b>				
Write down of non-current assets				
Property, plant and equipment	1,556	-	-	-
Goodwill	2,115	135	-	135
Operating lease rentals	52,245	54,807	-	1,644
Provision charged against (credited to) profits				
Employee entitlements	26,990	11,667	8,677	1,506
Restoration obligations	4,843	1,311	-	-
Other	16,055	(2,595)	6,538	-
Government mining royalties	9,096	10,800	-	-
Mineral exploration and development costs written off	57	57	-	-
Contributions to defined benefit superannuation funds	981	950	-	-
<b>(b) Gains/(Losses)</b>				
Profit on sale of property, plant and equipment	13,783	12,528	183	5,792
Profit on sale of listed investments	6,831	1,958	-	-
Profit on sale of controlled entities	1,374	-	52,231	803
Profit on sale of associated company	-	8,463	-	-
Foreign exchange gains (losses)	510	125	-	(11)
Net increment in the revaluation of investment property	-	500	-	-
<b>4 NET INTEREST</b>				
Interest paid/payable to:				
Ultimate parent entity	-	1,472	1,322	1,472
Controlled entities	-	-	24,147	17,181
Other persons/corporations	66,757	36,835	39,332	17,844
	66,757	38,307	64,801	36,497
Less interest capitalised to property, plant and equipment	-	7,126	-	-
	66,757	31,181	64,801	36,497
Less interest received/receivable from:				
Controlled entities	-	-	61,893	44,228
Associated entities	105	430	56	74
Other persons/corporations	12,829	7,166	2,002	1,406
	12,934	7,596	63,951	45,708
Net interest	<b>53,823</b>	23,585	<b>850</b>	(9,211)

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000

## 5 AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors for:

Auditing financial report	827	679	98	94
Other services	1,876	1,035	1,721	950
	<u>2,703</u>	<u>1,714</u>	<u>1,819</u>	<u>1,044</u>

## 6 INCOME TAX

The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements as follows:

Prima facie tax at 34% (2000: 36%) on profit from ordinary activities	125,835	106,833	105,150	70,466
Tax effect on permanent differences:				
Rebatable dividends	(334)	(126)	(75,944)	(56,532)
Depreciation and amortisation	6,179	4,797	8	107
Capital profits	(5,719)	(5,860)	(1,041)	(2,436)
Development allowance	(557)	(1,050)	-	-
Non-allowable items	3,114	1,733	579	695
Other items	340	(413)	(38)	-
Share of associated companies' net profit after tax	(5,717)	(4,201)	-	436
(Gain)/loss on change in income tax rates	(4,003)	(12,495)	(957)	752
Adjustment relating to previous year	(639)	(229)	218	(170)
Income tax attributable to operating profit	<u>118,499</u>	<u>88,989</u>	<u>27,975</u>	<u>13,318</u>

Total income tax comprises:

Amount set aside to provision for income tax	98,653	75,419	15,416	13,154
Amount set aside to deferred tax liabilities	17,040	9,587	12,584	89
Amount withdrawn from (set aside to) deferred tax asset	2,806	3,983	(25)	75
	<u>118,499</u>	<u>88,989</u>	<u>27,975</u>	<u>13,318</u>

## 7 DIVIDENDS PROVIDED FOR OR PAID

27 cents per share (2000: 25 cents) interim dividend paid on ordinary shares (fully franked at 34%)

	76,343	66,391	76,343	66,391
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60 cents per share (2000: 48 cents) final dividend provided on ordinary shares (fully franked at 30% - 2000: 34%)

	169,048	126,570	169,048	126,570
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	<u>245,391</u>	<u>192,961</u>	<u>245,391</u>	<u>192,961</u>
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Franking credits available for subsequent financial years after allowing for the payment of income tax payable as at 30 June 2001 and the payment of the final dividend provided at 30 June 2001

	<u>2,799</u>	<u>Nil</u>
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# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>8 CASH ASSETS</b>				
Cash on hand	1,941	1,628	7	7
Cash on deposit and at bank	108,812	56,371	28,354	2,792
	110,753	57,999	28,361	2,799
Weighted average effective interest rates				
- Cash on deposit and at bank	5.5%	5.1%		
<b>9 RECEIVABLES</b>				
<b>Current</b>				
Finance advances and loans	24,887	15,418	-	-
Less provision for doubtful debts	114	181	-	-
	24,773	15,237	-	-
Employee share plan loans	11,970	10,222	11,970	10,222
	36,743	25,459	11,970	10,222
Trade debtors	604,127	363,249	14,025	14,765
Less provision for doubtful debts	27,957	5,052	9	74
	576,170	358,197	14,016	14,691
Amounts other than trade receivables from:				
Controlled entities	-	-	1,452,207	1,288,346
Associated entities	3,530	4,147	21	4
Other debtors and prepayments	124,874	170,378	1,827	1,095
	128,404	174,525	1,454,055	1,289,445
	741,317	558,181	1,480,041	1,314,358
<b>Non-current</b>				
Finance advances and loans	81	165	-	-
Employee share plan loans	139,242	121,674	139,242	121,674
	139,323	121,839	139,242	121,674
Other debtors and prepayments	52,400	16,894	932	-
	191,723	138,733	140,174	121,674
Weighted average effective interest rates				
- Finance advances and loans	9.1%	8.7%		

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>10 INVENTORIES</b>				
Raw materials:				
At cost	51,420	55,793	-	-
At net realisable value	6,602	5,596	-	-
	58,022	61,389	-	-
Work in progress:				
At cost	87,002	42,325	-	-
Finished goods:				
At cost	576,563	440,523	-	-
At net realisable value	444	343	-	-
	577,007	440,866	-	-
Total inventories at lower of cost and net realisable value	722,031	544,580	-	-
<b>11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>				
Units in listed property trust at cost	49,266	46,878	-	-
Shares at cost	157,793	34,545	184	184
	207,059	81,423	184	184
Share of retained earnings and reserves of associated entities	22,038	9,096	-	-
	229,097	90,519	184	184
Loans to associated entities	29,461	21,766	700	705
	258,558	112,285	884	889
Aggregate quoted market value at balance date of units listed on a prescribed stock exchange				
Units in listed property trust	66,006	53,512	-	-
<b>12 OTHER FINANCIAL ASSETS</b>				
Investments in controlled entities:				
Shares at cost	-	-	3,078,868	448,309
Loans at cost	-	-	43,123	23,459
	-	-	3,121,991	471,768
Investments in other listed entities:				
Shares and options at cost	23,575	14,611	-	-



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>12 OTHER FINANCIAL ASSETS (continued)</b>				
Other investments:				
Shares at cost	59,038	37,899	7,322	
Other loans at cost	23,901	20,310	23,476	19,887
	82,939	58,209	30,798	19,888
	106,514	72,820	3,152,789	491,656
Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange comprise:				
Shares	22,666	20,804	-	-
Options	-	20	-	-

	GROSS VALUE OF ASSETS \$000	2001 PROVISION FOR DEPRECIATION/ AMORTISATION \$000	NET FIXED ASSETS \$000	GROSS VALUE OF ASSETS \$000	2000 PROVISION FOR DEPRECIATION/ AMORTISATION \$000	NET FIXED ASSETS \$000
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## 13 PROPERTY, PLANT AND EQUIPMENT

### Consolidated

Investment property:						
At cost	17,250	-	17,250	17,250	-	17,250
Freehold land:						
At cost	91,870	-	91,870	88,864	-	88,864
Buildings:						
At cost	145,899	41,324	104,575	136,077	35,313	100,764
Leasehold improvements:						
At cost	45,299	10,294	35,005	11,139	5,771	5,368

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	GROSS VALUE OF ASSETS \$000	2001 PROVISION FOR DEPRECIATION/ AMORTISATION \$000	NET FIXED ASSETS \$000	GROSS VALUE OF ASSETS \$000	2000 PROVISION FOR DEPRECIATION/ AMORTISATION \$000	NET FIXED ASSETS \$000
<b>13 PROPERTY, PLANT AND EQUIPMENT (continued)</b>						
Plant, vehicles and equipment:						
At cost	1,720,440	727,638	992,802	1,611,466	628,720	982,746
Under construction at cost	30,721	-	30,721	22,366	-	22,366
	<b>1,751,161</b>	<b>727,638</b>	<b>1,023,523</b>	<b>1,633,832</b>	<b>628,720</b>	<b>1,005,112</b>
Mineral exploration and development costs:						
Production						
Mineral reserves at cost	261,003	30,691	230,312	277,013	21,931	255,082
Pre-production						
Mineral reserves at cost	772	-	772	772	-	772
	<b>261,775</b>	<b>30,691</b>	<b>231,084</b>	<b>277,785</b>	<b>21,931</b>	<b>255,854</b>
Plantations at cost	8,762	-	8,762	49,576	-	49,576
	<b>2,322,016</b>	<b>809,947</b>	<b>1,512,069</b>	<b>2,214,523</b>	<b>691,735</b>	<b>1,522,788</b>
<b>Wesfarmers Limited</b>						
Freehold land:						
At cost	2,262	-	2,262	2,513	-	2,513
Buildings:						
At cost	5,536	2,505	3,031	5,562	2,545	3,017
Leasehold improvements:						
At cost	1,311	220	1,091	1,314	202	1,112
Plant, vehicles and equipment:						
At cost	23,193	5,829	17,364	19,977	5,320	14,657
	<b>32,302</b>	<b>8,554</b>	<b>23,748</b>	<b>29,366</b>	<b>8,067</b>	<b>21,299</b>

