Wesfarmers

ANNUAL REPORT

2006

EMPLOYEES

30,000*

* as at 30 June 2006

OPERATING REVENUE

$8.9 billion

CORPORATE DIRECTORY

Wesfarmers Limited
ABN 28 008 984 049

Registered office
Level 11, Wesfarmers House
40 The Esplanade, Perth,
Western Australia 6000

Telephone: (+61 8) 9327 4211
Facsimile: (+61 8) 9327 4216
Website: www.wesfarmers.com.au
Email: info@wesfarmers.com.au

Executive directors

Richard Goyder
Managing Director and Chief Executive Officer

Gene Tilbrook
Finance Director

*Visit Wesfarmers' website at **www.wesfarmers.com.au** for shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, including previous years' annual reports.*

Non-executive directors

Trevor Eastwood AM *Chairman*
Colin Carter
Patricia Cross
Bob Every
Lou Giglia AM
James Graham
Dick Lester
Charles Macek
David White

Company Secretary

Linda Kenyon

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St George's Terrace
Perth, Western Australia 6000

Telephone:
Australia: 1300 557 010
International: (+61 3) 9415 4000

Facsimile:
Australia: (08) 9323 2033
International: (+61 8) 9323 2033

Website:
www.computershare.com.au

FINANCIAL CALENDAR+

Record Date for final dividend
25 August 2006

Final dividend paid
4 September 2006

Annual general meeting
1 November 2006

Half-year end
31 December 2006

Half-year profit announcement
February 2007

Record Date for interim dividend
February 2007

Interim dividend payable
March 2007

Year-end
30 June 2007

+ Timing of events is subject to change

ANNUAL GENERAL MEETING

The 25th annual general meeting of Wesfarmers Limited will be held at the Burswood Convention Centre, Great Eastern Highway, Burswood, Western Australia on Wednesday 1 November 2006 at 2.00 pm.

SHAREHOLDERS

150,000*

* as at 30 June 2006

MARKET CAPITALISATION

$13.4 billion*

* as at 30 June 2006

WHO WE ARE

From our origin in 1914 as a Western Australian farmers' co-operative, Wesfarmers Limited has grown into one of Australia's largest public companies. We operate through a portfolio of diversified businesses currently focused in Australia and New Zealand. These activities comprise interests in home improvement products and building supplies, coal mining, gas processing and distribution, industrial and safety product distribution, chemicals and fertilisers manufacture and insurance. We also have interests in private equity and other activities.

CONTENTS

OUR OBJECTIVE

Our primary objective is to provide a satisfactory return to shareholders. We aim to achieve this by:

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

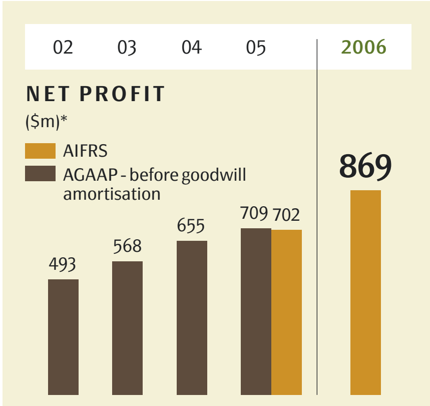
Performance highlights

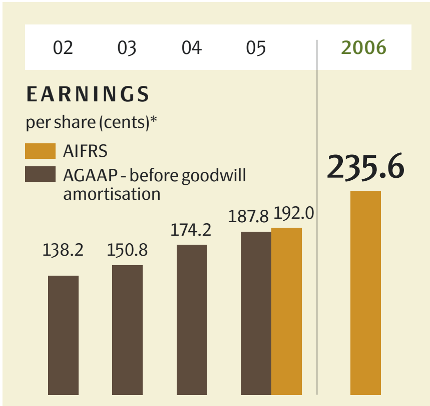
FINANCIAL HIGHLIGHTS

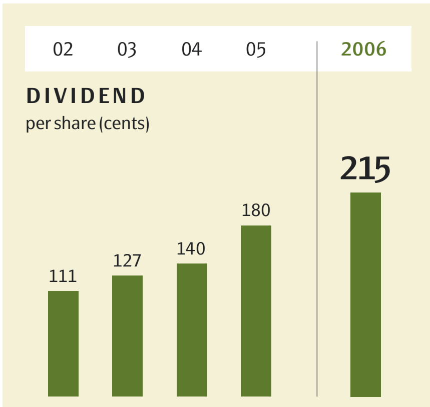
- Operating revenue of $8.9 billion, up from $8.2 billion
- Record net profit of $869.4 million up 24 per cent excluding the impact of the sale of Australian Railroad Group (“ARG”)
- Normalised earnings per share up 23 per cent to $2.36
- Full-year dividend up 19 per cent to $2.15 per share
- Return on equity up six per cent to 31 per cent excluding the sale of ARG
- Operating cash flow up 21 per cent to $2.99 per share
- Energy division earnings up 98 per cent due to higher export coal prices and volumes

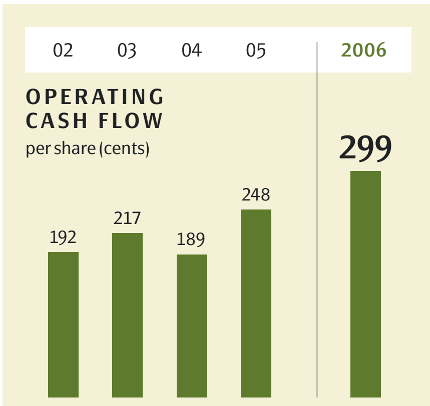
OPERATIONAL HIGHLIGHTS

- Sale of our 50 per cent interest in ARG realising a pre-tax profit of $235 million
- Opened 12 new Bunnings warehouse stores and upgraded 32 existing stores across Australia and New Zealand
- Commenced expansion of CSBP’s ammonium nitrate facility at Kwinana, Western Australia, to increase production capacity by 235,000 tonnes per annum
- Completed civil works associated with the Curragh North coal development
- Secured long term supply of Verve Energy’s coal requirements from the Premier coal mine at Collie in Western Australia









* excludes earnings from the sale of the Girrah coal deposit in 2003, the sale of Landmark in 2004 and the sale of ARG in 2006

NET PROFIT
(excluding profit from the sale of ARG)

↑ 24%

EARNINGS
per share (excluding earnings from the sale of ARG)

↑ 23%

DIVIDEND
per share

↑ 19%

CASH FLOW
per share

↑ 21%

Results summary

		2006 AIFRS[1]	2005 AIFRS	2005 AGAAP[2]
KEY FINANCIAL				
Operating revenue (excluding the sale of ARG in 2006)	$m	**8,859**	8,159	8,190
Net profit before interest and tax (excluding the sale of ARG in 2006)	$m	**1,313**	1,034	949
Net profit after tax (includes the sale of ARG in 2006)	$m	**1,048**	702	618*
Net profit after tax (excluding the sale of ARG in 2006)	$m	**869**	702	618*
Dividends	$m	**813**	680	680
Total assets	$m	**7,515**	7,153	7,314
Net borrowings	$m	**1,458**	1,723	1,720
Shareholders' equity	$m	**3,166**	2,742	3,081
Capital expenditure on property, plant and equipment	$m	**615**	465	465
Depreciation and amortisation	$m	**283**	189	278
KEY SHARE DATA				
Earnings per share	cents	**284.0**	192.0	187.8
Earnings per share (excluding the sale of ARG in 2006)	cents	**235.6**	192.0	187.8
Dividends per share	cents	**215**	180	180
Net tangible assets per share	$	**4.59**	3.47	4.51
Operating cash flow per share	$	**2.99**	2.48	2.37
KEY RATIOS				
Return on average shareholders' equity (excluding the sale of ARG in 2006)	%	**31.1**	25.4	22.1
Gearing (net debt to equity)	%	**46.1**	62.9	55.8
Interest cover (cash basis)	times	**13.8**	12.4	12.4

* includes goodwill amortisation
[1] Australian equivalents to International Financial Reporting Standards
[2] Australian Generally Accepted Accounting Principles

A Five Year Financial History appears on page 148 of this report

	2006	2005
CREATING WEALTH AND ADDING VALUE		
Wealth created by Wesfarmers:	**$2,937m#**	**$2,348m**
The wealth created was shared as follows:		
Employees - salaries, wages and other benefits	**38%**	41%
Government - taxes and royalties	**20%**	18%
Lenders - borrowed funds	**4%**	4%
Shareholders - dividends on their investment	**28%**	29%
Reinvested in the business	**10%**	8%

\# includes the sale of ARG

Chairman's letter to shareholders

Dear Shareholder

On behalf of the Board, it is my pleasure to present Wesfarmers' 2006 annual report.

I am delighted to report that we have achieved another record annual profit due in this instance to higher prices and increased production volumes from the Curragh coal operations and the sale of our 50 per cent interest in the Australian Railroad Group.

Details of the group's 2005/06 performance and comments on future prospects are included in the reports that follow. I encourage you to read these reports.

DIVIDEND

A fully-franked final dividend of $1.50 per share (last year $1.27) was declared for the year ended 30 June 2006, taking the full-year fully-franked dividend to $2.15 per share compared to last year's $1.80. The total dividend for the year represents 94 per cent of net profit after tax, excluding the profit from the sale of the Australian Railroad Group.

MANAGEMENT AND LEADERSHIP

It has been a very busy year for our Managing Director, Richard Goyder, and his team in dealing with the day-to-day challenges of running the business while laying some important foundations for the company's future success.

Considerable efforts have been made to strengthen the talent development process across the group as part of optimising the company's high quality human resources with succession planning receiving particular attention.

I take this opportunity to thank Richard and his senior managers for their contribution to another successful year.

BOARD CHANGES

In February 2006, the Board announced the appointment of Bob Every as a non-executive director. He has had a distinguished career in industry and as a recently-retired Chief Executive Officer of a significant Australian public company has a good understanding of both senior managerial and directorial responsibilities.

In January 2006, Lou Giglia advised of his intention not to stand for re-election at this year's annual general meeting in November. Lou has made an immense contribution to Wesfarmers Limited and its predecessor, Westralian Farmers Co-operative Limited, over the past 35 years.

In July 2006, Trevor Flügge, who joined the Board in 1998, tendered his resignation as a director of the company. Trevor's contribution to board deliberations has been much appreciated.

In September 2006, David Robb resigned as a director and from his position as Managing Director, Wesfarmers Energy. David's great contribution to Wesfarmers over more than 10 years is acknowledged, particularly in relation to the rapid expansion of our coal operations in Queensland and development work on a number of other opportunities in the energy sector.

I take this opportunity to welcome Bob Every and to thank Lou Giglia, Trevor Flügge and David Robb for their contributions.

I believe we have a very strong, well qualified and cohesive Board which provides the right level of support and challenge to our executive team.

THE ONGOING SUCCESS OF WESFARMERS IS BASED ON SHAREHOLDER FOCUS, FINANCIAL DISCIPLINES AND A GOOD REPUTATION

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Board continues to enhance its corporate governance policies and procedures to ensure it maintains high standards. Further details are set out on pages 42 to 47 of this report.

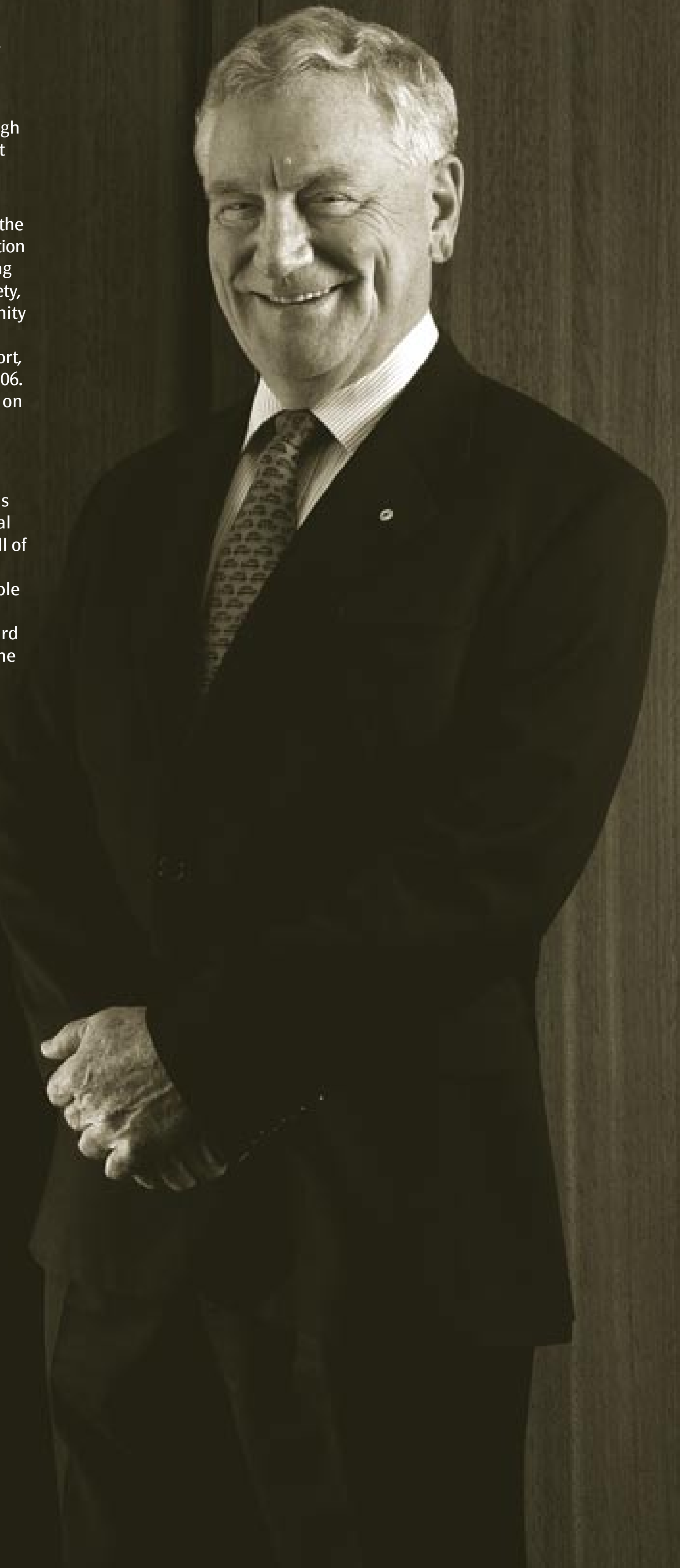
The Board is committed to ensuring improvements in the sustainability of the group's businesses. A detailed description of the company's performance during the year in the areas of workplace safety, environmental impacts and community engagement is included in the company's Social Responsibility Report, which will be released in November 2006. Further information is also provided on pages 35 to 39 of this report.

EMPLOYEES

The ongoing success of Wesfarmers is based on shareholder focus, financial disciplines and a good reputation, all of which are reliant on the efforts and dedication of more than 30,000 people who work for the company across Australia and New Zealand. The Board is, once again, very appreciative of the untiring efforts of our employees.

Yours sincerely

TREVOR EASTWOOD AM
Chairman



Managing Director's review

RICHARD GOYDER
Managing Director

WESFARMERS ACHIEVED A RECORD PROFIT OF $1.05 BILLION FOR THE YEAR ENDED 30 JUNE 2006

ONE OF THE ENDURING STRENGTHS OF OUR GREAT COMPANY GOING RIGHT BACK TO ITS FORMATIVE YEARS HAS BEEN A PREPAREDNESS TO TAKE A LONG-TERM VIEW.

I have little doubt that the origins of this part of our culture lie in our long association with the rural sector where the virtues of patience and perseverance matter more than in probably any other area of endeavour.

These qualities are very much on display among our more than 30,000 employees whose hard work and dedication enables me to report that Wesfarmers achieved a record profit of $1.05 billion for the year ended 30 June 2006.

This is an increase of 24 per cent on the comparable figure for the previous 12 months when we exclude the profit from the sale of our share in the Australian Railroad Group (ARG).

As always, the challenge now is to achieve performance which benefits our shareholders by ensuring that the decisions we take continue to have that long-term perspective. I will have more to say about that challenge a little later but I want first to reflect on the company's performance over the past year.

BUSINESS OVERVIEW

The main reasons for the record profit are well known. We had a very big increase in export sales of metallurgical coal from the Curragh mine in Queensland at prices which remain well above long-term levels although, as anticipated, there was some softening at the contract negotiations in April.

Nevertheless, and despite the employee effort to which I have referred, we would like to have done better.

Above: CSBP Process Technician Michael Upfold at the Solid Sodium Cyanide Plant, Kwinana, Western Australia.

Right: Curragh North truck and shovel operations at Blackwater, Queensland.

The energy division generated a significantly higher profit thanks to the export coal sales previously mentioned. I want to congratulate everyone at Curragh for their achievement in lifting production by 27 per cent. This was a very strong performance, particularly when compared with peers in the sector. Technical issues at the mine and restrictions on rail and port access constrained even higher production and sales.

The Bunnings home improvement division performed well with a strong second half helping to offset difficult trading conditions in the earlier part of the year. While revenue growth was similar to the previous 12 months there was a lesser increase in earnings due to the impact of the employee share plan and costs associated with a record number of store refurbishments during the year. Bunnings continues to grow market share and its store roll-out and refurbishment programme, along with continuous innovation in its customer offer, has positioned the business well for the future.

The insurance division faced very strong competition, particularly in Australia, and the impact of a higher than expected level of claims following bushfires and tropical Cyclone Larry. The standout was Lumley General Insurance New Zealand which achieved a record result.

The industrial and safety division has undergone significant restructuring which should allow it to deliver improved results in future years. Better operational results were achieved by the Australian businesses but New Zealand fell short of our hopes, due in part to a slowing in that country's economy.

The CSBP chemicals business benefited from the mining boom but the driest June on record in much of Western Australia's agricultural area had a major adverse impact on fertiliser sales.

We recorded a profit of $235 million before tax from the sale in June of our share of the ARG joint venture. With our partners, Genesee & Wyoming, we made substantial improvements to the business over more than five years and this has proved to be a very good investment for our shareholders.

The profit contribution from our 50 per cent interest in the Wespine plantation pine operation was in line with last year's. Divestments from the Gresham Private Equity Funds made a useful contribution.

THE GROWTH CHALLENGE

We hear and read these days about significantly more competitive financial markets due to, amongst other things, a buoyant economy and the presence of aggressive new entrants, such as private equity funds. The conventional wisdom is that these factors create increasing difficulties for companies like Wesfarmers to make value-creating acquisitions.

It is certainly true that our big growth surges have been linked to acquiring new assets. It is equally true that when assets have been, in our view, overpriced or would put too much strain on our

ULTIMATELY, OUR SUCCESS WILL DEPEND ON THE QUALITY OF OUR PEOPLE

Above left: Protector Alsafe Customer Service Officers Peter McDade and Julie Benson at Wetherill Park, New South Wales.

Left: Kleenheat Gas operator Wayne Priestly at Camellia, New South Wales.

Right: Bunnings paint department Team Members at Nunawading, Victoria.

Far right: Dragline starting the 20 kilometre walk to Curragh North at Blackwater, Queensland.

WE WILL NEVER WAIVER IN OUR ADHERENCE TO OUR PRIMARY OBJECTIVE OF PROVIDING A SATISFACTORY RETURN TO SHAREHOLDERS

management capabilities we have not made acquisitions. Consequently, there have been long periods, such as the second half of the 1990s, when we made no material additions to our portfolio. In such times we have often outlaid significant amounts of capital in developing our existing businesses.

If there is a single message I wish to convey it is that, despite all the noise and speculation to which I have alluded, we will never waiver in our adherence to our primary objective of providing a satisfactory return to shareholders. We will remain patient and disciplined in the pursuit of this objective. Only in that way will shareholders truly benefit from their investment in Wesfarmers.

This does not mean standing still. On the contrary, I can't remember a year when, consistent with our strategy of seeking new growth opportunities, we've been more active in assessing and pursuing acquisition opportunities than the one on which we are reporting. There will be no let up in this activity.

Meanwhile, we are placing renewed emphasis on two of our other long-held strategies – running our existing businesses better and identifying opportunities for expansion in those businesses. The first we will achieve through innovation and increased efficiencies and the second by marshalling and combining our business unit expertise with our group analytical capacity in order to maximise our prospects of achieving organic growth. During the year we invested a record $615 million of capital expenditure in our existing businesses.

Ultimately, our success will depend on the quality of our people. These strategies are only deliverable if we have the human resources to evaluate and implement them and we've taken steps to further develop our capacity in this area.

SUSTAINABILITY

Our fourth strategy is to pursue sustainable outcomes for the business. One of the difficulties in talking about sustainability is that the concept is not readily definable. Many people still see it in terms of 'sustainable development' which was taken up with enthusiasm, particularly by the mining sector, in the late 1980s.

Today sustainability is seen in a broader context. From a company perspective, I believe it means operating in a way where financial success and responsible behaviour are inextricably linked.

In private enterprise, nothing is sustainable unless a business achieves satisfactory returns. Integral to that success is a whole range of factors: the decent treatment of employees, customers and suppliers; ethical conduct; environmental responsibility; and a willingness to contribute to community-benefiting organisations and causes. To fail to give due weight to these aspects of corporate life is to put at risk the very success that underpins sustainability.

Our attention to important people-focused initiatives strengthened during

BY MAINTAINING OUR FINANCIAL DISCIPLINES AND FURTHER DEVELOPING OUR SUSTAINABILITY CREDENTIALS I BELIEVE WESFARMERS HAS GOOD REASON TO FACE THE FUTURE WITH CONFIDENCE

the year. More collaborative talent identification and management development programmes have been implemented across the group and we've made improvements to our performance appraisal and assessment procedures.

Our businesses are active in environment improvement-related activities. Bunnings is making a big effort in areas like water conservation and better use of energy. For example, its plastic bag levy is achieving a massive reduction in the presence of these potentially destructive items in the waste stream. The Bunnings business is also progressing action on issues arising from its supply chain, including wood and wood products and goods sourced from overseas factories. The Premier coal mine at Collie in Western Australia won the Golden Gecko Award for Environmental Excellence in recognition of its innovative programmes in mine site rehabilitation.

Wesfarmers was pleased to participate in the Carbon Disclosure Project by providing to a group of institutional investors details of greenhouse gas emissions and other information relating to our approach to climate change issues.

Our safety, health and environmental performance, and the contributions we make to community causes and the arts, are referred to later in this report. More detailed information on all these aspects of our sustainability agenda can be found in the very comprehensive annual Social Responsibility Report to be published in November. The report was named equal best occupational health and safety report by the judges of the 2006 Australasian Reporting Awards.

GROUP FINANCES

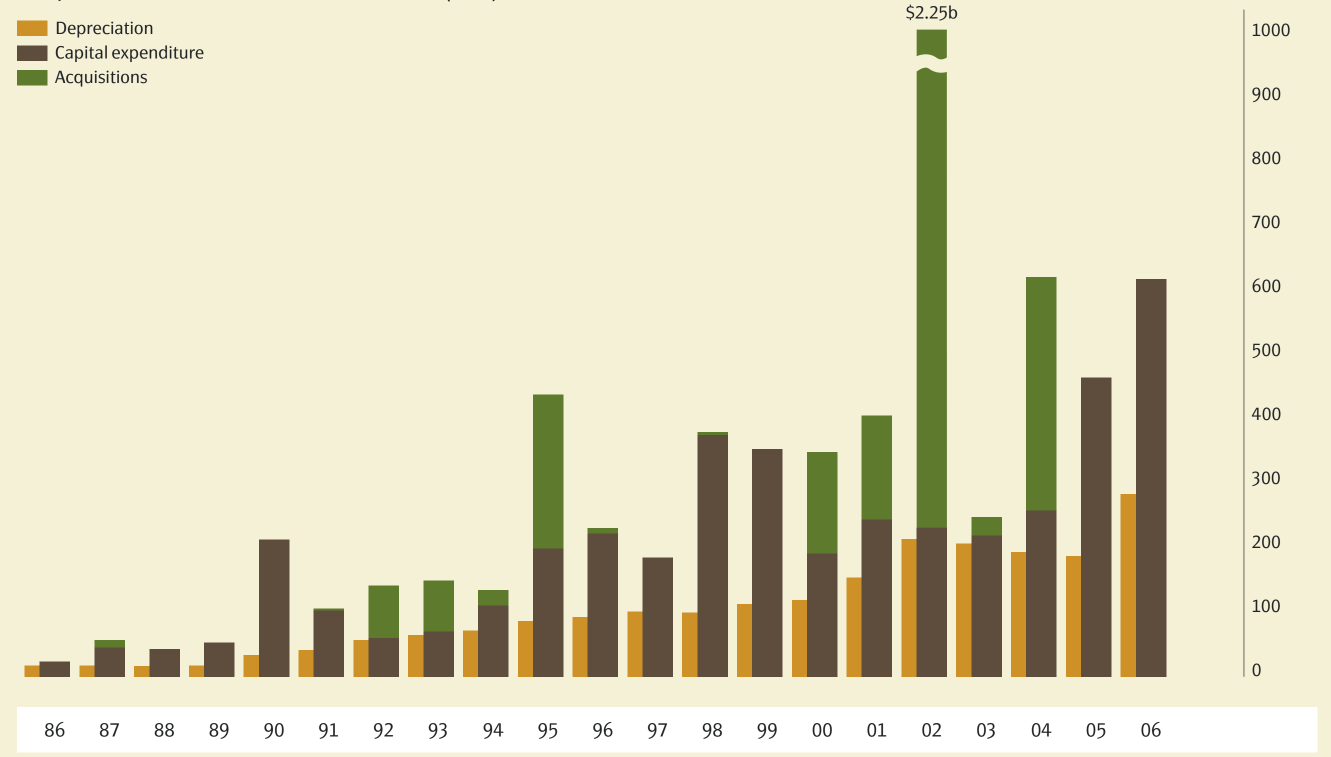
I am pleased to report that we have maintained a very strong balance sheet which puts us in a good position to take advantage of opportunities as and when they arise. Our financial gearing (as measured by the ratio of net debt to equity) stood at 46.1 per cent at 30 June 2006, slightly below our target range of between 50 to 75 per cent.

As mentioned earlier we outlaid a record amount on new and replacement projects including over $200 million on the Bunnings store roll-out and refurbishment programme and systems improvements; over $200 million on the Curragh North expansion; and $70 million on the first part of the expansion of CSBP's ammonium nitrate production facility at Kwinana in Western Australia. In the 2006/07 year we have budgeted to spend more than $800 million.

MANAGEMENT RESTRUCTURE

The resignation in September 2006 of David Robb has led to changes in the management and structure of our energy businesses. A new stand-alone coal division has been created, reflecting the importance of that sector to the group. Stewart Butel, formerly Director, Coal Operations at Wesfarmers Energy, has been appointed Managing

WESFARMERS CAPITAL EXPENDITURE ACQUISITIONS AND DEPRECIATION ($m)



Director of Wesfarmers Coal. With the excision of the coal assets, Wesfarmers Energy will focus on developing the gas and power businesses under the leadership of Tim Bult, formerly General Manager, Kleenheat Gas.

In congratulating the new appointees I join with the Chairman in thanking David Robb for the very significant contribution he made to Wesfarmers in his time with the group from 1995.

CONCLUSION

I referred at the start of this review to the efforts of our employees. To everyone who works for Wesfarmers across Australia and New Zealand I extend my thanks for a job very well done. My particular thanks also to Chairman Trevor Eastwood and his Board colleagues and the members of the Leadership Team.

The 2006/07 year will be challenging. The decline from last year's record coking coal prices is likely to result in a reduction in group profit. Ongoing high petrol prices and a higher interest rate environment are also likely to impact on discretionary spending with flow-on effects to some of our businesses.

But by maintaining our financial disciplines and further developing our sustainability credentials I believe Wesfarmers has good reason to face the future with confidence.

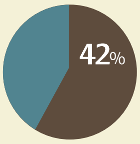
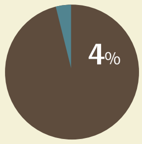
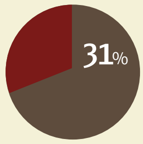
RICHARD GOYDER
Managing Director

MORE COLLABORATIVE TALENT IDENTIFICATION AND MANAGEMENT DEVELOPMENT PROGRAMMES HAVE BEEN IMPLEMENTED

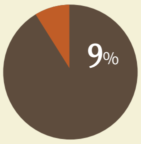
Below left: Construction of the 20 kilometre conveyor which will take coal from Curragh North to Curragh.

Below: Lumley General Insurance Management Accountants Alex Yu and Bianca O'Neill, Sydney, New South Wales.

Review of operations

	Energy: Coal	Energy: Gas and power	Home improvement
CONTRIBUTION TO GROUP EBIT	 42%	 4%	 31%
ACTIVITIES	- Operating and developing coal mines in Queensland (Curragh) and Western Australia (Premier Coal); participating in New South Wales coal mine (Bengalla Joint Venture) - Supplier of metallurgical coal to export markets and steaming coal to both domestic and export markets	- Production, marketing and distribution of Liquefied Petroleum Gas ("LPG") and Liquefied Natural Gas ("LNG") - Manufacture and marketing of industrial and medical gases - Power generation for remote towns and resource projects	- Retailing home improvement products and building materials - Servicing project builders and the housing industry
YEAR IN BRIEF	- Coal earnings up 130 per cent - Record Curragh production and metallurgical coal sales - Rail and port constraints limiting growth at Curragh until mid-2007 - Premier Coal sales volumes increased - Premier Coal commenced long-term supply to Verve Energy and construction began on a 50,000 tonnes per annum char demonstration plant - Bengalla benefited from high export prices for steaming coal but sales constrained by port restrictions	- Gas and power earnings down 25 per cent - Kleenheat Gas delivered strong volume growth of Kwik-Gas cylinder exchange and LNG sales - Satisfactory operating results from the Kwinana LPG extraction plant despite low feed gas LPG levels and constrained natural gas availability - enGen expanded and built new power stations in regional Western Australia	- 1.1 per cent increase in earnings - 7.1 per cent increase in cash sales - 12 new warehouse stores opened, 32 upgraded - Improved business effectiveness and efficiency - A network of stand-alone trade distribution sites established - Acquired the Hudsons' frame and truss business
FUTURE DIRECTIONS	- Strong business sustainability commitment - Complete Curragh North materials handling project - Continued export production and sales growth from Curragh - Commissioning of char demonstration plant at Premier Coal - Completion of study to expand Bengalla's output to 10.7 million tonnes per annum	- Strong business sustainability commitment - Develop new LPG and LNG markets - Pursue new industrial gases products and opportunities - Expand power generation activities and pursue new opportunities - Productivity and cost improvement focus	- Continue to open between 10 to 14 warehouse stores per year - Continue with store network refurbishment programme - Enhance and expand products and services offered - Expand trade business - Upgrade inventory and business systems - Pursue further business improvement strategies

Insurance

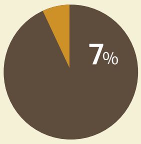


- Provider of general insurance products to select market segments in Australia and New Zealand under Wesfarmers Federation Insurance ("WFI") and Lumley brands
- Development of general insurance software for Australian and international insurers through Koukia Pty Limited

- Solid results achieved; record result for Lumley General Insurance New Zealand
- Three significant claims events – Cyclone Larry, Molong floods and Grampians bush fires
- Acquisition of a number of niche portfolios
- Formation of new alliances by WFI

- Earnings likely to be restricted by competitive pressures and the level of claims
- Maintain business focus in various market segments
- Seek opportunities for profitable growth
- Expand governance framework to meet new APRA requirements

Industrial and safety

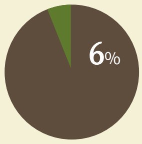


- Supplier and distributor of maintenance, repair and operating ("MRO"), packaging and safety products and services through a portfolio of generalist and specialist businesses in Australia and New Zealand
- Servicing mining, construction and infrastructure, government and manufacturing industries through branch networks and online

- Operating revenue in line with last year's
- Earnings down by 11 per cent
- Growth of Australian businesses offset by difficult economic and trading conditions in New Zealand
- Restructured management team
- Business improvement programmes underway
- Enhanced e-business capabilities
- New "GetSAFE" health, safety and environment programme
- Improved cost and inventory control and debt collection disciplines

- Capitalise on strong mining and infrastructure growth
- Pursue implementation of new strategic and business improvement initiatives including expanded product and services ranges to position each business for growth
- Complement organic growth by acquisitions

Chemicals and fertilisers

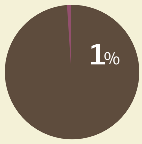


- Manufacture and marketing of chemicals for industry, mining and mineral processing
- Manufacture and marketing of broadacre and horticultural fertilisers
- Provider of soil and plant testing and agronomy advisory services

- Chemical business earnings in line with last year's
- Fertiliser earnings down due to lack of rain resulting in lower fertiliser use
- Commenced expansion of CSBP's ammonium nitrate facility at Kwinana, Western Australia, increasing production capacity by 235,000 tonnes per annum
- Increased production of ammonium nitrate and sodium cyanide
- Continued growth in sodium cyanide export volumes

- Capitalise on strong chemical demand from the resource sector
- Enhance fertiliser sales volumes through market-focused customer offer
- Pursue market growth opportunities
- Commission duplicate ammonium nitrate facility in the second half of 2007

Other activities



Rail
- 50 per cent interest in Australian Railroad Group (sold in June 2006)

Wespine
- 50 per cent interest in a softwood mill at Dardanup, Western Australia

Gresham
- 50 per cent interest in the investment bank, Gresham Partners; plus interests in Gresham's private equity funds

Rail
- Revenue and earnings during 11 months of ownership in line with last year's
- Pre-tax earnings of $235 million generated from the sale of the business

Wespine
- Earnings in line with last year's
- Improved safety performance

Gresham
- Two divestments and one investment made by Gresham's private equity funds

Wespine
- Complete projects initiated to improve product yields and quality

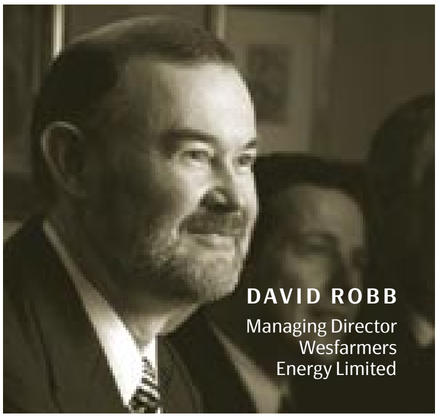
Gresham
- Divestment of remaining assets of Private Equity Fund 1 over next few years
- New investments by Private Equity Fund 2

WESFARMERS' ENERGY INTERESTS COMPRISE THREE COAL BUSINESSES, THREE GAS BUSINESSES, A POWER GENERATION BUSINESS AND A RANGE OF SUPPORT SERVICES

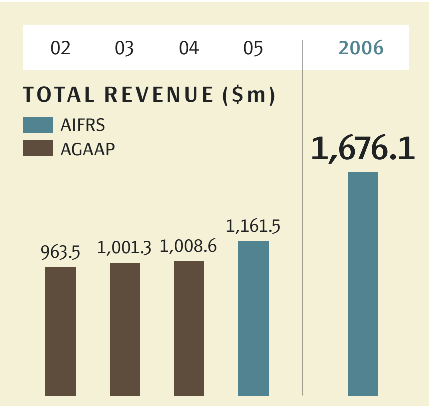
Energy

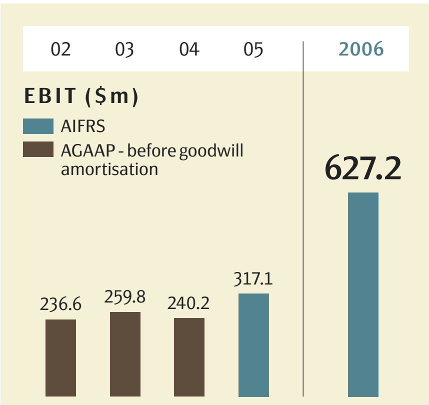
Energy

OPERATING REVENUE INCREASED TO $1.7 BILLION, 44.3 PER CENT ABOVE LAST YEAR'S WITH EARNINGS BEFORE INTEREST AND TAX OF $627.2 MILLION



DAVID ROBB
Managing Director
Wesfarmers
Energy Limited





EMPLOYEES	1,400
COAL MINES	3
COAL CUSTOMERS	22
GAS LOCATIONS	1,300
GAS CUSTOMERS	265,000
REMOTE POWER STATIONS	17
AIR SEPARATION UNITS	2

THE BUSINESS

In 2005/06 Wesfarmers Energy comprised three coal businesses, three gas businesses, a power generation business and a range of support services.