## Current values of land and buildings

The current value of the Wesfarmers Limited controlled entities' land and buildings at 30 June 2001 was \$239.2 million. The values are based on directors' valuations as at 30 June 2000 plus additions at cost less disposals since that date.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	WESFARMERS LIMITED
	<b>2001</b>	<b>2001</b>
	<b>\$000</b>	<b>\$000</b>
<b>13 PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Movements during the year</b>		
Freehold land:		
Carrying amount at beginning	88,864	2,513
Additions	4,632	-
Disposals	(11,969)	(251)
Addition through acquisition of entities	10,343	-
	<u>91,870</u>	<u>2,262</u>
Buildings:		
Carrying amount at beginning	100,764	3,017
Additions	10,430	31
Disposals	(1,850)	-
Depreciation expense	(4,769)	(17)
	<u>104,575</u>	<u>3,031</u>
Leasehold improvements:		
Carrying amount at beginning	5,368	1,112
Transfer from mineral exploration and development costs	29,647	-
Additions	4,222	-
Disposals	(89)	(3)
Addition through acquisition of entities	2,310	-
Amortisation expense	(6,453)	(18)
	<u>35,005</u>	<u>1,091</u>
Plant, vehicles and equipment:		
Carrying amount at beginning	1,005,112	14,657
Additions	153,597	4,188
Transfer from mineral exploration and development costs	6,635	-
Disposals	(16,819)	(972)
Addition through acquisition of entities	12,022	-
Depreciation expense	(137,024)	(509)
	<u>1,023,523</u>	<u>17,364</u>
Mineral exploration and development costs:		
Carrying amount at beginning	255,854	-
Additions	17,233	-
Transfer to plant, vehicles and equipment and leasehold improvements	(36,282)	-
Amortisation expense	(5,721)	-
	<u>231,084</u>	<u>-</u>
Plantations at cost:		
Carrying amount at beginning	49,576	-
Additions	1,107	-
Disposals	(41,921)	-
	<u>8,762</u>	<u>-</u>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>14 INTANGIBLE ASSETS</b>				
Trade names at cost	41,600	41,600	-	-
Goodwill at cost	310,179	137,049	-	-
Less provision for amortisation	56,028	43,161	-	-
	<b>254,151</b>	<b>93,888</b>	-	-
	<b>295,751</b>	<b>135,488</b>	-	-
<b>15 OTHER NON-CURRENT ASSETS</b>				
Deferred expenditure	7,639	3,850	-	-
<b>16 INTEREST BEARING LIABILITIES</b>				
<b>Current</b>				
Secured				
- Bank loans	4,322	3,870	-	-
Unsecured				
- Deposits	311,262	158,478	-	-
- Bank loans	65,515	209,532	65,000	208,047
- Other loans	2,113	4	-	-
Amounts owing to ultimate parent entity	-	29,220	-	29,220
	<b>383,212</b>	<b>401,104</b>	<b>65,000</b>	<b>237,267</b>
<b>Non-current</b>				
Secured				
- Bank loans	161,044	133,623	-	-
Unsecured				
- Deposits	4,219	4,327	-	-
- Bank loans	570,874	331,457	719,023	464,367
- Other loans	14,992	12,826	-	-
Amounts owing to ultimate parent entity	-	1,672	-	1,672
	<b>751,129</b>	<b>483,905</b>	<b>719,023</b>	<b>466,039</b>

## Secured loans

The weighted average interest rate on secured loans was 6.9% (2000: 6.7%).

## Bank and other loans

Bank and other loans bear interest at short term commercial rates payable monthly or payable at the time of maturity of the bank bills or short term advances. The weighted average interest rate was 6.3 % (2000: 6.3%) for the year ended 30 June 2001 and includes any interest rate hedging adjustments (see Note 29(a)).

## Deposits and amounts owing to ultimate parent company

Deposits and amounts owing to the ultimate parent company bear interest at commercial deposit rates. The weighted average interest rate was 5.5% (2000: 4.7%) for the year ended 30 June 2001.

## Secured liabilities

(a) Specific and floating charge over the assets of Wesfarmers Bengalla Limited and Elpiji Malaysia – Bangladesh Limited.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>17 PAYABLES</b>				
<b>Current</b>				
Trade creditors and accruals	629,167	560,361	19,700	27,276
Amounts other than trade creditors payable to:				
- Controlled entities	-	-	2,457,417	95,887
- Associated entities	372	38	372	38
	<b>629,539</b>	<b>560,399</b>	<b>2,477,489</b>	<b>123,201</b>
<b>Non-current</b>				
Trade creditors and accruals	2,256	2,249	-	-
Amounts other than trade creditors payable to controlled entities	-	-	593	572
	<b>2,256</b>	<b>2,249</b>	<b>593</b>	<b>572</b>
<b>18 PROVISIONS (CURRENT)</b>				
Employee entitlements	86,994	65,500	15,139	9,623
Restoration obligations	2,994	1,676	-	-
Other	32,223	2,775	256	-
	<b>122,211</b>	<b>69,951</b>	<b>15,395</b>	<b>9,623</b>
Dividends	84,524	63,285	84,524	63,285
	<b>206,735</b>	<b>133,236</b>	<b>99,919</b>	<b>72,908</b>
<b>19 OTHER CURRENT LIABILITIES</b>				
Unearned insurance premiums	87,277	77,421	4,016	3,404
Outstanding insurance claims	53,916	51,411	-	-
	<b>141,193</b>	<b>128,832</b>	<b>4,016</b>	<b>3,404</b>
<b>20 PROVISIONS (NON-CURRENT)</b>				
Employee entitlements	29,527	24,792	8,995	8,066
Restoration obligations	51,104	34,049	-	-
Other	5,994	-	-	-
	<b>86,625</b>	<b>58,841</b>	<b>8,995</b>	<b>8,066</b>
<b>21 OTHER NON-CURRENT LIABILITIES</b>				
Outstanding insurance claims	40,488	25,167	-	-



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Issued and paid up capital is as follows:				
281,746,266 (2000: 263,687,320) ordinary shares	1,234,171	892,192	1,234,171	892,192
Shares issued during the year:				
Employee share plan:				
4,154,580 ordinary shares fully paid at \$17.92 per share				
Dividend investment plan:				
3,908,989 ordinary shares fully paid at \$13.75 per share				
880,673 ordinary shares fully paid at \$20.38 per share				
Share placement:				
11,000,000 ordinary shares at \$19.00 per share				
Simplification plan:				
134,148,638 ordinary shares fully paid at \$18.06 per share				
Shares bought back under Simplification plan: *				
136,033,934 ordinary shares fully paid at \$18.06 per share				
Movement in capital during the year:				
Balance at beginning of year	892,192	876,367	892,192	876,367
Costs associated with the issue of shares and other costs of the capital restructure	(33,643)	-	(33,643)	-
Net discount on acquisition of entities acquired under the simplification plan	48,623	-	48,623	-
Adjustment arising from the sale of Gresham Partners Management Limited under the simplification plan	5,900	-	5,900	-
Issue of shares during the year	2,777,872	123,755	2,777,872	123,755
Shares repurchased during the year	(2,456,773)	(107,930)	(2,456,773)	(107,930)
Balance at end of year	1,234,171	892,192	1,234,171	892,192

\* The shares bought back under the Simplification Plan took place on 4 July 2001. For accounting purposes the buy back had deemed to have taken place on 24 April 2001 being the same date as the shares issued under the Simplification Plan.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>23 RESERVES AND RETAINED PROFITS</b>				
Capital reserve	24,170	24,170	-	-
Asset revaluation reserve	-	14,132	-	58,202
Foreign currency translation reserve	610	798	-	-
Insurance reserve	-	333	-	-
General reserve	-	5,168	-	3,940
Share re-investment reserve	84,524	63,285	84,524	63,285
	<b>109,304</b>	<b>107,886</b>	<b>84,524</b>	<b>125,427</b>
Share re-investment reserve:				
Provision for dividend to be reinvested in share capital under the terms of the company's dividend investment plan on the payment of the final dividend	84,524	63,285	84,524	63,285
Utilisation of share re-investment reserve on issue of shares	(63,285)	-	(63,285)	-
Retained profits:				
Balance at beginning of the year	225,121	211,426	15,586	25,253
Net profit attributable to members of Wesfarmers Limited	251,006	207,029	281,290	182,421
Transfer from reserves - asset revaluation	14,132	873	58,202	873
- foreign currency reserve	297	-	-	-
- insurance reserve	333	-	-	-
- general reserve	5,168	-	3,940	-
Total available for appropriation	496,057	419,328	359,018	208,547
Dividends provided for or paid	(245,391)	(192,961)	(245,391)	(192,961)
Transfer on liquidation of subsidiary company	-	(1,246)	-	-
	<b>250,666</b>	<b>225,121</b>	<b>113,627</b>	<b>15,586</b>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Issued capital	23,225	5,583		
Reserves	3	160		
Retained profits	439	514		
	<u>23,667</u>	<u>6,257</u>		

## 24 OUTSIDE EQUITY INTEREST

## 25 CASH FLOWS

### (a) Non cash financing and investing activities:

Share capital issues:				
Simplification plan	20,474	-	20,474	-
Dividend investment plan	71,697	-	71,697	-
Employee share plan	74,450	49,720	74,450	49,720
	<u>166,621</u>	<u>49,720</u>	<u>166,621</u>	<u>49,720</u>
Dividends:				
Employee share plan repayments	10,575	8,795	10,575	8,795

### (b) Reconciliation of net cash provided by operating activities to operating profit after income tax:

Operating profit after income tax	251,604	207,770	281,290	182,421
Depreciation and amortisation	164,333	125,025	1,482	1,613
Provisions charged against profits	47,888	10,383	15,215	1,506
Profit on sale of non-current assets	(21,988)	(21,811)	(52,332)	(6,592)
Share of associated companies' profit after tax	(21,053)	(15,617)	-	-
Dividends received from associated companies	13,902	16,059	-	-
Write down of non-current assets	3,671	135	-	-
Other items	3,087	(28)	1	88
Changes in assets and liabilities net of effects of acquisitions of entities and businesses:				
(Increase) decrease in accounts receivable	11,989	(169,344)	(184,183)	27,348
Increase in inventories	(83,786)	(26,613)	-	-
Increase (decrease) in accounts payable	4,949	101,568	264,326	(25,132)
Increase (decrease) in insurance provisions	26,326	8,475	-	(1)
Provisions applied	(31,355)	(9,443)	-	-
Increase in deferred taxes payable	19,846	13,570	2,709	163
Increase (decrease) in income tax payable	(5,763)	14,269	(1,664)	12,444
Net cash provided by operating activities	<u>383,650</u>	<u>254,398</u>	<u>326,844</u>	<u>193,858</u>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED

2001  
\$000

2000  
\$000

## 25 CASH FLOWS (continued)

### (c) Entities acquired:

IAMA Limited (2000: Curragh Coal)	160,268	159,757
Fair value of net assets acquired:		
Cash	41,896	2,060
Receivables (current)	201,345	1,139
Inventories (current)	97,384	30,468
Other financial assets (non-current)	413	-
Receivables (non current)	115	1,410
Other (non current)	2,096	8,650
Intangibles	170,215	-
Property plant and equipment	24,675	158,333
Deferred tax assets	34,473	-
Accounts payable (current)	(143,489)	(13,468)
Interest bearing liabilities (current)	(26,891)	-
Provisions (current)	(42,888)	(5,880)
Accounts payable (non-current)	(102)	-
Provisions (non current)	(7,986)	(22,955)
Interest bearing liabilities (non-current)	(190,988)	-
	160,268	159,757
Outflow of cash to acquire the entity:		
Cash consideration	160,268	159,757
Less cash balances acquired	(41,896)	(2,060)
	118,372	157,697

### (d) Entities disposed:

Consideration	54,131	-
Cash balance disposed	(354)	-
	53,777	-
Book value of assets and liabilities disposed		
Receivables (current)	11,757	-
Inventories (current)	11,882	-
Property, plant and equipment	46,509	-
Deferred tax asset	31	-
Accounts payable (current)	(150)	-
Provisions (current)	(2,737)	-
Deferred tax liability	(11,351)	-
Other (non-current)	(3,538)	-
	52,403	-

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 25 CASH FLOWS (continued)

### (e) Reconciliation of cash:

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Cash on hand	1,941	1,628	7	7
Cash on deposit and at bank	108,812	56,371	28,354	2,792
	110,753	57,999	28,361	2,799

## 26 COMMITMENTS

Lease commitments (substantially in connection with leased property)

Amounts due under operating lease:

Within 1 year	44,837	61,281	1,577	1,726
Within 1-5 years	100,451	173,162	5,559	5,956
Over 5 years	55,541	130,449	-	2
	200,829	364,892	7,136	7,684

Commitments arising from contracts for capital expenditure contracted for at balance date but not provided for:

### Consolidated entity:

Due within 1 year	15,036	48,834	-	-
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## 27 CONTINGENT LIABILITIES

Wesfarmers Limited and all the controlled entities marked "+" in note 32 have entered into a deed of cross guarantee pursuant to the ASIC Class Orders, whereby they covenant with a trustee for the benefit of each creditor, that they guarantee to each creditor payment in full of any debt on the event of any entity, including Wesfarmers Limited, being wound up.

Wesfarmers Bengalla Limited may become liable for additional joint venture capital contributions under a second phase equity agreement in the event that the joint venture capital expenditure exceeds amounts set out in the project finance reference budget.

## 28 FINANCING ARRANGEMENTS

The consolidated entity has unrestricted access to the following finance facilities:

Overdraft	5,000	5,500	5,000	5,500
Multi purpose facilities	180,000	205,000	180,000	205,000
Bank bill lines	1,000,000	570,000	1,000,000	570,000
	1,185,000	780,500	1,185,000	780,500
Amount of credit unused	454,925	158,490	454,925	158,490

The unused amounts of the facilities have the following terms:

Within 1 year	354,925	34,670	354,925	34,670
Within 1-2 years	10,000	123,820	10,000	123,820
Within 2-5 years	90,000	-	90,000	-
	454,925	158,490	454,925	158,490

In addition the consolidated entity has a cash advance facility of \$500 million to meet the maximum cash amount payable under the offer to acquire all the shares in Howard Smith Limited (refer note 39). The facility is for a term of less than one year.



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 29 FINANCIAL INSTRUMENTS

### Recognised financial instruments

The consolidated entity has recognised certain financial instruments in the accounts. These financial instruments are disclosed in notes 8, 9, 12, 16 and 17.

### Unrecognised financial instruments

The consolidated entity, through its diverse operations, is exposed to financial risks from movements in foreign exchange rates, interest rates and commodity prices. The consolidated entity manages the foreign exchange and interest rate exposures using a comprehensive set of policies and procedures approved by the Board of Directors. Speculative trading is specifically prohibited by policy.

The consolidated entity is party to financial instruments for the purpose of reducing its exposure to adverse fluctuations in foreign exchange and interest rates. The hedging instruments are subject to fluctuations in value and any such fluctuations are generally offset by the value of the underlying financial risks being hedged.

#### (a) Interest rate risk exposure

The consolidated entity enters into various derivative transactions with the objective of obtaining lower funding costs and a more stable and predictable interest cost outcome principally employing the use of interest rate swaps. In addition, forward interest rate agreements, caps and floors are utilised. For interest rate swaps and forward rate agreements, the consolidated entity agrees with counterparties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Any amounts paid or received relating to interest rate swaps and forward rate agreements are recognised as adjustments to interest expense over the life of each contract swap, thereby adjusting the effective interest rate on the underlying obligations. At 30 June 2001 the fixed rates varied from 5.7% to 6.7% (2000: 5.7% to 6.7%) and the majority of the floating rates were at bank bill rates.

The consolidated entity's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below.

	Note	FLOATING \$000	FIXED INTEREST MATURING IN:			NON-INTEREST BEARING \$000	TOTAL \$000
			1 YEAR OR LESS \$000	OVER 1 TO 5 YEARS \$000	MORE THAN 5 YEARS \$000		
<b>2001</b>							
<b>Financial assets</b>							
Cash assets	8	97,243	-	-	-	13,510	110,753
Receivables	9	-	24,773	81	-	908,186	933,040
Other financial assets	12	-	-	-	-	106,514	106,514
		97,243	24,773	81	-	1,028,210	1,150,307
<b>Financial liabilities</b>							
Interest bearing liabilities	16	1,134,341	-	-	-	-	1,134,341
Payables	17	-	-	-	-	631,795	631,795
		1,134,341	-	-	-	631,795	1,766,136
Interest swaps *		(547,830)	-	260,000	287,830	-	-
<b>2000</b>							
<b>Financial assets</b>							
Cash assets	8	46,811	-	-	-	11,188	57,999
Receivables	9	-	15,237	165	-	681,512	696,914
Other financial assets	12	-	-	-	-	72,820	72,820
		46,811	15,237	165	-	765,520	827,733
<b>Financial liabilities</b>							
Interest bearing liabilities	16	885,009	-	-	-	-	885,009
Payables	17	-	-	-	-	562,648	562,648
		885,009	-	-	-	562,648	1,447,657
Interest swaps *		(439,427)	-	130,000	309,427	-	-

\*Notional principal amounts

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 29 FINANCIAL INSTRUMENTS (continued)

### (b) Foreign exchange risk exposure

The consolidated entity enters into foreign exchange contracts and currency options to hedge capital obligations, expenses and revenues denominated in foreign currencies (principally US dollars). Benefits or costs arising from currency hedges for expense and revenue transactions are brought to account in the profit or loss account at the same time as the hedged transaction is brought to account. For transactions to hedge specific capital or borrowing commitments any cost or benefit resulting from the hedge forms part of the initial asset or liability carrying value.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the range of settlement dates of outstanding contracts.

	AVERAGE EXCHANGE RATE		CONSOLIDATED	
	2001	2000	2001 \$000	2000 \$000
<b>Buy US dollars</b>				
Not longer than one year	0.5184	0.6023	13,602	16,328
<b>Sell US dollars</b>				
Not longer than one year	0.5466	0.6043	294,547	78,281
Longer than one year but not longer than two years	0.5949	0.6081	106,062	66,601
Longer than two years but not longer than three years	0.6006	0.6108	100,907	81,690
Longer than three years but not longer than four years	0.6026	0.6133	95,935	87,075
Longer than four years but not longer than five years	0.5496	0.6152	57,310	83,308
Longer than five years	-	0.6162	-	4,057

As these contracts are hedging future sales, purchases and capital commitments any unrealised gains and losses on the contracts, together with the costs of the contract, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised loss on hedges of future foreign currency purchases and sales at 30 June 2001 at AUD/USD exchange rate of 0.5061 was \$94.8 million (2000: \$3.7 million). This assumes all hedges were closed out on that date and that there is no future matching of physical transactions.

### (c) Commodity price risk management

The consolidated entity manages commodity price risk as appropriate depending upon the availability of suitable risk management instruments.