Energy's coal interests include the Curragh mine in Queensland's Bowen Basin (metallurgical and steaming coal for export and domestic markets), the Premier mine at Collie in Western Australia's south west (steaming coal for domestic markets) and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales (steaming coal for both export and domestic markets).

Energy's gas and power activities comprise Kleenheat Gas (liquefied petroleum gas "LPG" distribution and marketing), Wesfarmers LPG (LPG production and export), a 40 per cent interest in Air Liquide WA (industrial and medical gases) and Energy Generation (enGen - power generation for remote towns and resource projects).

STRATEGY

Wesfarmers Energy's objective - to achieve "Profitable Growth over Time" - is aligned to Wesfarmers' group objective of providing a satisfactory return to shareholders.

RESULTS

The Wesfarmers Energy operating revenue increased to $1.7 billion, 44.3 per cent above last year's with earnings before interest and tax of $627.2 million. This was 97.8 per cent higher than the $317.1 million earned last year. Record export coal sales tonnages and prices from Curragh were major contributors to the improved result in 2005/06.

Coal

Curragh: Total sales volumes of 8.6 million tonnes (6.0 million metallurgical and 2.6 million steaming) were 22.2 per cent above those achieved in 2004/05. Earnings for the year were 210.1 per cent above last year's, due to higher export metallurgical coal volumes and prices, partly offset by higher production and tonnage-related costs. Rail system and port capacity constraints limited export sales.

Premier: Steaming coal sales volumes of 3.7 million tonnes in 2005/06, were up 12.1 per cent. Earnings for the year were 7.9 per cent higher than last year's due to higher sales volumes.

Bengalla: Joint venture steaming sales coal volumes of 5.3 million tonnes (4.3 million export and 1.0 million domestic) were slightly lower than last year's due to port restrictions; while earnings increased 6.2 per cent, largely as a result of continued high export sales prices.

Gas and power

Kleenheat: Overall sales volumes were slightly above last year's with growth in traditional bulk and some cylinder markets largely offset by a reduction in autogas sales volumes. Earnings were below last year's, the result of record high international LPG prices and higher distribution costs which adversely impacted margins.

LPG: Export volumes of 38,532 tonnes were 80.6 per cent below last year's. This was due to a combination of lower LPG content in the Dampier to Bunbury natural gas pipeline and higher sales to the domestic market. Earnings were 13.3 per cent lower than those recorded in 2004/05, due to lower export sales volumes, partially offset by high export prices and increased domestic sales.

Air Liquide WA: Earnings were above expectations following better than expected contributions from its air separation unit operations.

enGen: An improved performance on last year's was recorded, due mainly to part-year contributions from new power stations supplying a number of Western Australian regional towns, together with expansions of existing power stations.

YEAR IN BRIEF

Curragh: Highlights included the completion of the civil works associated with the new Curragh North coal development, coupled with 3.2 million tonnes of coal exposed and mined from Curragh North during the year, which

	02	03	04	05*	2006
KEY FINANCIAL INDICATORS					
Operating revenue ($m)	963.5	1,001.3	1,008.6	1,161.5	**1,676.1**
Earnings before interest and tax ($m)#	236.6	259.8	240.2	317.1	**627.2**
Capital employed ($m)	844.9	815.6	774.4	666.5	**921.7**
Return on capital employed (%)	28.0	31.9	31.0	47.6	**68.0**
Capital expenditure ($m)	77.6	57.8	86.1	220.0	**286.0**

* This column represents a restatement of the financial information in compliance with AIFRS
# 2002 to 2004 before goodwill amortisation

Above left: Mining operations at Curragh North at Blackwater, Queensland.

Below: Kleenheat trailer being loaded onto a ferry to supply bulk LPG in Tasmania.

underpinned a 31.6 per cent increase in metallurgical coal sales volumes. Total project capital expenditure associated with the development remains within the budgeted $360 million. The 20 kilometre conveyor and coal handling system to transport coal to Curragh from Curragh North is 80 per cent complete and is expected to be commissioned in the fourth quarter of 2006. Annual price negotiations were concluded in April, with Curragh maintaining, and in many cases extending, long-term contracts to supply world-leading steelmakers in Asia and Europe.

Details of coal reserves and resources are included on page 145 of this report.

Premier: In August 2005, Premier was successful in its bid to supply Verve Energy's long-term coal requirements potentially to the year 2030 for its coal-fired power stations at Collie. Deliveries under this contract commenced in April 2006.

Construction of a 50,000 tonnes per annum char demonstration plant is underway and is expected to be completed in December 2006. Coal entering the plant will be enhanced to produce a high carbon product for use in domestic and offshore metallurgical markets.

Kleenheat: During the year on-board technology in cylinder delivery trucks was implemented to improve distribution and processing efficiency and Kleenheat expanded its liquified natural gas ("LNG") plant at Kwinana to meet increased customer demand.

LPG: The extraction plant operated satisfactorily during the year despite low feed rates and variable LPG content in the feed gas. Restricted capacity in the Dampier to Bunbury natural gas pipeline resulted in feed gas flow restrictions over the summer months.

Air Liquide WA: This was the first full-year of commercial operations of the new $45 million air separation unit at Kwinana in Western Australia, supplying oxygen and nitrogen to the adjacent HIsmelt project.

enGen: Three new power stations in the Western Australian towns of Gascoyne Junction, Laverton and Menzies were commissioned and construction commenced on the first of five power stations for the Aboriginal and Remote Community Power Supply Project.

BUSINESS SUSTAINABILITY

All businesses within Wesfarmers Energy adopt a "safety is our number one priority" goal and focus on contributing to the communities in which we operate.

As at 30 June 2006, enGen achieved 1,236 days without a lost time injury. Wesfarmers LPG also had a strong safety performance achieving in excess of three years without a lost time injury.

In September 2005, Premier Coal won a Golden Gecko Award for Environmental Excellence, building on its achievement in winning the national Banksia Award in 2004.

Wesfarmers Energy contributed over $1 million to support community initiatives during the year. In addition, the division has committed to contribute to a $300 million coal industry fund, established to develop and demonstrate technologies designed to reduce greenhouse gas emissions.

OUTLOOK

The export coal businesses should benefit from firm demand and continuing above-average prices although revenue will be lower than in 2005/06 as prices come off their record highs. Achievement of increased sales volumes in the near term will require satisfactory levels of performance from rail and port infrastructure.

Buoyant conditions in the mining sector generally and high fuel prices are expected to maintain upward pressure on costs.

Earnings from the gas businesses will remain dependent upon international LPG prices and production volumes from the Kwinana extraction plant.

Continued progress is anticipated on a number of growth opportunities including LNG and char.

Want to know more?
www.wesfarmersenergy.com.au

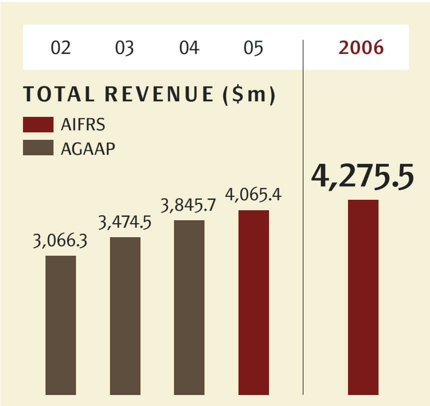
BUNNINGS IS THE LEADING RETAILER OF HOME AND GARDEN IMPROVEMENT PRODUCTS IN AUSTRALIA AND NEW ZEALAND AND A MAJOR SUPPLIER OF BUILDING MATERIALS

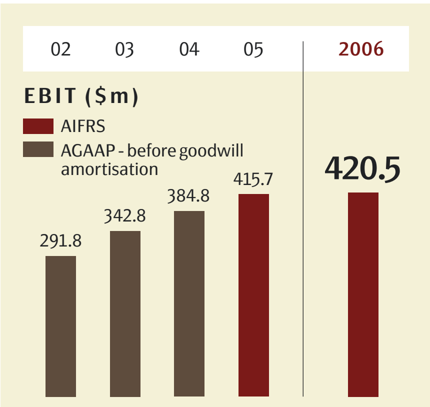
Home improvement

Home improvement

OPERATING REVENUE INCREASED TO $4.3 BILLION, 5.2 PER CENT HIGHER THAN LAST YEAR'S


JOHN GILLAM
Managing Director
Bunnings Group Limited





EMPLOYEES	23,000+
WAREHOUSE STORES	142
SMALLER FORMAT STORES	84
PRODUCT LINES	100,000+

THE BUSINESS

Bunnings is the leading retailer of home and garden improvement products in Australia and New Zealand and a major supplier of building materials.

Operating from a network of large warehouse stores, smaller format stores and trade distribution centres, Bunnings caters predominantly for do-it-yourself customers as well as builders and contractors.

STRATEGY

Bunnings provides its customers with the widest range of home and garden improvement products and is committed to delivering outstanding service and lowest prices every day. It sets out to attract high quality employees and to provide them with a safe and rewarding working environment.

Bunnings continues to develop and improve its store network through new store openings, refits of existing outlets and re-merchandising initiatives. Bunnings actively seeks to widen and improve the range of products and services it offers to customers. The company is focused on making better use of working capital and lowering its cost of doing business through process and system enhancements. Lower costs and better working-capital management support lower prices for customers and improved shareholder returns.

Bunnings is developing a network of trade distribution centres to support major builder customers, in conjunction with a network of frame and truss plants to ensure a full service offer is provided.

RESULTS

Operating revenue increased to $4.3 billion, 5.2 per cent higher than last year's. Earnings before interest and tax of $420.5 million were 1.1 per cent higher. The result included $15.5 million of costs associated with the Wesfarmers employee share plan which have been expensed, and an additional $7.5 million in refurbishment expenses associated with the previously announced accelerated network refurbishment programme. Adjusted for these costs, the comparative growth in earnings before interest and tax was 6.5 per cent on last year.

Cash sales growth for the year was 7.1 per cent, with underlying store-on-store cash sales growth of 5.1 per cent. Pleasing results were recorded in New Zealand and Western Australia and, in the second half, in New South Wales and Queensland. Difficult trading conditions in most Australian regions across the first four months of the period were followed by better conditions for the remainder of the year. In the second half, total store-on-store cash sales growth of 7.5 per cent was achieved.

Trade sales for the year grew modestly by 1.5 per cent on the previous year. Market conditions were mixed, with relatively better results in Western Australia, New South Wales and Victoria.

WA Salvage, the bargain hardware and variety retail chain, delivered a disappointing result for the year with sales and earnings below last year's. Some progress has been made in developing the new HouseWorks retail concept, with two stores now trading.

YEAR IN BRIEF

In 2005/06, 12 new warehouse stores and three smaller format stores were opened including the conversion of one WA Salvage store to the 'Bunnings' brand. Rationalisation within the network resulted in the closure of one warehouse store and a number of smaller format stores. At year-end there were 142 warehouse stores and 84 small format stores operating across Australia and New Zealand including the Benchmark stores in New Zealand and the WA Salvage and HouseWorks stores in Western Australia.

During the year 32 stores were upgraded as part of the ongoing store network refurbishment programme which brings current building and merchandising standards into the older parts of the

	02	03	04	05*	2006
KEY FINANCIAL INDICATORS					
Operating revenue ($m)	3,066.3	3,474.5	3,845.7	4,065.4	**4,275.5**
Earnings before interest and tax ($m)#	291.8	342.8	384.8	415.7	**420.5**
Capital employed ($m)	1,769.7	1,874.2	1,770.4	1,786.4	**1,838.0**
Return on capital employed (%)	16.5	18.3	21.7	23.3	**22.9**
Capital expenditure ($m)	83.7	84.5	97.9	183.9	**222.3**

*This column represents a restatement of the financial information in compliance with AIFRS
#2002 to 2004 before goodwill amortisation

network. This included 23 warehouse stores and nine smaller format stores. Eight of the smaller format stores were re-badged "Bunnings" as part of the rebranding of the Benchmark store network in New Zealand. The refurbishment programme supports enhancements and expansions to the range of products and services offered.

The establishment of a network of stand-alone trade distribution sites to service high-volume builder customers continued and, at year-end, seven trade distribution sites and three trade-focused small format stores were in operation. These sites relieve the store network of high volume delivered-to-site business, freeing up space in-store and allowing teams to focus on pick-up trade business. The Hudsons' frame and truss business which was acquired in March 2006 has now been successfully integrated. Rationalisation costs of around $2 million were absorbed in that process.

Solid progress was made throughout the year on strategies to deliver greater efficiencies and more effective operations within the business. Highlights included lower shrinkage levels, better inventory disciplines and enhancements to the supply chain.

BUSINESS SUSTAINABILITY

Bunnings' commitment to environmental responsibility and supporting the community continued in 2005/06.

Since the inception of the Bunnings 10 cent plastic bag levy in 2003, $168,000 has been donated to the Keep Australia Beautiful Council. During this period, 66 million plastic bags have potentially been removed from the waste and litter stream with 1.6 million re-usable bags having been sold.

During the year Bunnings' introduced a more formal factory assessment and accreditation process for manufacturers of its imported products. The existing timber and wood procurement policy for suppliers of tropical hardwood product was revised, with a short term goal of achieving "verified legal" status.

Above left: Refurbished warehouse at Innaloo, Western Australia.

Below: Team Member Sarah Waters at the Bankstown Airport warehouse in New South Wales.

Bunnings stores supported their local communities in a variety of ways by direct donations and sponsorships of $1.4 million and through donations of employee time to a large number of community projects. Significant fundraising activities included the support for the Fire and Emergency Service for the training of volunteer firefighters, and the Anglicare Christmas appeal. One million eight hundred thousand dollars was raised through sausage sizzles conducted at stores on weekends.

With over 23,000 employees and a continually expanding store network, issues of safety, recruitment, training and development receive a high priority. A number of new development programmes were introduced into the business during the year. There is also a strong focus on skills training, covering service, product knowledge and systems and procedures. Safety receives a very high profile in the business through the B.S.A.F.E. programme, although, disappointingly, the rolling 12 month lost time injury frequency rate for the year increased to 12.4, compared to 11.4 previously. In future, Bunnings will be adopting an "all incidents" approach to measuring safety performance.

OUTLOOK

The outlook for the home improvement business in 2006/07 is for continued retail sales growth and a modest improvement from the trade business.

New warehouse development is forecast to continue at between 10 to 14 warehouse stores per year and the accelerated store network refurbishment programme will continue with plans to upgrade around 30 stores in 2006/07.

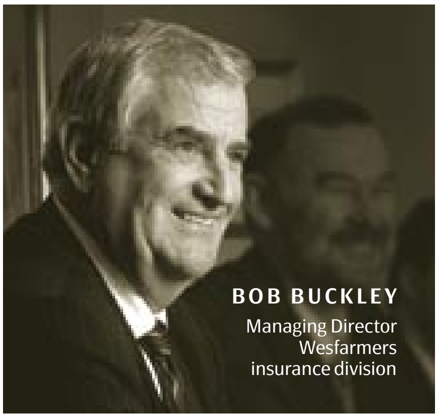
Want to know more?
www.bunnings.com.au

WESFARMERS INSURANCE DIVISION COMPRISES THREE GENERAL INSURANCE COMPANIES, TWO PREMIUM FUNDING BUSINESSES AND AN INSURANCE SOFTWARE DEVELOPER

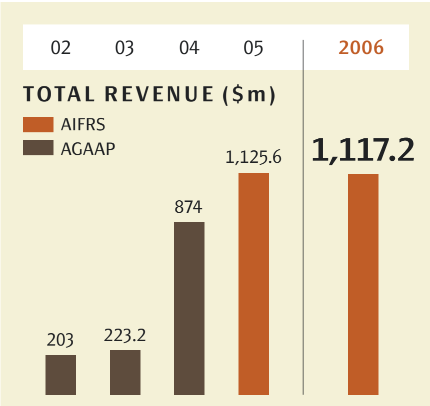
Insurance

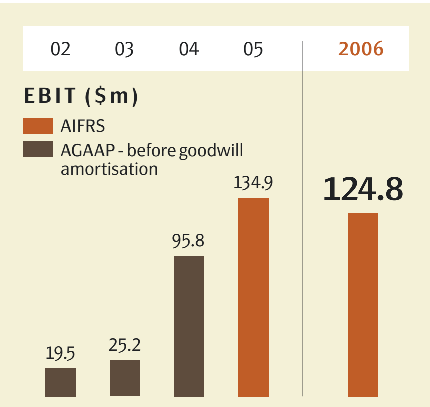
Insurance

OPERATING REVENUE OF $1.1 BILLION WAS ACHIEVED WITH SOLID SUPPORT FROM ALL MARKET SECTORS



BOB BUCKLEY
Managing Director
Wesfarmers
insurance division





EMPLOYEES	1,500
BRANCHES	102

THE BUSINESS

Wesfarmers insurance division was formed in 2003 following the acquisition of the Lumley Group. The division comprises three general insurance companies, two premium funding businesses and an insurance software developer.

The insurance operations comprise Wesfarmers Federation Insurance, Lumley General Insurance Australia and Lumley General Insurance New Zealand. The premium funding businesses operate as Lumley Finance in both Australia and New Zealand.

The insurance division also includes a specialist general insurance software developer, Koukia, which is majority owned by Wesfarmers.

STRATEGY

In Australia, the group's insurance operations serve both the direct and intermediary distribution channels. Wesfarmers Federation Insurance distributes its insurance products and services directly to rural and provincial Australia whilst Lumley General Insurance Australia and Lumley General Insurance New Zealand focus on sales through agents and brokers, specialising in the fleet and commercial motor, engineering and marine sectors. The premium funding businesses complement the general insurance relationship with insurance brokers in Australia and New Zealand.

Koukia aims to provide a world class general insurance software package to insurers world-wide.

All activities are underpinned by the requirement to achieve profitable returns in line with Wesfarmers' key objective.

RESULTS

Operating revenue of $1.1 billion was achieved with solid support from all market sectors. The earnings contribution before interest and tax was $124.8 million.

The divisional insurance margin was 14.9 per cent and the combined operating ratio ("COR") was 88.1 per cent. This compares with the previous corresponding period when the operating revenue was $1.1 billion and earnings before interest and tax was $134.9 million whilst the divisional insurance margin was 17.6 per cent and the COR 86.1 per cent.

YEAR IN BRIEF

Lumley General Insurance Australia reported a satisfactory result whilst further enhancing its position in niche markets and strengthening risk management and compliance. The insurance margin decreased to 17.1 per cent compared with last year's 20.5 per cent as claim ratios increased, largely as a result of several significant weather events including Cyclone Larry and the Molong Floods. Net Earned Premium ("NEP") increased by 4.5 per cent compared with the previous corresponding period. During the year, Lumley General Insurance Australia was successful in securing support from a number of new underwriting agencies and, in March, acquired an underwriting agency.

Lumley General Insurance New Zealand achieved a record result and continued to receive excellent support from New Zealand based intermediaries. NEP for the full-year increased by 11.9 per cent compared with last year's due to business growth and reductions in premium ceded to reinsurers. The insurance margin decreased to 13.0 per cent compared with last year's 14.2 per cent, due to higher claims activity.

Wesfarmers Federation Insurance built on its consistently good results of recent years and continued improvement in its national distribution network, although it was adversely affected by several significant events, including Cyclone Larry and the Grampians bush fires. The insurance margin decreased to 15.7 per cent compared with 18.0 per cent in the previous corresponding period. NEP increased by 6.0 per cent over the previous year. New alliances were formed with a number of new partners during the year.

	02	03	04	05*	2006
KEY FINANCIAL INDICATORS					
Operating revenue ($m)	203.0	223.2	874.0	1,125.6	**1,117.2**
Earnings before interest and tax ($m)#	19.5	25.2	95.8	134.9	**124.8**
Capital employed ($m)	42.1	38.3	389.8	430.8	**403.6**
Return on capital employed (%)	46.3	65.8	24.6	31.3	**30.9**
Capital expenditure ($m)	2.6	2.6	7.6	14.1	**20.8**

*This column represents a restatement of the financial information in compliance with AIFRS
#2002 to 2004 before goodwill amortisation

Above left: WFI Area Manager Alex Barbetti (right) and clients at the annual Dowerin Field Day in Western Australia.

Above: Receptionist Antonella Carli at Lumley General Insurance, Sydney, New South Wales.

The premium funding operations performed well in a very competitive environment. In addition to their positive contribution to profit, these businesses facilitate a broader relationship with supporting brokers.

Koukia continued its development of a new general insurance software technology, with a high level of interest from potential Australian and overseas customers. Preparations continued for the introduction of this technology into the Wesfarmers Federation Insurance business.

BUSINESS SUSTAINABILITY

Across the division, a substantial pool of talent exists which is encouraging for the future. The exceptional results achieved over recent years are a direct reflection of the dedication and hard work of all employees.

Considerable training was undertaken to underpin technical competence and to fulfil compliance and governance requirements. The Wesfarmers insurance division in-house Leadership Development programme was introduced in 2005/06. This programme provides a development platform for the future leaders of the division's businesses. During the year 80 managers from across the division completed the programme.

Following a detailed audit process, Lumley General Insurance New Zealand achieved accreditation from the New Zealand Accident Compensation Corporation accreditation for health and safety.

During the year the insurance operations made community contributions in the form of sponsorships and donations to various charities across Australia and New Zealand amounting to about $500,000 including; World Vision Australia, Cyclone Larry Appeal, the Leukaemia Foundation, Walk for Diabetes Day, and the Cancer Council.

Lumley General Insurance Australia, in conjunction with the Create Foundation, offered three young people traineeships through a "work preparation programme" aimed at providing life opportunities that may not otherwise be available to young Australians in care.

OUTLOOK

While satisfactory earnings are expected for 2006/07, they are likely to be constrained by competitive pressures and the level of claims.

Want to know more?
www.wfi.com.au
www.lumley.com.au
www.lumley.co.nz
www.koukia.com.au

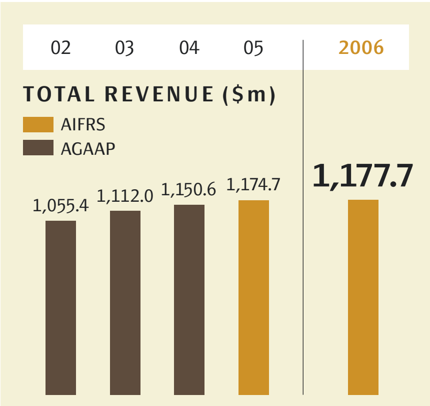
WESFARMERS INDUSTRIAL AND SAFETY DIVISION IS THE LEADING SUPPLIER OF MAINTENANCE, REPAIR AND OPERATING ("MRO"), PACKAGING AND SAFETY PRODUCTS IN AUSTRALIA AND NEW ZEALAND

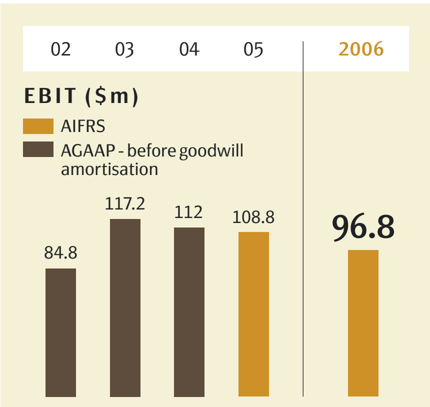
Industrial and safety

Industrial and safety

OPERATING REVENUE FOR THE 2005/06 YEAR OF $1.2 BILLION WAS IN LINE WITH THE REVENUE RECORDED LAST YEAR

TERRY BOWEN
Managing Director
Wesfarmers industrial and safety division





EMPLOYEES	3,100
LOCATIONS	233
CUSTOMERS	115,000
PRODUCT LINES	280,000

THE BUSINESS

Wesfarmers industrial and safety division comprises eight national businesses that are collectively the leading suppliers of maintenance, repair and operating ("MRO"), packaging and safety products to industry and government in Australia and New Zealand.

In Australia, Blackwoods, incorporating Bakers Construction and Atkins, is the leading supplier of general industrial, engineering and safety products. Other Australian businesses include; Protector Alsafe, the leading safety product specialist; Mullings Fasteners, a national fastener specialist; and Motion Industries, a specialist bearings and power transmission distributor.

In New Zealand, businesses include Blackwoods Paykels, a general industrial and hose and conveyor distributor; New Zealand Safety and Protector Safety Supply, New Zealand's number one and two safety specialists; and Packaging House, a leading distributor of packaging products.

STRATEGY

Wesfarmers industrial and safety aims to achieve satisfactory shareholder returns, offering the widest range of MRO, packaging and safety products available and a commitment to outstanding customer service.

Each business is focused on improving the service it provides to its customers through a more targeted product range, further strengthening of technical sales capabilities and logistics networks, and the promotion of a strong e-business platform. Businesses are also focused on better management of working capital.

Lower costs, higher customer satisfaction and better capital management will ultimately lead to the achievement of these objectives.

RESULTS

Operating revenue for the 2005/06 year of $1.2 billion was in line with the revenue recorded last year. Earnings before interest and tax of $96.8 million were 11.0 per cent below last year's after costs associated with the restructuring of the division, including redundancy, inventory write-downs and provisions for long-term uncollected debts. The year's result was also adversely affected by the inclusion of employee share plan costs, difficult economic and trading conditions in New Zealand, and a fall in the New Zealand exchange rate, which offset earnings growth in the Australian businesses.

Capital employed of $769 million was down four per cent on 2004/05, due to a reduction in working capital of seven per cent from initiatives introduced across all businesses, to reduce inventory and improve customer payment collection.

Blackwoods had an improved year with operational sales and earnings growth, aided by improved delivery performance and solid growth from the resource sector in Queensland and Western Australia. Results also improved in New South Wales, despite slowing construction sales, while trading conditions were subdued in Victoria and South Australia largely as a result of a slowing automotive sector.

Protector Alsafe's earnings were ahead of last year's in all regions despite pressure on margins from an increasingly competitive environment. Motion Industries' result was marginally ahead of last year's, while Mullings Fasteners was slightly down. Both businesses showed improvement in the second half.

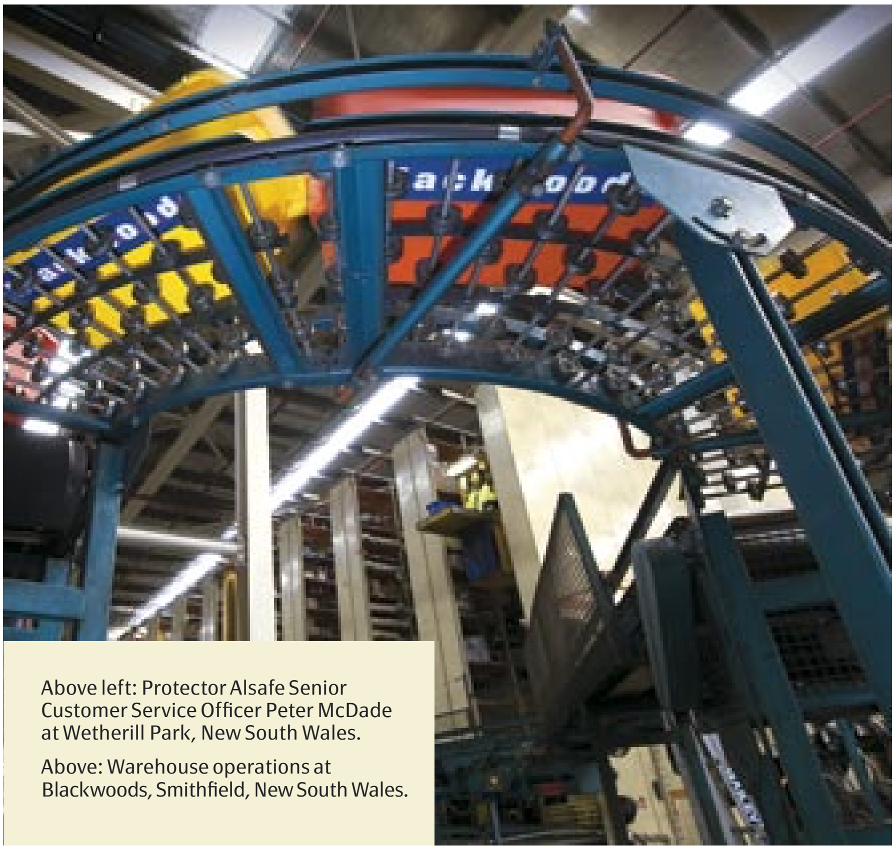
The New Zealand-based businesses experienced difficult market conditions, particularly in the second half, due to a slowing economy and depreciation of the New Zealand dollar. While Packaging House performed well, the specialist safety businesses and Blackwoods Paykels delivered results below expectations for the year. Following restructuring activities, particularly in Blackwoods Paykels, underlying earnings did improve towards the end of the financial year.

YEAR IN BRIEF

The division was restructured into distinct national business units in February 2006, reflecting business trading differences

	02*	03	04	05**	2006
KEY FINANCIAL INDICATORS					
Operating revenue ($m)	1,055.4	1,112.0	1,150.6	1,174.7	**1,177.7**
Earnings before interest and tax ($m)#	84.8	117.2	112.0	108.8	**96.8**
Capital employed ($m)	708.5	797.3	814.1	797.9	**769.1**
Return on capital employed (%)	12.0	14.7	13.8	13.6	**12.6**
Capital expenditure ($m)	10.9	25.4	23.1	16.6	**16.3**

* 2002 figures include the results for the 11 month period from August 2001 to 30 June 2002
** This column represents a restatement of the financial information in compliance with AIFRS
# 2002 to 2004 before goodwill amortisation



Above left: Protector Alsafe Senior Customer Service Officer Peter McDade at Wetherill Park, New South Wales.

Above: Warehouse operations at Blackwoods, Smithfield, New South Wales.

and the need to tailor service offerings to respective customer bases. Changes saw the creation of a new executive leadership team, with half of the members externally recruited.

As part of the restructuring, support staff efficiencies were achieved which resulted in the reduction of over 150 employees mainly during the last quarter.

Also as part of the restructuring, 14 under-performing small Blackwoods and Protector Alsafe branches were closed or merged across Australia, with business transferred to locations able to better service customers. Similarly, seven branches were closed or merged in New Zealand, mostly within the Blackwoods Paykels network. The Melbourne Metals business, located at Dandenong in Victoria, was also disposed of in June 2006.

Following the restructure, each business has developed and begun implementing an improvement programme covering sales effectiveness; procurement and logistics processes; and working capital management.

A review of the depth of product brands distributed by each business was initiated during the year. To date this has led to the removal of 120,000 product lines, with no impact on sales. Over time, this initiative will not only strengthen relationships with major suppliers but will also improve stock availability and delivery performance for customers.

A number of warehouse upgrades were completed across the businesses during the year, improving efficiency, customer delivery performance and employee safety.

The division's commitment to product catalogues continues and during the year new catalogues for Protector Alsafe and New Zealand Safety were completed. The proportion of sales transacted through e-business increased, assisted by upgraded websites for Blackwoods, Protector Alsafe and the New Zealand businesses.

BUSINESS SUSTAINABILITY

With over 3,000 employees, issues of recruitment, training and development receive a high priority. The recruitment and retention of quality employees has gained increasing focus across the division. The roll-out of the learning and development programmes has continued through training sessions on sales, presentation, technical, financial and management skills.

There has been a significant effort to further improve safety performance with the introduction, initially across New South Wales and Victoria, of a new comprehensive health, safety and environment programme. The programme, branded "GetSAFE", has seen over 2,000 individual training sessions delivered during the second half covering safety essentials and other areas such as dangerous goods storage, traffic management and goods stored at height.

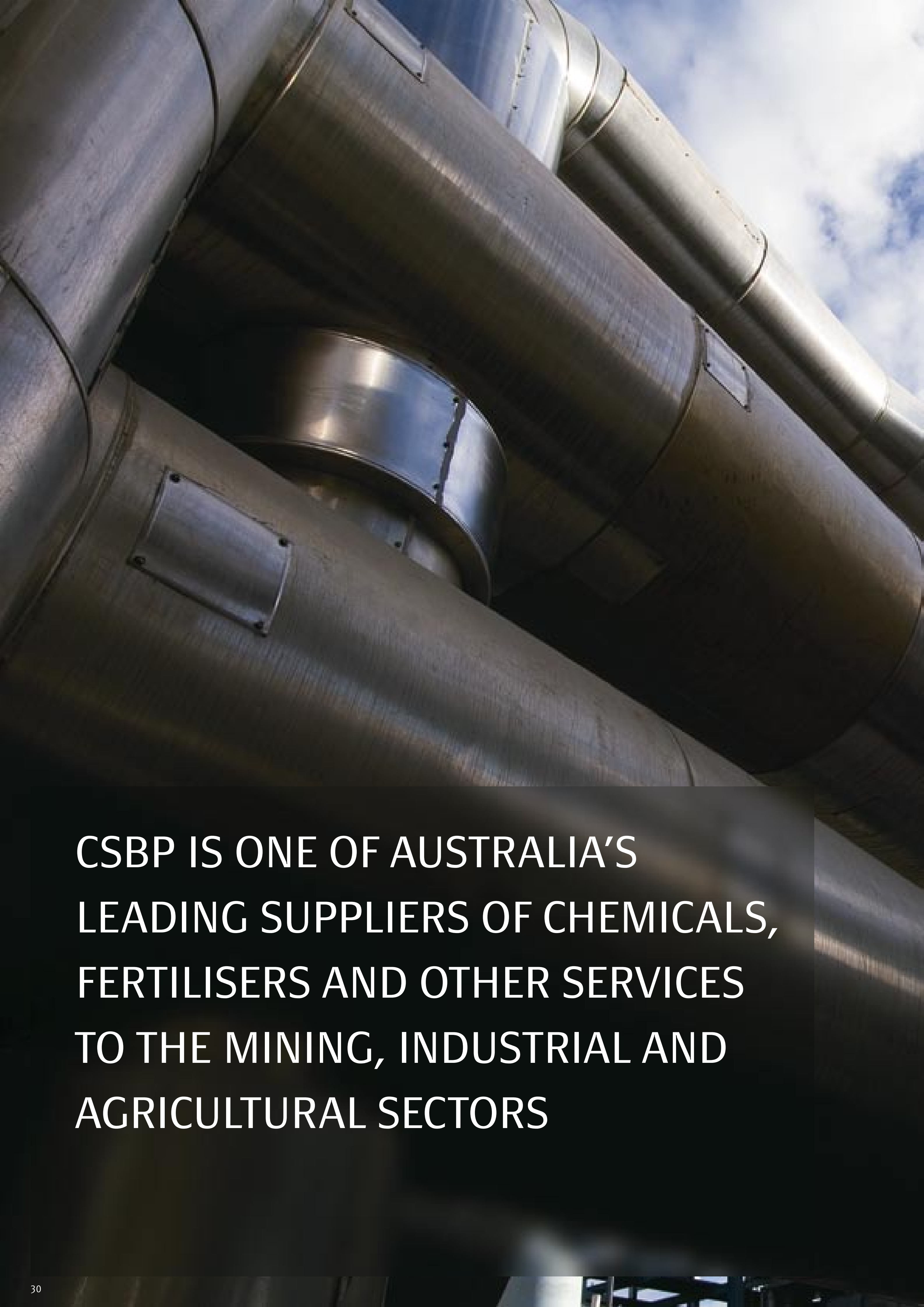
The Lost Time Injury Frequency Rate for the year was 5.1. Although this represents a slight increase on last year's rate, the Injury Severity Rate (days lost per one million hours worked) reduced by some 27 per cent.

OUTLOOK

The outlook is mixed with benefits from continued strong demand from mining and construction and infrastructure sectors in Australia but ongoing pressure on the manufacturing sector and weaker market conditions in New Zealand.

Over time, the division is expecting to benefit from recent restructuring activities and strategic improvement programmes.