### (d) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the balance sheet.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligation under the contract or arrangement. Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The consolidated entity's maximum credit risk exposure in relation to these is as follows:

- (i) Forward exchange contracts - the full amount of the foreign currency it will be required to pay when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the consolidated entity. These amounts have been outlined above at note 29(b).
- (ii) Interest rate swap and forward rate agreements - is limited to the net amounts to be received on contracts that are favourable to the consolidated entity, being nil.

### Concentration of credit risk

The consolidated entity minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within each industry. The majority of customers are concentrated in Australia. The consolidated entity is not materially exposed to any individual overseas country or individual customer.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 29 FINANCIAL INSTRUMENTS (continued)

### (e) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

#### On-balance sheet financial instruments

Cash - the carrying amount approximates fair value.

Employee share plan loans (provided on an interest free basis) - the fair values are estimates using discounted cash flow analysis on the expected inflows from repayment of loans by way of dividends. Dividends are assumed to continue at the same level as for the current financial year. The discount rate for the year ended 30 June 2001 is 7% (2000: 7.2%) and is based on a 1.0% margin over the 10 year long term bond rate.

Trade debtors – the carrying amount approximates fair value.

Other receivables – the carrying amount approximates fair value.

Listed investments – the fair values are based on the final share prices on the Australian Stock Exchange at balance date.

Accounts payable – the carrying amount approximates fair value.

Borrowings - the carrying amount approximates fair value as the repayment periods are generally short term in nature (less than three months) with the split between current and non-current being based on the term of the facility under which the borrowing is held.

#### Off-balance sheet financial instruments

The valuation of off-balance sheet financial instruments detailed below reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The carrying amounts and net fair values of financial assets and liabilities where the carrying value does not approximate the fair value are as follows:

	2001		2000	
	CARRYING AMOUNT \$000	NET FAIR VALUE \$000	CARRYING AMOUNT \$000	NET FAIR VALUE \$000
<b>Assets</b>				
Employee share plan loans	151,212	104,273	131,896	91,164
Listed shares	23,575	22,666	14,611	20,824
Interest rate swaps	-	-	-	14,085
<b>Liabilities</b>				
Interest rate swaps	-	3,256	-	-
Forward exchange contracts	-	94,758	-	3,652

Employee share plan loans are carried above their net fair value as the directors intend to hold the loans until they have been repaid in full from dividends paid by the company or from the proceeds of sale of shares by the employee. These loans are secured by the related shares involved.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 30 SUPERANNUATION COMMITMENTS AND OWNERSHIP REMUNERATION SCHEME

### (a) Superannuation

The following superannuation and pension funds have been established:

Fund	Benefit type
Australian Wool Selling Brokers Superannuation Fund	Accumulated lump sum
Wesfarmers Staff Retirement Fund	Defined benefit, pension and accumulated lump sum
Western Collieries Retirement and Assurance Plan for Staff Members	Accumulated lump sum

Employees are entitled to varying levels of benefits on retirement, disability or death. The defined benefit funds provide benefits based on years of membership and final average salary. Employees contribute to the funds at various percentages of their remuneration. No contributions are currently being made to the Wesfarmers Staff Retirement Fund by the consolidated entity. The consolidated entity's contributions are not legally enforceable other than those payable in terms of notified award and superannuation guarantee levy obligations.

The assets of each fund are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee.

Details of the defined benefits funds as extracted from their most recent financial reports are as follows:

	WESFARMERS STAFF RETIREMENT FUND <b>30 June 2000</b> <b>\$000</b>
Accrued benefits	277,463
Net market value of plan assets	308,382
Surplus of net market value of plan assets over accrued benefits	30,919
Vested benefits	273,172

Actuarial assessment of the plan was last made on 30 June 2000 by Mr D Balson FIAA

### (b) Employee share plan

The Wesfarmers Limited Employee Investment Plan (the "Plan") was approved by shareholders in April 1985. Under the Plan all permanent employees who have been continuously employed by Wesfarmers Limited or its subsidiaries for a minimum period of one year and who are 18 years or older are invited to apply for fully paid ordinary shares in the company (for January 2001: 8016 were invited to apply for shares). All eligible employees receive the general invitation to apply for a specified number of shares (January 2001: 500 shares). Senior executives may receive invitations to apply for additional shares as and when they reach certain remuneration levels and periods of service within the consolidated entity.

Shares can be allotted under the Plan at a price being not less than 90% of the weighted average market price of Wesfarmers Limited fully paid shares during the one week period up to and including the day of allotment. In January 2001 the shares were allotted at the full weighted average price of Wesfarmers Limited shares posted on the Australian Stock Exchange one week up to and including the day of allotment.

Employees are provided with loans to purchase the shares and the total number of shares for which there are outstanding loans under the Plan cannot exceed 10 per cent of the issued capital of the company from time to time. The number of shares issued to current employees who have a loan outstanding is approximately 5% of the issued capital of the company.

During the financial year 4,154,580 ordinary fully paid shares have been issued to employees under the Plan, the total market value of those shares at the issue date (24 January 2001) was \$74,782,440 and the total amount received and/or receivable from employees for those shares is \$74,450,074.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

## 31 REMUNERATION OF DIRECTORS AND EXECUTIVES

### (a) Directors' remuneration (including executive directors)

Income paid or payable or otherwise made available to all directors of each entity in the consolidated entity from the company or any related party

18,338      16,664

Income paid or payable or otherwise made available to all directors of the company or any related party

4,883      4,802

WESFARMERS LIMITED

2001      2000  
No.      No.

Directors of Wesfarmers Limited whose remuneration was within:

\$ 50,000 - \$ 59,999	7	8
\$ 60,000 - \$ 69,999	2	1
\$ 70,000 - \$ 79,999	-	1
\$ 80,000 - \$ 89,999	-	1
\$ 90,000 - \$ 99,999	1	-
\$ 200,000 - \$ 209,999	-	1
\$ 220,000 - \$ 229,999	1	-
\$ 750,000 - \$ 759,999	-	1
\$ 780,000 - \$ 789,999	-	1
\$ 1,030,000 - \$ 1,039,999	1	-
\$ 2,470,000 - \$ 2,479,999	-	1
\$ 3,000,000 - \$ 3,009,999	1	-

The remuneration of executive directors includes amounts both paid and unpaid by the economic entity. It includes salaries, incentive payments, allowances and other benefits actually paid by the economic entity. It also includes notional superannuation contributions that have not been paid by the economic entity due to an actuarial surplus in the superannuation fund.

	CONSOLIDATED		WESFARMERS LIMITED	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

### (b) Executive remuneration

Amounts received or due and receivable by executives of Wesfarmers Limited from the company and entities in the economic entity and related entities whose remuneration is \$100,000 or more

22,118      22,020      9,348      9,714



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		WESFARMERS LIMITED	
	2001 No.	2000 No.	2001 No.	2000 No.
Executives of Wesfarmers Limited and entities in the economic entity whose remuneration was within:				
\$ 100,000 - \$ 109,999	1	-	-	-
\$ 140,000 - \$ 149,999	1	-	-	-
\$ 150,000 - \$ 159,999	-	2	-	2
\$ 170,000 - \$ 179,999	1	5	-	1
\$ 180,000 - \$ 189,999	3	2	2	-
\$ 190,000 - \$ 199,999	2	6	-	-
\$ 200,000 - \$ 209,999	3	1	1	-
\$ 210,000 - \$ 219,999	3	5	-	-
\$ 220,000 - \$ 229,999	4	-	1	-
\$ 230,000 - \$ 239,999	2	2	-	1
\$ 240,000 - \$ 249,999	3	2	-	1
\$ 250,000 - \$ 259,999	1	2	1	-
\$ 260,000 - \$ 269,999	2	1	-	-
\$ 270,000 - \$ 279,999	2	4	1	2
\$ 280,000 - \$ 289,999	4	1	-	-
\$ 290,000 - \$ 299,999	3	1	1	-
\$ 300,000 - \$ 309,999	2	-	1	-
\$ 320,000 - \$ 329,999	2	-	-	-
\$ 330,000 - \$ 339,999	-	1	-	-
\$ 340,000 - \$ 349,999	-	1	-	-
\$ 370,000 - \$ 379,999	-	1	-	-
\$ 400,000 - \$ 409,999	2	-	-	-
\$ 420,000 - \$ 429,999	-	1	-	-
\$ 500,000 - \$ 509,999	1	-	1	-
\$ 520,000 - \$ 529,999	-	1	-	1
\$ 540,000 - \$ 549,999	-	1	-	1
\$ 550,000 - \$ 559,999	-	1	-	-
\$ 570,000 - \$ 579,999	1	1	1	1
\$ 640,000 - \$ 649,999	1	-	-	-
\$ 670,000 - \$ 679,999	-	1	-	-
\$ 700,000 - \$ 709,999	1	-	1	-
\$ 750,000 - \$ 759,999	-	1	-	1
\$ 780,000 - \$ 789,999	1	1	1	1
\$ 800,000 - \$ 809,999	1	-	1	-
\$1,030,000 - \$1,039,999	1	-	1	-
\$1,230,000 - \$1,239,999	-	1	-	1
\$1,290,000 - \$1,299,999	-	1	-	1
\$1,680,000 - \$1,689,999	1	-	-	-
\$1,700,000 - \$1,709,999	-	1	-	-
\$2,000,000 - \$2,009,999	-	1	-	-
\$2,200,000 - \$2,009,999	1	-	-	-
\$2,470,000 - \$2,479,999	-	1	-	1
\$3,000,000 - \$3,009,999	1	-	1	-

The remuneration of executive directors includes amounts both paid and unpaid by the economic entity. It includes salaries, incentive payments, allowances and other benefits actually paid by the economic entity. It also includes notional superannuation contributions that have not been paid by the economic entity due to an actuarial surplus in the superannuation fund.

Senior executives' remuneration, and in particular that of the chief executive officer, is substantially influenced by incentive plans that reward executives for long term profitable growth of the economic entity.

For the purposes of Accounting Standards AASB 1034 the company has interpreted executive officers as being the managing director, divisional executive directors and general managers in the economic entity.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 32 PARTICULARS RELATING TO CONTROLLED ENTITIES

	BENEFICIAL INTEREST			BENEFICIAL INTEREST	
	2001	2000		2001	2000
	%	%	%	%	
Parent entity: Wesfarmers Limited					
Controlled entities:					
Artfern Pty Ltd	82.5	-	IAMA Irritech Pty Ltd	80	-
Aussigold Produce Pty Ltd	100	-	IAMA Limited +	100	-
Australian Gold Reagents Pty Ltd	75	75	IAMA (QLD) Pty Ltd	100	-
Barnett Bros Pty Limited +	100	100	IAMA (SA) Pty Ltd	100	-
Barrobook Pty Limited	100	-	IAMA Superannuation Fund Pty Ltd	100	-
Bayridge Holdings Pty Ltd	100	-	IAMA Trading (NZ) Ltd #	100	-
Berrillilock Nominees Pty Ltd	100	-	Interfix Gold Coast Pty Ltd +	100	100
Big N Distributors Pty Limited	100	-	Interline Pty Ltd +	100	100
Bunnings (Northern Territory) Pty Ltd +	100	100	ISP Nominees Pty Ltd	100	-
Bunnings Building Supplies Pty Ltd +	100	100	Jakem Timbers Limited <	-	100
Bunnings Chip Mill Pty Ltd +	100	100	Jen-Ell AgriSpray Pty Ltd	100	-
Bunnings Management Services Pty Ltd +	100	100	Johnstone River Transport Pty Ltd +	100	100
Bunnings Manufacturing Pty Ltd +	100	100	J O'Malley & Co Pty Ltd	100	-
Bunnings Properties Pty Ltd +	100	100	Kelly & Co Rural Centre Pty Limited	67	-
Bunnings Property Management Limited	100	100	Kleenheat Autogas Pty Ltd (formerly CSBP		
Bunnings Pulp Mill Pty Ltd +	100	100	Superannuation Services Pty Ltd)	100	100
Bunnings Timbraft Pty Ltd +	100	100	Kleenheat Gas House Franchising Pty Ltd	100	100
Bunnings Tree Plantations Ltd	-	75	Kwinana Nitrogen Company Proprietary		
Bushridge Pty Ltd	100	-	Limited +	100	100
CS Holdings Pty Limited +	100	100	Langes Agribusiness Pty Ltd	100	-
CSBP Ammonia Terminal Pty Ltd	100	100	Latot Pty Ltd	100	100
Cardinal Contractors Pty Ltd +	100	100	Laxstone Pty Ltd	100	-
Carr Bros IAMA Pty Ltd	100	-	Lenmost Pty Limited	100	-
Chemical Holdings Kwinana Pty Ltd +	100	100	Loggia Pty Ltd +	100	100
Chemstock Animal Health Ltd	100	-	Macquarie Valley Distributors Pty Limited	100	-
Co-operative Wholesale Services Ltd	100	100	Mallee Chemicals Pty Ltd	100	-
Cootamundra Farm Centre Pty Ltd	100	-	Millars (WA) Pty Ltd +	100	100
Credit Management Pty Ltd +	100	100	North Central Nominees Pty Ltd	100	-
Cuming Smith and Company Limited +	100	100	O'Malley Distribution Group Pty Limited	100	-
Curragh Coal Sales Co Pty Ltd	100	100	Pailou Pty Ltd +	100	100
Curragh Queensland Mining Pty Ltd	100	100	Pathia Pty Ltd	100	-
Dairy Rural Pty Ltd	100	-	Pratco Industries Pty Ltd	100	-
Dairy Properties Co-operative Limited	100	-	PT Mitra Wesfarmers #	-	70
Dalgety Limited +	100	100	Rangal Holdings Pty Ltd	100	-
Dalgety Real Estate (Qld) Pty Limited	100	100	R&N Palmer Pty Ltd +	100	100
Donald Nominees Pty Ltd	100	-	RVL Distribution Pty Ltd	100	-
Eastfarmers Pty Ltd +	100	100	SBS IAMA Real Estate Pty Ltd	100	-
Elpiji Malaysia – Bangladesh Limited #	55	55	SBS Rural IAMA Pty Limited	100	-
Farmland Pty Ltd	100	-	Seed Grain Biotechnology Australia Pty Ltd	100	-
Franked Income Fund	100	-	Seed & Grain Sales Pty Limited	100	-
FIF Investments Pty Limited	100	-	SGB Australia Pty Ltd	100	-
Franklin Smith IAMA Pty Ltd	100	-	Share Nominees Limited	100	-
Frank Sauer and Sons Pty Ltd	100	-	Sotico Pty Ltd +	100	100
Glencoe Distributors Pty Ltd	100	-	Sotico Treefarms Pty Ltd	-	100
Goldref Pty Ltd	100	-	South West Forest Holdings Pty Ltd	-	100
GPML Limited	100	-	Stores Realty Pty Ltd +	100	100
Greenloop Limited # (liquidated)	-	100	The Fibre Company Pty Ltd	100	-
Gresham Private Equity Fund	51	97	Ucone Pty Ltd +	100	100
Haarsma's IAMA Pty Ltd	100	-	Vivco Distribution Pty Ltd	100	-
IAMA Agribusiness Pty Ltd +	100	-	Vivco Rural Supplies Pty Ltd	100	-
IAMA Insurance Brokers Holdings Pty Limited	80	-	WA Chip & Pulp Co Pty Ltd	-	100
IAMA Insurance Brokers Pty Limited	80	-	WA Salvage Pty Ltd +	100	100

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 32 PARTICULARS RELATING TO CONTROLLED ENTITIES (continued)

	BENEFICIAL INTEREST			BENEFICIAL INTEREST	
	2001 %	2000 %		2001 %	2000 %
Wesfarmers Agribusiness Limited (formerly Tasmanian Fertilisers Limited) +	100	100	Wesfarmers LNG Pty Ltd	100	-
Wesfarmers Bangladesh Gas Pty Ltd	100	100	Wesfarmers LPG Pty Ltd	100	100
Wesfarmers Bengalla Limited	100	100	Wesfarmers Private Equity Pty Ltd	100	100
Wesfarmers Bunnings Limited +	100	100	Wesfarmers Provident Fund Pty Ltd +	100	100
Wesfarmers CSBP Limited +	100	100	Wesfarmers Railroad Holdings Pty Ltd (formerly Malwest Pty Ltd)	100	100
Wesfarmers Coal (Indonesia) Pty Ltd +	100	100	Wesfarmers Resources Pty Ltd +	100	100
Wesfarmers Premier Coal Limited +	100	100	Wesfarmers Retail Pty Ltd	100	-
Wesfarmers Coal Superannuation Pty Ltd +	100	100	Wesfarmers Risk Management Limited #	100	100
Wesfarmers Curragh Pty Ltd +	100	-	Wesfarmers Securities Management Ltd	100	-
Wesfarmers Dalgety Limited +	100	100	Wesfarmers Sugar Company Pty Ltd	100	100
Wesfarmers Dalgety Real Estate (WA) Pty Ltd	100	100	Wesfarmers Superannuation Pty Ltd +	100	100
Wesfarmers Dalgety Risk Management Pty Ltd	100	100	Wesfarmers Transport Indonesia Pty Ltd	100	100
Wesfarmers Dalgety Tenderland Pty Ltd	100	100	Wesfarmers Transport International #	100	100
Wesfarmers Dalgety Wool Pty Ltd	100	100	Wesfarmers Transport Limited +	100	100
Wesfarmers Energy Limited +	100	100	Wesfarmers W2A Pty Ltd	100	-
Wesfarmers Federation Insurance Limited	100	100	Weskem Pty Ltd +	100	100
Wesfarmers Fertilizers Pty Ltd +	100	100	Westralian Farmers Superphosphates Limited +	100	100
Wesfarmers Gas Limited +	100	100	Westralian Farmers Co-operative Limited	100	-
Wesfarmers Holdings Pty Ltd	100	-	WFCL Investments Pty Ltd	100	-
Wesfarmers Insurance Investments Pty Ltd	100	100	Wimmel Distributors Pty Ltd	100	-
Wesfarmers International Finance Limited	-	100	WTL Asia Pty Ltd	100	100
Wesfarmers Investments Pty Ltd	100	100	XCC (Retail) Pty Ltd +	100	100
Wesfarmers Kleenheat Gas Pty Ltd +	100	100			
Wesfarmers Kleenheat Gas (Asia) Limited #	100	100			

# Audited by firms of Ernst & Young International.

< Audited by other firms of accountants.

With the exception of Wesfarmers Kleenheat Gas (Asia) Limited which is incorporated in Hong Kong; Wesfarmers Risk Management Limited incorporated in Bermuda; Elpiji Malaysia-Bangladesh Limited incorporated in Bangladesh; Chemstock Animal Health Ltd and IAMA Trading (NZ) Ltd incorporated in New Zealand and Wesfarmers Transport International incorporated in Mauritius, all other companies in the consolidated entity are incorporated in Australia.

+ An approved deed of cross guarantee in accordance with the ASIC Class Orders made on 19 December 1991 has been entered into by Wesfarmers Limited and these entities. As a result separate audit opinions have not been issued for these entities.