Want to know more?
www.blackwoods.com.au
www.protectoralsafe.com.au
www.bakers.net.au
www.mullings.com.au
www.motionind.com.au
www.blackwoodspaykels.co.nz
www.nzsafety.co.nz
www.packaginghouse.co.nz
www.protectorsafety.co.nz



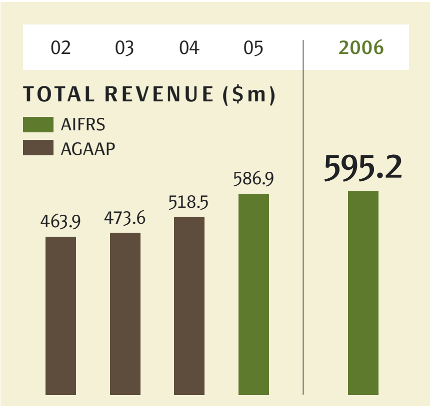
CSBP IS ONE OF AUSTRALIA'S LEADING SUPPLIERS OF CHEMICALS, FERTILISERS AND OTHER SERVICES TO THE MINING, INDUSTRIAL AND AGRICULTURAL SECTORS

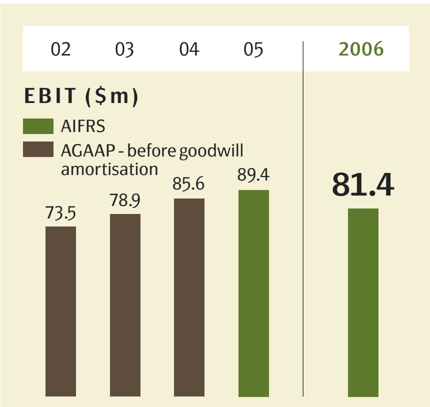
Chemicals and fertilisers

Chemicals and fertilisers

OPERATING REVENUE OF $595.2 MILLION INCREASED 1.4 PER CENT WITH HIGHER SALES ACHIEVED IN CHEMICALS OFFSET BY REDUCED FERTILISER SALES

KEITH GORDON
Managing Director
CSBP Limited





EMPLOYEES	590
CHEMICAL CUSTOMERS	360
MAJOR FERTILISER DISTRIBUTORS SERVICING OVER 5,000 FARMERS	2
OPERATIONAL MANUFACTURING PLANTS	11

THE BUSINESS

CSBP is one of Australia's leading suppliers of chemicals, fertilisers and other services to the mining, industrial and agricultural sectors.

The chemicals business is a major supplier of industrial chemicals to Australian industry. Its principal markets include the mining, minerals processing and metals refining sectors and the water treatment industry.

The fertilisers business manufactures and markets fertilisers, primarily for the Western Australian market, servicing the broadacre cropping, livestock, horticulture and dairy sectors.

STRATEGY

In chemicals, CSBP's strategy is to profitably build on existing businesses and use its core competencies to develop new products and move into new markets.

In fertilisers, CSBP strives to provide Western Australian farmers with a wide range of quality fertilisers at competitive prices, supported by leading technical skills and high customer service standards.

RESULTS

Despite constraints on gas supply, the chemicals business recorded earnings in 2005/06 in line with the previous year. Resource sector demand for CSBP's chemical products remained strong. The fertilisers business suffered a significant profit reduction due to the driest June on record in Western Australia which resulted in lower sales volumes.

Operating revenue of $595.2 million increased 1.4 per cent with higher sales achieved in chemicals offset by reduced fertiliser sales. Earnings before interest and tax of $81.4 million were nine per cent below last year's $89.4 million, mainly due to reduced fertiliser volumes.

The company's chemicals activities performed well with increased revenues recorded in most product groups. Production volumes improved for all operations, except ammonia where the plant's output was limited by gas supply curtailments throughout the year resulting in the loss of approximately 15,000 tonnes of production.

Earnings from CSBP's 50 per cent interest in the Queensland Nitrates ammonium nitrate business were below those recorded last year due to a planned major maintenance shutdown in October 2005 and the need to import high-cost ammonium nitrate to meet customer requirements. The performance of this business improved in the second half.

Total fertiliser sales declined by 14.4 per cent due to lack of rain at the start of the agricultural growing season in Western Australia in 2006.

YEAR IN BRIEF

Chemicals

Ammonia/ammonium nitrate

Domestic demand for ammonia was stable in 2005/06. The ammonia plant located at Kwinana in Western Australia was subject to curtailed gas supply and reduced plant availability. CSBP continues to investigate opportunities to increase production from the plant.

Demand for ammonium nitrate continued to strengthen, with sales volumes 15.4 per cent higher than in 2004/05. Production of ammonium nitrate from Kwinana was 9.1 per cent above the prior year, which included a planned maintenance shutdown.

During the year CSBP committed to the expansion of ammonium nitrate production capacity at Kwinana. The project will double current production volumes, with the increased output destined for use in the resource sector and as feedstock for the manufacture of the nitrogenous liquid fertiliser, Flexi-N. Finalisation of design and regulatory requirements together with updated estimates has resulted in an increase in projected capital expenditure for the project of around $60 million to a total of $260 million. Commissioning of the facility is scheduled for the first half of the 2007/08 financial year.

Production at the Queensland Nitrates integrated ammonia/ammonium nitrate facility was reduced by a planned maintenance shutdown and sales volumes were marginally below last year's. Demand for ammonium nitrate has been strong, fully-committing production from this

	02	03	04	05*	2006
KEY FINANCIAL INDICATORS					
Operating revenue ($m)	463.9	473.6	518.5	586.9	**595.2**
Earnings before interest and tax ($m)#	73.5	78.9	85.6	89.4	**81.4**
Capital employed ($m)	515.0	491.1	482.6	493.9	**540.4**
Return on capital employed (%)	14.3	16.1	17.7	18.1	**15.1**
Capital expenditure ($m)	23.9	19.2	34.6	31.4	**72.5**

*This column represents a restatement of the financial information in compliance with AIFRS
#2002 to 2004 before goodwill amortisation

Above left: Operator Wayne Casey at the fertiliser despatch area, Kwinana, Western Australia.

Below: Area Manager Jeff Bruce collecting soil for testing at Wongan Hills, Western Australia.

plant. A feasibility study was conducted during the year into increasing production from the facility but the economics were not viable due to high capital costs. The project will not proceed and other options will be explored to meet growing demand in the Queensland market.

Sodium cyanide

The 75 per cent-owned Australian Gold Reagents business recorded solution sodium cyanide sales in line with expectations while export sales of solid product increased strongly for the third consecutive year. Production volumes of both solution and solid sodium cyanide exceeded last year's.

Industrial chemicals

Sales volume of chlorine and derivatives increased slightly but production was down due to reduced plant availability. Sales of other traded industrial chemical products were in line with expectations.

Fertilisers

The fertiliser business suffered a significant profit reduction due to the driest June on record in Western Australia, which has had serious consequences for the State's primary producers, and resulted in lower fertiliser use. Despite the difficult seasonal conditions, demand for Flexi-N fertiliser continued to grow.

CSBP continued with a strong market-focused approach working with and through distributors, in particular AWB Landmark and Elders, to meet the varied fertiliser and agronomic needs of farmer customers. Wider product range, technical service improvements, higher service levels and competitive pricing continued to be features of CSBP's approach.

The strong demand for liquid fertiliser products, in particular Flexi-N, continued. CSBP's commitment to ongoing research and development combined with expanding production and storage facilities will meet the growing liquid fertiliser demand in Western Australia.

BUSINESS SUSTAINABILITY

All plants operated within their environmental licence parameters throughout the year except for minor breaches which resulted in 16 notifications by CSBP to the Western Australian Department of Environment which were resolved satisfactorily. CSBP's purpose-built nutrient stripping wetland at Kwinana - commissioned in 2004 - has operated in line with expectations.

The company's commitment to environmental responsibility was evident during the year with the removal of about 60,000 tonnes of contaminated soil as part of the remediation of a former fertiliser works site in the Perth suburb of Bayswater.

During 2005 CSBP was awarded the FIFA Platypus Award for Sustainability and was a finalist in the 'Corporate Leading by Example' category of the Western Australian State Environment Awards.

The commitment and effort of CSBP's employees contributed strongly to business performance in 2005/06.

Notwithstanding a 50 per cent reduction in total work place injuries, CSBP recorded an increase in lost time injuries. CSBP's objective is to achieve an accident-free workplace. During the year, CSBP continued to develop a new permit to work system which will underpin all operational activities. A number of programmes designed to assist employees in managing fitness for work were also introduced. These included regular lifestyle courses, biological monitoring and immunisation programmes.

As an extension of its role as a major employer and member of many local communities, CSBP continued its support for education, training and a wide range of community activities.

OUTLOOK

The effects of the poor start to the 2006 growing season may include higher than normal carry-over stocks of fertiliser on farm. Strong demand from the resources sector for CSBP's chemical products should continue.

Want to know more?
www.csbp.com.au

Other activities

Wespine Industries at Dardanup in the south west region of Western Australia.

RAIL TRANSPORT

Until completion of the sale in June 2006, Wesfarmers Limited held a 50 per cent interest in Australian Railroad Group Pty Ltd ("ARG"), the major provider of rail freight services in Western Australia and South Australia. The main products handled are minerals and grain. ARG has approximately 1,100 employees.

ARG's subsidiary, WestNet Rail Pty Ltd, holds a 49 year lease (from 2000) over the 5,600 kilometre rail network in south-west Western Australia. Australia Southern Railroad holds a 50 year lease (from 1997) over some 1,300 kilometres of track in South Australia. ARG and other rail operators use these lines under regulated open access regimes.

ARG continued its focus on efficient operations, working as a team and achieving market growth, while maintaining best practice safety standards.

Revenues and earnings of the business, during the 11 months of ownership were in line with last year's.

The 2005/06 grain harvest was above average in both Western Australia and South Australia, leading to increased tonnages from December, although grain operations were hampered by regional flooding. Tonnages for iron ore continued to increase.

The lost time injury frequency rate was reduced to 1.3.

Capital expenditure programmes included the completion of locomotive overhauls and wagon construction for iron ore customers.

WestNet Rail completed the laying of new concrete sleepers on the South West mainline in Western Australia.

Sale of the ARG business generated pre-tax earnings of some $235 million for Wesfarmers. This represented a pre-tax return on equity to Wesfarmers over the period of ownership of 26 per cent.

FOREST PRODUCTS

The 50 per cent-owned Wespine Industries Pty Ltd, which operates a plantation softwood sawmill at Dardanup in Western Australia, contributed earnings of $6.8 million after tax in 2005/06, in line with last year's.

Capital projects to increase the kiln drying capacity and to improve product yields and quality were completed and safety performance improved.

GRESHAM PARTNERS

Wesfarmers has a 50 per cent interest in Gresham Partners Group Limited, the holding company for the Australian investment banking activities of Gresham Partners.

With offices in Sydney, Melbourne and Perth, Gresham's main activities are corporate advisory and property and private equity funds management.

Its corporate advisory business focuses upon mergers and acquisitions, industry consolidations and the provision of strategic financial advice to a wide array of Australian and international businesses. It generated success fees on several major transactions in 2005/06.

In funds management, it has established two property funds with committed capital of more than $130 million. These funds are engaged in providing mezzanine debt for a range of property projects.

In private equity, it has established two funds with aggregate commitments of more than $500 million. These funds are closed-ended and aim to exit all investments, returning net proceeds to investors, within 10 years of inception.

Activities centre upon leveraged buy-outs of commercial businesses with development prospects. To date, the funds have made 11 investments, of which five have been realised. In 2005/06 the first fund divested its interests in EROC, a mining services company, and the Virgin Active health club group; resulting in a pre-tax return of $11.7 million on the original investments. The second fund made its third investment in specialist printing company Pacific Print Group.

Wesfarmers, in addition to its shareholding in the Gresham Partners Group, committed $100 million to the first fund, which was established in 1999, and has committed up to $150 million to the second fund, which closed in June 2005.

Wesfarmers is also engaged in the Investment and Advisory Committees of these private equity funds, and members of its Business Development team are seconded to Gresham Private Equity.

Want to know more?
www.gresham.com.au
www.wespine.com.au

Sustainability

AN IMPORTANT CORE STRATEGY OF WESFARMERS IS THE PURSUIT OF SUSTAINABLE OUTCOMES

Sustainability

As the Managing Director noted earlier in this report, the fourth of Wesfarmers' core strategies is the pursuit of sustainable outcomes.

This involves consideration of a very broad range of issues which have either a direct impact on the company's operations or which send signals to the community about its values and beliefs.

There are four main parts to the Wesfarmers approach to sustainability:

- People
- Ethical conduct
- Environmental responsibility
- Community contribution

PEOPLE

Wesfarmers aims to be an employer of choice.

About 90 per cent of the company's more than 30,000 employees, two thirds of whom are permanent, are located in Australia. The others work in New Zealand where, through the home improvement, insurance and industrial and safety products businesses, Wesfarmers is a significant employer and contributor to that country's economy.

The company has a strong commitment to providing employees with safe workplaces and the opportunity to develop a rewarding career. The responsibility for this lies primarily with the businesses themselves, including safety management, recruitment, development and employee relations.

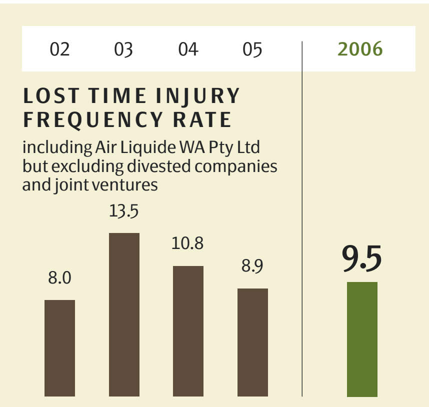
Safety policies are directed at trying to ensure that everyone who comes to work at or visits a Wesfarmers-owned business leaves safe and uninjured. The main measure of safety performance currently used across the group is the Lost Time Injury Frequency Rate ("LTIFR") which relates injuries that result in lost time to total hours worked, with a goal of reducing this rate by 50 per cent annually towards a target of zero. Regrettably, this year the LTIFR for the group increased from 8.9 to 9.5. Other positive performance indicators are being used in most group businesses to promote a more proactive approach to the management of safety and support a culture of safe work practices. Part of senior manager remuneration is linked to safety outcomes.

A major safety drive continues in Bunnings, the group's largest employer and the one with most direct and extensive public contact. During the year the industrial and safety products distribution division introduced an integrated system known as GetSAFE.

Given the great geographical and sector-diverse nature of the company, and as a matter of principle, Wesfarmers believes in maximising the flexibility of arrangements available to employees and their managers.

The company recognises the rights of employees to negotiate individually or collectively with or without the involvement of third parties, the aim always being to achieve co-operative workplaces, improved productivity and fair employment conditions.

Responsibility for workplace relations resides primarily with the businesses.



THE COMPANY HAS A STRONG COMMITMENT TO PROVIDING EMPLOYEES WITH SAFE WORKPLACES AND THE OPPORTUNITY TO DEVELOP A REWARDING CAREER

WESFARMERS BELIEVES THAT THE MAINTENANCE OF HIGH STANDARDS OF ETHICAL CONDUCT IS A CRUCIAL PART OF ENHANCING THE COMPANY'S REPUTATION

Most of the company's employees are engaged under enterprise bargaining agreements which are negotiated with unions. Use is made also of Australian Workplace Agreements and individual contracts under common law.

Certain processes and guidelines apply across the group. These include the remuneration of senior employees, oversight of issues such as workplace discrimination and the succession and development of senior employees. During the year the company introduced new procedures for identifying and developing talent and assessing performance. A more collaborative succession and development process has been put in place which supports decisions about the development and movement of over 100 of the group's most senior people. The process forms part of the company's strategy to retain key people.

Specific group-coordinated management development programmes underpin the succession and development process. These include the Executive Development Programme ("EDP"), now in its 10th year and through which more than 80 people have passed since its inception. The EDP brings together promising middle managers from the Corporate Office and the businesses in teams tasked with investigating and reporting on key business issues. The Senior Executive Forum, for general manager-level staff, is into its third year.

The most significant management gathering at group level is the Best Practice Conference which is held about every two years and is a great opportunity to focus the thoughts of the more than 200 senior managers who attend on the company's future directions.

ETHICAL CONDUCT

In recent times the reputation of business generally has suffered on a guilt-by-association basis with a number of high profile cases where malpractice has seriously disadvantaged both investors and employees.

Wesfarmers believes that the maintenance of high standards of ethical conduct is a crucial part of enhancing the company's reputation and that, in turn, has direct links to financial performance. To this end, it has developed and implemented group-wide standards which specify the way in which employees are expected to behave.

The Code of Ethics and Conduct is available to employees on the Corporate Office intranet site and a summary appears on the company's website. Individual businesses may adopt codes which more specifically deal with their particular circumstances but these must not in any way detract from or limit the scope of the group code. During the year the Board approved amendments to the Code to ensure that it adequately addressed issues relating to payments which may be considered to facilitate transactions with customers or suppliers in overseas jurisdictions. It also contains a specific provision to protect whistleblowers.

Previous page left: CSBP and Fire and Emergency Services personnel at an emergency training exercise, Baldivis, Western Australia.

Previous page right: Shane Stewart (left) being fitted with a personal dust monitor by Andrew Batterson at the Curragh coal mine, Blackwater, Queensland.

Left: Wesfarmers Limited Managing Director Richard Goyder opening the company's 2006 Best Practice Conference.

Below: Professor Christopher Bartlett of the Harvard Business School at the 2006 Best Practice Conference.

A 70 KILOMETRE-LONG STRETCH OF COUNTRY WILL BE RESTORED TO HELP PROTECT LOCAL PLANT AND ANIMAL SPECIES

To make sure that Wesfarmers' employees understand and comply with legal requirements, the group's Corporate Solicitors' Office conducts annual interactive workshops on trade practices and consumer protection legislation in Australia and New Zealand.

ENVIRONMENTAL RESPONSIBILITY

Each of the Wesfarmers' businesses is responsible for developing and implementing environmental policies and procedures relevant to their area of operations. Some have environmental management systems compliant with the international standard ISO 14001.

Compliance with legal obligations is the minimum requirement. Annual reports on compliance are made to the Audit Committee of the Board of Wesfarmers Limited and any breaches or incidents identified by regulators as potential non-compliances are disclosed in the annual Social Responsibility Report ("SRR"), which won a national award for occupational health and safety reporting in 2006.

The SRR contains very detailed accounts of the environmental performance of all wholly-owned businesses. Where group-wide data is available – such as for greenhouse gas emissions and energy usage – this is aggregated to inform readers of the company's total environmental impacts. Work continues to progress the SRR towards full sustainability reporting.

The AA1000 Assurance Standard is being applied by external verifiers to the 2006 edition - which will be available at the company's annual general meeting in November - with the aim of enhancing both the quality of reporting and the implementation of relevant policies by the businesses. As part of this new process, each of the businesses, and Wesfarmers Limited, was required to nominate their top five sustainability issues. These also will be published in the SRR which will be available electronically on www.wesfarmers.com.au or by contacting the Public Affairs Department on (+ 61 8) 9327 4281.

In his review of the year, the Managing Director referred to some examples of environmental initiatives by our businesses, particularly work by Bunnings and Premier Coal.

Wesfarmers Limited embarked on a significant environment-focused partnership during the year by agreeing to support the Great Southern Arc campaign. This project is jointly driven by Greening Australia's Western Australian division and the Australian Bush Heritage Fund. It aims to reconnect two national parks in the Great Southern region of the state where biodiversity is under serious threat from land clearing, salinity and the dieback disease. Cleared farmland will be acquired and revegetated and remnant bushland areas purchased so that, over time, this 70 kilometre-long stretch of country will be restored to help protect local plant and animal species. The Wesfarmers donation was instrumental in the campaign obtaining an important

Below: Planting seedlings for the Great Southern Arc project in Western Australia

Right: Environmental Adviser Laurinda Shaw taking soil readings during remediation work at a former fertiliser manufacturing site in suburban Perth, Western Australia.

link in the chain and in July 2006 a group of employees, led by the Managing Director, planted more than 5,000 native trees on this property at the foot of the Stirling Ranges.

Work continued also during the year on remediation of land contamination, particularly a major operation at a former fertiliser manufacturing site in suburban Perth and the letting of a contract to remove contamination arising from long-ceased timber treatment operations at a sawmill in the south west of Western Australia previously owned by a Wesfarmers subsidiary.

COMMUNITY CONTRIBUTION

Unquestionably, the greatest contribution Wesfarmers makes to the community is the successful operation of its businesses and the impact this has on overall economic wellbeing, including the creation of employment and provision of quality goods and services. Community responsibility is also addressed by the way in which the company goes about its business and its approach to issues like the environment.

In addition to these core areas of contribution, Wesfarmers believes that companies ought to provide direct support and assistance to community-benefiting causes and organisations. The Board is able to approve donations up to an annual ceiling of 0.25 per cent of before tax profit. This amount roughly doubles when account is taken of the direct and indirect support provided by the operating businesses.

The company concentrates its contributions in a relatively small number of areas which it believes may deliver the broadest community-wide benefits. The Great Southern Arc campaign referred to previously is one such example.

Other ongoing significant partnerships include support for the Telethon Institute for Child Health Research, the Western Australian Community Foundation, the St John of God Comprehensive Cancer Centre and the Australian Research Alliance for Children and Youth.

The company also runs an arts sponsorship programme which has received recognition in both Western Australia and nationally for its initiatives. The company supports artistic endeavours because it believes they make a significant contribution to the development of community spirit and creativity. The Wesfarmers Arts programme now runs to more than $500,000 a year in its support of major performing and visual arts organisations. The innovative Wesfarmers Commissions series in conjunction with the Perth International Arts Festival continued with the performance of the theatrical adaptation of Homer's classic "The Odyssey", hailed as one of the highlights of the 2006 Festival. The fourth commission, "The Love of the Nightingale" by West Australian Opera will premiere at the 2007 festival.

Below and below right: Scenes from "The Odyssey", part of the Wesfarmers Commissions series and presented at the 2006 Perth International Arts Festival.

THE WESFARMERS ARTS PROGRAMME NOW RUNS TO MORE THAN $500,000 A YEAR IN ITS SUPPORT OF MAJOR PERFORMING AND VISUAL ARTS ORGANISATIONS

Board of directors

TREVOR EASTWOOD AM, age 64

Non-executive Chairman; Chairman of the Nomination and Remuneration Committee

Joined the Board in 1994 and was appointed Chairman in 2002. Trevor holds a Bachelor of Engineering degree from the University of Western Australia and completed the Advanced Management Program at the Harvard Business School 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. The other listed company of which he has been a director in the last three years is Qantas Airways Limited (appointed October 1995 – resigned March 2005). Trevor is also a director of Perron Group Limited, Prestige Motors Pty Ltd, P.G. Holdings Limited and The WCM Group Limited. He was formerly the Chairman of West Australian Newspapers Holdings Ltd.

RICHARD GOYDER, age 46

Managing Director and Chief Executive Officer

Joined the Board in 2002. Richard has a Bachelor of Commerce degree from the University of Western Australia and completed the Advanced Management Program at the Harvard Business School in 1998. He joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited. He has held a number of commercial positions in Wesfarmers' Business Development Department including General Manager. In 1999 Richard was Managing Director of Wesfarmers Dalgety Limited, which subsequently became Wesfarmers Landmark Limited, a position he retained until his appointment as Finance Director of Wesfarmers Limited in 2002. He was appointed Deputy Managing Director and Chief Financial Officer of Wesfarmers Limited in 2004 and assumed the role of Managing Director and Chief Executive Officer in July 2005. Richard is a director of Gresham Partners Holdings Ltd, Wespine Industries Pty Ltd, West Australian Symphony Orchestra Holdings Pty Limited and a number of Wesfarmers group subsidiaries. He is also a member of the Federal Government's Business Roundtable on Sustainable Development, the Business Council of Australia and the University of Western Australia Business School Advisory Board.

GENE TILBROOK, age 55

Finance Director;

Joined the Board in 2002. Gene holds Bachelor of Science and Master of Business Administration degrees and a Diploma in Computing Science from the University of Western Australia. He completed the Advanced Management Program at the Harvard Business School in 1998. Gene joined Wesfarmers in 1985 and has held a number of commercial positions in its Business Development Department and at Wesfarmers Energy. He previously worked in corporate finance and in systems engineering. He is a director of a number of Wesfarmers group subsidiaries and was Executive Director, Business Development before being appointed Finance Director in July 2005. He is also a director of Gresham Partners Holdings Ltd and was previously a director of Bunnings Property Management Limited (appointed July 2001 – resigned September 2005), the responsible entity for the listed Bunnings Warehouse Property Trust.

COLIN CARTER , age 63

Non-executive director; member of the Nomination and Remuneration Committee

Joined the Board in 2002. Colin holds a Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School. He has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas. The other listed companies of which he is or has been a director in the last three years are Origin Energy Limited (appointed February 2000) and SEEK Limited (appointed March 2005). He is also a director of Melbourne 2006 Commonwealth Games Corporation, Chairman of the Indigenous Enterprise Partnerships, a member of the Advisory Board of The Cape York Institute, a Commissioner of the Australian Football League and an adviser to, and former Vice President of, The Boston Consulting Group.

PATRICIA CROSS, age 47

Non-executive director; member of the Nomination and Remuneration Committee

Joined the Board in 2003. Patricia holds a Bachelor of Science (Econ) with Honours from Georgetown University. The other listed companies of which she is or has been a director in the last three years are Qantas Airways Limited (appointed January 2004) and National Australia Bank Limited (appointed December 2005). Patricia has 25 years experience in international banking and finance, having served two years with the U.S. government, over 15 years in management and executive roles with Chase Manhattan Bank, Banque Nationale de Paris, National Australia Bank and eight years as a non-executive director with organisations including the Transport Accident Commission (Deputy Chairman) and Suncorp-Metway Limited. She was previously a director of AMP Limited and Chairman of Qantas Superannuation Limited. Patricia has also served on a variety of not-for-profit boards including the Murdoch Children's Research Institute, of which she continues to be a director and as an honorary advisor to the Federal Treasurer on the Financial Sector Advisory Council and the Companies and Securities Advisory Committee.

BOB EVERY, age 61

Non-executive director; member of the Audit Committee

Joined the Board in February 2006. Bob holds a Bachelor of Science degree and a Doctorate of Philosophy (Metallurgy) from the University of New South Wales. The other listed companies of which he is or has been a director in the last three years are OneSteel Limited (appointed July 2000 - resigned May 2005), Iluka Resources Limited (appointed March 2004) and Sims Group Limited (appointed October 2005). He was also the Chairman of the New Zealand based listed company Steel & Tube Holdings Limited (appointed November 1988 - resigned May 2005). Other positions previously held by Bob include Managing Director of Tubemakers of Australia Limited, President of BHP Steel and Managing Director and Chief Executive Officer of OneSteel Limited, a position from which he retired in May 2005. He was also a director of CARE Australia.

LOU GIGLIA AM, age 65

Non-executive director; member of the Nomination and Remuneration Committee;

Joined the Board in 1984. Lou is Chairman of Westport Pty Ltd and a director of Farmwest Services Limited (formerly the Herd Improvement Service Board). He is past President of The Royal Agricultural Society of Western Australia (Inc), a past member of the advisory boards of National Foods Limited, the Dairy Industry Authority of Western Australia and past President of the Holstein Friesian Association of Australia.

JAMES GRAHAM, age 58

Non-executive director; member of the Audit Committee;

Joined the Board in 1998. James holds a Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney, a Master of Business Administration from the University of New South Wales and is a Fellow of the Australian Academy of Technological Sciences and Engineering. He has had an active involvement in the growth of Wesfarmers since 1976 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 Chairman of Rabobank Australia Limited, Rabo Australia Limited, the Advisory Council of The Institute for Neuromuscular Research and Gresham Technology Management Limited, which was the responsible entity of the Technology Investment Fund until August 2005. He is also a director of Wesfarmers Federation Insurance Limited, Lumley General Insurance Limited and Riviera Group Pty Ltd and a trustee of the Gowrie Scholarship Trust Fund. In the period from 1989 to 1995 he was Chairman of the Darling Harbour Authority in New South Wales.

DICK LESTER, age 67

Non-executive director; member of the Audit Committee

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 area and regional Western Australia. He is a director of a number of unlisted companies and is Chairman of the Western Australian Institute for Medical Research Inc.

CHARLES MACEK, age 59

Non-executive director; member of the Audit Committee;

Joined the Board in 2001. Charles holds a Bachelor of Economics degree and a Master of Administration from Monash University. The other listed companies of which he is or was a director in the last three years are Telstra Corporation Limited (appointed November 2001), Living Cell Technologies Ltd (appointed March 2006) and IOOF Holdings Ltd of which he was Chairman (appointed August 2002 – resigned August 2003). Charles is Chairman of the Financial Reporting Council and Sustainable Investment Research Institute Pty Ltd and was formerly the Chairman of the Centre for Eye Research Australia Limited. He is a member of the New Zealand Accounting Standards Review Board, the Victorian Council of the Australian Institute of Company Directors and the Investment Committee of UniSuper Limited. Charles is also a director of Williamson Community Leadership Program Limited.

DAVID WHITE, age 58

Non-executive director; Chairman of the Audit Committee

Joined the Board in 1990. David holds a Bachelor of Business degree from Curtin University and is a fellow of CPA Australia. He is Chairman of the Wheatbelt Area Consultative Committee, a member of Parkerville Children and Youth Care (Inc) and a member of the Australian Institute of Company Directors. He was formerly the Treasurer of The Royal Agricultural Society of Western Australia (Inc).

Board of directors site visit at Curragh North, Queensland.

(left to right)	Lou Giglia
Richard Goyder	James Graham
Trevor Eastwood	Dick Lester
Gene Tilbrook	Charles Macek
Colin Carter	David White
Bob Every	Patricia Cross (inset)

Corporate governance statement

THE BOARD IS A STRONG ADVOCATE OF GOOD CORPORATE GOVERNANCE AND REGULARLY REVIEWS ITS CORPORATE GOVERNANCE PRACTICES IN ORDER TO ENSURE THE COMPANY IS FULFILLING ITS CORPORATE GOVERNANCE OBLIGATIONS AND RESPONSIBILITIES AND THAT THE EXPECTATIONS OF STAKEHOLDERS ARE BEING MET.

During the year Wesfarmers updated a number of policies to reflect changes in the law and best practice. Wesfarmers considers that it complies with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles").

The Wesfarmers website (www.wesfarmers.com.au) contains copies or summaries of key corporate governance policy documents including:

- Audit Committee Charter
- Board Charter
- Board Code of Conduct
- Code of Ethics and Conduct
- Market Disclosure Policy
- Nomination and Remuneration Committee Charter
- Share Trading Policy

In addition, the website includes discussion on key corporate governance issues such as risk management, director independence and the company's remuneration report.

Details of Wesfarmers' compliance with the ASX Principles and its main corporate governance practices for the year ended 30 June 2006 are disclosed in this statement.

THE ROLES OF THE BOARD AND MANAGEMENT

The role of the Board is to oversee and guide the management of Wesfarmers and its businesses with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The Board has a charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The Board has input into, and final approval of, management's development of corporate strategy, establishing goals for management and monitoring the achievement of those goals. The Managing Director is responsible to the Board for the day-to-day management of the company.

The roles and responsibilities of the company's Board and management are consistent with those set out in ASX Principle 1.

BOARD STRUCTURE

The names of the directors in office at the date of this report, the year of their appointment, their status as non-executive, executive or independent director and whether they are retiring by rotation at the 2006 annual general meeting and seeking re-election are set out in the table on the opposite page.

The following Board changes have occurred since 1 July 2005:

- on 13 July 2005, Mr Richard Goyder assumed the role of Managing Director and Chief Executive Officer following the retirement of Mr Michael Chaney on 12 July 2005;
- on 13 July 2005 Mr Gene Tilbrook assumed the role of Finance Director;
- on 14 February 2006, Dr Bob Every was appointed to the Board as a non-executive Director. In accordance with the company's constitution, Dr Every will retire at the 2006 annual general meeting and make himself available for election by shareholders at the meeting;
- on 3 July 2006, Mr Trevor Flügge resigned as a director of the company; and
- on 8 September 2006, Mr David Robb resigned as a director of the company.

As a result, the Board is currently comprised of nine non-executive directors, including the Chairman, and two executive directors. Total Board membership of 11 is within the company's preferred range of between 8 and 12. Mr Lou Giglia, an independent non-executive director, will retire from the Board at the 2006 annual general meeting in November but will not be seeking re-election.

DIRECTOR INDEPENDENCE

Directors are expected to bring independent views and judgement to the Board's deliberations.

The Board Charter requires the Board to include a majority of non-executive independent directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer.

The Board has reviewed the position and associations of each of the 11 directors in office at the date of this report and considers that eight of the directors are independent. In considering whether a director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the

Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of the company, the director and the person or entity with which the director has a relationship.

In particular, the Board considered the independence of Messrs Lou Giglia, David White, Trevor Eastwood and Dick Lester, who have been non-executive directors of the company since 1984, 1990, 1994 and 1995 respectively.

In each case, the Board considered that the length of time that the director had been on the Board did not have an adverse impact on the director's ability to bring an independent judgement to bear in decision-making. The Board considers that having some directors who have served on the Board for longer periods helps to ensure continuity of corporate knowledge and experience, provided that the capacity for active contribution and independent judgement is maintained.

The independence of the Chairman, Mr Eastwood, was also considered in light of the fact that he was Chief Executive Officer of the company from 1984 to 1992. In relation to his past executive service, the Board considers that the relevant criteria for independence in ASX Principle 2 is satisfied given the significant passage of time since his retirement from that position.

The Board considers that Messrs Giglia, White, Eastwood and Lester are independent directors in accordance with the independence criteria in ASX Principle 2, given their continued and demonstrated performance and ability to make objective judgements on matters before the Board.

The three directors who are not considered to be independent are:

- Mr Richard Goyder, *Managing Director and Chief Executive Officer;*
- Mr Gene Tilbrook, *Finance Director; and*
- Mr James Graham, *Non-executive director, who is Managing Director of Gresham Partners Limited.*

Mr Graham is technically deemed not to be independent by virtue of his professional association with Gresham Partners Limited, an investment advisor to the company. The Board has, however, determined that the relationship does not interfere with Mr Graham's exercise of independent judgement and believes that his appointment is in the best interests of the group because of the substantial knowledge and expertise he brings to the Board.

The Board's structure is consistent with ASX Principle 2.

MEETINGS OF THE BOARD

The Board meets formally at least eight times a year and on other occasions, as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings.

In May 2006, the Board held its annual strategic planning session with management at which the company's five year strategic plans for each operating activity and the group as a whole were presented. At this session, the Board reviewed and endorsed strategies designed to continue the long term profitable growth of the group.

The number of meetings held and attended by each of the directors for the financial year ended 30 June 2006 are set out in the Directors' Report on page 128 of this report.

Non-executive directors meet from time to time without executive directors or management being present.

RETIREMENT AND RE-ELECTION

The Constitution of the company requires one third of the directors, other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board are required to retire from office at the next following annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting.

NAME OF DIRECTOR	YEAR APPOINTED	NON-EXECUTIVE	INDEPENDENT	RETIRING AT 2006 AGM	SEEKING RE-ELECTION AT 2006 AGM
BOARD STRUCTURE					
T R Eastwood, Chairman	1994	Yes	Yes	No	No
C B Carter	2002	Yes	Yes	No	No
P A Cross	2003	Yes	Yes	Yes #	Yes
R L Every	2006	Yes	Yes	Yes ##	Yes
L A Giglia	1984	Yes	Yes	Yes #	No
R J B Goyder, Managing Director	2002	No	No	No	No
J P Graham	1998	Yes	No	No	No
R D Lester	1995	Yes	Yes	No	No
C Macek	2001	Yes	Yes	Yes #	Yes
G T Tilbrook, Finance Director	2002	No	No	No	No
D C White	1990	Yes	Yes	No	No

Retiring by rotation in accordance with the Constitution and the Listing Rules of the Australian Stock Exchange.
Retiring in accordance with the Constitution at the first annual general meeting following appointment by the directors.