For entities within the consolidated entity which have entered into deeds of cross guarantee, the consolidated statement of financial performance and statement of financial position are as follows:

	2001 \$000	2000 \$000
<b>Consolidation profit and loss statement</b>		
<b>Profit from ordinary items before income tax</b>	<b>368,649</b>	300,984
Income tax expense relating to ordinary items	95,626	80,201
<b>Net profit</b>	<b>273,023</b>	220,783
Retained profits at the beginning of the financial year	192,480	165,031
Aggregate of amounts transferred (to) from reserves	(551)	(373)
<b>Total available for appropriation</b>	<b>464,952</b>	385,441
Dividends provided for or paid	245,391	192,961
<b>Retained profits at the end of the financial year</b>	<b>219,561</b>	192,480

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 32 PARTICULARS RELATING TO CONTROLLED ENTITIES (continued)

<b>Consolidated balance sheet</b>	<b>2001</b>	2000
	<b>\$000</b>	\$000
<b>Current assets</b>		
Cash assets	75,838	15,833
Receivables	855,053	665,430
Inventories	690,222	526,856
<b>Total current assets</b>	<b>1,621,113</b>	<b>1,208,119</b>
<b>Non-current assets</b>		
Receivables	217,686	130,763
Investments accounted for using the equity method	2,548,349	97,908
Other financial assets	104,197	36,706
Property, plant and equipment	1,241,245	1,254,990
Deferred tax assets	48,633	18,423
Intangible assets	295,458	135,835
Other	2,350	3,850
<b>Total non-current assets</b>	<b>4,457,918</b>	<b>1,678,475</b>
<b>Total assets</b>	<b>6,079,031</b>	<b>2,886,594</b>
<b>Current liabilities</b>		
Interest bearing liabilities	357,384	362,929
Payables	3,100,531	497,210
Current tax liabilities	33,994	47,748
Provisions	200,123	129,738
Other	44	3,435
<b>Total current liabilities</b>	<b>3,692,076</b>	<b>1,041,060</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	672,365	534,132
Payables	2,699	1,415
Deferred tax liabilities	59,519	59,689
Provisions	86,604	58,684
<b>Total non-current liabilities</b>	<b>821,187</b>	<b>653,920</b>
<b>Total liabilities</b>	<b>4,513,263</b>	<b>1,694,980</b>
<b>Net assets</b>	<b>1,565,768</b>	<b>1,191,614</b>
<b>Shareholders' equity</b>		
Contributed equity	1,234,171	892,192
Reserves	112,036	106,942
Retained profits	219,561	192,480
<b>Total shareholders' equity</b>	<b>1,565,768</b>	<b>1,191,614</b>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 33 PARTICULARS RELATING TO ASSOCIATED ENTITIES

ASSOCIATED ENTITY	PRINCIPAL ACTIVITY	BENEFICIAL INTEREST		BOOK VALUE OF INVESTMENT		CONTRIBUTION TO CONSOLIDATED PROFIT	
		2001 %	2000 %	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Air Liquide WA Pty Ltd	Industrial gases	40	40	1,381	1,381	1,769	469
Albany Wool Stores Pty Ltd	Wool handling	35	35	185	185	(3)	300
Arcadian Wool Brokers Limited	Wool handling	41	41	3,001	3,001	388	579
Auctionsplus Pty Ltd	Livestock service	37	37	-	-	-	(734)
Australian Railroad Group Pty Ltd	Rail freight	50	-	117,600	-	9,311	-
Bengalla Agricultural Company Pty Limited	Dairy	40	40	1	1	(93)	82
Bunnings Warehouse Property Trust	Property	31	31	49,266	46,878	5,129	3,948
Gresham Partners Group Limited	Merchant banking	50	50	4,255	4,255	3,093	2,356
Queensland Nitrates Management Pty Ltd	Chemical manufacture	50	50	-	-	-	-
Queensland Nitrates Pty Ltd	Chemical manufacture	50	50	10,000	10,000	(2,170)	(369)
Sydney Woolbrokers Limited	Wool handling	48	48	-	-	-	(106)
The Farmshed Merchandising Pty Limited	Rural merchandising	39	-	1,024	-	(326)	-
The Farmshed Ventures Pty Ltd	Online rural venture financing	23	-	4,624	-	(1,509)	-
Wesfarmers Underwriting Agencies Pty Ltd	Underwriting	50	-	-	-	-	-
Wespine Industries Pty Ltd	Pine sawmillers	50	50	7,030	7,030	2,660	4,708
Wooldumpers Australia Pty Ltd	Wool handling	50	50	8,692	8,692	2,804	4,384
				<b>207,059</b>	<b>81,423</b>	<b>21,053</b>	<b>15,617</b>

	CONSOLIDATED	
	2001 \$000	2000 \$000
Additional disclosure		
(a) Share of associates' profits:		
Profit before income tax expense	30,603	22,924
Income tax expense	9,550	7,307
Net profit	<b>21,053</b>	<b>15,617</b>
(b) Carrying amount of investment in associates:		
Balance at the beginning of the financial year	90,519	62,337
Acquisition of associates during the financial year	125,638	30,599
Disposal of associates during the financial year	-	(864)
Write down of associated companies	(111)	(109)
Share of associates' profits for the financial year	21,053	15,617
Dividends received from associates	(13,902)	(17,061)
Adjustment arising from Simplification Plan	5,900	-
Carrying amount of interest in associates	<b>229,097</b>	<b>90,519</b>
(c) Particulars of retained earnings and reserves attributable to associates:		
Retained earnings	12,942	8,690
Reserves	-	406
	<b>12,942</b>	<b>9,096</b>
(d) The consolidated entity's share of associated companies commitments and contingent liabilities and are included in notes 26 and 27 where material.		



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 34 SEGMENT INFORMATION

	OPERATING REVENUE		SEGMENT ASSETS		EARNINGS BEFORE TAX	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Rural services and insurance	1,272,054	843,229	1,115,004	598,781	56,990	40,144
Fertilisers and chemicals	438,058	403,519	539,049	548,140	52,624	45,115
Energy	978,132	588,205	1,043,829	946,265	190,126	107,460
Hardware and forest products	1,541,747	1,489,735	840,174	861,686	145,876	139,977
Other – investments and services	167,248	162,252	614,164	346,798	32,375	29,666
	4,397,239	3,486,940	4,152,220	3,301,670	477,991	362,362
Consolidation adjustments	(8,589)	(6,784)	(148,149)	(132,910)	(8,441)	(6,692)
Interest paid and corporate overheads	-	-	-	-	(99,447)	(58,911)
	4,388,650	3,480,156	4,004,071	3,168,760	370,103	296,759

The consolidated entity operates predominantly in Australia.

## 35 EARNINGS PER SHARE

Weighted average number of ordinary shares used in the basic earnings per share calculation

	CONSOLIDATED	
	2001	2000
Weighted average number of ordinary shares used in the basic earnings per share calculation	271,731,323	266,650,758

(Note: The shares bought back under the Simplification Plan took place on 4 July 2001. For accounting purposes the buy back has been deemed to have taken place on 24 April 2001, being the same date as the shares issued under the Simplification Plan.)



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 38 RELATED PARTIES DISCLOSURES

1 The directors of Wesfarmers Limited during the year were:

D J Asimus	E Fraunschiel	R D Lester	J M Paterson
M A Chaney	L A Giglia	W J Murphy	C H Perkins
T R Eastwood	J P Graham	D E W Nuttall	D C White
T J Flügge	K P Hogan		

2 The following related party transactions occurred during the year:

(a) Transactions with related parties

- (i) Sales and services to and purchases from associated and partly owned entities and director related entities by the consolidated entity are made under normal commercial terms and conditions and are not material.
- (ii) Sales and services to and purchases from wholly owned entities by Wesfarmers Limited are under normal commercial terms and conditions and are not material.

(b) Transactions with directors of Wesfarmers Limited and controlled entities:

	CONSOLIDATED	
	2001	2000
	\$000	\$000
(i) Loans to directors		
Wesfarmers Limited employee share plan		
Aggregate of advances outstanding at 30 June	14,224	14,040
Aggregate of advances made during the year	1,720	1,827

The names of directors of Wesfarmers Limited and controlled entities who received advances:

R J Adams	D K Goldsmith	K J O'Connell
D E Allan	R J B Goyder	S Price
D J Beisley	K T Graham	W H Pruys
M Berecny	I Hanson	G Ranford
J Boros	E P Harnett	M W Ridley
R Brenchley	G P Ireson	D A Robb
R J Buckley	P J Johnston	D C Rogers
S A Butel	P J Jolob	L J Schmitz
R A Carey	B J Kelly	D A Tannock
A Coles	P W Knowles	I P Thomson
M Connell	R Krasnoff	G T Tilbrook
P J C Davis	T J R Kuzman	M J Wedgwood
B J H Denison	F G D Landels	P Wickham
P R Durham	D J McMahon	J H Wilson
M G Evans	T T Morgan	
J C Gillam	D C Mossop	

Aggregate of repayments made during the year	2,341	1,258
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# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## 38 RELATED PARTIES DISCLOSURES (continued)

The names of directors of Wesfarmers Limited and controlled entities who made repayments:

R J Adams	E Fraunschiel	D C Mossop
D E Allan	J C Gillam	K J O'Connell
D J Beisley	D K Goldsmith	S Price
M Berecny	R J B Goyder	W H Pruys
J Boros	K T Graham	G Ranford
R Brenchley	I Hanson	M W Ridley
R J Buckley	E P Harnett	D A Robb
S A Butel	G P Ireson	D C Rogers
R A Carey	P J Johnston	L J Schmitz
M A Chaney	P J Jolob	D A Tannock
A Coles	B J Kelly	I P Thomson
M Connell	P W Knowles	G T Tilbrook
P J C Davis	R Krasnoff	M J Wedgwood
B J H Denison	T J R Kuzman	P Wickham
P R Durham	F G D Landels	J H Wilson
M G Evans	D J McMahon	
J J Fane de Salis	T T Morgan	

Terms and conditions:

The terms and conditions of advances and repayments are set out in the Wesfarmers Employee Share Plan Prospectus, a copy of which was lodged with the Australian Securities and Investments Commission on 30 November 2000 (2000: 10 December 1999).

- (ii) Interest in the shares and options of entities within the consolidated entity held by directors of the reporting entity and their related entities as at 30 June 2001.

	2001 No.	2000 No.
Aggregate number of shares acquired under the dividends investment plan	3,008	-
Aggregate number of shares acquired under the Wesfarmers employee share plan	18,190	-
Aggregate number of shares acquired under Simplification Plan	3,156,096	-
Aggregate number of shares held	4,928,130	1,663,829

- (iii) During the year Gresham Partners Group Limited received a financial benefit from the sale of its subsidiary company Gresham Partners Management Limited, to the consolidated entity for \$20 million as part of the simplification plan. Mr J P Graham, a director of Wesfarmers Limited has a beneficial interest in Gresham Partners Group Limited.

Fees charged during the year for other services provided by Gresham Partners Group Limited group of companies to the consolidated entity totalled \$2.7m (2000: \$0.5m)

- (iv) The total rental paid by the consolidated entity to the Bunnings Warehouse Property Trust for rental of properties was \$23.1m (2000: \$18.6m). The total net profit before tax on sale of properties sold to the Bunnings Warehouse Property Trust brought to account by the consolidated entity was \$1.0m (2000: \$2.0m).

## 39 SUBSEQUENT EVENTS

On 13 June 2001 Wesfarmers Retail Pty Ltd, a wholly owned subsidiary of Wesfarmers Limited ("Wesfarmers") announced an offer to acquire all the shares in Howard Smith Limited ("Howard Smith") and subsequently varied the terms of the offer on 12 July 2001. The offer was \$13.25 cash and 2 Wesfarmers shares for every 5 Howard Smith shares. The offer successfully concluded on 22 August 2001.

At the date of this report, Wesfarmers Retail Pty Ltd is entitled to 100 per cent of the issued capital of Howard Smith, resulting in the issue of 79 million Wesfarmers shares and the payment of \$524 million pursuant to the terms of the offer.

The shares issued as a result of the offer are entitled to the final dividend of 60 cents per share to be paid on 25 October 2001. No provision has been made in the accounts for payment of the final dividend on these shares.

# DIRECTOR'S REPORT

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

The information appearing on pages [ ] to [ ] forms part of the directors' report for the year ended 30 June 2001 and is to be read in conjunction with the following information:

## Results and dividends

### Operating profit

	<b>2001</b>	2000
	<b>\$000</b>	\$000
Profit from ordinary activities after income tax expense	251,604	207,770
Less net profit attributable to outside equity interests	598	741
Net profit attributable to members of the parent entity	<b>251,006</b>	207,029

### 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 2001:

(a) out of the profits for the year ended 30 June 2000 on the fully-paid ordinary shares as disclosed in last years directors' report: fully franked final dividend of 48 cents per share paid on 26 October 2000	126,570
(b) out of the profits for the year ended 30 June 2001 on the fully-paid ordinary shares: (i) fully franked interim dividend of 27 cents per share paid on 20 April 2001	76,343
(ii) fully franked final dividend of 60 cents per share declared by the directors for payment on 25 October 2001	169,048

### Principal activities

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

- retailing building materials, hardware, home and garden products;
- coal mining and production;
- gas processing and distribution;
- rural merchandise and services;
- fertilisers and chemicals manufacture;
- insurance;
- forest products; and
- road and rail transport.

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

# DIRECTOR'S REPORT

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## Directors

### Information on directors

The names and details of the directors of the company in office as at the date of this report appear on pages [ ] and [ ].

### Directors' shareholdings

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

	WESFARMERS LIMITED ORDINARY SHARES
D J Asimus	2,736
M A Chaney	601,002
T R Eastwood	1,051,656
T J Flügge	4,417
E Fraunschiel	674,042
L A Giglia	8,981
J P Graham	1,822,355
K P Hogan	14,060
R D Lester	40,098
D E W Nuttall	41,396
J M Paterson	13,553
C H Perkins	183,158
D C White	9,232

### Directors' benefits

During or since the end of the financial year no director of the company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the consolidated accounts, by reason of a contract entered into by the company or an entity that the company controlled or a body corporate that was related to the company when the contract was made or when the director received, or became entitled to receive, the benefit with:

- a director, or
- a firm of which a director is a member, or
- an entity in which a director has a substantial financial interest,

except to the extent of borrowings for primary production purposes, negotiated in the normal course of the company's business and other than payments made to Gresham Partners Limited, of which Mr J P Graham is a director, for professional services provided in the ordinary course of business; on normal commercial terms.

### Insurance of directors and officers

During or since the end of the financial year, the company has paid or agreed to pay a premium in respect of a contract insuring all the directors and officers against a liability incurred in their role as directors and officers of the entity, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty; or
- (b) there has been a contravention of sections 182 and 183 of the Corporations Act 2001.

The total amount of insurance contract premiums paid has not been disclosed due to a confidentiality clause in the insurance contract.



# DIRECTOR'S REPORT

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## Directors' and other officers' emoluments

Non-executive directors' fees are determined by the board of directors within the aggregate amount approved by shareholders currently standing at \$768,500. In determining fees, each year the board seeks appropriate external advice.

The compensation committee of the Wesfarmers Limited board of directors is responsible for the determination of remuneration policies for Wesfarmers as a whole, including those affecting the Managing Director and senior managers who report to the Managing Director. In determining policies and practices that are market competitive and will attract, motivate and retain high quality people, the committee regularly seeks appropriate external advice.

The senior managers of the consolidated entity receive their emoluments by way of cash and benefits such as motor vehicles. Salary packages are designed so that the manner of payment will be optimal for the recipient without adding to the overall cost to the company.

The compensation committee links the nature and amount of officers' emoluments to the company's financial and operational performance. All senior managers participate in a plan which provides cash incentives where specified criteria are met including: annual profit and return on capital targets; and – where appropriate – safety targets for business operations under their control.

Details of the nature and amount of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

	ANNUAL EMOLUMENTS				Total \$000
	Base <sup>(1)</sup> \$000	Short term incentives <sup>(2)</sup> \$000	Vested portion of long term incentives <sup>(3)</sup> \$000	Other <sup>(4)</sup> \$000	
<b>Non-executive directors</b>					
C H Perkins	142			81	223
K P Hogan	92				92
D C White	67				67
L A Giglia	65				65
D E W Nuttall	59				59
R D Lester	58				58
D J Asimus	58				58
T R Eastwood	55				55
J M Paterson	55				55
T J Flügge	55				55
J P Graham	55				55
<b>Executive directors</b>					
M A Chaney	920		1,860	224	3,004
E Fraunschiel	498	389		151	1,038
<b>Executive officers</b>					
J Boros	433	126	1,541	106	2,206
P J Davis	227	71	1,349	37	1,684
D A Robb	416	297		96	809
R J B Goyder	383	215		190	788
G T Tilbrook	364	260		77	701

(1) Base salaries/fees (including superannuation).

(2) Performance based short term incentive payments.

(3) Vested portion of performance based long term incentive payments.

(4) Other benefits (including motor vehicles and fringe benefits).

# DIRECTOR'S REPORT

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## Directors' meetings

In addition to its regular meetings, the board acts through the audit committee, the nomination committee, the compensation committee and the class orders committee.

The audit committee monitors the internal control and financial systems operating in the company and provides a direct link between the board and the company's internal and external auditors. The members of the committee are Messrs D C White (Chairman), L A Giglia, R D Lester and D E W Nuttall.

The composition and performance of the board - including criteria for the appointment and retirement of directors - is monitored by the nomination committee. The members of the committee are Messrs C H Perkins, D J Asimus, T R Eastwood, T J Flügge and K P Hogan.

The compensation committee, which comprises all non-executive directors, meets as and when required to review the company's remuneration policies and practices, including those affecting the senior management of the company.

The class orders committee meets as and when required to consider the issues involved and, if appropriate, authorises completion of documentation required under the Australian Securities and Investments Commission Class Orders relieving subsidiaries from producing annual accounts and having them audited. Its members are Messrs C H Perkins, M A Chaney and E Fraunschiel. The class orders committee was not required to meet during the financial year.

The following table sets out the number of meetings of the company's directors (including meetings of committees) held during the year ended 30 June 2001, and the number of meetings attended by each director:

	COMMITTEE MEETINGS			
	BOARD MEETINGS	AUDIT	NOMINATION	COMPENSATION
<b>No. of meetings held:</b>	<b>14</b>	<b>5</b>	<b>0*</b>	<b>1</b>
No. of meetings attended by:				
C H Perkins (Chairman)	14			1
K P Hogan (Deputy Chairman)	14			1
M A Chaney (Managing Director)	14			
D J Asimus	13			1
T R Eastwood	12			1
T J Flügge	13			1
E Fraunschiel	14			
L A Giglia	14	5		1
J P Graham	14			1
R D Lester	13	5		1
D E W Nuttall	12	5		1
J M Paterson	14			1
D C White	14	5		1

\* The Nomination committee did not meet formally during the 2000/2001 financial year but have met twice in the period July to August 2001

## Review of operations

The operations of the consolidated entity during the financial year and the results of those operations are reviewed on pages [ ] to [ ] of this report and in the accompanying financial statements.