Details of the background, experience and professional skills of each director are set out on pages 40 and 41 of this report.

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Board support for directors retiring by rotation and seeking re-election is not automatic. The Board Charter and the company's letter of appointment for a non-executive director requires a non-executive director to take into account the views of the other non-executive directors of the company when making a decision to stand for re-election as a director of the company. This year, the Board assessed the performance of Mrs Cross, Dr Every and Mr Macek, being the directors seeking re-election, and the Board resolved to support their nominations.

Under the Board Charter, the Chairman must retire from his position at the expiration of 10 years unless the Board decides otherwise. In addition, his appointment is formally reviewed at the end of each three year period.

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

Recommendations of candidates for new directors are made by the Board's Nomination and Remuneration Committee for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. In some cases, external consultants are engaged to assist in the selection process. If a candidate is recommended by the Nomination and Remuneration Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following annual general meeting and will be eligible for re-election by shareholders at that annual general meeting.

INDUCTION OF NEW DIRECTORS

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

A comprehensive induction programme for new directors was developed during the year. The programme includes meetings with the Chairman, Audit Committee Chairman, Managing Director, Divisional Managing Directors and key executives. The programme also includes site visits to some of the company's key operations.

REVIEW OF PERFORMANCE

The Nomination and Remuneration Committee is responsible for the review of Board performance.

Every second year the performance and effectiveness of the Board, Audit Committee and Nomination and Remuneration Committee are evaluated through feedback obtained from the completion of a detailed questionnaire by the directors. The questionnaire reviews:

- the composition of the Board and the adequacy of its policies and procedures;
- Board meetings, including the quality of debate and discussion;
- the quality of information provided to the Board by management;
- the Board's relationship with management;
- the Board's understanding of its duties and responsibilities;
- the Board's understanding of the company's strategies and operations; and
- the effectiveness and performance of the Chairman of the Board, the Chairmen of the Audit and Nomination and Remuneration Committees and the Managing Director.

A review was undertaken in May 2005 and opportunities for improvement in Board performance were identified. The Board attended a full day session, without management, in September 2006 to review Board and management performance.

As noted above, the performance of individual directors is reviewed upon their nomination for re-election at the end of their three year term.

Details of the review of the performance and remuneration policies for senior executives are set out in the Remuneration Report on pages 131 to 142 of this report.

KNOWLEDGE, SKILLS AND EXPERIENCE

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

Directors are provided with papers, presentations and briefings on group businesses and on matters which may affect the company. Directors are also encouraged to undertake continuing education relevant to the discharge of their obligations as directors of the company. Subject to prior approval by the Company Secretary, the reasonable cost of such education is met by the company.

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the company, directors undertake site visits to familiarise themselves with the company's businesses.

BOARD ACCESS TO INFORMATION AND INDEPENDENT ADVICE

All directors have unrestricted access to employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board committee. The company will reimburse the director for the reasonable expenses of obtaining that advice.

CONFLICTS OF INTEREST

Under the Code of Conduct and guidelines adopted by the Board, directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interests they have, which may result in a conflict. The Board has adopted the use of formal standing notices in which they disclose any material personal interests they may have and the relationship of those interests to the affairs of the company. Directors are required to provide an updated notice if they acquire any new material personal interests or if there is any change in the nature or extent of their previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so.

COMMITTEES OF THE BOARD

Two standing Board committees assist the Board in the discharge of its responsibilities and are governed by their respective charters, as approved by the Board. These are:

- the Nomination and Remuneration Committee; and
- the Audit Committee.

These committees review matters on behalf of the Board and make recommendations for consideration by the entire Board.

Nomination and Remuneration Committee

The specific responsibilities of the Nomination and Remuneration Committee are set out in the committee's charter, which reflects the requirements of the ASX Principles. The Nomination and Remuneration Committee reviews and makes recommendations to the Board on the Board's operation and performance; reviews Board composition and makes recommendations for new appointments to the Board; establishes an induction programme for directors; and reviews and makes recommendations on remuneration policies for the company including, in particular, those governing the directors, the Managing Director and senior management. The members of the Nomination and Remuneration Committee at the date of this report are:

Mr Trevor Eastwood (Chairman)
Mr Colin Carter
Mrs Patricia Cross
Mr Lou Giglia

The composition, operation and responsibilities of the committee are consistent with ASX Principles 2 and 9.

The committee met four times during the financial year ended 30 June 2006. Details of the meetings attended by each committee member are set out in the Directors' Report on page 128 of this report. Consistent with ASX Principles 2 and 9, a summary of the committee's role, rights, responsibilities and membership requirements has been posted on the corporate governance section of the company's website.

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4. Among the specific responsibilities set out in its charter, the Audit Committee reviews all published accounts of the group; reviews the scope and independence of external audits; monitors and assesses the systems for internal compliance and control, legal compliance and risk management; reviews and monitors the company's continuous disclosure policies and procedures, and advises on the appointment, performance and remuneration of the external auditors.

The members of the Audit Committee at the date of this report are:

Mr David White (Chairman)
Dr Bob Every
Mr James Graham
Mr Dick Lester
Mr Charles Macek

The Finance Director; the General Manager, Group Business Services; the General Manager, Group Internal Audit; the Company Secretary; the external auditors; and any other persons considered appropriate, attend meetings of the Audit Committee by invitation.

The committee also meets from time to time with the external auditors in the absence of management.

The composition, operations and responsibilities of the committee are consistent with ASX Principle 4. The committee met eight times during the financial year ended 30 June 2006. Details of the meetings attended by each committee member are set out in the Directors' Report on page 128 of this report. Consistent with ASX Principle 4, the Audit Committee Charter has been posted on the corporate governance section of the company's website.

FINANCIAL REPORTING

CEO and CFO declaration

Consistent with ASX Principle 4, and in accordance with section 295A of the Corporations Act 2001, the company's financial report preparation and approval process for the financial year ended 30 June 2006, involved both the Managing Director and Finance Director providing a written statement to the Board that, in their opinion:

- the company's financial report presents a true and fair view of the company's financial condition and operating results and is in accordance with applicable accounting standards; and
- the company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.

This statement was also signed by the General Manager, Group Business Services and General Manager, Group Internal Audit.

International Financial Reporting Standards

The financial reports for the year ended 30 June 2006 are the first full year reports to be prepared under the Australian equivalents of International Financial Reporting Standards.

REMUNERATION

Details of remuneration for non-executive directors and senior executives, are set out in the Remuneration Report on pages 131 to 142 of this report, forming part of the Directors' Report. The Remuneration Report sets out certain prescribed information on the amount of remuneration paid to directors and some senior executives, as well as the company's policy on remuneration in general.

AUDIT GOVERNANCE AND INDEPENDENCE

As part of the company's commitment to safeguarding integrity in financial reporting, the company has implemented procedures and policies to monitor the independence and competence of the company's external auditors.

Appointment of auditors

The company's current external auditors are Ernst & Young. The effectiveness, performance and independence of the external auditors is reviewed by the Audit Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the Audit Committee will formalise a procedure and policy for the selection and appointment of new auditors.

Independence declaration

The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 ("CLERP 9") amendments to the Corporations Act 2001 require external auditors to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with

CLERP 9 amendments and the rules of the professional accounting bodies.

Ernst & Young has provided such a declaration to the Audit Committee for the financial year ended 30 June 2006.

Rotation of lead external audit partners

In light of the requirements for the rotation of lead audit partners, the Board recently approved the appointment of a new lead audit partner, Mr Sean Van Gorp. Mr Van Gorp's appointment was effective on 1 July 2006 following the retirement from the role of Mr Greg Meyerowitz.

Restrictions on the performance of non-audit services by external auditors

The Audit Committee has implemented a process that requires the prior approval of the Company Secretary for the provision of any non-audit services to the company or its related companies by the external auditors. In cases of uncertainty, the issue is referred to the Audit Committee. The Audit Committee has also approved guidelines to assist in identifying the types of services that may compromise the independence of the external auditors. Examples of services that are considered to potentially compromise independence include valuation services and internal audit services. Details of non-audit services provided to the company appears on page 130 of the Directors' Report. The Board has considered the nature of the non-audit services provided by the external auditor during the year, and has determined that the services provided and the amount paid for those services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and the auditor's independence has not been compromised. Further disclosure required by the Corporations Act 2001 in relation to the provision of non-audit services by the company's auditor is set out on page 130 of the Directors' Report.

Attendance of external auditors at annual general meetings

In accordance with ASX Principle 6 and the Corporations Act 2001, Ernst & Young attend, and are available to answer questions at the company's annual general meetings. In addition to their right to ask questions at annual general meetings, shareholders may submit written questions for the external auditors to the Company Secretary no later than five business days before an annual general meeting.

RISK IDENTIFICATION AND MANAGEMENT

Consistent with ASX Principle 7, the company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

These include:

- guidelines and limits for approval of capital expenditure and investments;
- a group compliance programme supported by approved guidelines and standards covering such key areas as safety, the environment, legal liability, risk identification, quantification and reporting and financial controls;
- a comprehensive annual insurance programme including external risk surveys;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- a formal dynamic planning process of preparing five year strategic plans each year for all businesses in the group;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the group.

Management is ultimately responsible to the Board for the group's system of internal control and risk management. The Audit Committee assists the Board in monitoring this role. During designated months of the year, each of the main divisions in the group are required to review and report to the Audit Committee on risks associated with legal liability, financial controls and environment, health and safety.

The internal audit function is independent of the external audit function. The General Manager, Group Internal Audit, who reports to the Finance Director, monitors the internal control framework of the group and provides reports to the Audit Committee. The Audit Committee endorses the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Audit Committee also reviews internal audit reports issued by the General Manager, Group Internal Audit and monitors progress with recommendations made in those reports to ensure ongoing improvement in the internal control environment of the company.

In accordance with ASX Principle 7, the Managing Director and Chief Financial Officer have provided the Board with a written statement that:

- the statement given with respect to the integrity of the financial statements (referred to under the heading "Financial Reporting") was founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system was operating efficiently and effectively in all material respects.

This statement was also signed by the General Manager, Group Business Services and General Manager, Group Internal Audit.

A description of the company's risk management policy and internal compliance and control system is available on the company's website.

SHARE TRADING

The company's Constitution requires directors to hold, directly or indirectly, a minimum of 1,000 ordinary shares in the company within two months after their appointment and at all times during their term of office.

The company's Share Trading Policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. The policy states that all employees and directors of the company and its related companies are expressly prohibited from trading in the company's securities or other securities if they are in possession of "inside information". In addition, directors of the company must advise the Company Secretary in advance of their intention to trade and must also have been advised by the Company Secretary that there is no known reason to preclude them trading in the company's securities or other securities. In order for the company to be able to fulfil its ASX reporting obligations relating to the trading of securities by directors, each director has entered into an agreement with the company, which requires the director to notify the company within three business days of any trade in the company's or an associated entity's securities. The company's Share Trading Policy is consistent with ASX Principle 3.

Subject to the requirements above, trading can occur at any time.

The company's Share Trading Policy was amended during the year to prohibit executive directors and divisional managing directors from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under Wesfarmers' long term incentive plan whilst the shares are subject to a restriction.

A summary of the Share Trading Policy has been posted on the corporate governance section of the company's website.

CONTINUOUS DISCLOSURE

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communication black-out periods and review of briefings and communications. The policy was reviewed following the CLERP 9 amendments to the Corporations Act 2001 and the Board approved a new Market Disclosure Policy in February 2005.

Under the new policy the Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and co-ordinating the disclosure of information with relevant parties including the Australian Stock Exchange and administering the policy and continuous disclosure education programme. The disclosure officer is also responsible for referring information to the Board's disclosure sub-committee to make decisions as to whether an appropriate disclosure should be made to the market, and keeps a record of such information and any decisions made by the disclosure sub-committee. The disclosure sub-committee is comprised of the Managing Director and Finance Director.

The Market Disclosure Policy and the associated training and education programme is reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board. The company's Market Disclosure Policy is consistent with ASX Principle 5. A summary of the policy has been posted on the corporate governance section of the company's website.

ADDITIONAL COMPANY POLICIES

In addition to the market disclosure and share trading policies discussed above, the company has implemented a range of policies which have group wide application. These policies permit divisions to establish policies and procedures governing their own operations while seeking to ensure that a consistent approach and minimum acceptable standards are maintained across the group.

COMMUNICATIONS WITH SHAREHOLDERS

The company places considerable importance on effective communications with shareholders. The company's communications strategy promotes the communication of information to shareholders through the distribution of the annual and half-year reports covering profit performance, announcements through the Australian Stock Exchange and the media regarding changes in its businesses and the Chairman's address at the annual general meeting. Wesfarmers also conducts live webcasts of major institutional investor and analysts briefings. These webcasts together with all reports, Australian Stock Exchange and media releases and copies of significant business presentations and speeches are posted on the company's website.

Wesfarmers also provides shareholders with the opportunity to receive e-mail alerts of significant announcements and the availability of reports on the company's website.

The website is regularly updated to ensure the information is current and accurate. Following a benchmarking review in 2005 a number of improvements were made to the website with the aim of providing greater and more easily accessible information for shareholders.

The company regularly reviews its communication strategy and underlying policies and processes to ensure effective communication with shareholders is maintained.

A description of the arrangements the company has to promote communication with shareholders is also available on the company's website.

CONDUCT AND ETHICS

The Board has adopted a Code of Conduct to guide the directors and promote high ethical and professional standards and responsible decision making.

In addition, the company has adopted a Code of Ethics and Conduct for all employees including directors. The Code of Ethics and Conduct is aimed at maintaining the highest ethical standards, corporate behaviour and accountability across the group. Employees and directors are expected to respect the law; respect confidentiality; properly use group assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of shareholders; contribute to the company's reputation as a good corporate citizen; and act with honesty, integrity, decency and responsibility at all times.

The company encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code and protects those who report breaches in good faith.

The Code of Ethics and Conduct provides protection to whistleblowers as required by the Corporations Act 2001. Under the Code, whistleblowers are protected from any disadvantage, prejudice or victimisation for reports of any breaches of the Code or the Corporations Act 2001 that are made in good faith.

At its August 2006 meeting, the Board approved the appointment of Protected Disclosure Officers (the Finance Director, Chief Legal Counsel and Company Secretary) to receive reports and manage investigations in relation to potential breaches of the Corporations Act 2001. Guidelines were developed to assist directors and senior executives to manage reports of whistleblower complaints.

In July 2006, the Board approved amendments to the Code to strengthen the prohibitions on bribery and corrupt practices and to implement a notification and reporting process relating to facilitation payments.

Both the Board's Code of Conduct and the Code of Ethics and Conduct are consistent with ASX Principles 3 and 10 and summaries of both Codes have been posted on the corporate governance section of the company's website.

Investor information

SHAREHOLDER INQUIRIES

If you have questions about your shareholding or dividends please contact the company's share registry, Computershare Investor Services Pty Limited, Level 2, 45 St George's Terrace Perth, Western Australia 6000

Investor inquiries:
Australia: 1300 557 010
International: (+61 3) 9415 4000

Facsimile:
Australia: (08) 9323 2033
International: (+61 8) 9323 2033

Website:
www.computershare.com.au

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.

WESFARMERS WEBSITE

www.wesfarmers.com.au

STOCK EXCHANGE LISTING

Wesfarmers shares are listed on the Australian Stock Exchange and reported in the industrial section in daily newspapers - code WES. Share prices can also be accessed on the Wesfarmers website or at www.asx.com.au.

DIVIDEND INVESTMENT PLAN

The company's dividend investment plan has been suspended while the company's debt levels remain low.

Shareholders will be advised when the plan is to be recommenced. Shareholders who were participants in the plan when it was suspended will automatically be reinstated unless they have advised the share registry that they do not wish to participate in the plan.

Details of the plan can be obtained 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 payment date and confirmed by a mailed payment advice. Shareholders wishing to take advantage of payment by direct credit should contact the share registry. An appropriate form can be downloaded from the share registry website.

UNCERTIFICATED SHARE REGISTER

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

Issuer sponsored holdings. These holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker.

Broker sponsored holdings. Shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings through the share registry website.

CHANGE OF ADDRESS OR BANKING DETAILS

Shareholders should immediately notify the share registry in writing of any changes of address or banking details for dividends electronically credited to a bank account. Appropriate forms can be downloaded from the share registry website.

CHANGE OF NAME

Shareholders should notify the share registry in writing if they change their name. The required form can be downloaded from the share registry website. Certified copies of the relevant marriage certificate, deed poll or other supporting documentation should be provided with the notice.

AMALGAMATION OF HOLDINGS

Shareholders with multiple shareholdings in Wesfarmers who would prefer to consolidate them into one holding, should contact the share registry. The required form can be downloaded from the share registry website.

TAX FILE NUMBERS

While it is not compulsory to provide a tax file number (TFN), if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate. TFN forms can be obtained by contacting the share registry or by downloading the form from the share registry website.

REMOVAL FROM ANNUAL AND HALF-YEAR REPORTS MAILING LIST

Shareholders can choose not to receive the annual and half-year reports by contacting the share registry. Shareholders can also download the appropriate form or change their preferences online by going to the share registry website. Shareholders who choose not to receive the annual and half-year reports will continue to receive all other information, including the notice of annual general meeting and proxy form.

PRIVACY

A copy of the Wesfarmers privacy policy is available on the Wesfarmers website.

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 the Chairman's address given at the most recent annual general meeting and the latest edition of the Social Responsibility Report.

Further information and publications about the company's operations are available from the Public Affairs Department, telephone (08) 9327 4251 (within Australia) or (+61 8) 9327 4251 (International) or from the Wesfarmers website.

ELECTRONIC COMMUNICATIONS

Shareholders can elect to receive electronic notifications of annual and half-year reports, notice of meeting, electronic proxy voting and other important company announcements. Shareholders can register for this service by accessing the "Shareholders & Investors" tab on the Wesfarmers website and then following the prompts under "Company E-News".

Financial statements

2006

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Income statement

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Revenue					
Sale of goods		**7,610,595**	6,912,377	**159,644**	140,812
Rendering of services		**1,207,696**	1,188,735	**60,413**	56,118
Interest - subsidiaries		**-**	-	**8,825**	9,999
Interest - other		**35,244**	52,776	**2,373**	2,542
Dividends - subsidiaries		**-**	-	**1,007,749**	630,896
Dividends - other		**786**	850	**-**	-
Other		**4,480**	3,893	**4,595**	4,589
		8,858,801	8,158,631	**1,243,599**	844,956
Cost of sales		**(4,823,434)**	(4,517,284)	**(93,882)**	(82,618)
Direct service expenses		**(794,645)**	(798,340)	**(60,879)**	(56,584)
Gross profit		**3,240,722**	2,843,007	**1,088,838**	705,754
Gain on sale of shares in associate (tax effect of $56,153,000)		**234,859**	-	**-**	-
Other income	4	**4,896**	8,722	**721**	102
Distribution expenses		**(198,145)**	(189,471)	**-**	-
Sales and marketing expenses		**(1,277,053)**	(1,222,676)	**-**	-
Administrative expenses		**(374,838)**	(339,023)	**(50,347)**	(59,802)
Other expenses		**(86,447)**	(83,277)	**-**	(10,541)
Finance costs	4	**(133,837)**	(104,176)	**(116,318)**	(99,108)
Share of profits and losses of associates	14	**56,898**	53,528	**-**	-
Profit before income tax		**1,467,055**	966,634	**922,894**	536,405
Income tax (expense)/credit	5	**(418,913)**	(264,797)	**45,966**	50,200
Profit after tax from continuing operations		**1,048,142**	701,837	**968,860**	586,605
Profit attributable to minority interests		**-**	-	**-**	-
Profit attributable to members of the parent		**1,048,142**	701,837	**968,860**	586,605
Earnings per share (cents per share)	6				
– basic for profit for the year attributable to ordinary equity holders of the parent		**284.0**	192.0		
– diluted for profit for the year attributable to ordinary equity holders of the parent		**280.9**	189.4		
– basic for profit for the year attributable to ordinary equity holders of the parent before gain on sale of associate		**235.6**	192.0		
– diluted for profit for the year attributable to ordinary equity holders of the parent before gain on sale of associate		**233.0**	189.4		
Dividends per share paid or declared out of profits for the year (cents per share)	7	**215**	180		

Balance sheet

at 30 June 2006 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
ASSETS					
Current assets					
Cash and cash equivalents	8	**90,046**	83,846	**33,292**	27,601
Trade and other receivables	9	**1,194,632**	1,204,980	**1,341,459**	2,190,956
Inventories	10	**1,146,398**	1,149,647	**-**	-
Derivatives	26	**43,776**	-	**47,064**	-
Other insurance assets	11	**658,740**	633,894	**-**	-
Total current assets		**3,133,592**	3,072,367	**1,421,815**	2,218,557
Non-current assets					
Receivables	9	**113,562**	70,349	**5,262**	128
Available-for-sale investments	12	**5,755**	11,092	**-**	-
Other financial assets	13	**-**	-	**2,934,110**	4,403,187
Investment in associates	14	**279,213**	439,464	**-**	-
Deferred tax assets	5	**84,922**	105,002	**6,333**	12,788
Property, plant and equipment	15	**2,396,236**	1,988,229	**24,750**	23,478
Goodwill	16	**1,470,212**	1,466,266	**-**	-
Derivatives	26	**31,655**	-	**33,509**	-
Total non-current assets		**4,381,555**	4,080,402	**3,003,964**	4,439,581
Total assets		**7,515,147**	7,152,769	**4,425,779**	6,658,138
LIABILITIES					
Current liabilities					
Trade and other payables	17	**752,908**	777,024	**16,797**	2,493,436
Interest-bearing loans and borrowings	18	**468,038**	574,906	**321,145**	428,445
Income tax payable		**213,708**	99,067	**231,652**	106,175
Provisions	19	**141,120**	173,862	**5,882**	24,758
Derivatives	26	**4,171**	-	**46,826**	-
Insurance liabilities	20	**873,917**	836,580	**30,762**	18,034
Other	21	**124,614**	79,960	**-**	-
Total current liabilities		**2,578,476**	2,541,399	**653,064**	3,070,848
Non-current liabilities					
Payables	17	**4,352**	15,204	**-**	-
Interest-bearing loans and borrowings	18	**1,074,875**	1,225,104	**1,071,118**	1,220,345
Deferred tax liabilities	5	**142,257**	143,407	**481**	91
Provisions	19	**258,778**	228,351	**9,846**	7,333
Derivatives	26	**7,966**	-	**35,956**	-
Insurance liabilities	20	**225,417**	195,245	**-**	-
Other	21	**57,027**	61,858	**-**	-
Total non-current liabilities		**1,770,672**	1,869,169	**1,117,401**	1,227,769
Total liabilities		**4,349,148**	4,410,568	**1,770,465**	4,298,617
Net assets		**3,165,999**	2,742,201	**2,655,314**	2,359,521
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	22	**1,901,522**	1,901,164	**1,895,261**	1,895,261
Employee reserved shares	22	**(159,492)**	(215,354)	**(152,002)**	(204,512)
Retained earnings		**1,233,898**	915,573	**800,848**	557,829
Reserves	23	**190,019**	140,766	**111,207**	110,943
Parent interests		**3,165,947**	2,742,149	**2,655,314**	2,359,521
Minority interests	24	**52**	52	**-**	-
Total equity		**3,165,999**	2,742,201	**2,655,314**	2,359,521

Cash flow statement

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**9,626,613**	9,081,164	**165,512**	178,110
Payments to suppliers and employees		**(8,148,290)**	(7,825,273)	**(161,556)**	(148,692)
Dividends received from subsidiaries		**-**	-	**1,007,749**	630,896
Dividends and distributions received from associates		**44,238**	24,745	**-**	-
Dividends received from others		**786**	850	**-**	-
Interest received		**35,244**	53,951	**11,198**	12,541
Borrowing costs		**(122,317)**	(104,145)	**(116,318)**	(99,108)
Income tax paid		**(307,220)**	(296,342)	**(296,121)**	(260,904)
Reimbursements received from tax consolidated entities		**-**	-	**322,604**	289,715
Net cash flows from operating activities	8	**1,129,054**	934,950	**933,068**	602,558
CASH FLOWS FROM INVESTING ACTIVITIES					
Net redemption (acquisition) of insurance deposits	11	**(24,465)**	94,285	**-**	-
Purchase of property, plant and equipment	15	**(614,781)**	(465,260)	**(3,248)**	(2,074)
Proceeds from sale of property, plant and equipment		**16,399**	35,817	**1,091**	274
Proceeds from sale of available-for-sale financial assets		**7,482**	-	**-**	-
Subscription of capital in associates		**(16,999)**	(25,662)	**-**	-
Proceeds from sale of investment in associate		**430,719**	-	**-**	-
Return of capital received from associates		**3,303**	5,376	**-**	-
Repayment of loans from associates		**1,350**	7,700	**-**	-
Purchase of subsidiary, net of cash acquired		**(1,470)**	-	**-**	-
Net advances/(repayments) to subsidiaries		**-**	-	**599**	(52,038)
Other		**(2,468)**	5,178	**-**	(3,808)
Net cash flows used in investing activities		**(200,930)**	(342,566)	**(1,558)**	(57,646)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**28,752**	286,007	**10,015**	264,865
Repayment of borrowings		**(279,626)**	(60,454)	**(263,187)**	-
Proceeds from exercise of in-substance options under the employee share plan	22	**36,496**	98,040	**35,022**	95,791
Equity dividends paid		**(707,669)**	(528,189)	**(707,669)**	(528,189)
Payment of return of capital	22	**-**	(366,473)	**-**	(366,473)
Net cash flows used in financing activities		**(922,047)**	(571,069)	**(925,819)**	(534,006)
Net increase in cash and cash equivalents		**6,077**	21,315	**5,691**	10,906
Cash and cash equivalents at beginning of year		**77,038**	55,723	**27,601**	16,695
Cash and cash equivalents at end of year	8	**83,115**	77,038	**33,292**	27,601

Statement of changes in equity

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
CONSOLIDATED	Note	ISSUED CAPITAL $000	EMPLOYEE RESERVED SHARES $000	RETAINED EARNINGS $000	RESERVES (NOTE 23) $000	TOTAL $000	MINORITY INTEREST $000	TOTAL EQUITY $000
Balance at 1 July 2004		2,214,772	(281,428)	818,870	155,868	2,908,082	(47)	2,908,035
Change in accounting policy	2(af)	-	-	(58,525)	-	(58,525)	-	(58,525)
Restated balance at 1 July 2004		2,214,772	(281,428)	760,345	155,868	2,849,557	(47)	2,849,510
Foreign currency translation differences		-	(136)	-	2,176	2,040	-	2,040
Tax losses reversed in relation to the 2001 simplification plan	23	-	-	-	(17,225)	(17,225)	-	(17,225)
Other	23	-	-	-	(53)	(53)	99	46
Net loss recognised directly in equity		-	(136)	-	(15,102)	(15,238)	99	(15,139)
Net profit for year		-	-	701,837	-	701,837	-	701,837
Total recognised income and expense for year		-	(136)	701,837	(15,102)	686,599	99	686,698
Transactions with equity holders in their capacity as equity holders:								
Return of capital	22	(378,041)	11,545	-	-	(366,496)	-	(366,496)
Employee share plan issue	22	64,433	(64,433)	-	-	-	-	-
Proceeds from exercise of in-substance options	22	-	98,040	-	-	98,040	-	98,040
Equity dividends	7	-	18,411	(546,609)	-	(528,198)	-	(528,198)
Other	22	-	2,647	-	-	2,647	-	2,647
		(313,608)	66,210	(546,609)	-	(794,007)	-	(794,007)
Balance at 30 June 2005		1,901,164	(215,354)	915,573	140,766	2,742,149	52	2,742,201

Statement of changes in equity

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

CONSOLIDATED (Continued)	Note	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ISSUED CAPITAL $000	EMPLOYEE RESERVED SHARES $000	RETAINED EARNINGS $000	RESERVES (NOTE 23) $000	TOTAL $000	MINORITY INTEREST $000	TOTAL EQUITY $000
Balance at 30 June 2005		1,901,164	(215,354)	915,573	140,766	2,742,149	52	2,742,201
Adoption of new accounting standards relating to financial instruments and insurance contracts	37	-	-	(3,975)	88,175	84,200	-	84,200
Restated balance at 1 July 2005		1,901,164	(215,354)	911,598	228,941	2,826,349	52	2,826,401
Foreign currency translation differences		-	1,193	-	(8,171)	(6,978)	-	(6,978)
Tax losses reversed in relation to the 2001 simplification plan	23	-	-	-	(481)	(481)	-	(481)
Changes in the fair value of available-for-sale assets net of tax	23	-	-	-	(1,791)	(1,791)	-	(1,791)
Changes in the fair value of cash flow hedges net of tax	23	-	-	-	(28,479)	(28,479)	-	(28,479)
Other	22	358	-	-	-	358	-	358
Net profit/(loss) recognised directly in equity		358	1,193	-	(38,922)	(37,371)	-	(37,371)
Net profit for year		-	-	1,048,142	-	1,048,142	-	1,048,142
Total recognised income and expense for year		358	1,193	1,048,142	(38,922)	1,010,771	-	1,010,771
Transactions with equity holders in their capacity as equity holders:								
Proceeds from exercise of in-substance options	22	-	36,496	-	-	36,496	-	36,496
Equity dividends	7	-	18,173	(725,842)	-	(707,669)	-	(707,669)
		-	54,669	(725,842)	-	(671,173)	-	(671,173)
Balance at 30 June 2006		1,901,522	(159,492)	1,233,898	190,019	3,165,947	52	3,165,999

Statement of changes in equity

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

PARENT	Note	ISSUED CAPITAL $000	EMPLOYEES RESERVED SHARES $000	RETAINED EARNINGS $000	RESERVES (NOTE 23) $000	TOTAL $000
Balance at 1 July 2004		2,208,869	(273,661)	517,834	128,168	2,581,210
Tax losses reversed in relation to the 2001 simplification plan	23	-	-	-	(17,225)	(17,225)
Net loss recognised directly in equity		-	-	-	(17,225)	(17,225)
Net profit for year		-	-	586,605	-	586,605
Total recognised income and expense for year		-	-	586,605	(17,225)	569,380
Transactions with equity holders in their capacity as equity holders:						
Return of capital	22	(378,041)	11,150	-	-	(366,891)
Employee share plan issue	22	64,433	(58,083)	-	-	6,350
Proceeds from exercise of in-substance options	22	-	95,791	-	-	95,791
Equity dividends	7	-	17,947	(546,609)	-	(528,662)
Other	22	-	2,344	-	-	2,344
		(313,608)	69,149	(546,609)	-	(791,068)
Balance at 30 June 2005		1,895,261	(204,512)	557,830	110,943	2,359,522
Adoption of new accounting standards relating to financial instruments	37	**-**	**-**	**-**	**(2,032)**	**(2,032)**
Restated balance at 1 July 2005		**1,895,261**	**(204,512)**	**557,830**	**108,911**	**2,357,490**
Tax losses reversed in relation to the 2001 simplification plan	23	**-**	**-**	**-**	**(481)**	**(481)**
Changes in the fair value of cash flow hedges net of tax	23	**-**	**-**	**-**	**2,777**	**2,777**
Net profit/(loss) recognised directly in equity		**-**	**-**	**-**	**2,296**	**2,296**
Net profit for year		**-**	**-**	**968,860**	**-**	**968,860**
Total recognised income and expense for year		**-**	**-**	**968,860**	**2,296**	**971,156**
Transactions with equity holders in their capacity as equity holders:						
Proceeds from exercise of in-substance options	22	**-**	**35,022**	**-**	**-**	**35,022**
Equity dividends	7	**-**	**17,488**	**(725,842)**	**-**	**(708,354)**
		-	**52,510**	**(725,842)**	**-**	**(673,332)**
Balance at 30 June 2006		**1,895,261**	**(152,002)**	**800,848**	**111,207**	**2,655,314**

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

1 CORPORATE INFORMATION

The financial report of Wesfarmers Limited ("the Company") for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 12 September 2006. Wesfarmers Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties in associates, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of revised AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply revised AASB 1023, AASB 132 and AASB 139 to the comparative period.

The main adjustments necessary that would make the comparative financial statements comply with revised AASB 1023, AASB 132 and AASB 139 are listed below. Similar adjustments were made at 1 July 2005 to restate the opening financial position of the Company and consolidated entity to a position consistent with the accounting policies specified in note 2:

(i) the measurement of financial assets designated as held-to-maturity and loans and receivables at amortised cost, rather than at cost in accordance with the superseded policy;

(ii) the measurement of financial assets designated as fair value through profit or loss or available-for-sale at fair value, with changes in fair value recognised in profit or loss or equity as appropriate, rather than at cost in accordance with the superseded policy;

(iii) the measurement of financial liabilities at amortised cost, rather than at cost in accordance with the superseded policy;

(iv) the recognition and measurement of all derivatives (including any embedded derivatives) at fair value;

(v) the recognition in profit or loss of the immaterial movement in the fair value of minor derivatives which did not qualify for hedge accounting or were not designated as hedging instruments;

(vi) the transfer of deferred hedging gains and losses recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction to the hedging reserve;

(vii) the deferral in equity of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge;

(viii) the recognition in profit or loss of the ineffective portion of the movement in fair value of hedging instruments accounted for as a cash flow hedge;

(ix) the recognition in profit or loss of the movement in fair value of derivatives accounted for as a fair value hedge and the fair valuing of hedged items;

(x) the adjustment to the carrying amount of items that would qualify as a fair value hedge under AIFRS and were designated as a hedge under previous GAAP for the lower of the cumulative change in fair value of the hedged item for the designated hedge risk and the cumulative change in fair value of the hedging instrument;

(xi) the recognition of any current or deferred taxes in relation to the adjustments described above; and

(xii) the application of the liability adequacy test to each portfolio of insurance contracts with broadly similar risks that are managed together, rather than the total portfolio in accordance with the superseded policy.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

It is not practicable for the Company and the consolidated entity to detail the amounts of the adjustments to profit or loss and to opening retained earnings for the comparative period had the new accounting policies relating to financial instruments and general insurance contracts been applied from the beginning of the comparative period. In addition, it is not practicable for the Company and the consolidated entity to detail for the current period, the amounts of the adjustments resulting to each financial statement line item as a consequence of applying the accounting policies specified elsewhere in note 2.

Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 37.

Australian Accounting Standards and Urgent Issues Group Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006 because they will not result in a change to accounting policy and therefore have no impact:

AASB	Application date for the Group
2004-3	1 July 2006
2005-1	1 July 2006
2005-4	1 July 2006
2005-5	1 July 2006
2005-6	1 July 2006
2005-9	1 July 2006
2005-10	1 July 2007
2006-1	1 July 2006
119	1 July 2006
7	1 July 2007

UIG	Application date for the Group
4	1 July 2006
5	1 July 2006
7	1 July 2006
8	1 July 2006
9	1 July 2006

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Wesfarmers Limited and its subsidiaries ("the Group").

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are accounted for by the parent at cost less any allowance for impairment.

Acquisitions are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests represent the portion of profit or loss (where attributable) and net assets in Koukia Pty Limited, Australian Gold Reagents Pty Ltd and Wesfarmers Kleenheat Elpiji Limited not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have had a significant effect on the amounts recognised in the financial statements:

Income tax

The Group has unrecognised benefits relating to carried forward capital losses, which can only be offset against eligible capital gains. These benefits are detailed in note 5. The Group has exercised its judgement that at this stage it has not identified probable future eligible capital gains that will be available to utilise the tax assets.

Further, the Group is undergoing a review by the Australian Taxation Office of the implementation of the taxation consolidation rules in relation to the generation of capital losses, and has exercised its judgement in affirming that the Group's treatment is correct and will prevail. Should this not be the case, an indeterminable amount of the capital losses previously recognised would be reversed resulting in the payment of income tax and a decrease in the restructure tax reserve. Such an amount could only be determined once the matter is resolved. The only impact on profit and loss of such an outcome would be the expensing of any penalties which may arise.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 16.

Rights to mine and coal rebates payable

The Group determines the carrying values to be recognised for the right to mine the Curragh North deposit and the corresponding rebates payable to Stanwell Corporation upon signing contracts for the supply of export coal, as this crystallises a present obligation for the payment of the rebates. This calculation involves the estimation of tonnages to be supplied, USD-AUD exchange rates, coal prices and discount rates.

Insurance liabilities - outstanding insurance claims

The estimation of outstanding claim liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments and claim handling costs incurred to the reporting date. Each class of business is usually examined separately and some or all of the following will be considered for each class in projecting future claim payments:

- historical trends in the development and incidence of the number of claims reported, number of claims finalised, claim payments and reported incurred costs;
- exposure details, including policy counts, sums insured, earned premiums and policy limits;
- claim frequencies and average claim sizes;
- the legislative framework, legal and court environments and social and economic factors that may impact upon each class of business;
- historical and likely future trends in standard inflationary pressures relating to commodity prices and wages;
- historical and likely future trends of inflationary pressures in addition to price or wage inflation, termed superimposed inflation;
- historical and likely future trends of expenses associated with managing claims to finalisation;
- reinsurance recoveries available under contracts entered into by the insurer;
- historical and likely future trends of recoveries from sources such as subrogation and third party actions; and
- insurer specific, relevant industry data and more general economic data is utilised in the estimation process.

Projected future claim payments and associated claim handling costs are discounted to a present value as required using appropriate risk free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries is undertaken.

This projection is typically made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate as not. Where possible and appropriate, multiple actuarial methods will be applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or even a blend of methods, is selected taking into account the characteristics of the class of business and the extent of the development of each past accident period.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

As an estimate of future outcomes, the net central estimate of outstanding claims liability is subject to uncertainty. Uncertainty is examined for each class of business and expressed as a volatility of the net central estimate. The volatility for each class is derived after consideration of stochastic modelling and benchmarking to industry analysis.

The long tail classes of Workers Compensation and Liability have the highest volatilities of the insurance classes as the longer average time to settle provides a greater opportunity for sources of uncertainty to emerge. Short tail classes such as Motor, Home and Contents and Property have lower levels of volatility.

As the volatility for each class of business is only partially correlated with other classes, when combined across the entire Group, the overall volatility will be less than the sum of the individual classes.

With regard to an estimate of the overall volatility for general insurance business, a range of risk margins associated with a probability of the total net provision for outstanding claims liabilities proving adequate may be produced.

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- sale of goods - revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer;
- rendering of services - services have been rendered to a buyer by reference to stage of completion;
- interest - revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset; and
- dividends - revenue is recognised when the shareholders' right to receive the payment is established.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred, with the exception of interest charges on funds invested in major projects with substantial development and construction phases which are capitalised to the project until such time as the project is substantially complete, which is ordinarily when the project becomes operational.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period, in this case 5.9% (2005: 5.9%).

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases in which the lessor retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, excluding deposits held as investments by the insurance business.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which are non-interest bearing and generally have 2 to 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials - purchase cost on a weighted average basis;
- manufactured finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs; and
- retail and wholesale merchandise finished goods - purchase cost on a weighted average basis or on a retail inventory method basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

From 1 July 2005 the Group changed its policy in relation to accounting for uncovered coal reserves at the coal mining operations in terms of the point at which inventory is recognised. Refer note 2(af) for details.

(k) Derivative financial instruments and hedging

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Derivative financial instruments and hedging (continued)

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Accounting policies applicable for the year ended 30 June 2005

Forward exchange contracts

The Group entered into forward exchange contracts whereby it agreed to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective was to match the contract with anticipated future cash flows from sales and purchases in foreign currencies to protect the Group against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts were usually for no longer than 5 years.

Forward exchange contracts were recognised at the date the contract was entered into. Exchange gains or losses on forward exchange contracts were recognised in net profit except those relating to hedges of specific commitments, which were deferred and included in the measurement of the sale or purchase.

Interest rate swaps

The Group entered into interest rate swap agreements that were used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps were entered into with the objective of reducing the risk of rising interest rates.

It was the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments were recognised as an adjustment to interest expense.

Specific hedges

When a purchase or sale was specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction were deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date were taken to net profit.

(l) Derecognition of financial assets and financial liabilities

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Impairment of financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of financial assets (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses are not reversed.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Accounting policies applicable for the year ended 30 June 2005

For current financial assets, refer to note 2(i) and note 2(v) for the impairment accounting policy.

For non-current financial assets, refer to note 2(v) for the impairment accounting policy.

(n) Foreign currency translation

Both the functional and presentation currency of Wesfarmers Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

The functional currency of overseas subsidiaries is listed in note 30.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Wesfarmers Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

(o) Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures.

Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The consolidated income statement reflects the Group's share of the results of operations of the associates.

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

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

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investment in associates (continued)

An associate owns investment properties which are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

(p) Interest in jointly controlled assets

The Group has interests in joint ventures that are jointly controlled assets. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled asset involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group

incurs. The Group also recognises the expenses that it incurs and the income that it earns from the sale of the output produced by the jointly controlled assets.

(q) Income tax

Current tax assets and liabilities for the current and prior reporting periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(r) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at cost less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- buildings 20 - 40 years
- plant and equipment 3 - 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are generally recognised in the income statement in the cost of sales line item.

(t) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Investments and other financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Accounting policies applicable for the year ended 30 June 2005

Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

Recoverable amount

Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount. In determining recoverable amount, the expected net cash flows were not discounted to their present value.

(u) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit or group of cash-generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(w) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on 7 to 60 day terms.

Coal rebates payable are recognised where a present obligation exists, which currently extend for up to a five year period. The amounts payable are discounted to present value. The liability is payable on a monthly basis based on export coal sales on standard commercial terms.

Accounting policies applicable for the year ended 30 June 2005

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Coal rebates payable are recognised where a present obligation exists, which currently extend for up to a five year period. The amounts payable are discounted to present value. The liability crystallises on a monthly basis based on export coal sales and is payable on standard commercial terms.

(x) Interest-bearing loans and borrowings

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest bearing loans and borrowings applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Accounting policies applicable for the year ended 30 June 2005

All loans were measured at the principal amount. Interest was recognised as an expense as it accrued.

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 bank's benchmark rate as it accrues.

Bank loans, promissory notes, corporate bonds, commercial paper and other loans are carried at their principal amount less any unexpired discount for bank bills and medium term notes. 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 the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Mine and plant rehabilitation

Provision is made for the consolidated entity's estimated liability under specific legislative requirements and the conditions of its licences and leases for future costs (at discounted amounts) expected to be incurred rehabilitating areas of operation. The liability includes the cost of reclamation of the site using existing technology, including plant removal and landfill costs. This provision is recognised immediately when development of the asset occurs.

Restructure

A provision for restructuring is recognised for the expected costs associated with restructuring once a present obligation exists.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(z) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in provisions and other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Expenses which are consequential to the employment of the employees (for example payroll tax associated with employee entitlements) are also recognised as a liability and included in the amount for employee entitlements.

(aa) Pensions benefits

Defined contribution plan

Contributions to superannuation funds are charged to the income statement when due.

Defined benefit plan

The Group contributes to a defined benefit pension scheme. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised immediately as income or expense in the income statement.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

There are currently three plans in place to provide these benefits:

- the Wesfarmers Employee Share Ownership Plan (WESOP), which provides benefits to all qualifying employees, excluding those that participate in the Wesfarmers Long Term Incentive Plan (WLTIP) below. The first issue under this plan was in October 2005;
- the WLTIP, which provides benefits to more senior qualifying employees. The first issue under this plan was in October 2005; and
- the Wesfarmers Employee Share Plan (WESP), which provides benefits to all employees. The last issue under this plan was in December 2004.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Wesfarmers Limited ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity where applicable, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that are expected to ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The WESP is accounted for as an "in-substance" option plan due to the limited recourse nature of the loan. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Shares in the Group held under the WESP are classified and disclosed as employee reserved shares and deducted from equity.

(ac) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(ad) Insurance activities

Insurance premium revenue

Premium revenue comprises amounts charged to policyholders, excluding taxes collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium funding activities is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Insurance activities (continued)

Unearned premium

Unearned premium is calculated based on the term of the risk which closely approximates the pattern of risks underwritten.

At each balance date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. For the year ended 30 June 2006, the assessment is carried out on each portfolio of contracts that are broadly similar and managed together as a single portfolio; whereas for the year ended 30 June 2005 the assessment was carried out on a total portfolio basis. If the unearned premium liability, less related intangible assets and deferred acquisition costs, is deficient, then the resulting deficiency is recognised in the income statement of the Group.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a receivable at balance date.

Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported ("IBNR"), claims incurred but not enough reported ("IBNER"); and estimated claims handling costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85 per cent.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries on paid claims, reported claims not yet paid, IBNR and IBNER are recognised as revenue.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims.

Deferred acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Insurance investments

As part of its investment strategy the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

With the exception of plant and equipment, the Group has determined that all assets in the Insurance division are held to back general insurance liabilities. These assets have been valued at fair value through the income statement.

Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the income statement.

Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

Commission expense

Commissions paid in respect of premium funding activities are amortised over the expected life of the loan using the effective interest rate method. Commissions paid in respect of general insurance activities is capitalised as a deferred acquisition cost and are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Earnings per share

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(af) Voluntary change in accounting policy - uncovered reserve inventory

From 1 July 2005 the Group changed its policy in relation to accounting for uncovered coal reserves at the coal mining operations. The Group now absorbs the production cost of drilling, blasting and overburden removal into the value of run-of-mine coal stock, rather than recognising uncovered coal reserves as a separate component of work-in-progress inventory. Accounting for these production costs in this way is common in the coal industry, and the directors believe this change will result in the report providing reliable and more relevant information about coal earnings and inventory valuation by better matching the costs of producing coal to the physical material flows of finished product.

The impact of the change in accounting policy has been retrospectively adjusted for previous reporting periods in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The financial quantification of this impact is as follows:

	CONSOLIDATED		
	PREVIOUS POLICY $000	IMPACT OF CHANGE $000	NEW POLICY $000
Balance sheet impact			
1 July 2004			
Inventories	1,243,504	(79,606)	1,163,898
Deferred income tax liabilities	157,048	(21,081)	135,967
Retained profits	818,870	(58,525)	760,345
30 June 2005			
Inventories	1,231,542	(81,895)	1,149,647
Deferred income tax liabilities	165,850	(22,443)	143,407
Retained profits	975,025	(59,452)	915,573
30 June 2006			
Inventories	**1,243,052**	**(96,654)**	**1,146,398**
Deferred income tax liabilities	**169,600**	**(27,343)**	**142,257**
Retained profits	**1,303,209**	**(69,311)**	**1,233,898**
Income statement impact			
Year ended 30 June 2005			
Profit before income tax	968,923	(2,289)	966,634
Income tax expense	(266,159)	1,362	(264,797)
Net profit for the year	702,764	(927)	701,837
Year ended 30 June 2006			
Profit before income tax	**1,481,815**	**(14,760)**	**1,467,055**
Income tax expense	**(423,813)**	**4,900**	**(418,913)**
Net profit for the year	**1,058,002**	**(9,860)**	**1,048,142**

The impact on basic and diluted earnings per share is not material.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

3 SEGMENT INFORMATION

The Group's primary reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The majority of the Group operations are in one material geographical segment only, being Australia, and therefore a secondary reporting format is not provided.

Transfer prices between business segments are set at an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation where material.

The business segments are as follows:

Energy

Coal mining and development;
Coal marketing to both domestic and export markets;
National marketing and distribution of LPG;
LPG extraction for domestic and export markets;
Manufacture and marketing of industrial gases and equipment; and
Electricity supply to mining operations and regional centres.

Home improvement

Retail building material and home and garden improvement products;
Servicing project builders and the housing industry; and
Bargain hardware and variety.

Insurance

Supplier of specialist rural and small business regional insurance; and
Supplier of general insurance through broking intermediaries.

Industrial and safety distribution

Supplier and distributor of maintenance, repair and operating (MRO) products; and
Specialised supplier and distributor of industrial safety products and services.

Chemicals and fertilisers

Manufacture and marketing of chemicals for industry, mining and mineral processing; and
Manufacture and marketing of broadacre and horticultural fertilisers.

Other

Rail transport: non-controlling interest in Australian Railroad Group Pty Ltd, which provides rail services for bulk commodities and associated retail logistics operations, and owns track infrastructure. This interest was disposed of during the year;

Forest products: non-controlling interest in Wespine Pty Ltd, which manufactures products to service the wholesale timber market in Australia;

Property investment: non-controlling interest in Bunnings Warehouse Property Trust, which acquires properties suitable for retail property development and investment;

Investment banking: non-controlling interest in Gresham Partners Group Limited, which is an investment bank providing financial advisory and investment management services; and

Private equity investment: non-controlling interest in Gresham Private Equity Fund 1 and Gresham Private Equity Fund No. 2, which are closed-end private equity funds targeting larger size private equity transactions in the areas of management buy-outs, expansion capital and corporate restructuring.

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

- Home improvement - earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period;
- Energy - the majority of the entity's coal contracts are renewed in April each calendar year, and depending upon the movement in prevailing coal prices this can result in significant changes in revenue and earnings in the last quarter of the financial year through to the third quarter of the following year; and
- Chemicals and fertilisers - earnings are typically much greater in the June half of the financial year due to the impact of the Western Australian winter season break on fertiliser sales.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

3 SEGMENT INFORMATION (continued)

	HOME IMPROVEMENT		ENERGY		INDUSTRIAL AND SAFETY	
	2006 $000	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000
Operating revenue	**4,275,487**	4,065,349	**1,676,059**	1,161,460	**1,177,669**	1,174,694
Earnings						
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	**470,443**	463,121	**794,961**	393,840	**110,987**	124,875
Depreciation and amortisation of property, plant and equipment	**(49,990)**	(47,388)	**(167,796)**	(76,738)	**(14,158)**	(16,046)
Earnings before interest paid, tax (EBIT) and corporate overheads	**420,453**	415,733	**627,165**	317,102	**96,829**	108,829
Consolidation adjustment						
Finance costs						
Corporate overheads						
Profit before income tax expense						
Income tax expense						
Profit attributable to minority interests						
Profit attributable to members of the parent						
Assets and liabilities						
Segment assets	**2,340,461**	2,241,681	**1,595,969**	1,300,414	**900,895**	946,195
Investments in associates	**-**	-	**13,495**	14,846	**-**	-
Tax assets						
Total assets						
Segment liabilities	**326,302**	324,041	**593,105**	529,711	**146,920**	143,896
Tax liabilities						
Interest bearing liabilities						
Total liabilities						
Other segment information						
Capital expenditure	**222,284**	183,902	**286,002**	219,984	**16,344**	16,598
Share of net profit or loss of associates included in EBIT	**-**	-	**5,397**	4,728	**-**	-
Non-cash expenses other than depreciation and amortisation	**60,729**	47,739	**29,148**	36,502	**15,812**	13,299

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

3 SEGMENT INFORMATION (continued)

INSURANCE		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED	
2006 $000	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000
1,117,249	1,125,640	**595,204**	586,874	**17,133**	44,614	**8,858,801**	8,158,631
132,846	142,560	**123,068**	128,042	**308,903**	59,476	**1,941,208**	1,311,914
(8,007)	(7,686)	**(41,688)**	(38,654)	**(1,828)**	(2,349)	**(283,467)**	(188,861)
124,839	134,874	**81,380**	89,388	**307,075**	57,127	**1,657,741**	1,123,053
						(6,480)	(4,524)
						(133,837)	(104,176)
						(50,369)	(47,719)
						1,467,055	966,634
						(418,913)	(264,797)
						-	-
						1,048,142	701,837
1,562,609	1,513,379	**565,705**	521,830	**185,373**	84,804	**7,151,012**	6,608,303
-	-	**52,293**	50,025	**213,425**	374,593	**279,213**	439,464
						84,922	105,002
						7,515,147	7,152,769
1,214,520	1,173,048	**89,390**	100,329	**80,033**	97,059	**2,450,270**	2,368,084
						355,965	242,474
						1,542,913	1,800,010
						4,349,148	4,410,568
20,848	14,125	**72,528**	31,437	**3,258**	34,188	**621,264**	500,234
-	-	**3,088**	3,862	**48,413**	44,938	**56,898**	53,528
2,168	4,383	**(242)**	5,480	**6,384**	18,002	**113,999**	125,405

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

4 REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Other income				
Net gains on disposal of available-for-sale investments	**1,722**	-	**-**	-
Net gains on disposal of property, plant and equipment	**3,174**	**8,722**	**721**	**102**
	4,896	8,722	**721**	102
Finance costs				
Interest and finance charges payable:				
Subsidiaries	**-**	-	**2,905**	3,613
Other parties	**123,991**	104,685	**113,413**	95,495
Total finance costs (on a historical cost basis)	**123,991**	104,685	**116,318**	99,108
Discount adjustment	**14,334**	1,074	**-**	-
Interest capitalised	**(4,488)**	(1,583)	**-**	-
Total finance costs	**133,837**	104,176	**116,318**	99,108
Depreciation and amortisation				
Depreciation	**184,954**	172,229	**1,725**	2,142
Amortisation of leasehold improvements	**4,668**	3,047	**36**	24
Amortisation of mineral exploration and development costs	**93,845**	13,585	**-**	-
Employee benefits expense				
Remuneration, bonuses and on-costs	**1,025,133**	994,512	**27,057**	32,880
Defined contributions expense	**91,725**	79,131	**3,709**	2,183
Share based payments expense (note 34)	**27,079**	2,362	**1,792**	1,861
	1,143,937	1,076,005	**32,558**	36,924
Other expenses				
Bad and doubtful debts				
Subsidiaries	**-**	-	**-**	10,541
Trade receivables	**5,241**	2,669	**-**	-
Finance advances and loans	**961**	(554)	**-**	-
Minimum lease payments - operating leases	**186,948**	174,389	**1,838**	1,776
Write down of inventory to net realisable value	**28,707**	17,156	**-**	-
Government mining royalties	**72,971**	37,450	**-**	-
Research and development costs	**2,149**	4,466	**-**	-
Insurance underwriting result				
Premium revenue	**1,073,866**	1,076,634		
Outwards reinsurance premium expense	**(290,706)**	(341,163)		
Net premium revenue	**783,160**	735,471		
Claims expense - undiscounted	**(808,510)**	(663,199)		
Discount effect	**11,367**	4,772		
Reinsurance and other recoveries revenue - undiscounted	**352,248**	245,951		
Discount effect	**(4,007)**	316		
Net claims incurred	**(448,902)**	(412,160)		
Acquisition costs	**(129,550)**	(117,467)		
Other underwriting expenses	**(74,438)**	(63,682)		
Net underwriting expenses	**(203,988)**	(181,149)		
Underwriting result	**130,270**	142,162		

Net claims incurred relating to risks borne in previous periods are not material

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

5 INCOME TAX

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax charge/(refund)	**401,592**	289,538	**(51,170)**	(8,099)
Adjustments in respect of current income tax of previous years	**(1,986)**	(27,425)	**(1,727)**	(22,125)
Deferred income tax				
Relating to origination and reversal of temporary differences	**19,307**	2,684	**6,931**	(19,976)
Income tax expense/(credit) reported in the income statement	**418,913**	264,797	**(45,966)**	(50,200)
Statement of recognised income and expense				
Deferred income tax related to items charged or credited directly to equity				
Net gain on revaluation of cash flow hedges	**5,314**	-	**1,131**	-
Unrealised loss on available-for-sale investments	**(1,478)**	-	**-**	-
Tax losses reversed in relation to 2001 simplification plan	**481**	17,225	**481**	17,225
Income tax expense reported in equity	**4,317**	17,225	**1,612**	17,225
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	**1,467,055**	966,634	**922,894**	536,405
At the Group's statutory income tax rate of 30% (2005: 30%)	**440,117**	289,990	**276,868**	160,921
Adjustments in respect of current income tax of previous years	**(1,986)**	(27,425)	**(1,727)**	(22,125)
Non-assessable dividends	**-**	-	**(302,325)**	(189,268)
Carried forward tax losses now recognised	**(18,800)**	-	**(18,800)**	-
Share of associated companies net profit after tax	**(3,751)**	(10,966)	**-**	-
Tax on undistributed associates profit	**(20,654)**	8,929	**-**	-
Non deductible accounting cost base	**18,600**	-	**-**	-
Other	**5,387**	4,269	**18**	272
Income tax expense/(credit) reported in the consolidated income statement	**418,913**	264,797	**(45,966)**	(50,200)

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

5 INCOME TAX (continued)

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Balance sheet				
Deferred tax assets				
Provisions	**78,378**	77,220	**472**	90
Coal rebates payable	**54,492**	42,545	**-**	-
Employee benefits	**47,298**	50,838	**3,139**	9,536
Accrued and other payables	**27,327**	19,625	**(2)**	-
Doubtful debts	**2,408**	2,856	**2,724**	3,162
Application of AASB 132 and 139	**663**	-	**-**	-
Gross deferred income tax assets	**210,566**	193,084	**6,333**	12,788
Amount netted against deferred tax liabilities in accordance with AASB 112	**(125,644)**	(88,082)	**-**	-
Net deferred tax assets	**84,922**	105,002	**6,333**	12,788
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**128,692**	106,990	**111**	(283)
Mining assets recognised for accounting purposes	**76,104**	73,907	**-**	-
Application of AASB 132 and 139	**21,592**	-	**319**	-
Accrued income and other	**15,943**	9,754	**51**	374
Unremitted earnings of associates	**14,142**	32,477	**-**	-
Warehouse stock	**6,293**	3,467	**-**	-
Deferred acquisition costs	**5,135**	4,894	**-**	-
Gross deferred income tax liabilities	**267,901**	231,489	**481**	91
Amount netted against deferred tax assets in accordance with AASB 112	**(125,644)**	(88,082)	**-**	-
Net deferred tax liabilities	**142,257**	143,407	**481**	91
Income statement				
Provisions	**(1,158)**	(2,022)	**-**	-
Coal rebates payable	**(11,947)**	(2,302)	**-**	-
Employee benefits	**3,540**	7,812	**6,397**	(2,519)
Doubtful debts	**448**	(529)	**438**	(3,162)
Depreciation	**23,899**	1,551	**394**	(616)
Application of AASB 132 and 139	**19,120**	-	**(59)**	-
Unremitted earnings of associates	**(18,335)**	(1,145)	**-**	-
Deferred gains and losses on foreign exchange contracts	**-**	-	**(669)**	673
Unrealised profit on sale of assets	**-**	-	**-**	(14,037)
Accruals, stock and other	**3,740**	(681)	**430**	(315)
Deferred tax expense/(credit)	**19,307**	2,684	**6,931**	(19,976)
Unrecognised deferred tax asset in respect of capital losses in Australia - available indefinitely	**80,219**	98,248	**-**	-

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

5 INCOME TAX (continued)

Tax consolidation

Wesfarmers Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2002. Wesfarmers Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on an actual liability basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is considered remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after the lodgment of the consolidated return and payment of the tax liability.

6 EARNINGS PER SHARE

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

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

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

	CONSOLIDATED	
	2006 $000	2005 $000
Net profit attributable to ordinary equity holders of the parent	**1,048,142**	701,837
Significant item - net gain on disposal of investment in an associate - Australian Railroad Group Pty Ltd (net of tax of $56,153,000)	**178,706**	-
Net profit attributable to ordinary equity holders of the parent before significant item	**869,436**	701,837

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

6 EARNINGS PER SHARE (continued)

	CONSOLIDATED	
	2006 '000	2005 '000
Weighted average number of ordinary shares for basic earnings per share	**368,946**	365,354
Effect of dilution - employee reserved shares	**4,199**	5,122
Weighted average number of ordinary shares adjusted for the effect of dilution	**373,145**	370,476
	CENTS	CENTS
Earnings per share (cents per share)		
- basic for profit for the year attributable to ordinary equity holders of the parent	**284.0**	192.0
- diluted for profit for the year attributable to ordinary equity holders of the parent	**280.9**	189.4
- basic for profit for the year attributable to ordinary equity holders of the parent before gain on sale of associate	**235.6**	192.0
- diluted for profit for the year attributable to ordinary equity holders of the parent before gain on sale of associate	**233.0**	189.4

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

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
7 DIVIDENDS PAID AND PROPOSED				
Declared and paid during the year (fully franked at 30%)				
Final franked dividend for 2005: $1.27 (2004: 92 cents)	**480,114**	346,246	**480,114**	346,246
Interim franked dividend for 2006: 65 cents (2005: 53 cents)	**245,728**	200,363	**245,728**	200,363
	725,842	546,609	**725,842**	546,609
Proposed and not recognised as a liability (fully franked at 30%)				
Final franked dividend for 2006: $1.50 (2005: $1.27)	**567,063**	480,114	**567,063**	480,114
Franking credit balance				
Franking credits available for future years at 30% adjusted for debits and credits arising from the payment of income tax payable, and from recognised dividends receivable or payable	**171,434**	146,555		
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	**(243,027)**	(205,763)		
8 CASH AND CASH EQUIVALENTS				
Cash on hand and in transit	**32,800**	27,031	**6**	6
Cash at bank and on deposit	**57,246**	56,815	**33,286**	27,595
	90,046	83,846	**33,292**	27,601
Cash at bank earns interest at floating rates based on daily bank deposit rates.				
Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.				
Reconciliation to cash flow statement				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:				
Cash at bank and in hand	**32,800**	27,031	**6**	6
Short term deposits	**57,246**	56,815	**33,286**	27,595
Bank overdraft	**(6,931)**	(6,808)	**-**	-
	83,115	77,038	**33,292**	27,601

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
8 CASH AND CASH EQUIVALENTS (continued)				
Reconciliation of net profit after tax to net cash flows from operations				
Net profit	**1,048,142**	701,837	**968,860**	586,605
Adjustments				
Depreciation	**283,467**	188,861	**1,761**	2,166
Writedown of inventory to net realisable value	**28,707**	17,156	**-**	-
Net gain on disposal of available-for-sale investments	**(1,722)**	-	**-**	-
Net gain on disposal of property, plant and equipment	**(3,174)**	(8,722)	**(721)**	(102)
Net gain on disposal of investment in associate	**(234,859)**	-	**-**	-
Share of associates' net profits	**(56,898)**	(53,528)	**-**	-
Dividends and distributions received from associates	**44,238**	24,745	**-**	-
Capitalised borrowing costs	**(4,488)**	(1,583)	**-**	-
Discount expense	**14,334**	1,074	**-**	-
Other	**7,087**	11,842	**(2,093)**	943
Changes in assets and liabilities				
(Increase)/decrease in inventories	**(1,538)**	34,608	**-**	-
(Increase)/decrease in trade and other receivables	**(21,981)**	49,529	**(2,071)**	(3,354)
(Increase)/decrease in prepayments	**4,454**	2,072	**611**	-
(Increase)/decrease in pension assets	**(5,262)**	-	**(5,262)**	4,762
(Increase)/decrease in deferred tax assets	**20,080**	(15,548)	**9,618**	-
(Decrease)/increase in deferred tax liabilities	**(22,869)**	20,247	**761**	-
(Decrease)/increase in current tax liability	**114,482**	(35,922)	**(29,862)**	(19,423)
(Decrease)/increase in trade and other payables	**(52,750)**	(12,864)	**1,273**	5,810
(Decrease)/increase in provisions	**(23,841)**	4,591	**(3,252)**	25,151
(Decrease)/increase in pension liability	**(6,555)**	6,555	**(6,555)**	-
Net cash flows from operating activities	**1,129,054**	934,950	**933,068**	602,558
Non-cash financing and investing activities				
Acquisition of rights to mine via coal rebates payable	**106,781**	150,704	**-**	-
Recognition of mineral exploration via mine rehabilitation provision	**15,732**	-	**-**	-
9 TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	**718,139**	725,421	**5,466**	8,146
Allowance for doubtful debts	**(7,282)**	(9,031)	**-**	-
Reinsurance and other recoveries receivable	**243,605**	241,753	**-**	-
Finance advances and loans	**91,005**	92,438	**-**	-
Allowance for doubtful debts	**(611)**	(806)	**-**	-
Related party receivables:				
Subsidiaries	**-**	-	**1,344,316**	2,188,267
Allowance for doubtful debts	**-**	-	**(9,081)**	(10,541)
Associates	**4,367**	4,239	**-**	-
Prepayments	**53,988**	54,826	**752**	5,065
Other debtors	**91,421**	96,140	**6**	19
	1,194,632	1,204,980	**1,341,459**	2,190,956
Non-current				
Reinsurance and other recoveries receivable	**103,564**	69,468	**-**	-
Other debtors	**9,998**	881	**5,262**	128
	113,562	70,349	**5,262**	128

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
10 INVENTORIES				
Raw materials at cost	**75,834**	49,847	**-**	-
Raw materials at net realisable value	**6,484**	6,234	**-**	-
Work in progress at cost	**17,254**	24,099	**-**	-
Work in progress at net realisable value	**11,883**	-	**-**	-
Finished goods at cost	**1,033,266**	1,067,196	**-**	-
Finished goods at net realisable value	**1,677**	2,271	**-**	-
Total inventories at the lower of cost and net realisable value	**1,146,398**	1,149,647	**-**	-
11 OTHER INSURANCE ASSETS				
Bank bills receivable	**559,055**	534,598	**-**	-
Deferred acquisition costs	**99,685**	99,296	**-**	-
	658,740	633,894	**-**	-
Movements in deferred acquisition costs				
At beginning of year	**99,296**	96,100	**-**	-
Acquisition costs deferred	**100,431**	92,910	**-**	-
Costs charged to profit and loss	**(95,686)**	(90,608)	**-**	-
Other movements	**(4,356)**	894	**-**	-
	99,685	99,296	**-**	-
12 AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Shares in listed companies at fair value (2005: at cost)	**4,935**	10,198	**-**	-
Shares in unlisted companies at fair value (2005: at cost)	**820**	894	**-**	-
	5,755	11,092	**-**	-

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of the unlisted available-for-sale investments has been estimated using appropriate valuation techniques.

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
13 OTHER FINANCIAL ASSETS				
Investments in controlled entities at cost	**-**	-	**2,934,067**	2,934,067
Loans to controlled entities at cost	**-**	-	**43**	1,469,120
	-	-	**2,934,110**	4,403,187
14 INVESTMENTS IN ASSOCIATES				
Shares and units in associates	**259,130**	418,031	**-**	-
Loans to associates at cost	**20,083**	21,433	**-**	-
	279,213	439,464	**-**	-
Fair value of listed investments in associates				
Bunnings Warehouse Property Trust	**136,501**	128,993	**-**	-
Share of associates' commitments				
Capital commitments	**42,294**	48,215	**-**	-
Lease commitments	**18,846**	19,860	**-**	-

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

14 INVESTMENTS IN ASSOCIATES (continued)

ASSOCIATES	PRINCIPAL ACTIVITY	OWNERSHIP 2006 %	OWNERSHIP 2005 %	SHARE OF REVENUES 2006 %	SHARE OF REVENUES 2005 %
Air Liquide WA Pty Ltd	Industrial gases	**40.0**	40.0	**19,440**	18,928
Albany Woolstores Pty Ltd	Wool handling	**35.0**	35.0	**-**	-
Australian Railroad Group Pty Ltd	Rail freight	**-**	50.0	**215,705**	228,447
Bengalla Agricultural Company Pty Ltd	Dairy farming	**40.0**	40.0	**32**	104
Bengalla Coal Sales Company Pty Limited	Coal mining	**40.0**	40.0	**-**	-
Bengalla Mining Company Pty Limited	Coal mining	**40.0**	40.0	**-**	-
Bunnings Warehouse Property Trust	Property investment	**22.6**	22.6	**12,479**	11,441
Gresham Partners Group Limited	Investment banking	**50.0**	50.0	**25,632**	18,967
Gresham Private Equity Fund 1	Private equity fund	**50.6**	50.6	**13,420**	4,991
Gresham Private Equity Fund No. 2	Private equity fund	**67.4**	67.4	**1,581**	311
Oversea & General Stevedoring Co Pty Limited	Investment	**50.0**	50.0	**11**	9
Queensland Nitrates Management Pty Ltd	Chemical manufacture	**50.0**	50.0	**-**	-
Queensland Nitrates Pty Ltd	Chemical manufacture	**50.0**	50.0	**40,992**	40,044
Unigas	LP gas distribution	**50.0**	50.0	**85,174**	74,147
Wespine Industries Pty Ltd	Pine sawmillers	**50.0**	50.0	**39,678**	38,943
				454,144	436,332

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 amounts to 67.4%, it is not a controlled entity as the consolidated entity does not have the capacity to dominate decision-making in relation to its financial and operating policies. Such control requires a unitholders' resolution of 75% of votes pursuant to the Fund's trust deed.

Each of the above entities is incorporated in Australia.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

14 INVESTMENTS IN ASSOCIATES (continued)

SHARE OF PROFIT/LOSS		SHARE OF ASSETS		SHARE OF LIABILITIES		CARRYING AMOUNT	
2006 %	2005 %	2006 %	2005 %	2006 %	2005 %	2006 %	2005 %
4,008	3,521	**11,483**	11,681	**6,821**	6,712	**4,661**	4,101
-	-	**670**	670	**294**	294	**376**	376
11,344	12,849	**-**	483,055	**-**	298,539	**-**	184,516
(42)	14	**563**	700	**816**	911	**(253)**	(211)
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**-**	-	**-**	-
17,021	18,076	**155,351**	138,789	**51,415**	43,611	**103,936**	95,178
2,266	3,324	**41,925**	46,039	**13,702**	22,711	**28,223**	23,328
11,717	5,915	**36,287**	57,816	**242**	288	**30,625**	36,399
(1,630)	(2,693)	**36,028**	21,546	**838**	1,349	**35,190**	20,198
865	637	**493**	488	**5**	8	**6,000**	6,000
-	-	**-**	-	**-**	-	**-**	-
3,088	3,862	**121,787**	122,346	**89,659**	92,486	**32,128**	29,860
1,431	1,193	**15,401**	16,461	**7,417**	6,605	**7,984**	9,856
6,830	6,830	**32,955**	32,916	**22,695**	24,486	**10,260**	8,430
56,898	53,528	**452,943**	932,507	**193,904**	498,000	**259,130**	418,031

15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Freehold land				
Cost	**186,394**	167,911	**1,137**	1,051
Accumulated impairment		-	**-**	-
Net carrying amount	**186,394**	167,911	**1,137**	1,051
Net carrying amount at beginning of year	**167,911**	134,817	**1,051**	1,051
Additions	**28,158**	53,562		-
Transfers	**(4,112)**	(15,766)	**104**	-
Disposals	**(2,665)**	(4,620)	**(18)**	-
Exchange differences	**(2,898)**	(82)	**-**	-
Net carrying amount at end of year	**186,394**	167,911	**1,137**	1,051
Assets in course of construction included above	**66,983**	71,147	**-**	-
Buildings				
Cost	**378,698**	296,330	**3,132**	3,195
Accumulated depreciation and impairment	**(85,458)**	(67,859)	**(1,338)**	(1,372)
Net carrying amount	**293,240**	228,471	**1,794**	1,823
Net carrying amount at beginning of year	**228,471**	182,359	**1,823**	1,929
Additions	**98,631**	54,922	**-**	-
Transfers	**(15,987)**	8,991	**50**	-
Disposals	**(1,068)**	(5,969)	**(33)**	-
Acquisitions of controlled entities (adjustment)	**-**	(1,095)	**-**	-
Depreciation expense	**(13,344)**	(10,603)	**(46)**	(106)
Exchange differences	**(3,463)**	(134)	**-**	-
Net carrying amount at end of year	**293,240**	228,471	**1,794**	1,823
Assets in course of construction included above	**76,113**	34,851	**-**	-

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
15 PROPERTY, PLANT AND EQUIPMENT (continued)				
Leasehold improvements				
Cost	**89,991**	120,030	**1,864**	1,864
Accumulated depreciation and impairment	**(29,454)**	(24,484)	**(344)**	(309)
Net carrying amount	**60,537**	95,546	**1,520**	1,555
Net carrying amount at beginning of year	**95,546**	46,846	**1,555**	1,026
Additions	**41,457**	35,828	**-**	553
Transfers	**(71,514)**	16,104	**-**	-
Disposals	**(156)**	(185)	**-**	-
Depreciation expense	**(4,668)**	(3,047)	**(35)**	(24)
Exchange differences	**(128)**	-	**-**	-
Net carrying amount at end of year	**60,537**	95,546	**1,520**	1,555
Assets in course of construction included above	**7,470**	51,109	**-**	-
Plant, vehicles and equipment				
Cost	**2,560,052**	2,120,052	**31,707**	29,857
Accumulated depreciation and impairment	**(1,299,474)**	(1,061,742)	**(11,408)**	(10,808)
Net carrying amount	**1,260,578**	1,058,310	**20,299**	19,049
Net carrying amount at beginning of year	**1,058,310**	1,026,107	**19,049**	19,745
Additions	**391,772**	260,745	**3,248**	1,521
Transfers	**(3,652)**	(51,524)	**-**	-
Disposals	**(9,401)**	(16,308)	**(319)**	(181)
Acquisitions of controlled entities	**190**	1,516	**-**	-
Impairment charge	**(4)**	(557)	**-**	-
Depreciation expense	**(171,610)**	(161,626)	**(1,679)**	(2,036)
Exchange differences	**(5,027)**	(43)	**-**	-
Net carrying amount at end of year	**1,260,578**	1,058,310	**20,299**	19,049
Assets in course of construction included above	**239,354**	148,505	**1,221**	25
Mineral exploration and development costs				
Cost	**760,863**	509,287	**-**	-
Accumulated depreciation and impairment	**(169,981)**	(76,149)	**-**	-
Net carrying amount	**590,882**	433,138	**-**	-
Net carrying amount at beginning of year	**433,138**	217,156	**-**	-
Additions	**59,251**	60,135	**-**	-
Transfers	**192,384**	169,432	**-**	-
Disposals	**(46)**	-	**-**	-
Depreciation expense	**(93,845)**	(13,585)	**-**	-
Net carrying amount at end of year	**590,882**	433,138	**-**	-
Assets in course of construction included above	**6,182**	5,962	**-**	-
Plantations				
Net carrying amount	**4,605**	4,853	**-**	-
Net carrying amount at beginning of year	**4,853**	5,304	**-**	-
Charged to profit and loss	**(248)**	(451)	**-**	-
Net carrying amount at end of year	**4,605**	4,853	**-**	-
Total				
Cost	**3,980,603**	3,218,463	**37,840**	35,967
Accumulated depreciation and impairment	**(1,584,367)**	(1,230,234)	**(13,090)**	(12,489)
Net carrying amount	**2,396,236**	1,988,229	**24,750**	23,478

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

16 GOODWILL

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Cost	**1,473,231**	1,469,282	-	-
Accumulated impairment	**(3,019)**	(3,016)	-	-
Net carrying amount	**1,470,212**	1,466,266	-	-
Net carrying amount at beginning of year	**1,466,266**	1,473,090	-	-
Additions	**2,351**	2,382	-	-
Disposals	-	(6,190)		
Acquisitions of controlled entities	**1,598**	-	-	-
Impairment charge	**(3)**	(3,016)	-	-
Net carrying amount at end of year	**1,470,212**	1,466,266	-	-
Allocation of goodwill to cash generating units				
Carrying amount of goodwill				
Home improvement segment	**845,525**	843,177	-	-
Industrial and safety segment	**439,055**	439,055	-	-
Insurance segment	**173,670**	172,072	-	-
Other	**11,962**	11,962	-	-
	1,470,212	1,466,266	-	-

Key assumptions used in value in use calculations

The recoverable amount of the cash generating units have been determined based on value in use calculations using cash flow projections based on business corporate plans approved by senior management covering a five year period. These plans have been adjusted to exclude the costs and benefits of expansion capital, and have been prepared in the understanding that many actual outcomes will differ from assumptions used in the calculations.

Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below, which are based on management estimates taking into past historical performance and expected long-term operating conditions. The growth rates do not exceed the long term average growth rate for the business in which the cash generating unit operates. Discount rates are based on a risk-free rate (using the 10-year swap rate) plus risk weightings for various risks, such as technical, industry, country, political, currency, supplier and social risk. Other assumptions are consistent with external sources of information and use consistent and conservative estimates for such variables as terminal cash flow multiples.

The valuations have been prepared for the purpose of ensuring that the cash generating units' carrying amounts do not exceed their recoverable amount and do not purport to be a market valuation of the relevant business operations.

Management believes that any reasonably possible change in the key assumptions below would not cause the carrying amount of any cash generating units to exceed their recoverable amount.

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000
Home improvement segment		
Discount rate	**8.8%**	8.6%
Growth rate beyond five year financial plan	**3.0%**	3.0%
Cost inflation rate	**3.0%**	3.0%
Cash flow multiple for calculation of terminal value	**5**	5

Other key assumptions include retail sales and trade sales inflation rates (which are based on past experience) and the programme for store upgrades (which are based on management projections and are consistent with past experience).

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
16 GOODWILL (continued)				
Key assumptions used in value in use calculations (continued)				
Industrial and safety segment				
Discount rate	**8.8%**	8.6%		
Growth rate beyond five year financial plan	**3.0%**	3.0%		
Cost inflation rate	**3.0%**	2.5%		
Cash flow multiple for calculation of terminal value	**5**	5		
Other key assumptions include sales growth rates and stock turnover rates (which are based on past experience) and gross margin change (which are based on management projections and are consistent with past experience).				
Insurance segment				
Discount rate	**8.8%**	8.6%		
Growth rate beyond five year financial plan	**3.0%**	3.0%		
Cost inflation rate	**3.0%**	3.0%		
Cash flow multiple for calculation of terminal value	**5**	5		
Other key assumptions include gross written premium growth (which are based on industry projections and management strategies) and the gross and net earned loss ratios (which are based on long term historical claims experience).				
17 TRADE AND OTHER PAYABLES				
Current				
Trade payables	**752,908**	777,024	**5,817**	21,355
Related party payables				
Subsidiaries	**-**	-	**10,980**	2,472,081
	752,908	777,024	**16,797**	2,493,436
Non-current				
Other creditors and accruals	**4,352**	15,204	**-**	-
18 INTEREST-BEARING LOANS AND BORROWINGS				
Current				
Secured				
Bank loans	**5,706**	4,810	**-**	-
Unsecured				
Bank loans	**92,587**	138,537	**-**	27,000
Commercial paper	**122,141**	94,309	**81,358**	71,343
Bank bills	**149,787**	230,102	**149,787**	230,102
Bank overdrafts	**6,931**	6,808	**-**	-
Corporate bonds	**90,000**	100,000	**90,000**	100,000
Other loans	**886**	340	**-**	-
	468,038	574,906	**321,145**	428,445

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
18 INTEREST-BEARING LOANS AND BORROWINGS (continued)				
Non-current				
Secured				
Bank loans	**-**	1,376	**-**	-
Unsecured				
Bank bills	**464,748**	520,686	**464,748**	520,686
Corporate bonds	**606,370**	699,659	**606,370**	699,659
Other loans	**3,757**	3,383	**-**	-
	1,074,875	1,225,104	**1,071,118**	1,220,345

Secured loans

Specific and floating charges over the assets of Wesfarmers Kleenheat Elpiji Limited.

Terms and conditions

Secured bank loans have a term of less than one year and an effective interest rate, as at 30 June 2006, of 10.2% per annum, payable semi-annually. The loans are denominated in Bangladeshi taka (BDT).

The balance of bank loans are denominated in New Zealand Dollars (NZD) or Australian Dollars (AUD) and have an average rate at 30 June 2006 of 7.0% and an average term to maturity of less than one year. The NZD loan can be drawn on an overnight basis or for terms of up to six months and had an average effective interest rate as at 30 June 2006 of 7.6% per annum.

Commercial paper issued as at 30 June 2006 is denominated in AUD and NZD and is drawn under a number of standby facilities with maturities of up to eleven months and an average maturity of seven months. The effective interest rates on the commercial paper on issue as at 30 June 2006 ranged from 5.7% to 7.5% with an average rate of 6.4% per annum.

Bank bills are drawn under facilities with maturities ranging from four months to two and a half years with an average term of thirteen months. The bills drawn as at 30 June 2006 had effective interest rates ranging from 5.0% to 6.7% and an average of 5.9% per annum.

Bank overdrafts had an average rate of 6.8% as at 30 June 2006.

Corporate bonds have maturities ranging from January 2007 to March 2009, with an average maturity of 1.9 years. Effective interest rates range from 6.1% to 6.5% with an average of 6.3% per annum.

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Financing facilities available				
Total facilities				
Bank loans	**110,801**	154,134	**-**	30,000
Commercial paper	**300,000**	300,000	**250,000**	250,000
Bank bills	**1,330,000**	1,280,000	**1,330,000**	1,280,000
Bank overdrafts	**13,189**	14,200	**5,000**	5,000
	1,753,990	1,748,334	**1,585,000**	1,565,000
Facilities used at balance date				
Bank loans	**96,927**	143,065	**-**	27,000
Commercial paper	**122,900**	95,000	**82,000**	72,000
Bank bills	**618,000**	754,000	**618,000**	754,000
Bank overdrafts	**6,931**	6,808	**-**	-
	844,758	998,873	**700,000**	853,000
Facilities unused at balance date				
Bank loans	**13,874**	11,069	**-**	3,000
Commercial paper	**177,100**	205,000	**168,000**	178,000
Bank bills	**712,000**	526,000	**712,000**	526,000
Bank overdrafts	**6,258**	7,392	**5,000**	5,000
	909,232	749,461	**885,000**	712,000
Total facilities	**1,753,990**	1,748,334	**1,585,000**	1,565,000
Facilities used at balance date	**844,758**	998,873	**700,000**	853,000
Facilities unused at balance date	**909,232**	749,461	**885,000**	712,000

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
19 PROVISIONS				
Employee benefits				
Current	**124,849**	137,146	**5,882**	24,758
Non-current	**44,777**	34,843	**9,846**	7,333
	169,626	171,989	**15,728**	32,091
Mine and plant rehabilitation				
Current	**12,725**	10,856	**-**	-
Non-current	**197,340**	187,388	**-**	-
	210,065	198,244	**-**	-
At beginning of year	**198,244**	177,308	**-**	-
Arising during year	**22,226**	25,193	**-**	-
Utilised	**(10,947)**	(4,388)	**-**	-
Discount rate adjustment	**542**	131	**-**	-
At end of year	**210,065**	198,244	**-**	-
Restructuring and make good				
Current	**3,546**	25,860	**-**	-
Non-current	**16,661**	6,120	**-**	-
	20,207	31,980	**-**	-
At beginning of year	**31,980**	45,698	**-**	-
Arising during year	**2,337**	682	**-**	-
Utilised	**(11,746)**	(14,158)	**-**	-
Discount rate adjustment	**(2,410)**	(314)	**-**	-
Exchange differences	**46**	72	**-**	-
At end of year	**20,207**	31,980	**-**	-
Total provisions				
Current	**141,120**	173,862	**5,882**	24,758
Non-current	**258,778**	228,351	**9,846**	7,333
	399,898	402,213	**15,728**	32,091

Mine and plant rehabilitation

In accordance with mining lease agreements and Wesfarmers Group policies, obligations exist to remediate areas where mining and manufacturing activity has taken place. Work is ongoing at various sites and in some cases will extend over periods beyond 20 years. Provisions have generally been calculated assuming current technologies and using discount rates of between 0.6% and 6.0%. Discount rates at the low end of the range have been used for minesite rehabilitation reflecting a conservative approach to the assessment of liabilities.

Restructuring and make good

These provisions relate principally to the closure of retail outlets within the Home Improvement division. Provisions are carried in respect of stores where steps have been taken to implement the restructuring plan, including discussions with affected personnel. Provisions have been calculated using discount rates of between 9.5% and 10.0%.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
20 INSURANCE LIABILITIES				
Unearned insurance premiums				
Current	**499,613**	524,062	**10,766**	8,930
At beginning of year	**524,062**	541,831	**8,930**	5,286
Deferral of premium on contracts written during year	**499,613**	524,062	**10,766**	8,930
Earning of premiums deferred in prior years	**(524,062)**	(541,831)	**(8,930)**	(5,286)
At end of year	**499,613**	524,062	**10,766**	8,930
Outstanding insurance claims				
Current	**374,304**	312,518	**19,996**	9,104
Non-current	**225,417**	195,245	**-**	-
	599,721	507,763	**19,996**	9,104
Total				
Current	**873,917**	836,580	**30,762**	18,034
Non-current	**225,417**	195,245	**-**	-
	1,099,334	1,031,825	**30,762**	18,034
Outstanding insurance claims				
Gross central estimate of outstanding claims liabilities	**588,365**	496,407		
Discount to present value	**(51,737)**	(42,836)		
Claim handling expenses	**23,827**	19,938		
Risk margin	**39,266**	34,254		
Liability for outstanding claims	**599,721**	507,763		

The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimate for each class. The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency between 85% and 90%. The probability of adequacy at 30 June 2006 is approximately 85% which is within the Group's internal target range of 85% to 90%.

The risk margin included in net outstanding claims is 13.1% of the central estimate (2005: 12.1%). The discount rate used is 5.9% (2005: 5.2% to 5.5%).

	CONSOLIDATED			
	GROSS $000	REINSURANCE $000	2006 NET $000	2005 NET $000
Movement in outstanding insurance claims				
At beginning of year	**507,763**	**(201,340)**	**306,423**	250,472
Incurred claims recognised in profit and loss	**797,143**	**(348,241)**	**448,902**	412,160
Net claim payments	**(705,814)**	**272,743**	**(433,071)**	(356,209)
Other	**629**	**-**	**629**	-
At end of year	**599,721**	**(276,838)**	**322,883**	306,423

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

20 INSURANCE LIABILITIES (continued)

Claims development table

The following table shows the development of the estimated ultimate incurred cost for the public liability and workers compensation classes of business in Australia for the five most recent accident years. The estimated ultimate incurred cost at each point in time consists of the payments to date plus the actuarial estimate of outstanding claims. The subsequent components in the table provide a breakdown of the current estimate of ultimate incurred cost between payments to date and the various components of the outstanding claims liability.

	CONSOLIDATED ACCIDENT YEAR						
	Prior $000	2002 $000	2003 $000	2004 $000	2005 $000	2006 $000	Total $000
Ultimate claims cost estimate							
At end of accident year	-	15,533	42,970	49,680	54,246	63,124	225,553
One year later	-	32,531	42,748	45,298	52,253	-	172,830
Two years later	-	32,760	39,700	43,256	-	-	115,716
Three years later	-	33,106	39,733	-	-	-	72,839
Four years later	-	32,105	-	-	-	-	32,105
Current estimate of ultimate claims cost	6,287	32,105	39,733	43,256	52,253	63,124	236,758
Cumulative payments	-	(23,016)	(22,549)	(17,861)	(15,518)	(7,534)	(86,478)
Undiscounted central estimate	6,287	9,089	17,184	25,395	36,735	55,590	150,280
Discount to present value	(917)	(1,537)	(2,937)	(4,203)	(6,070)	(9,133)	(24,797)
Deferred premium	-	-	-	-	-	-	-
Discounted central estimate	5,370	7,552	14,247	21,192	30,665	46,457	125,483
Claims handling expense	359	574	1,035	1,429	2,009	3,058	8,464
Risk margin	1,101	1,574	2,711	3,868	5,581	8,437	23,272
Net outstanding claims liabilities	6,830	9,700	17,993	26,489	38,255	57,952	157,219
Reinsurance recoveries on outstanding claims liabilities and other recoveries	5,368	4,350	15,786	9,886	9,605	13,724	58,719
Gross outstanding claims liabilities	12,198	14,050	33,779	36,375	47,860	71,676	215,938

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recovery bases to give the most meaningful insight into the impact on the income statement.

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
21 OTHER LIABILITIES				
Coal rebates payable				
Current	**122,426**	77,751	**-**	-
Non-current	**41,418**	39,461	**-**	-
	163,844	117,212	**-**	-
Deferred coal revenue				
Current	**2,188**	2,209	**-**	-
Non-current	**15,609**	22,397	**-**	-
	17,797	24,606	**-**	-
Total				
Current	**124,614**	79,960	**-**	-
Non-current	**57,027**	61,858	**-**	-
	181,641	141,818	**-**	-

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
22 CONTRIBUTED EQUITY				
Ordinary shares	1,901,522	1,901,164	1,895,261	1,895,261
Employee shares	(159,492)	(215,354)	(152,002)	(204,512)
	1,742,030	1,685,810	1,743,259	1,690,749

All ordinary shares are fully paid.

Shares issued to employees under the share loan plan referred to in note 34 (termed as "employee reserved shares") are fully paid via a limited recourse loan to the employee from the parent and a subsidiary, and as such the arrangement is accounted for as in-substance options. Loans are repaid from dividends declared, capital returns and cash repayments. Once the loan is repaid in full the employee reserved shares are converted to unrestricted ordinary shares.

Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares (including employee reserved shares) carry one vote per share and carry the right to dividends.

	THOUSANDS	$'000	THOUSANDS	$'000
Movement in ordinary shares on issue				
At 1 July 2004	376,354	2,214,772	376,354	2,208,869
Employee reserved shares issued 3 December 2004 at $38.17 per share	1,688	64,433	1,688	64,433
Return of capital - $1 per share on 2 March 2005	-	(378,041)	-	(378,041)
At 1 July 2005	**378,042**	**1,901,164**	**378,042**	**1,895,261**
Adjustment in relation to 2001 ownership simplification plan	**-**	**358**	**-**	**-**
At 30 June 2006	**378,042**	**1,901,522**	**378,042**	**1,895,261**
Movement in employee reserved shares on issue				
At 1 July 2004	14,325	281,428	14,039	273,661
Exercise of in-substance options	(5,519)	(98,040)	(5,429)	(95,791)
Dividends applied	-	(18,411)	-	(17,947)
Return of capital - $1 per share on 2 March 2005	-	(11,545)	-	(11,150)
Issued 3 December 2004 at $38.17 per share	1,688	64,433	1,522	58,083
Foreign currency translation adjustment	-	136	-	-
Long term incentives applied	-	(2,632)	-	(2,329)
Other movement	-	(15)	-	(15)
At 1 July 2005	**10,494**	**215,354**	**10,132**	**204,512**
Exercise of in-substance options	**(2,270)**	**(36,496)**	**(2,206)**	**(35,022)**
Dividends applied	**-**	**(18,173)**	**-**	**(17,488)**
Foreign currency translation adjustment	**-**	**(1,193)**	**-**	**-**
At 30 June 2006	**8,224**	**159,492**	**7,926**	**152,002**

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

23 RESERVES

	CONSOLIDATED						PARENT		
	RESTRUCTURE TAX RESERVE $000	CAPITAL RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	HEDGING RESERVE $000	AVAILABLE FOR SALE RESERVE $000	TOTAL $000	RESTRUCTURE TAX RESERVE $000	HEDGING RESERVE $000	TOTAL $000
Balance at 1 July 2004	128,168	24,170	3,530	-	-	155,868	128,168	-	128,168
Tax losses in relation to the 2001 simplification plan	(17,225)	-	-	-	-	(17,225)	(17,225)	-	(17,225)
Currency translation differences	-	-	2,176	-	-	2,176	-	-	-
Other	-	(53)	-	-	-	(53)	-	-	-
Balance at 30 June 2005	110,943	24,117	5,706	-	-	140,766	110,943	-	110,943
Application of AASB 132 and AASB 139	**-**	**-**	**-**	**77,109**	**11,066**	**88,175**	**-**	**(2,032)**	**(2,032)**
Tax losses in relation to the 2001 simplification plan	**(481)**	**-**	**-**	**-**	**-**	**(481)**	**(481)**	**-**	**(481)**
Currency translation differences	**-**	**-**	**(8,171)**	**-**	**-**	**(8,171)**	**-**	**-**	**-**
Remeasurement of financial instruments - gross	**-**	**-**	**-**	**21,326**	**(837)**	**20,489**	**-**	**3,771**	**3,771**
Tax effect of remeasurement	**-**	**-**	**-**	**(6,398)**	**251**	**(6,147)**	**-**	**(1,131)**	**(1,131)**
Transfer to net profit - gross	**-**	**-**	**-**	**(61,724)**	**(1,722)**	**(63,446)**	**-**	**196**	**196**
Tax effect of transfer to net profit	**-**	**-**	**-**	**18,517**	**517**	**19,034**	**-**	**(59)**	**(59)**
Transfer to inventory and other assets - gross	**-**	**-**	**-**	**(286)**	**-**	**(286)**	**-**	**-**	**-**
Tax effect of transfer to inventory and other assets	**-**	**-**	**-**	**86**	**-**	**86**	**-**	**-**	**-**
Balance at 30 June 2006	**110,462**	**24,117**	**(2,465)**	**48,630**	**9,275**	**190,019**	**110,462**	**745**	**111,207**

Nature and purpose of reserves

Restructure tax reserve

The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 ownership simplification plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.

Capital reserve

The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.

Hedging reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Available for sale reserve

This reserve records fair value changes on available for sale investments.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
24 MINORITY INTERESTS				
Interest in:				
Contributed equity	**-**	-	**-**	-
Reserves	**3**	3	**-**	-
Retained earnings	**49**	49	**-**	-
	52	52	**-**	-

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans, bank accepted bills, commercial paper, corporate bonds, finance leases and hire purchase contracts, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations or to invest surplus funds. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow int
of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to limit the Group's exposure to adverse fluctuations in interest rates which could erode Group profitability and adversely affect shareholder value. To manage the interest rate exposure, the Group generally enters into vanilla interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2006, after taking into account the effect of interest rate swaps and natural hedges, approximately 47.2% of the Group's borrowings are exposed to movements in variable rates.

Foreign currency risk

The Group's policy is to protect the Group from currency fluctuations together with maintaining the integrity of business decisions and protecting the competitive position of the Group's activities.

As a result of operations in New Zealand, the Group's balance sheet can be affected by movements in the NZD/AUD exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in NZD.

The Group's primary currency exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 12.8% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 10.5% of purchases are denominated in currencies other than the unit's functional currency.

The Group requires all its operating units hedge foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. The operating units are not required to enter into a hedging instrument if doing so would place them at a competitive disadvantage. The hedging instrument must be in the same currency as the hedged item.

It is the Group's policy not to hedge foreign exchange exposures until a firm commitment is in place or highly probable forecast transactions have been identified.

It is the Group's policy to transact hedge derivatives that match the terms of the hedged item to maximise hedge effectiveness.

At 30 June 2006, the Group had hedged approximately 50.0% (over 5 years) of its foreign currency sales for which firm commitments or highly probably forecast transactions existed at the balance sheet date. These hedge contracts extend out to June 2011.

The parent company transacts all hedges of sales and purchases on a back-to-back basis with external contracts with banks being exactly offset by internal contracts with the relevant subsidiaries. The effect of this is that there is minimal foreign exchange exposure in the parent company. From a Group perspective the internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial instruments (continued)

Commodity price risk

The Group's exposure to commodity price risk is minimal, other than coal price. The Group is exposed to coal price risk in its coal mining operations, which in turn impacts upon the liability for coal rebates payable as indicated in note 2(d). Excluding the foreign exchange component referred to above, this exposure is not hedged as coal is not a traded commodity on a market exchange.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans/bank accepted bills, commercial paper, corporate bonds, overnight money market, finance leases and hire purchase contracts. At 30 June 2006, 32.8% of the Group's debt will mature in less than one year (2005: 33.0%).

Insurance contracts

The financial condition and operation of the Group are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the Group's policies and procedures in respect of managing these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Group has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short term variability is, to some extent, a feature of insurance business.

In accordance with Prudential Standards GPS 220 Risk Management for General Insurers and GPS 230 Reinsurance Arrangements for General Insurers issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management of the Group have developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Group's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Group has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS.

The RMS and REMS have been approved by both the Board and APRA. Key aspects of the processes established in the RMS to mitigate risks include:

- the maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time;
- the use of actuarial models based on historical data to calculate premiums and monitor claims patterns;
- the setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk;
- the monitoring of natural disasters such as earthquakes, floods, storms and other catastrophes. Exposure to such risks is monitored using catastrophe models;
- the use of reinsurance to limit the Group's exposure to large single claims and accumulation of claims that arise from the same event;
- the monitoring of a reinsurers' credit risk policy to control exposure to reinsurance counter party default;
- the management of assets and liabilities is closely monitored to attempt to match the expected pattern of claims payments with the maturity dates of assets; and
- the reduction in variability in loss experience through diversification over classes of insurance business and geographical segments.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance contracts (continued)

Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

Concentration of insurance risk

The Group's exposure is diversified across classes of business with risk spread across Australia and New Zealand. Specific processes for monitoring identified concentrations are set out below:

Risk	*Source of concentration*	*Risk management measures*
• An accumulation of risks arising from a natural peril	• Insured property concentrations	• Accumulation risk modelling, reinsurance protection
• A large property loss	• Fire or collapse affecting one building or a group of adjacent buildings	• Maximum acceptance limits, property risk grading, reinsurance protection
• Inclusion of multiple classes of casualty business in the one event	• Response by a multitude of the Group's policies to the one event, for example a construction liability and professional indemnity policy	• Purchase of reinsurance clash

Financial risk

Interest rate risk

The Group is exposed to interest rate risk arising on interest bearing assets. The Group manages some of its exposure to this risk by entering into a fixed/floating interest rate swaps which fix the interest rate that the Group receives on some of its investments. This provides a partial hedge against corresponding movements in the fair value of the insurance liabilities which are affected by movements in the risk free rate.

Credit risk

The credit risk on financial assets of the Group is generally the carrying amount, net of any provisions for doubtful debts. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counterparty. The Group does not expect any counterparties to fail to meet their obligations and therefore does not require collateral or other security to support credit risk exposures.

Market risk

The Group takes in exposure to market risk including fair value, interest rate and price risk. Market risks arise from open positions in interest rate products which are exposed to general and specific market movements. The market risks that the Group primarily faces are interest rate risk, due to the nature of its investments and liabilities.

Liquidity risk

The Group is exposed to daily calls on its available cash resources from policy claims. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Group manages this risk by holding its investment portfolio in short term, interest bearing securities, which can be liquidated at short notice.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

26 FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

Market values have been used to determine the fair value of listed available-for-sale investments. The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of loan notes and other financial assets have been calculated using market interest rates.

		CARRYING AMOUNT		FAIR VALUE	
	Note	**2006 $000**	2005 $000	**2006 $000**	2005 $000
CONSOLIDATED					
Financial assets					
Cash	8	**90,046**	83,846	**90,046**	83,846
Trade receivables	9	**710,857**	716,390	**710,857**	716,390
Finance advances and loans	9	**90,394**	91,632	**90,394**	91,632
Other debtors	9	**101,419**	97,021	**101,419**	97,021
Insurance bank bills receivable	11	**559,055**	534,598	**559,055**	534,598
Available for sale investments	12	**5,755**	11,092	**5,755**	12,807
Loans to associates	14	**20,083**	21,433	**20,083**	21,433
Forward currency contracts		**73,669**	-	**73,669**	132,697
Interest rate swaps		**1,762**	-	**1,762**	1,826
Financial liabilities					
Bank overdraft	18	**6,931**	6,808	**6,931**	6,808
Trade payables	17	**752,908**	777,024	**752,908**	777,024
Other creditors and accruals	17	**4,352**	15,204	**4,352**	15,204
Coal rebate payable	21	**163,844**	117,212	**163,844**	117,212
Interest bearing loans and borrowings:					
Secured bank loans	18	**5,706**	6,186	**5,706**	6,186
Unsecured bank loans	18	**92,587**	138,537	**92,587**	138,537
Commercial paper	18	**122,141**	94,309	**122,141**	94,309
Bank bills	18	**614,535**	750,788	**614,535**	750,788
Corporate bonds	18	**696,370**	799,659	**696,370**	805,469
Other loans	18	**4,643**	3,723	**4,643**	3,723
Forward currency contracts		**5,142**	-	**5,142**	12,026
Interest rate swaps		**6,995**	-	**6,995**	3,226

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	Note	CARRYING AMOUNT 2006 $000	CARRYING AMOUNT 2005 $000	FAIR VALUE 2006 $000	FAIR VALUE 2005 $000
26 FINANCIAL INSTRUMENTS (continued)					
Fair values (continued)					
PARENT					
Financial assets					
Cash	8	**33,292**	27,601	**33,292**	27,601
Trade receivables	9	**5,466**	8,146	**5,466**	8,146
Other debtors	9	**6**	19	**6**	19
Loans to controlled entities	13	**43**	1,469,120	**43**	1,469,120
Forward currency contracts - external		**73,669**	-	**73,669**	132,697
Forward currency contracts - internal back-to-back		**5,142**	-	**5,142**	12,026
Interest rate swaps		**1,762**	-	**1,762**	984
Financial liabilities					
Trade payables	17	**5,817**	21,355	**5,817**	21,355
Loans from subsidiaries	17	**10,980**	2,472,081	**10,980**	2,472,081
Interest bearing loans and borrowings:					
Unsecured bank loans	18	**-**	27,000	**-**	27,000
Commercial paper	18	**81,358**	71,343	**81,358**	71,343
Bank bills	18	**614,535**	750,788	**614,535**	750,788
Corporate bonds	18	**696,370**	799,659	**696,370**	805,469
Forward currency contracts - external		**5,142**	-	**5,142**	12,026
Forward currency contracts - internal back-to-back		**73,669**	-	**73,667**	132,697
Interest rate swaps		**3,971**	-	**3,971**	3,226

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	< 1 YEAR $'000	>1-<2 YEARS $'000	>2-<3 YEARS $'000	>3-<4 YEARS $'000	>4-<5 YEARS $'000	>5 YEARS $'000	TOTAL $000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %
CONSOLIDATED								
Year ended 30 June 2006								
Financial assets								
Fixed rate								
Finance advances and loans	**90,394**	**-**	**-**	**-**	**-**	**-**	**90,394**	**18.74**
Loans to associates	**-**	**20,083**	**-**	**-**	**-**	**-**	**20,083**	**7.00**
Weighted average effective interest rate	**18.74**	**7.00**	**-**	**-**	**-**	**-**	**16.61**	
Floating rate								
Insurance deposits	**559,055**	**-**	**-**	**-**	**-**	**-**	**559,055**	**5.69**
Cash assets	**57,246**	**-**	**-**	**-**	**-**	**-**	**57,246**	**4.10**
Weighted average effective interest rate	**5.54**	**-**	**-**	**-**	**-**	**-**	**5.54**	

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

26 FINANCIAL INSTRUMENTS (continued)

	< 1 YEAR $'000	>1-<2 YEARS $'000	>2-<3 YEARS $'000	>3-<4 YEARS $'000	>4-<5 YEARS $'000	>5 YEARS $'000	TOTAL $000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %
Interest rate risk (continued)								
CONSOLIDATED								
Year ended 30 June 2006 (continued)								
Financial liabilities								
Fixed rate								
Commercial paper	**50,000**	**-**	**30,000**	**-**	**-**	**-**	**80,000**	**5.84**
Bank bills	**50,000**	**155,000**	**50,000**	**-**	**-**	**-**	**255,000**	**5.85**
Weighted average effective interest rate	**5.46**	**6.11**	**5.83**	**-**	**-**	**-**	**5.85**	
Floating rate								
Bank overdraft	**6,931**	**-**	**-**	**-**	**-**	**-**	**6,931**	**6.70**
Secured bank loan	**5,706**	**-**	**-**	**-**	**-**	**-**	**5,706**	**9.81**
Unsecured bank loan	**92,587**	**-**	**-**	**-**	**-**	**-**	**92,587**	**7.56**
Commercial paper	**42,141**	**-**	**-**	**-**	**-**	**-**	**42,141**	**7.48**
Bank bills	**99,787**	**-**	**259,748**	**-**	**-**	**-**	**359,535**	**5.95**
Corporate bonds	**90,000**	**399,774**	**206,596**	**-**	**-**	**-**	**696,370**	**6.34**
Weighted average effective interest rate	**6.72**	**6.36**	**6.15**	**-**	**-**	**-**	**6.38**	
Year ended 30 June 2005								
Financial assets								
Fixed rate								
Finance advances and loans	91,632	-	-	-	-	-	91,632	19.75
Loans to associates	-	-	21,433	-	-	-	21,433	7.00
Weighted average effective interest rate	19.75	-	7.00	-	-	-	17.33	
Floating rate								
Insurance deposits	534,598	-	-	-	-	-	534,598	5.67
Cash assets	56,815	-	-	-	-	-	56,815	3.40
Weighted average effective interest rate	5.45	-	-	-	-	-	5.45	
Financial liabilities								
Fixed rate								
Commercial paper	-	35,672	-	35,672	-	-	71,344	5.45
Bank bills	230,000	64,328	80,000	44,328	-	-	418,656	6.01
Weighted average effective interest rate	5.91	5.46	6.65	5.83	-	-	5.93	
Floating rate								
Bank overdraft	6,808	-	-	-	-	-	6,808	6.00
Secured bank loan	6,186	-	-	-	-	-	6,186	9.32
Unsecured bank loan	138,537	-	-	-	-	-	138,537	6.84
Commercial paper	22,965	-	-	-	-	-	22,965	7.06
Bank bills	101,755	-	230,377	-	-	-	332,132	5.90
Corporate bonds	100,000	90,000	399,659	210,000	-	-	799,659	6.08
Weighted average effective interest rate	6.44	6.04	6.01	6.08	-	-	6.15	

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

26 FINANCIAL INSTRUMENTS (continued)

	< 1 YEAR $'000	>1-<2 YEARS $'000	>2-<3 YEARS $'000	>3-<4 YEARS $'000	>4-<5 YEARS $'000	>5 YEARS $'000	TOTAL $000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %
Interest rate risk (continued)								
PARENT								
Year ended 30 June 2006 (continued)								
Financial assets								
Floating rate								
Cash assets	**33,286**	**-**	**-**	**-**	**-**	**-**	**33,286**	**5.54**
Weighted average effective interest rate	**5.54**	**-**	**-**	**-**	**-**	**-**	**5.54**	
Financial liabilities								
Fixed rate								
Commercial paper	**50,000**	**-**	**30,000**	**-**	**-**	**-**	**80,000**	**5.84**
Bank bills	**50,000**	**155,000**	**50,000**	**-**	**-**	**-**	**255,000**	**5.85**
Weighted average effective interest rate	**5.46**	**6.11**	**5.84**	**-**	**-**	**-**	**5.85**	
Floating rate								
Commercial paper	**1,358**	**-**	**-**	**-**	**-**	**-**	**1,358**	**5.88**
Bank bills	**99,787**	**-**	**259,748**	**-**	**-**	**-**	**359,535**	**5.95**
Corporate bonds	**90,000**	**399,774**	**206,596**	**-**	**-**	**-**	**696,370**	**6.34**
Weighted average effective interest rate	**6.04**	**6.36**	**6.15**	**-**	**-**	**-**	**6.21**	
Year ended 30 June 2005								
Financial assets								
Floating rate								
Cash assets	27,595	-	-	-	-	-	27,595	5.30
Weighted average effective interest rate	5.30	-	-	-	-	-	5.30	
Financial liabilities								
Fixed rate								
Commercial paper	-	35,672	-	35,672	-	-	71,344	5.45
Bank bills	230,000	64,328	80,000	44,328	-	-	418,656	6.01
Weighted average effective interest rate	5.91	5.46	6.65	5.83	-	-	5.93	
Floating rate								
Unsecured bank loan	27,000	-	-	-	-	-	27,000	5.75
Bank bills	101,755	-	230,377	-	-	-	332,132	5.90
Corporate bonds	100,000	90,000	399,659	210,000	-	-	799,659	6.08
Weighted average effective interest rate	6.00	6.04	6.01	6.08	-	-	6.02	

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. Other financial instruments of the Group and parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk. Effective interest rate recognises the impact of interest rate swaps.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

26 FINANCIAL INSTRUMENTS (continued)

Hedging activities

Foreign exchange contracts

Cash flow hedges

At 30 June 2006, the Group held forward exchange contracts designated as hedges of future sales or purchases for which the Group either has firm commitments in place or has identified highly probable forecast transactions. The objective of using the foreign currency contracts is to hedge the exposure to the variability in AUD cash flows attributable to movements in the forward exchange rate in relation to the committed or forecast sales or purchases.