## 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:

- revenues from ordinary activities up 26 per cent to \$4.4 billion see pages [ ] and [ ]
- net profit for the period attributable to members up 21 per cent to \$251 million see pages [ ] and [ ]
- dividends per share paid or payable up 27 per cent see pages [ ] and [ ]
- total assets up 26 per cent to \$4.0 billion see page [ ]
- shareholders' equity up 31 per cent to \$1.6 billion see page [ ]
- net borrowings up 24 per cent to \$1.0 billion see page [ ]
- successful completion of Ownership Simplification Plan see page [ ]
- creation of Wesfarmers Landmark following the acquisition of IAMA Limited and the merger of the Wesfarmers Dalgety and IAMA rural operations see page [ ]
- investment in the 50/50 Australian Railroad Group venture see pages [ ] and [ ]
- the Howard Smith takeover bid, which was successfully completed subsequent to the year end see pages [ ] and [ ]
- continued expansion of the Bunnings warehouse business see pages [ ] and [ ]

# DIRECTOR'S REPORT

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## Significant events after the balance date

On 13 June 2001 Wesfarmers Retail Pty Ltd, a wholly owned subsidiary of Wesfarmers Limited ("Wesfarmers") announced an offer to acquire all the shares in Howard Smith Limited ("Howard Smith") and subsequently varied the terms of the offer on 12 July 2001. The offer was \$13.25 cash and 2 Wesfarmers shares for every 5 Howard Smith shares. The offer successfully concluded on 22 August 2001.

At the date of this report, Wesfarmers Retail Pty Ltd is entitled to 100 per cent of the issued capital of Howard Smith, resulting in the issue of 79 million Wesfarmers shares and the payment of \$524 million pursuant to the terms of the offer.

The shares issued as a result of the offer are entitled to the final dividend of 60 cents per share to be paid on 25 October 2001. No provision has been made in the accounts for payment of the final dividend on these shares.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations, results of operations or state of affairs of the consolidated entity in subsequent financial years.

## Likely developments and expected results

Likely developments in and expected results of the operations of the consolidated entity in subsequent years are referred to elsewhere in this report, particularly on pages [ ] to [ ]. In the opinion of the directors, further information on those matters could prejudice the interests of the company and the consolidated entity and has therefore not been included in this report.

## Environmental regulation and performance

The consolidated entity holds licenses issued by the Environmental Protection Authority, the Department of Minerals and Energy, the Water Corporation, the Department of Health and various other authorities throughout Australia.

These licenses regulate the management of air and water quality, the storage and carriage of hazardous materials and disposal of wastes associated with the consolidated entity's operations.

In May 2001, Wesfarmers CSBP Limited appeared in the Perth Magistrates Court to answer four charges related to the September 1999 accidental release of arsenic-containing solution from their ammonia plant. Three of these charges were withdrawn. Wesfarmers CSBP Limited pleaded guilty to the fourth charge, which related to the discharge of waste into the environment, and were fined \$20,000 with \$5000 costs.

There have been no other significant material known breaches of the consolidated entity's licence conditions.

## Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained on pages [ ] to [ ] of this annual report.

## Corporate information

Wesfarmers Limited is a company limited by shares that is incorporated and domiciled in Australia. The registered office and principal business address of Wesfarmers Limited 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 off under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors of Wesfarmers Limited.



C H Perkins  
Chairman  
Perth, 11 September 2001



M A Chaney  
Managing Director

# 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:
  - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group comprising the company and the controlled entities marked "+" as identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee disclosed in note 27.

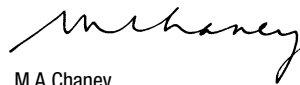
On behalf of the board



C H Perkins

Chairman

Perth, 11 September 2001



M A Chaney

Managing Director

# INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF WESFARMERS LIMITED

## Scope

We have audited the financial report of Wesfarmers Limited for the financial year ended 30 June 2001, as set out on pages [ ] to [ ] and the directors' declaration on page [ ]. The financial report includes the financial statements of Wesfarmers Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit opinion

In our opinion, the financial report of Wesfarmers Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



Ernst & Young



G H Meyerowitz

Partner

Perth, 11 September 2001

# SHAREHOLDER INFORMATION

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

## Substantial shareholders

Substantial shareholder details as at 11 September 2001 were:

HOLDERS OF RELEVANT INTEREST	NUMBER OF ORDINARY SHARES IN WHICH INTEREST HELD
Commonwealth bank	

## Voting rights

Ordinary fully-paid shares, carry voting rights of one vote per share.

## Distribution of members and their holdings

SIZE OF HOLDING	NUMBER OF ORDINARY SHAREHOLDERS
1 - 1,000	
1,001 - 5,000	
5,001 - 10,000	
10,001 - 100,000	
100,001 - and over	

There were [ ] holders of less than a marketable parcel of ordinary shares.

Less than [ ] per cent of shareholders have registered addresses outside Australia.

## Twenty largest shareholders

The twenty largest holders of ordinary shares in the company as at 11 September 2000 were:

NAME	NUMBER OF SHARES	PER CENT OF ISSUED CAPITAL (*)
------	------------------	--------------------------------

\* The percentage holding of the twenty largest shareholders was [ ] per cent.



# TEN YEAR FINANCIAL HISTORY

FOR THE YEAR ENDED 30 JUNE 2001 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

(All figures in \$ millions unless shown otherwise)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Summarised statement of financial performance										
Sales revenue	4,243	3,358	2,818	2,727	2,601	2,435	2,427	2,282	1,704	1,260
Other operating revenue	146	122	301	96	109	78	86	118	39	23
Operating revenue	4,389	3,480	3,119	2,823	2,710	2,513	2,513	2,400	1,743	1,283
Operating profit before depreciation, net interest paid and income tax	588	445	389	380	343	269	297	296	208	190
Depreciation and amortisation (excluding goodwill)	154	118	113	102	102	93	86	73	66	58
Net interest paid	54	23	17	12	16	20	16	14	21	25
Income tax expense	118	89	72	92	78	54	64	51	35	40
	262	215	187	174	147	102	131	158	86	67
Outside equity interests	(1)	(1)	(1)	(1)	-	(1)	(1)	(17)	(10)	(3)
Operating profit after income tax before goodwill amortisation	261	214	186	173	147	101	130	141	76	64
Goodwill amortisation	10	(7)	(7)	(7)	(7)	(8)	(3)	(2)	(2)	(1)
Operating profit after income tax attributable to members of Wesfarmers Limited	251	207	179	166	140	93	127	139	74	63
Capital and dividends										
Ordinary shares on issue (number)	282	264	262	251	240	229	220	198	192	187
Paid up ordinary capital	1,234	892	950	860	716	624	561	360	320	290
Ordinary dividends paid or declared	245	193	178	165	138	84	107	81	56	49
Dividend per 50 cent ordinary share	87.0c	73.0c	67.0c	66.0c	58.0c	37.0c	48.0c	41.0c	29.0c	26.0c
Percentage franked	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Financial performance										
<b>Before goodwill amortisation</b>										
Earnings per 50 cent ordinary share (weighted average)	96.2c	80.4c	72.6c	70.6c	62.6c	44.8c	62.0c	72.7c	40.2c	34.8c
<b>After goodwill amortisation</b>										
Earnings per 50 cent ordinary share (weighted average)	92.4c	77.6c	69.8c	67.6c	59.6c	41.3c	60.6c	71.6c	39.2c	34.1c
Return on average ordinary shareholders' funds	17.8%	17.0%	15.1%	15.2%	14.7%	10.8%	17.7%	25.1%	15.7%	14.7%
Net interest cover – profit basis (times)	7.9	13.6	15.9	22.5	14.7	8.3	12.7	15.9	6.6	5.2
Net interest cover – cash basis (times)	10.9	18.9	23.0	31.6	21.5	13.3	18.1	21.2	9.8	7.6
Income tax expense (effective rate)	32.0%	30.0%	28.7%	35.6%	35.7%	36.4%	32.8%	24.7%	35.9%	37.4%
Financial position as at 30 June										
Total assets	4,004	3,169	2,576	2,374	2,058	2,005	1,932	1,693	1,358	1,257
Total liabilities	2,386	1,937	1,369	1,204	1,046	1,111	1,097	950	743	699
Net assets	1,618	1,232	1,207	1,170	1,012	894	835	743	615	558
Outside equity interests in controlled entities	24	6	1	2	1	1	6	130	117	109
Shareholders' equity attributable to members of Wesfarmers Limited	1,594	1,225	1,206	1,168	1,011	893	829	613	498	449
Net tangible asset backing per 50 cent ordinary share	\$4.61	\$4.13	\$3.96	\$4.06	\$3.58	\$3.21	\$3.01	\$3.06	\$2.54	\$2.35
Net financial debt to net tangible assets	77.6%	75.6%	41.1%	34.3%	28.5%	51.3%	55.8%	23.0%	40.3%	46.7%
Net financial debt to equity	63.4%	67.3%	36.3%	29.9%	24.2%	42.1%	44.8%	23.4%	39.2%	45.3%
Total external liabilities/total tangible assets*	62.7%	62.2%	54.1%	53.3%	54.9%	59.5%	61.6%	55.7%	53.7%	54.4%
Stock market capitalisation as at 30 June	7,638	3,507	3,568	3,012	3,000	1,737	1,965	1,699	1,112	1,103

\*Excluding project financing