The terms of the forward currency contracts have been negotiated to match the terms of the underlying hedged items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in the foreign exchange rates.

Details of the outstanding contracts as at 30 June 2006 are as follows:

(i) Forward contracts to hedge expected future sales
USD1,066.8 million AUD/USD = 0.7009

The forward sales contracts relate mainly to USD coal and LPG sales and have maturities out to June 2011.

(ii) Forward contracts to hedge expected future purchases
Contracts for the sale of AUD
USD81.5 million @ AUD/USD = 0.7434
GBP0.3 million @ AUD/GBP = 0.3994
EUR12.5 million @ AUD/EUR = 0.6086
JPY141.3 million @ AUD/JPY = 84.10
Contracts for the sale of NZD
USD1.1 million @ NZD/USD = 0.6248

The forward purchase contracts relate mainly to capital expenditure or the purchase of inventory and have maturities out to August 2007.

The parent company transacts all hedges of sales and purchases on a back-to-back basis with external contracts with banks being exactly offset by internal contracts with the relevant subsidiaries. The effect of this is that there is minimal foreign exchange exposure in the parent company. From a Group perspective the internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Interest rate swap contracts

Cash flow hedges

As at 30 June 2006 the Group held Australian Dollar vanilla receive floating / pay fixed interest rate swaps with notional principal amounts totalling A$335 million and an average fixed rate of 5.8%. In addition the Group held New Zealand vanilla receive floating / pay fixed interest rate swaps with notional principal amounts totalling NZ$30 million and an average fixed rate of 7.3%.

These Australian Dollar swaps are designated as hedges against floating rate bank bill or commercial paper debt. The objective of using the swap contracts is to hedge the exposure to the variability in AUD cash flows attributable to movements in the three month BBSW rate (reference rate) in relation to the borrowings. The cash flows being hedged (the interest payments) are considered to be highly probable forecast transactions. The hedges are expected to be highly effective in offsetting the changes in these cash flows.

These New Zealand Dollar swaps are designated as hedges against floating rate term loan debt. The objective of using the swap contracts is to hedge the exposure to the variability in NZD cash flows attributable to movements in the benchmark BKBM rate (reference rate) in relation to the borrowings. The cash flows being hedged (the interest payments) are considered to be highly probable forecast transactions. The hedges are expected to be highly effective in offsetting the changes in these cash flows.

Fair value hedges

As at 30 June 2006 the Group held four vanilla receive fixed / pay floating interest rate swaps with notional principal amounts totalling $360 million, an average fixed rate of 6.1% and an average floating rate of 6.3%.

These swaps are being used to hedge the exposure to changes in the fair value of its fixed rate corporate bonds ($150 million @ 6.2% maturing August 2007 and $210 million @ 6.0% maturing March 2009).

The objective of using the swap contracts is to hedge the exposure to changes in the fair value of the corporate bonds (a recognised liability) attributable to changes in fixed interest rates. The bonds and interest rate swaps have the same critical terms and the hedges are, therefore, expected to be highly effective in offsetting changes in the value of the bonds.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
27 COMMITMENTS AND CONTINGENCIES				
Operating lease commitments - Group as lessee				
The Group has entered into commercial leases on buildings, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings the lease terms range from one year to 25 years and have various renewal options, termination rights and residual liability clauses.				
Future minimum rental payable under non-cancellable operating leases as at 30 June are as follows:				
Within one year	**183,404**	183,849	**1,991**	1,708
Within one year but not more than five years	**514,175**	491,293	**5,790**	115
More than five years	**262,537**	262,009	**-**	-
	960,116	937,151	**7,781**	1,823
Other commitments				
Commitments arising from contracts for capital expenditure contracted for at balance date but not provided for:				
Due within one year	**115,563**	45,328	**-**	-
Commitments arising from agreements to invest in Gresham Private Equity Fund No. 2 contracted for at balance date but not provided for:				
Due within one year	**30,000**	30,000	**-**	-
Within one year but not more than five years	**78,644**	95,000	**-**	-

Contingencies

The Group is undergoing a review by the Australian Taxation Office of the implementation of the taxation consolidation rules

Since 2004 the Group has utilised approximately $370 million of these losses against taxable gains, resulting in an increase in the restructure tax reserve of $110 million and a reduction in tax payable of an equivalent amount. Based on independent expert legal advice management believes that the Group's treatment is correct and will prevail. Should this not be the case, an indeterminable amount of the capital losses previously recognised would be reversed resulting in the payment of income tax and a decrease in the restructure tax reserve. Such an amount could only be determined once the matter is resolved. The only impact on profit and loss of such an outcome would be the expensing of any penalties which may arise.

28 EVENTS AFTER THE BALANCE SHEET DATE

A dividend of 150 cents per share resulting in a dividend payment of $567.1 million was declared on 15 August 2006 for payment on 4 September 2006.

On 5 September 2006 the Group announced an intention to make a conditional cash offer of $4.50 per share for the entire issued capital of OAMPS Ltd ("OAMPS"), an insurance broking and underwriting company listed in Australia. If successful the offer will involve payment of approximately $700 million to OAMPS shareholders. As at 11 September 2006 the Group had a relevant interest in 16.22 per cent of the ordinary shares in OAMPS.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

29 INTEREST IN JOINTLY CONTROLLED ASSETS

The Group has the following interests in joint ventures in Australia:

JOINT VENTURE	PRINCIPAL ACTIVITY	INTEREST 2006 %	INTEREST 2005 %
Sodium Cyanide JV	Sodium cyanide manufacture	75	75
Bengalla JV	Coal mining	40	40
Kwinana Industrial Gases JV	Nitrogen manufacture	40	40

The share of the assets, liabilities, revenue and expenses of the jointly controlled assets, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
ASSETS				
Current assets				
Cash and cash equivalents	**7,473**	3,585	**-**	-
Trade and other receivables	**3,421**	8,965	**-**	-
Inventories	**23,827**	15,086	**-**	-
Other	**2,455**	2,032	**-**	-
Total current assets	**37,176**	29,668	**-**	-
Non-current assets				
Property, plant and equipment	**228,680**	229,331	**-**	-
Other non-current assets	**15**	15	**-**	-
Total non-current assets	**228,695**	229,346	**-**	-
Total assets	**265,871**	259,014	**-**	-
LIABILITIES				
Current liabilities				
Trade and other payables	**14,277**	9,797	**-**	-
Total current liabilities	**14,277**	9,797	**-**	-
Non-current liabilities				
Borrowings	**1,170**	1,471	**-**	-
Other non-current liabilities	**13,583**	9,964	**-**	-
Total non-current liabilities	**14,753**	11,435	**-**	-
Revenue	**207,192**	169,306	**-**	-
Costs of sales	**(140,052)**	(110,945)	**-**	-
Administrative expenses	**(13,910)**	(11,394)	**-**	-
Profit before income tax	**53,230**	46,967	**-**	-
Income tax expense	**(15,969)**	(14,090)	**-**	-
Net profit	**37,261**	32,877	**-**	-

There were no material capital commitments associated with the joint ventures. There were no impairment losses in the jointly controlled assets.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

30 SUBSIDIARIES

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

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST 2006 %	BENEFICIAL INTEREST 2005 %
Aben Pty Ltd	Australia	AUD	**100**	100
A.C.N. 003 921 873 Pty Limited	Australia	AUD	**100**	100
A.C.N. 082 931 486 Pty Ltd	Australia	AUD	**100**	100
A.C.N. 112 719 918 Pty Ltd	Australia	AUD	**100**	100
Australian Gold Reagents Pty Ltd	Australia	AUD	**75**	75
BBC Hardware Limited +	Australia	AUD	**100**	100
BBC Hardware Properties (NSW) Pty Ltd	Australia	AUD	**100**	100
BBC Hardware Properties (Vic) Pty Ltd	Australia	AUD	**100**	100
Bunnings (Northern Territory) Pty Ltd	Australia	AUD	**100**	100
Bunnings Group Limited (formerly Bunnings Pty Ltd) +	Australia	AUD	**100**	100
Bunnings Limited #	New Zealand	NZD	**100**	100
Bunnings Management Services Pty Ltd	Australia	AUD	**100**	100
Bunnings Manufacturing Pty Ltd	Australia	AUD	**100**	100
Bunnings Properties Pty Ltd	Australia	AUD	**100**	100
Bunnings Property Management Limited	Australia	AUD	**100**	100
Bunnings Pulp Mill Pty Ltd	Australia	AUD	**100**	100
C S Holdings Pty Limited +	Australia	AUD	**100**	100
Campbells Hardware & Timber Pty Limited	Australia	AUD	**100**	100
Chemical Holdings Kwinana Pty Ltd +	Australia	AUD	**100**	100
Co-operative Wholesale Services Ltd	Australia	AUD	**100**	100
Credit Management Pty Ltd	Australia	AUD	**100**	100
CSBP Ammonia Terminal Pty Ltd	Australia	AUD	**100**	100
CSBP Limited +	Australia	AUD	**100**	100
Cuming Smith and Company Limited +	Australia	AUD	**100**	100
Curragh Coal Sales Co Pty Ltd	Australia	AUD	**100**	100
Curragh Queensland Mining Pty Ltd	Australia	AUD	**100**	100
Dairy Properties Co-operative Limited	Australia	AUD	**100**	100
Eastfarmers Pty Ltd	Australia	AUD	**100**	100
Edward Lumley & Sons (Vic) Proprietary Limited	Australia	AUD	**100**	100
ELH Services Limited #	United Kingdom	GBP	**100**	100
ELOL Limited #	United Kingdom	GBP	**100**	100
Energy Generation Pty Ltd +	Australia	AUD	**100**	100
FIF Investments Pty Limited	Australia	AUD	**100**	100
FPT (Australia) Pty Limited	Australia	AUD	**100**	100
GPML Pty Ltd	Australia	AUD	**100**	100
HouseWorks Co Pty Ltd +	Australia	AUD	**100**	100
Howard Smith Limited +	Australia	AUD	**100**	100
Howard Smith Nominees Pty Limited	Australia	AUD	**100**	100
Ibert Pty Limited	Australia	AUD	**100**	100
J Blackwood & Son Limited +	Australia	AUD	**100**	100
J Blackwood & Son Steel & Metals Pty Ltd	Australia	AUD	**100**	100
Kleenheat Autogas Pty Ltd	Australia	AUD	**100**	100
Kleenheat Gas House Franchising Pty Ltd	Australia	AUD	**100**	100
Koukia Pty Limited	Australia	AUD	**85**	70
Kwinana Nitrogen Company Proprietary Limited	Australia	AUD	**100**	100
Loggia Pty Ltd +	Australia	AUD	**100**	100

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

30 SUBSIDIARIES (continued)

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST 2006 %	2005 %
Lumley Corporation Pty Limited	Australia	AUD	**100**	100
Lumley Finance Limited	Australia	AUD	**100**	100
Lumley Finance (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley General Insurance Limited	Australia	AUD	**100**	100
Lumley General Insurance (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Insurance Group Limited	Australia	AUD	**100**	100
Lumley Investments (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Life (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Management Services Pty Limited	Australia	AUD	**100**	100
Lumley Risk Consultants Ltd	Australia	AUD	**100**	100
Lumley Securities Limited	Australia	AUD	**100**	100
Lumley Services (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Superannuation Pty Limited	Australia	AUD	**100**	100
Lumley Technology (India) Pte Limited #	India	AUD	**100**	100
Lumley Technology Limited	Australia	AUD	**100**	100
Lumley Technology (NZ) Limited # *	New Zealand	NZD	**-**	100
Mandate Management Consultants Pty Ltd	Australia	AUD	**100**	100
Millars (WA) Pty Ltd	Australia	AUD	**100**	100
Motion Industries Pty Ltd	Australia	AUD	**100**	100
NEGF Power Management Pty Ltd	Australia	AUD	**100**	100
NEGF Power Sales Pty Ltd	Australia	AUD	**100**	100
NZ Finance Holdings Pty Limited #	New Zealand	NZD	**100**	100
Packaging House Limited #	New Zealand	NZD	**100**	100
Pailou Pty Ltd +	Australia	AUD	**100**	100
Parks Insurance Pty Ltd @	Australia	AUD	**100**	-
Patrick Operations Pty Ltd	Australia	AUD	**100**	100
Petersen Bros Pty Ltd	Australia	AUD	**100**	100
Powertrain Pty Limited	Australia	AUD	**100**	100
Premier Power Sales Pty Ltd (formerly Wesfarmers Coal Superannuation Pty Ltd)	Australia	AUD	**100**	100
Protector Alsafe Pty Ltd (formerly Alsafe Safety Industries Pty Limited) +	Australia	AUD	**100**	100
R & N Palmer Pty Ltd	Australia	AUD	**100**	100
SBS Rural IAMA Pty Limited	Australia	AUD	**100**	100
Sellers (SA) Pty Ltd	Australia	AUD	**100**	100
Share Nominees Limited	Australia	AUD	**100**	100
Sotico Pty Ltd	Australia	AUD	**100**	100
StateWest Power Pty Ltd	Australia	AUD	**100**	100
The Builders Warehouse Group Pty Limited	Australia	AUD	**100**	100
The Franked Income Fund	Australia	AUD	**100**	100
Torque Underwriting Pty Ltd	Australia	AUD	**100**	100
Ucone Pty Ltd +	Australia	AUD	**100**	100
Valley Investments Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Agribusiness Limited +	Australia	AUD	**100**	100
Wesfarmers Bangladesh Gas Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Bengalla Limited +	Australia	AUD	**100**	100
Wesfarmers Bunnings Limited +	Australia	AUD	**100**	100
Wesfarmers Char Pty Ltd (formerly Wesfarmers Coal (Indonesia) Pty Ltd)	Australia	AUD	**100**	100

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

30 SUBSIDIARIES (continued)

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST 2006 %	2005 %
Wesfarmers Curragh Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Energy Limited +	Australia	AUD	**100**	100
Wesfarmers Energy (Gas Sales) Limited (formerly Bunnings Chip Mill Pty Ltd) +	Australia	AUD	**100**	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Federation Insurance Limited	Australia	AUD	**100**	100
Wesfarmers Fertilizers Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Finance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Gas Limited +	Australia	AUD	**100**	100
Wesfarmers Holdings Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Industrial & Safety Holdings NZ Limited #	New Zealand	NZD	**100**	100
Wesfarmers Industrial & Safety NZ Limited #	New Zealand	NZD	**100**	100
Wesfarmers Industrial & Safety Pty Ltd (formerly Danlan Pty Limited)	Australia	AUD	**100**	100
Wesfarmers Insurance Investments Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Insurance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Investments Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Kleenheat Elpiji Limited <	Bangladesh	BDT	**55**	55
Wesfarmers Kleenheat Gas Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers LNG Pty Ltd	Australia	AUD	**100**	100
Wesfarmers LPG Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Premier Coal Limited +	Australia	AUD	**100**	100
Wesfarmers Private Equity Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Provident Fund Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Queensland Coal Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Railroad Holdings Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Resources Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Retail Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Risk Management Limited #	Bermuda	AUD	**100**	100
Wesfarmers Securities Management Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Sugar Company Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Superannuation Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Transport Indonesia Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Transport Limited +	Australia	AUD	**100**	100
Weskem Pty Ltd	Australia	AUD	**100**	100
West Africa Power Company Pty Ltd	Australia	AUD	**100**	100
Westralian Farmers Co-operative Limited	Australia	AUD	**100**	100
Westralian Farmers Superphosphates Limited +	Australia	AUD	**100**	100
WFCL Investments Pty Ltd	Australia	AUD	**100**	100
Wyper Brothers Pty Limited	Australia	AUD	**100**	100
XCC (Retail) Pty Ltd	Australia	AUD	**100**	100

@ Entity acquired during the year.
* Entity deregistered or liquidated during the year.
\# Audited by firms of Ernst & Young International.
< Audited by other firms of accountants.
\+ An approved deed of cross guarantee in accordance with the ASIC Class Order 98/1418 (as amended) has been entered into by Wesfarmers Limited and these entities. Refer note 31 for further details.

Wesfarmers Limited, incorporated in Australia, is the ultimate Australian parent entity and the ultimate parent of the Group.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

31 DEEDS OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, the subsidiaries identified with a "+" in note 30 (with the exception of C S Holdings Pty Limited, Loggia Pty Ltd and Pailou Pty Ltd, which are small proprietary companies) are relieved from the requirements of the Corporations Act 2001 relating to the preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, the subsidiaries identified with a "+" in note 30 and Wesfarmers Limited ("Closed Group") entered into a Deed of Cross Guarantee on 27 June 2006 ("New Deed"). The effect of the New Deed is that each of the parties to the New Deed has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

Each of the companies in the Closed Group, together with the following small proprietary companies, were previously parties to a Deed of Cross Guarantee dated 23 June 1992 ("Previous Deed"):

Bunnings Management Services Pty Ltd
Bunnings Properties Pty Ltd
Credit Management Pty Ltd
Eastfarmers Pty Ltd
Millars (WA) Pty Ltd
Premier Power Sales Pty Ltd
R & N Palmer Pty Ltd
Sotico Pty Ltd
Wesfarmers Char Pty Ltd
Wesfarmers Provident Fund Pty Ltd
Wesfarmers Superannuation Pty Ltd

On 29 June 2006 Revocation Deeds in respect of the Previous Deed were lodged with the Australian Securities and Investments Commission. All of the companies that were parties to the Previous Deed will be released from their obligations under the Previous Deed provided none of the parties to the Previous Deed is wound up and no winding up of any of those parties is commenced within six months after the date of lodgement of the Revocation Deeds.

The consolidated income statement and balance sheet of the entities that are members of the Closed Group are as follows:

	NEW DEED 2006 $000	PREVIOUS DEED 2005 $000
Consolidated income statement		
Profit from continuing operations before income tax	**1,346,637**	983,848
Income tax expense	**(269,710)**	(214,787)
Net profit for year	**1,076,927**	769,061
Retained earnings at beginning of year	**710,592**	489,753
Adjustment for companies transferred into/(out of) Closed Group	**(59,411)**	(1,613)
Total available for appropriation	**1,728,108**	1,257,201
Dividends provided for or paid	**(725,842)**	(546,609)
Retained earnings at end of year	**1,002,266**	710,592

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

31 DEEDS OF CROSS GUARANTEE (continued)

	NEW DEED 2006 $000	PREVIOUS DEED 2005 $000
Consolidated balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	83,574	56,231
Trade and other receivables	612,517	790,112
Inventories	1,035,708	1,029,858
Derivatives	43,776	-
Other insurance assets	-	-
Total current assets	1,775,575	1,876,201
Non-current assets		
Receivables	9,996	662
Available-for-sale investments	2,990,084	3,003,949
Other financial assets	131,828	2,532
Investment in associates	109,464	107,846
Deferred tax assets	87,697	97,012
Property, plant and equipment	2,186,167	1,804,653
Intangible assets and goodwill	1,302,535	1,284,523
Derivatives	31,655	-
Total non-current assets	6,849,426	6,301,177
Total assets	8,625,001	8,177,378
LIABILITIES		
Current liabilities		
Trade and other payables	606,920	3,053,177
Interest-bearing loans and borrowings	3,026,682	587,182
Income tax payable	235,864	101,378
Provisions	120,296	153,057
Derivatives	3,288	-
Insurance liabilities	19,996	-
Other	124,614	98,156
Total current liabilities	4,137,660	3,992,950
Non-current liabilities		
Payables	3,323	9,623
Interest-bearing loans and borrowings	1,055,419	1,221,722
Deferred tax liabilities	179,462	138,497
Provisions	253,352	220,985
Derivatives	1,650	-
Insurance liabilities	-	-
Other	57,027	61,858
Total non-current liabilities	1,550,233	1,652,685
Total liabilities	5,687,893	5,645,635
Net assets	2,937,108	2,531,743
EQUITY		
Contributed equity	1,901,522	1,901,164
Employee reserved shares	(152,002)	(204,512)
Retained earnings	1,002,266	710,592
Reserves	185,322	124,499
Total equity	2,937,108	2,531,743

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
32 RELATED PARTY TRANSACTIONS				
Subsidiaries				
Dividends received	-	-	**1,007,749**	630,896
Insurance premiums received	-	-	**13,068**	11,369
Interest received	-	-	**8,825**	9,999
Operating lease rent received	-	-	**581**	504
Purchases of coal	-	-	**93,882**	82,618
Bad and doubtful debts	-	-	-	10,541
Loans receivable	-	-	**1,344,316**	2,188,267
Provisions for doubtful debts	-	-	**(9,081)**	(10,541)
Loans payable	-	-	**10,980**	2,472,081
Current tax payable	-	-	**322,604**	289,715
Foreign exchange hedge receivables	-	-	**5,142**	-
Foreign exchange hedge payables	-	-	**73,669**	-
Associates				
Management fees received	**8,922**	6,356	**2,551**	1,709
Profit on sale of rental properties	**1,552**	3,568	-	-
Operating lease rent paid	**57,736**	51,346	**241**	37
Investment advisory fees paid	**4,069**	298	**4,069**	298
Loans receivable	**20,083**	21,433	-	-

Subsidiaries

Transactions by the parent entity within the wholly-owned Group include investments in subsidiaries, and loans made and received with subsidiaries, which are generally on interest-free terms and repayable on demand. Some loans, however, carry a commercial rate of interest.

In addition the parent entity purchases coal from a subsidiary, rents office premises to another subsidiary, and incurs and recovers costs and charges in relation to various minor expenditure in the normal course of business and on normal terms and conditions. The parent entity also enters into back-to-back hedging contracts with subsidiaries and associates.

Associates

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd, Australian Railroad Group Pty Ltd and Bunnings Warehouse Property Trust, to the consolidated entity on normal commercial terms and conditions for staff and other services provided to the associates.

Rent for retail warehouses has been paid by the consolidated entity to an associated entity, the Bunnings Warehouse Property Trust. During the year the Trust acquired rental properties from the consolidated entity and gains were made on disposal, a portion of which was eliminated in the consolidated accounts under equity accounting.

Investment advisory services have been provided by Gresham Partners Group Limited to the consolidated entity.

A loan has been made to an associated entity, Queensland Nitrates Pty Ltd. The loan is subordinated to a syndicate of project financing banks and is neither repayable nor interest-bearing until a number of financial covenants have been achieved.

Other minor loans have also been made to associates.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
33 AUDITOR'S REMUNERATION				
The auditor of Wesfarmers Limited is Ernst & Young.				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated Group	**2,303**	1,876	**667**	534
- other services in relation to the entity and any other entity in the consolidated Group				
- tax compliance	**399**	721	**387**	630
- application for government tax concessions	**154**	203	**111**	167
- corporate finance advice	**1,445**	-	**1,445**	-
- assurance related	**213**	59	**7**	-
- special audits required by regulators	**60**	139	**-**	-
- other	**65**	114	**65**	141
	4,639	3,112	**2,682**	1,472
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
- an audit or review of the financial report of subsidiaries	**325**	261	**-**	-
- other services in relation to the entity and any other entity in the consolidated Group				
- tax compliance	**54**	163	**-**	54
- other	**-**	12	**-**	16
	379	436	**-**	70
Amounts received or due and receivable by non Ernst & Young audit firms for:				
- an audit or review of the financial report of subsidiaries	**2**	13	**-**	-
	5,020	3,561	**2,682**	1,542

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

34 SHARE BASED PAYMENT PLANS

The Group operates three share based payment plans.

Wesfarmers Employee Share Plan ("WESP")

The WESP was approved by shareholders in April 1985, with the last issue under the Plan being made in December 2004. Under the Plan all permanent employees over 18 years of age continuously employed by the Group for a minimum period of one year were invited annually to apply for a specified number of fully paid ordinary shares in the Company, funded by a limited-recourse interest-free loan from the Group.

Under the Plan shares were allotted at the weighted average price of Wesfarmers Limited shares posted on the Australian Stock Exchange one week up to and including the day of allotment. The shares are not subject to any specific vesting conditions.

The employee's obligation for repayment of the loans is limited to the dividends declared and capital returns by the Company and in the event the employee ceases employment, the market price achieved on the sale of the shares held as security by the Company for the loans.

The Plan is accounted for as an in-substance option plan, with the contractual life of each option equivalent to the estimated loan life and no maximum term. Repayment of the loan constitutes exercise of the option, with the exercise price being the remaining loan balance per share.

This treatment requires the balance of the employee share loan plan receivable asset to be derecognised and recognised as employee reserved shares against contributed equity, and diluted earnings per share has been adjusted accordingly. No adjustment was made to retained earnings or to recognise a deferred compensation expense, as a result of the exemption available in AASB 1 for option issues which fully vest prior to 1 January 2005. There was no impact on profit and loss for the current or prior financial year arising from this plan.

The following table sets out the number and weighted average exercise prices ("WAEP") of and movements in in-substance share options during the year:

	2006		2005	
	NUMBER THOUSANDS	**WAEP**	NUMBER THOUSANDS	WAEP
Outstanding and exercisable at beginning of year	**10,494**	**$20.52**	14,325	$19.65
Granted during year	**-**	**-**	1,688	$38.17
Exercised during year	**(2,270)**	**$16.08**	(5,519)	$17.76
Outstanding and exercisable at the end of year	**8,224**	**$19.39**	10,494	$20.52
Weighted average share price for Wesfarmers Limited		**$37.12**		$35.93
The average exercise prices (after reductions for dividends paid, returns of capital and voluntary payments) for in-substance options issued during the following years ended 30 June are:				
1997		**$0.58**		$1.12
1998		**$0.88**		$1.69
1999		**$1.20**		$3.00
2000		**$7.09**		$8.98
2001		**$20.55**		$22.43
2002		**$18.63**		$20.59
2003		**$21.23**		$23.27
2004		**$34.34**		$36.67

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

34 SHARE BASED PAYMENT PLANS (continued)

Wesfarmers Long Term Incentive Plan ("WLTIP")

The WLTIP was introduced in September 2005 with the first awards being made under the plan in the current financial year. Under the plan senior employees are invited to receive fully paid ordinary shares in the company subject to the achievement of a performance hurdle based on the Group achieving a benchmark return on equity performance against a comparative group of companies. Eligibility is dependant upon an in-service period and being a permanent employee.

Shares may either be acquired on-market by the Group or issued by the parent. During the current financial year shares were acquired on-market, with the cost being expensed over the vesting period from the plan commencement date in September 2005 to the allocation date of 1 December 2005. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares acquired on-market.

The impact on the profit and loss is set out in note 4.

	CONSOLIDATED		PARENT	
	2006	2005	**2006**	2005
Shares acquired under the plan	**278,540**	-	**93,503**	-
Cost per share	**$35.96**	-	**$35.96**	-

Wesfarmers Employee Share Ownership Plan ("WESOP")

The WESOP was also introduced in September 2005 with the first awards being made under the plan in the current financial year. Under the plan all employees other than those participating in the WLTIP are invited to receive $1,000 of fully paid ordinary shares in the Company subject to the achievement of a performance hurdle based on the Group achieving a benchmark return on equity performance against a comparative group of companies. Eligibility is dependant upon an in-service period and being a permanent employee.

The Plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 13A of the Income Tax Assessment Act 1936 (as amended) for Australian resident employees.

Shares may either be acquired on-market by the Group or issued by the parent. During the current financial year shares were acquired on-market, with the cost being expensed over the vesting period from the plan commencement date in September 2005 to the allocation date of 1 December 2005. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares acquired on-market.

The impact on the profit and loss is set out in note 4.

	CONSOLIDATED		PARENT	
	2006	2005	**2006**	2005
Shares acquired under the Plan	**467,650**	-	**1,485**	-
Cost per share	**$35.96**	-	**$35.96**	-

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

35 PENSION PLAN

The Group operates a defined benefit pension plan as a component part of the Wesfarmers Superannuation Fund, which is primarily an accumulation plan.

The Fund has accumulation members and pensioners. Pensioners are former members of the defined benefit plan who chose not to convert to accumulation members when the defined benefit component was closed to new members from 1 July 2002. All new members receive accumulation only benefits. The Group has a legal liability to make up a deficit in the plan but no legal right to benefit from any surplus in the plan.

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	**42,395**	34,214	**42,395**	34,214
Interest cost	**2,051**	1,950	**2,051**	1,950
Current service cost	**50**	4	**50**	4
Benefits paid	**(2,400)**	(2,370)	**(2,400)**	(2,370)
Actuarial (gains)/losses	**(4,552)**	8,597	**(4,552)**	8,597
Taxes paid on contributions	**(984)**	-	**(984)**	-
Closing defined benefit obligation	**36,560**	42,395	**36,560**	42,395
Changes in the fair value of the defined benefits portion of plan assets are as follows:				
Opening fair value of plan assets	**35,840**	34,234	**35,840**	34,234
Expected return	**1,770**	1,928	**1,770**	1,928
Contributions by employer	**6,556**	-	**6,556**	-
Taxes paid on contributions	**(984)**	-	**(984)**	-
Benefits paid	**(2,400)**	(2,370)	**(2,400)**	(2,370)
Actuarial gains	**1,040**	2,048	**1,040**	2,048
Closing fair value of plan assets	**41,822**	35,840	**41,822**	35,840
The fair value of fund assets do not include amounts relating to the Group's own financial instruments nor any property or other assets used by the Group.				
Net benefit surplus/expense recognised in profit and loss:				
Current service cost	**50**	4	**50**	4
Interest cost	**2,051**	1,950	**2,051**	1,950
Expected return on plan assets	**(1,770)**	(1,928)	**(1,770)**	(1,928)
Net actuarial (gains)/losses	**(5,592)**	6,549	**(5,592)**	6,549
Defined benefit plan (surplus)/expense	**(5,261)**	6,575	**(5,261)**	6,575
Benefit asset/liability recognised in the balance sheets:				
Defined benefit obligation	**(36,560)**	(42,395)	**(36,560)**	(42,395)
Fair value of plan assets	**41,822**	35,840	**41,822**	35,840
Net benefit asset/(liability)	**5,262**	(6,555)	**5,262**	(6,555)
The principal actuarial assumptions used in determining pension benefit obligations are:				
Discount rate	**5.82%**	5.10%	**5.82%**	5.10%
Expected rate of return on fund assets	**N/A**	5.11%	**N/A**	5.11%
Expected pension increase rate	**2.50%**	2.50%	**2.50%**	2.50%

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

36 DIRECTOR AND EXECUTIVE DISCLOSURES

Details of non-executive directors and Key Management Personnel during the years ended 30 June 2005 and 2006

Non-executive directors

C B Carter
P A Cross
T R Eastwood (Chairman)
R L Every - appointed 14 February 2006
T J Flügge - resigned 3 July 2006
L A Giglia
J P Graham
R D Lester
C Macek
D C White

Executive directors

M A Chaney - retired 12 July 2005
R J B Goyder
D A Robb - resigned 8 September 2006
G T Tilbrook

Executives

T M Bowen, Managing Director, Industrial and Safety Division - appointed 24 October 2005
R J Buckley, Managing Director, Insurance Division
P J C Davis, Managing Director, Home Improvement Division - until 10 August 2004
R M Denby, Managing Director, Industrial and Safety Division - resigned 30 November 2005
J C Gillam, Managing Director, Home Improvement Division - appointed 10 August 2004
K D Gordon, Managing Director, Chemicals and Fertilisers Division - appointed 10 August 2004

Compensation of non-executive directors and Key Management Personnel

The Company has applied the exemption in relation to compensation policy disclosures under Corporations Regulations 2001 (as amended) which exempt listed companies from providing compensation disclosures in relation to their Key Management Personnel in their annual financial reports normally required by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in sections 1-7 (excluding Table 1(b)) of the Remuneration Report on pages 131 to 142 of this annual report designated as audited and forming part of the Directors' Report.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

36 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Compensation of non-executive directors and Key Management Personnel (continued)

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Short-term	**8,968**	12,844	**8,894**	12,784
Post employment	**2,630**	2,399	**2,630**	2,399
Other long-term	**-**	-	**-**	-
Termination benefits	**785**	-	**785**	-
Share-based payment	**2,043**	2,190	**2,043**	2,190
	14,426	17,433	**14,352**	17,373

Holdings of equity instruments in Wesfarmers Limited of non-executive directors and Key Management Personnel and their related parties

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION	ON EXERCISE OF IN-SUBSTANCE OPTIONS	NET CHANGE OTHER	BALANCE AT END OF YEAR
Shares - 30 June 2006					
Non-executive directors					
C B Carter	4,000	-	-	-	4,000
P A Cross	2,000	-	-	1,500	3,500
T R Eastwood (Chairman)	878,694	-	-	-	878,694
R L Every	2,000	-	-	-	2,000
T J Flügge	4,417	-	-	-	4,417
L A Giglia	16,120	-	-	-	16,120
J P Graham	975,756	-	-	-	975,756
R D Lester	44,614	-	-	-	44,614
C Macek	5,000	-	-	250	5,250
D C White	40,029	-	-	5,800	45,829
Executive directors					
M A Chaney +	245,663	-	200,000	(445,663)	-
R J B Goyder	106,048	13,208	-	-	119,256
D A Robb	113,940	10,316	-	-	124,256
G T Tilbrook	142,908	10,316	-	-	153,224
Executives					
T M Bowen	-	-	-	-	-
R J Buckley	53,573	7,461	-	-	61,034
R M Denby +	300	-	30,068	(30,368)	-
J C Gillam	48,131	9,285	-	-	57,416
K D Gordon	18,271	6,231	-	-	24,502
	2,701,464	56,817	230,068	(468,481)	2,519,868

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

36 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Holdings of equity instruments in Wesfarmers Limited of non-executive directors and Key Management Personnel (continued)

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION	ON EXERCISE OF IN-SUBSTANCE OPTIONS	NET CHANGE OTHER	BALANCE AT END OF YEAR
Shares - 30 June 2005					
Non-executive directors					
C B Carter	4,000	-	-	-	4,000
P A Cross	2,000	-	-	-	2,000
T R Eastwood (Chairman)	878,694	-	-	-	878,694
T J Flügge	4,417	-	-	-	4,417
L A Giglia	16,120	-	-	-	16,120
J P Graham	982,504	-	-	(6,748)	975,756
R D Lester	44,614	-	-	-	44,614
C Macek	5,000	-	-	-	5,000
D C White	39,184	-	-	845	40,029
Executive directors					
M A Chaney	245,663	-	-	-	245,663
R J B Goyder	101,871	4,177	-	-	106,048
D A Robb	110,123	3,817	-	-	113,940
G T Tilbrook	138,866	4,042	-	-	142,908
Executives					
R J Buckley	31,216	3,143	19,714	(500)	53,573
P J C Davis +	64,010	3,044	-	(67,054)	-
R M Denby	300	-	-	-	300
J C Gillam	44,754	3,377	-	-	48,131
K D Gordon	-	-	18,271	-	18,271
	2,713,336	21,600	37,985	(73,457)	2,699,464
In-substance options under WESP - 30 June 2006					
M A Chaney + (average exercise price $12.89 per share)	**200,000**	**-**	**(200,000)**	**-**	**-**
R M Denby + (average exercise price $30.30 per share)	**30,068**	**-**	**(30,068)**	**-**	**-**
	230,068	**-**	**(230,068)**	**-**	**-**
In-substance options under WESP - 30 June 2005					
M A Chaney	200,000	-	-	-	200,000
R J Buckley (average exercise price $13.57 per share)	19,714	-	(19,714)	-	-
R M Denby	30,068	-	-	-	30,068
K D Gordon (average exercise price $15.63 per share)	18,271	-	(18,271)	-	-
	268,053	-	(37,985)	-	230,068

+ Ceased to be a Key Management Person during the year

All in-substance options were fully vested at 1 January 2005 and hence do not affect compensation in this or future reporting periods. All equity transactions with Key Management Personnel other than those arising from the exercise of employee options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

36 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Refer to note 32 in relation to transactions with Gresham Partners Group Limited, of which J P Graham is a director.

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

37 TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time adoption of AIFRS.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005. For the consolidated entity, the note also shows the impact of a change in accounting policy detailed in note 2(af).

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS restrospectively.

The Group has taken the following exemptions:

- comparative information for insurance contracts and financial instruments is prepared in accordance with AGAAP and the Company and Group have adopted revised AASB 1023 General Insurance Contracts, AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005;
- AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004;
- AASB 2 Share-based Payment has not been applied to any equity instruments that vested before 1 January 2005;
- calculation of mine and plant rehabilitation provisions and assets under UIG 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities has been calculated in accordance with AASB 1; and
- designation of financial instruments as fair value through profit and loss or as available for sale has been made at the date of transition to AIFRS under AASB 1.

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Income statement reconciliation for the year ended 30 June 2005

		CONSOLIDATED			
	Note	AGAAP $000	AIFRS IMPACT $000	CHANGE IN ACCOUNTING POLICY $000	AIFRS $000
Revenue					
Sale of goods		6,858,310	54,067	-	6,912,377
Rendering of services		1,168,010	20,725	-	1,188,735
Interest		52,776	-	-	52,776
Dividends		850	-	-	850
Other		73,989	(70,096)	-	3,893
		8,153,935	4,696	-	8,158,631
Cost of sales		(4,523,007)	8,012	(2,289)	(4,517,284)
Direct service expenses		(798,872)	532	-	(798,340)
Gross profit		2,832,056	13,240	(2,289)	2,843,007
Other income		35,817	(27,095)	-	8,722
Distribution expenses		(189,471)	-	-	(189,471)
Sales and marketing expenses		(1,222,676)	-	-	(1,222,676)
Administrative expenses		(343,229)	4,206	-	(339,023)
Other expenses		(79,366)	(3,911)	-	(83,277)
Amortisation of goodwill		(90,430)	90,430	-	-
Finance costs		(102,837)	(1,339)	-	(104,176)
Share of profits and losses of associates		40,440	13,088	-	53,528
Profit before income tax		880,304	88,619	(2,289)	966,634
Income tax expense		(261,430)	(4,729)	1,362	(264,797)
Profit after tax from continuing operations		618,874	83,890	(927)	701,837
Loss (profit) attributed to minority interest		(574)	574	-	-
Profit attributable to members of the parent		618,300	84,464	(927)	701,837
Breakdown of impact on profit after tax					
Impairment of assets including goodwill	b		489		
Write-back of goodwill amortisation	c		90,430		
Tax effect of untaxed undistributed earnings of associates	d		(8,929)		
Tax effect of fair value adjustments on acquisition	d		436		
Recognition of rehabilitation provisions	e		(1,021)		
Derecognition of pre-opening store costs	f		(2,669)		
Recognition of pension liability	g		(4,589)		
Inventory valuation adjustment	h		98		
Associate's revaluation of investment properties	l		11,267		
Other minor adjustments	m		(1,048)		
			84,464		

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

	Note	CONSOLIDATED AGAAP $000	AIFRS IMPACT $000	CHANGE IN ACCOUNTING POLICY $000	AIFRS $000
ASSETS					
Current assets					
Cash and cash equivalents		103,374	-	-	103,374
Trade and other receivables	a	1,306,186	(34,930)	-	1,271,256
Inventories	h	1,260,096	(16,592)	(79,606)	1,163,898
Other insurance assets		721,028	-	-	721,028
Total current assets		3,390,684	(51,522)	(79,606)	3,259,556
Non-current assets					
Receivables	a	330,843	(260,468)	-	70,375
Available-for-sale investments		10,602	-	-	10,602
Investment in associates	b	401,375	(1,104)	-	400,271
Deferred tax assets	e, m	65,118	35,128	-	100,246
Property, plant and equipment	b, e, f, m	1,600,052	12,538	-	1,612,590
Goodwill	b, m	1,472,724	366	-	1,473,090
Other		2	-	-	2
Total non-current assets		3,880,716	(213,540)	-	3,667,176
Total assets		7,271,400	(265,062)	(79,606)	6,926,732
LIABILITIES					
Current liabilities					
Trade and other payables	m	840,681	(4,825)	-	835,856
Interest-bearing loans and borrowings		309,822	-	-	309,822
Income tax payable		121,838	-	-	121,838
Provisions		154,894	-	-	154,894
Insurance liabilities		806,417	-	-	806,417
Total current liabilities		2,233,652	(4,825)	-	2,228,827
Non-current liabilities					
Payables		17,612	-	-	17,612
Interest-bearing loans and borrowings	m	1,302,096	3,382	-	1,305,478
Deferred tax liabilities	d, e, m	109,912	47,136	(21,081)	135,967
Provisions	e	111,058	111,735	-	222,793
Insurance liabilities		166,545	-	-	166,545
Total non-current liabilities		1,707,223	162,253	(21,081)	1,848,395
Total liabilities		3,940,875	157,428	(21,081)	4,077,222
Net assets		3,330,525	(422,490)	(58,525)	2,849,510
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	see below	2,345,633	(130,861)	-	2,214,772
Employee reserved shares	a	-	(281,428)	-	(281,428)
Retained earnings	see below	931,779	(112,909)	(58,525)	760,345
Reserves	see below	55,200	100,668	-	155,868
Minority interests	m	(2,087)	2,040	-	(47)
Total equity		3,330,525	(422,490)	(58,525)	2,849,510

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

		CONSOLIDATED			
	Note	AGAAP $000	AIFRS IMPACT $000	CHANGE IN ACCOUNTING POLICY $000	AIFRS $000
ASSETS					
Current assets					
Cash and cash equivalents		83,846	-	-	83,846
Trade and other receivables	a	1,234,508	(29,528)	-	1,204,980
Inventories	h	1,248,001	(16,459)	(81,895)	1,149,647
Other insurance assets		633,894	-	-	633,894
Total current assets		3,200,249	(45,987)	(81,895)	3,072,367
Non-current assets					
Receivables	a	270,299	(199,950)	-	70,349
Available-for-sale investments		11,092	-	-	11,092
Investment in associates	b	436,935	2,529	-	439,464
Deferred tax assets	e, g, m	57,867	47,135	-	105,002
Property, plant and equipment	b, e, f, m	1,961,395	26,834	-	1,988,229
Goodwill	b, c, m	1,376,511	89,755	-	1,466,266
Total non-current assets		4,114,099	(33,697)	-	4,080,402
TOTAL ASSETS		7,314,348	(79,684)	(81,895)	7,152,769
LIABILITIES					
Current liabilities					
Trade and other payables	m	777,525	(501)	-	777,024
Interest-bearing loans and borrowings		574,906	-	-	574,906
Income tax payable	m	98,870	197	-	99,067
Provisions	g	167,306	6,556	-	173,862
Insurance liabilities		836,580	-	-	836,580
Other		79,960	-	-	79,960
Total current liabilities		2,535,147	6,252	-	2,541,399
Non-current liabilities					
Payables		15,204	-	-	15,204
Interest-bearing loans and borrowings	m	1,221,722	3,382	-	1,225,104
Deferred tax liabilities	d, e, m	101,652	64,198	(22,443)	143,407
Provisions	e	102,501	125,850	-	228,351
Insurance liabilities		195,245	-	-	195,245
Other		61,858	-	-	61,858
Total non-current liabilities		1,698,182	193,430	(22,443)	1,869,169
Total liabilities		4,233,329	199,682	(22,443)	4,410,568
Net assets		3,081,019	(279,366)	(59,452)	2,742,201
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	see below	2,014,799	(113,635)	-	1,901,164
Employee reserved shares	a	-	(215,354)	-	(215,354)
Retained earnings	see below	1,003,470	(28,445)	(59,452)	915,573
Reserves	see below	64,409	76,357	-	140,766
Minority interests	m	(1,659)	1,711	-	52
Total equity		3,081,019	(279,366)	(59,452)	2,742,201

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Restated balance sheet on adoption of revised AASB 1023, AASB 132 and AASB 139 as at 1 July 2005

		CONSOLIDATED			
	Note	AGAAP $000	AIFRS IMPACT $000	CHANGE IN ACCOUNTING POLICY $000	AIFRS $000
ASSETS					
Current assets					
Cash and cash equivalents		83,846	-	-	83,846
Trade and other receivables		1,204,980	-	-	1,204,980
Inventories		1,149,647	-	-	1,149,647
Derivatives	i	-	69,795	-	69,795
Other insurance assets		633,894	-	-	633,894
Total current assets		3,072,367	69,795	-	3,142,162
Non-current assets					
Receivables		70,349	-	-	70,349
Available-for-sale investments	j	11,092	2,609	-	13,701
Investment in associates	i, j	439,464	3,908	-	443,372
Deferred tax assets	k	105,002	1,702	-	106,704
Property, plant and equipment		1,988,229	-	-	1,988,229
Goodwill		1,466,266	-	-	1,466,266
Derivatives	i	-	69,298	-	69,298
Total non-current assets		4,080,402	77,517	-	4,157,919
Total assets		7,152,769	147,312	-	7,300,081
LIABILITIES					
Current liabilities					
Trade and other payables		777,024	-	-	777,024
Interest-bearing loans and borrowings		574,906	-	-	574,906
Income tax payable		99,067	-	-	99,067
Provisions		173,862	-	-	173,862
Derivatives	i	-	7,700	-	7,700
Insurance liabilities	k	836,580	5,675	-	842,255
Other		79,960	-	-	79,960
Total current liabilities		2,541,399	13,375	-	2,554,774
Non-current liabilities					
Payables		15,204	-	-	15,204
Interest-bearing loans and borrowings	i	1,225,104	5,809	-	1,230,913
Deferred tax liabilities	i, j	143,407	36,113	-	179,520
Provisions		228,351	-	-	228,351
Derivatives	i	-	7,815	-	7,815
Insurance liabilities		195,245	-	-	195,245
Other		61,858	-	-	61,858
Total non-current liabilities		1,869,169	49,737	-	1,918,906
Total liabilities		4,410,568	63,112	-	4,473,680
Net assets		2,742,201	84,200	-	2,826,401
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity		1,901,164	-	-	1,901,164
Employee reserved shares		(215,354)	-	-	(215,354)
Retained earnings	k	915,573	(3,975)	-	911,598
Reserves	i, j	140,766	88,175	-	228,941
Minority interests		52	-	-	52
Total equity		2,742,201	84,200	-	2,826,401

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

	Note	CONSOLIDATED 1 JULY 2005 $000	30 JUNE 2005 $000	1 JULY 2004 $000
Breakdown of impact on contributed equity				
Reclassification of restructure tax reserve	m	-	(110,943)	(128,168)
Shortfall in employee reserved shares capital	a	-	(2,692)	(2,693)
		-	(113,635)	(130,861)
Breakdown of impact on retained earnings				
Shortfall in employee reserved shares capital written back	a	-	2,692	2,693
Impairment of assets including goodwill	b	-	(18,419)	(21,019)
Write-back of goodwill amortisation	c	-	90,430	-
Tax effect of untaxed undistributed earnings of associates	d	-	(29,953)	(21,024)
Tax effect of fair value adjustments on acquisition	d	-	(23,082)	(23,518)
Recognition of rehabilitation provisions	e	-	(56,835)	(55,486)
Derecognition of pre-opening store costs	f	-	(11,199)	(8,530)
Recognition of pension liability	g	-	(4,589)	-
Inventory valuation adjustment	h	-	(11,494)	(11,592)
Increase in insurance liabilities	k	(3,975)	-	-
Associate's revaluation of investment properties	l	-	4,701	2,384
Reclassification of asset revaluation reserve	l	-	36,449	27,500
Other minor adjustments	m	-	(7,146)	(4,317)
		(3,975)	(28,445)	(112,909)
Breakdown of impact on reserves				
Reclassification of restructure tax reserve	m	-	110,943	128,168
Reclassification of asset revaluation reserve	l	-	(36,449)	(27,500)
Adjustment to foreign currency translation reserve	b	-	1,863	-
Fair value of hedge derivatives	i	77,109	-	-
Mark-to-market available-for-sale financial assets	j	11,066	-	-
		88,175	76,357	100,668

Income statement reconciliation for the year ended 30 June 2005

	Note	PARENT AGAAP $000	AIFRS IMPACT $000	AIFRS $000
Revenue				
Sale of goods		140,812	-	140,812
Rendering of services		56,118	-	56,118
Interest		12,541	-	12,541
Dividends		630,896	-	630,896
Other		4,589	-	4,589
		844,956	-	844,956
Cost of sales		(82,618)	-	(82,618)
Direct service expenses		(56,584)	-	(56,584)
Gross profit		705,754	-	705,754
Other income	m	274	(172)	102
Administrative expenses	g, m	(53,246)	(6,556)	(59,802)
Doubtful debts		(10,541)	-	(10,541)
Finance costs		(99,108)	-	(99,108)
Profit before income tax		543,133	(6,728)	536,405
Income tax credit	g	48,234	1,966	50,200
Profit after tax from continuing operations		591,367	(4,762)	586,605

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

			PARENT	
	Note	AGAAP $000	AIFRS IMPACT $000	AIFRS $000
ASSETS				
Current assets				
Cash and cash equivalents		59,291	-	59,291
Trade and other receivables	a	2,422,910	(20,960)	2,401,950
Total current assets		2,482,201	(20,960)	2,461,241
Non-current assets				
Receivables	a	253,101	(252,701)	400
Investment in subsidiaries	m	4,418,089	(15,635)	4,402,454
Deferred tax assets	m	60,118	(52,976)	7,142
Property, plant and equipment		23,751	-	23,751
Total non-current assets		4,755,059	(321,312)	4,433,747
Total assets		7,237,260	(342,272)	6,894,988
LIABILITIES				
Current liabilities				
Trade and other payables		2,727,286	-	2,727,286
Interest-bearing loans and borrowings		219,878	-	219,878
Income tax payable		116,780	-	116,780
Provisions		17,404	-	17,404
Insurance liabilities		5,286	-	5,286
Total current liabilities		3,086,634	-	3,086,634
Non-current liabilities				
Interest-bearing loans and borrowings		1,206,445	-	1,206,445
Deferred tax liabilities	m	83,034	(68,611)	14,423
Provisions		6,276	-	6,276
Total non-current liabilities		1,295,755	(68,611)	1,227,144
Total liabilities		4,382,389	(68,611)	4,313,778
Net assets		2,854,871	(273,661)	2,581,210
EQUITY				
Contributed equity	a, m	2,339,733	(130,864)	2,208,869
Employee reserved shares	a	-	(273,661)	(273,661)
Retained earnings	a, m	457,071	60,763	517,834
Reserves	m	58,067	70,101	128,168
Total equity		2,854,871	(273,661)	2,581,210

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

	Note	PARENT AGAAP $000	AIFRS IMPACT $000	AIFRS $000
ASSETS				
Current assets				
Cash and cash equivalents		27,601	-	27,601
Trade and other receivables	a	2,206,360	(15,404)	2,190,956
Total current assets		2,233,961	(15,404)	2,218,557
Non-current assets				
Receivables	a	189,408	(189,280)	128
Investment in subsidiaries	m	4,451,216	(48,029)	4,403,187
Deferred tax assets	g, m	54,806	(42,018)	12,788
Property, plant and equipment		23,478	-	23,478
Total non-current assets		4,718,908	(279,327)	4,439,581
Total assets		6,952,869	(294,731)	6,658,138
LIABILITIES				
Current liabilities				
Trade and other payables	g	2,493,436	-	2,493,436
Interest-bearing loans and borrowings		428,445	-	428,445
Income tax payable		106,175	-	106,175
Provisions		18,202	6,556	24,758
Insurance liabilities		18,034	-	18,034
Total current liabilities		3,064,292	6,556	3,070,848
Non-current liabilities				
Interest-bearing loans and borrowings		1,220,345	-	1,220,345
Deferred tax liabilities	m	92,104	(92,013)	91
Provisions		7,333	-	7,333
Total non-current liabilities		1,319,782	(92,013)	1,227,769
Total liabilities		4,384,074	(85,457)	4,298,617
Net assets		2,568,795	(209,274)	2,359,521
EQUITY				
Contributed equity	a, m	2,008,899	(113,638)	1,895,261
Employee reserved shares	a	-	(204,512)	(204,512)
Retained earnings	a, m	501,829	56,000	557,829
Reserves	m	58,067	52,876	110,943
Total equity		2,568,795	(209,274)	2,359,521

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Restated balance sheet on adoption of AASB 132 and AASB 139 as at 1 July 2005

		PARENT		
	Note	AGAAP 1 JULY 2005 $000	AIFRS IMPACT $000	AIFRS $000
ASSETS				
Current assets				
Cash and cash equivalents		27,601	-	27,601
Trade and other receivables		2,190,956	-	2,190,956
Derivatives	i	-	77,495	77,495
Total current assets		2,218,557	77,495	2,296,052
Non-current assets				
Receivables		128	-	128
Investment in subsidiaries		4,403,187	-	4,403,187
Deferred tax assets		12,788	870	13,658
Property, plant and equipment		23,478	-	23,478
Derivatives	i	-	77,113	77,113
Total non-current assets		4,439,581	77,983	4,517,564
Total assets		6,658,138	155,478	6,813,616
LIABILITIES				
Current liabilities				
Trade and other payables		2,493,436	-	2,493,436
Interest-bearing loans and borrowings		428,445	-	428,445
Income tax payable		106,175	-	106,175
Provisions		24,758	-	24,758
Derivatives	i	-	77,495	77,495
Insurance liabilities		18,034	-	18,034
Total current liabilities		3,070,848	77,495	3,148,343
Non-current liabilities				
Interest-bearing loans and borrowings	i	1,220,345	5,809	1,226,154
Deferred tax liabilities		91	-	91
Provisions		7,333	-	7,333
Derivatives	i	-	74,206	74,206
Total non-current liabilities		1,227,769	80,015	1,307,784
Total liabilities		4,298,617	157,510	4,456,127
Net assets		2,359,521	(2,032)	2,357,489
EQUITY				
Contributed equity		1,895,261	-	1,895,261
Employee reserved shares		(204,512)	-	(204,512)
Retained earnings		557,829	-	557,829
Reserves		110,943	(2,032)	108,911
Total equity		2,359,521	(2,032)	2,357,489

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

Outlined below are the areas impacted upon adoption of AIFRS, including impact on equity and profit:

(a) Under AASB 2 Share-based Payment, the employee share loan plan arrangements have been treated as an in-substance grant of options because of the limited recourse nature of the loans. This treatment requires the balance of the employee share loan plan receivable asset to be derecognised against contributed equity, and diluted earnings per share has been adjusted accordingly. No adjustment was made to retained earnings in relation to the remuneration benefit arising from these grants, as a result of the exemption available in AASB 1 for fully vested option issues. In prior years, amounts forgiven as a result of the limited recourse nature of the loans were treated as bad debts and expensed to the income statement. Under AIFRS this treatment is reversed and the shortfall is treated as a reduction of contributed equity;

(b) Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The Group's previous accounting policy was to determine the recoverable amount of an asset on the basis of nominal cash flows. The Group's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This resulted in impairment losses being recognised under AIFRS. The adjustment represents lower amortisation and depreciation due to assets being written down on transition to AIFRS, offset by impairment losses recognised during the periods;

(c) Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Previously, the Group amortised goodwill over its useful life but not exceeding 20 years. The group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation has not been written-back as at the date of transition;

(d) Under AASB 112 Income Taxes, the Group is required to use a balance sheet liability method, rather than the previous income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This results in the recognition of a deferred tax liability in relation to the share of undistributed earnings of associated entities upon which income tax has not been paid, and a deferred tax liability in relation to fair value adjustments of assets recognised in a business combination which had not been previously tax effected;

(e) Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the Group is required to recognise as a provision an estimate of the present value of the costs to rehabilitate mining and production areas at the end of the mine life or plant life where such an obligation exists to the owner. These provisions were recognised on an incremental basis over the asset life under AGAAP. A corresponding asset has also been recognised under AIFRS in accordance with AASB 116 Property, Plant and Equipment to the extent that the asset has a remaining useful life. To the extent that either the asset has been amortised or where the asset has been acquired by the consolidated entity at fair value, the adjustment in recognising the provision has gone to retained earnings. In addition, under AASB 137, the increase in the rehabilitation provision relating to the unwinding of the discount is recognised in the income statement. These adjustments are offset by the reversal of periodic rehabilitation provisioning charged under AGAAP for the year;

(f) Under AASB 138 Intangible Assets, certain costs incurred in the pre-opening phase of a retail store development have been expensed. The Group's previous accounting policy allowed for the capitalisation of such costs in line with common industry practice. The adjustment represents lower depreciation due to capitalised costs being written off on transition to AIFRS, offset by costs incurred during the periods being fully expensed;

(g) Under AASB 119 Employee Benefits, the Group is required to recognise a liability for the net deficit on an actuarial calculation of the defined benefit component of the Wesfarmers Superannuation Fund. The Group has elected to recognise actuarial gains and losses as income or expense in the income statement, compared to the cash basis under previous AGAAP;

(h) As a result of an interpretation issued by UIG as "Guidance on Rejected Issues - Inventory Rebates and Settlement Discounts" in September 2005, the Group now reduces the purchase price of inventory for settlement discounts received, rather than recognising in full the discounts as revenue arising from a financing transaction;

Notes to the financial statements

for the year ended 30 June 2006 - Wesfarmers Limited and its controlled entities

37 TRANSITION TO AIFRS (continued)

(i) Under AASB 139 Financial Instruments: Recognition and Measurement, the Group's interest rate swap agreements and foreign exchange contracts qualify for hedge accounting, with the effective portion of the fair value movements in cash flow hedges reflected in the hedge reserve and the related hedge receivable or payable recognised as an asset or liability. For fair value hedges the carrying amount of the liability was adjusted for the loss attributable to the risk being hedged and the fair value of the hedge instrument recognised as an asset accordingly;

(j) Under AASB 139 Financial Instruments: Recognition and Measurement, the Group has used the available-for-sale classification for investments in listed shares and other investments on transition to AIFRS, including accounting for such investments through holdings by associated entities. This has resulted in those investments being restated to fair value (where appropriate through the investment in associates) and the creation of an equity reserve in the balance sheet;

(k) Under revised AASB 1023 General Insurance Contracts, the Group has conducted liability adequacy testing on a class of insurance business basis, rather than in aggregate. This has resulted in a deficiency in a particular class of business being written off to the income statement, rather than being offset by a surplus in a different class of business under the previous policy. The liability for outstanding insurance claims has been increased and retained profits, after allowing for the deferred tax asset created, has reduced accordingly;

(l) Under AASB 140 Investment Property, an associate, Bunnings Warehouse Property Trust, is required to recognise revaluations of investment properties through the income statement, rather than through a revaluation reserve as under AGAAP. This has resulted in a reclassification of the share of reserves at transition to retained earnings, and a share of revaluation increments being recognised as associate earnings in the income statement; and

(m) Other minor adjustments include a number of balance sheet reclassifications or immaterial profit items, such as:

- reclassification of the category of revenues, other income and expenses;
- derecognition of training costs capitalised in plant and equipment;
- reversal of fair value adjustments made for AGAAP purposes beyond the 12-month window in AASB 3;
- recognition of minor previously unrecognised assets and liabilities acquired under business combinations;
- derecognition of outside equity interests' share of a capital deficiency in the absence of a binding obligation and capability to cover that deficiency;
- reclassification of the benefit arising from tax losses associated with the 2001 ownership simplification plan previously disclosed as contributed equity to reserves;
- reclassification in the parent company of deferred tax assets and liabilities previously recognised for subsidiaries under tax consolidation now treated as intercompany loans;
- reclassification of the balance of asset revaluation reserve to retained profits; and
- sundry tax effect accounting adjustments.

Directors' report

Wesfarmers Limited and its controlled entities

The
conjunction with the following information:

	2006 $000	2005 $000
RESULTS AND DIVIDENDS		
Operating profit		
Profit from ordinary activities after income tax expense	**1,048,142**	701,837
Net profit attributable to outside equity interests	**-**	-
Net profit attributable to members of the parent entity	**1,048,142**	701,837
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 2006:		
(a) out of the profits for the year ended 30 June 2005 on the fully-paid ordinary shares:		
fully franked final dividend of 127 cents per share paid on 29 August 2005 as disclosed in last year's directors' report	**480,114**	
(b) out of the profits for the year ended 30 June 2006 and retained earnings on the fully-paid ordinary shares:		
(i) fully franked interim dividend of 65 cents per share paid on 8 March 2006	**245,728**	
(ii) fully franked final dividend of 150 cents per share paid on 4 September 2006	**567,063**	

Principal activities

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

- retailing of home and garden improvement products and building materials;
- coal mining and production;
- gas processing and distribution;
- insurance;
- industrial and safety product distribution;
- chemicals and fertilisers manufacture;
- rail transport; and
- investments.

The sale of the Australian Railroad Group to Babcock & Brown Limited and Queensland Rail was completed on 2 June 2006.

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

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 40 and 41.
Mr T J Flügge, who had been a non-executive director since 1998, resigned as a director on 3 July 2006. Mr D A Robb, who had been an executive director since 2004, resigned as a director on 8 September 2006.

Directors' shareholdings

Securit

	BUNNINGS WAREHOUSE PROPERTY TRUST UNITS	WESFARMERS LIMITED ORDINARY SHARES
C B Carter	-	4,000
P A Cross	-	3,500
T R Eastwood	-	878,694
R L Every	-	2,000
L A Giglia	23,386	11,516
R J B Goyder	-	112,901
J P Graham	9,334	966,959
R D Lester	-	44,614
C Macek	-	5,000
G T Tilbrook	22,779	153,224
D C White	-	9,243

Directors' report

Wesfarmers Limited and its controlled entities

Insurance and indemnification of directors and officers

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

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

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

In addition, the company's Constitution provides for the indemnity of officers of the company or its related bodies corporate from liability

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

Auditor

The company's auditor is Ernst & Young.

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

During the financial year:

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

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the Remuneration Report on pages 131 to 142 of this report.

Options

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2006 and the number of meetings attended by each director.

	BOARD		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
T R Eastwood	10	10			4	4
M A Chaney	1	1				
C B Carter	10	10			4	4
P A Cross	10	10			4	3
R L Every	3	3	1	1		
T J Flügge	10	7	8	6	4	2
L A Giglia	10	10			4	4
R J B Goyder	10	10				
J P Graham	10	10	8	8		
R D Lester	10	8	8	8		
C Macek	10	10	8	8		
D A Robb	10	10				
G T Tilbrook	10	9				
D C White	10	10	8	8		

Directors' report

Wesfarmers Limited and its controlled entities

COMPANY SECRETARIES

The qualifications and experience of each individual who was a company secretary of Wesfarmers Limited as at the end of the financial year are set out below.

Linda Kenyon Age: 47

Appointed Company Secretary of Wesfarmers Limited in April 2002. Linda holds a Bachelor of Laws and Bachelor of Jurisprudence degrees from the University of Western Australia and is a Fellow of Chartered Secretaries Australia. She joined Wesfarmers in 1987 as legal counsel and held that position until 2000 when she was appointed Manager of Bunnings Property Management Limited, the responsible entity for the listed Bunnings Warehouse Property Trust. Linda is also Company Secretary of a number of Wesfarmers group subsidiaries.

Paul Gardiner Age: 54

Paul, who holds a Bachelor of Laws from the University of Western Australia, joined the Wesfarmers group in 1978 as the Assistant Company Secretary of Westralian Farmers Co-operative Limited. He was Company Secretary of Wesfarmers Limited from December 1984 to July 1986 and has been Assistant Company Secretary since that date. Paul is also Company Secretary of a number of Wesfarmers group subsidiaries.

REVIEW OF RESULTS AND OPERATIONS

The operations of the consolidated entity during the financial year and the results of those operations are reviewed on pages 2 to 34 of this report and in the accompanying financial statements. This review includes information on the financial position of the consolidated entity and its business strategies and prospects for future financial years. In the opinion of directors, disclosure of f
consolidated entity. That material has therefore been omitted from the review.

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:

- operating revenue from ordinary activities up from $8.2 billion to $8.9 billion — see pages 2 and 3
- net profit for the financial year attributable to members (excluding the sale of the Australian Railroad Group) up 23.9 per cent to $869.4 million — see pages 2 and 3
- dividends per share paid or payable up 19.4 per cent to $2.15 — see pages 2, 3 and 4
- total assets up 5.1 per cent to $7.5 billion — see page 3
- shareholders' equity up 15.5 per cent to $3.2 billion — see page 3
- net borrowings down 15.4 per cent to $1.5 billion — see page 3
- on 13 July 2005, Mr R J Goyder assumed the role of Managing Director and Chief Executive Officer following the retirement of Mr M A Chaney — see page 42
- on 2 June 2006, the sale of the Australian Railroad Group to Babcock & Brown Limited and Queensland Rail was completed — see pages 2 and 34

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

- on 4 September 2006, a dividend of $1.50 per share was paid, resulting in the payment of $567.1 million;
- on 5 September 2006 the group announced an intention to make a conditional cash offer of $4.50 per share for the entire issued capital of OAMPS Ltd. ("OAMPS"), an insurance broking and underwriting company listed in Australia. If successful the offer will involve the payment of approximately $700 million to OAMPS shareholders. As at 11 September 2006 the group had a relevant interest in 16.22 per cent of the ordinary shares in OAMPS; and
- on 8 September 2006, Mr D A Robb resigned as Executive Director Wesfarmers Limited and Managing Director of the energy division.

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 7 to 34. In the opinion of the directors, disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the company and the consolidated entity. That material has therefore been omitted from this report.

Directors' report

Wesfarmers Limited and its controlled entities

NON-AUDIT SERVICES

The following non-audit services were provided to the consolidated entity during the year ended 30 June 2006 and Ernst & Young received or is due to receive the following amounts for the provision of these services:

	$000
Tax compliance and advice	399
Government tax concessions	154
Corporate financial advice	1,445
Assurance related	213
Special audits required by regulators	60
Other sundry services	66
Total	**2,337**

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

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

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

AUDITOR INDEPENDENCE

The directors received the following declaration from the external auditor:

ERNST & YOUNG

■ **The Ernst & Young Building**
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst + Young

ERNST & YOUNG

G H MEYEROWITZ
Partner
Perth, 12 September 2006

Directors' report

Wesfarmers Limited and its controlled entities

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have adhered to the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. The company's corporate governance statement is on pages 42 to 47 of this 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 to the nearest thousand dollars under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

REMUNERATION REPORT

This report provides details of Wesfarmers' policy for determining the remuneration of key management personnel; the relationship between the policy and the performance of the company during the financial year; and the remuneration of Board members and senior executives.

It includes information on the remuneration for the 2005/06 financial year of:

- the non-executive directors of Wesfarmers Limited ("Non-executive Directors") being:
  - C B Carter
  - P A Cross
  - T R Eastwood
  - R L Every (appointed 14 February 2006)
  - T J Flügge (resigned 3 July 2006)
  - L A Giglia
  - J P Graham
  - R D Lester
  - C Macek
  - D C White
- the executive directors of Wesfarmers Limited ("Executive Directors") being:
  - R J B Goyder (group Managing Director - appointed 13 July 2005)
  - M A Chaney (group Managing Director - retired 12 July 2005)
  - D A Robb (resigned 8 September 2006)
  - G T Tilbrook (Finance Director - appointed 13 July 2005)
- the other key management personnel which include the five highest paid executives of the Wesfarmers group during 2005/06, ("Senior Executives"), being:
  - T M Bowen (appointed 24 October 2005)
  - R J Buckley
  - P J C Davis
  - R M Denby (resigned 30 November 2005)
  - J C Gillam
  - K D Gordon
- other senior managers who, during 2005/06:
  - made, or participated in making, decisions that affected the whole, or a substantial part, of the business of the Wesfarmers group; or
  - who had the capacity to significantly affect the Wesfarmers group's financial standing, including the Company Secretary of Wesfarmers Limited ("Senior Managers").

Directors' report

Wesfarmers Limited and its controlled entities

1 REMUNERATION POLICIES

Wesfarmers aligns its remuneration polices with shareholder interests by setting performance targets for senior executives that are based on factors that are under their control and that maximise long-term shareholder returns. These policies are directed at attracting, motivating and retaining quality people. Key principles in developing the remuneration structure and levels are: creation of shareholder value; market competitiveness; and recognition of individual performance.

Alignment with these principles is achieved through a variable pay structure. Annual incentives are heavily weighted to return on capital and earnings before interest and tax measures, and long term incentives have a return on equity focus. These are the key measures that Wesfarmers uses at a business unit and corporate level to assess the achievement of the company's corporate objective of providing a satisfactory return to shareholders.

In the opinion of the directors the company's remuneration policies have contributed to the company's success in creating shareholder value in 2005/06 and the previous four financial years, as demonstrated by the following table which tracks key measures of earnings and total shareholder returns.

	2006	2005 AIFRS	2005 AGAAP	2004	2003	2002
Dividends per share (cents)	**215**	180	180	140	127	111
Closing share price ($ as at 30 June)	**35.33**	40.01	40.01	29.40	25.30	27.20
Earnings per share (cents)	**235.6+**	192.0	187.8	174.2*	150.8#	138.2
Net profit after tax ($ million)	**869+**	702	618	569*	482#	414
Return on average ordinary shareholders' funds (%)	**31.1+**	25.4	19.6	16.2*	13.3#	13.2
Capital returns per share (cents)	**-**	100	100	250	-	-

+ excluding the sale of ARG

* excluding the sale of Landmark

excluding the sale of Girrah

2 NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration policies for the company including, in particular, those governing key management personnel. The Nomination and Remuneration Committee seeks independent advice in setting the structure and levels of remuneration.

3 NON-EXECUTIVE DIRECTORS

The company's Non-executive Directors receive fees (including statutory superannuation) for their services plus the reimbursement of reasonable expenses. The fees paid to Non-executive Directors reflect the demands on and responsibilities of those directors. The advice of independent remuneration consultants is taken to ensure that the directors' fees are in line with market levels. Non-executive Directors currently do not receive any shares, options or other securities as part of their remuneration nor are they eligible to participate in any incentive plan. They do not receive any retirement benefits, other than statutory and voluntary superannuation. Shareholder approval will be sought at the 2006 annual general meeting in relation to a salary sacrifice share plan for Non-executive Directors. The plan will enable participating directors to forego a portion of their fees to acquire shares in the company. The shares will be issued or purchased at market price and be subject to forfeiture and trading restrictions in accordance with the plan rules. The plan will support increased equity participation in the company by the Non-executive Directors.

The Board aims to set the aggregate remuneration at a level which provides the ability for Wesfarmers to attract and retain highly competent directors. The aggregate remuneration level is determined from time to time by shareholders in general meeting, in accordance with the company's Constitution. The aggregate amount is then apportioned between the directors as agreed, taking into account market comparisons provided by independent remuneration consultants. An aggregate remuneration limit, for Non-executive Directors of Wesfarmers Limited, of $2.25 million was approved by shareholders at the annual general meeting in November 2004 of which $1.67 million is currently committed.

The remuneration of the Non-executive directors was not increased in 2005/06. The Chairman is paid $408,900 per annum and other Non-executive Directors receive $136,300 per annum each. The Chairman of the Audit Committee receives an additional $40,000 and each of the other Audit Committee members receives an additional $20,000. The Chairman of the Nomination and Remuneration Committee receives an additional $20,000 and each of the other members of this Committee receives an additional $10,000. Mr James Graham also receives separate fees for services provided as a director of Wesfarmers Federation Insurance Limited and Lumley General Insurance Limited. Remuneration of Non-executive Directors for the period ended 30 June 2006 is detailed in Table 1(a).

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The remuneration structure for Executive Directors and Senior Executives has three main components: fixed annual remuneration ("FAR"), annual incentive and long term incentive. A retention incentive may also be provided, payable only on termination of employment.

Directors' report

Wesfarmers Limited and its controlled entities

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)

4.1 Fixed annual remuneration

The base component of remuneration for Executive Directors and Senior Executives is FAR. They may elect to have a combination of benefits, including superannuation and the provision of a motor vehicle, provided out of their FAR. The value of any non-cash benefits provided to them includes the costs of any fringe benefits tax payable by the company as a result of providing the benefit. The amount of FAR for each Executive Director and Senior Executive is approved annually by the Board with consideration given to business and individual performance and market relativity.

FAR includes the minimum superannuation contribution required by law which is paid into a nominated superannuation fund. Executive Directors and Senior Executives may choose to increase the company contribution beyond the minimum level, by sacrificing part of their FAR.

This policy applied for both the current and prior year.

4.2 Annual incentive

The annual incentive is linked to group and individual business unit financial and operational performance. All Executive Directors and Senior Executives (other than the group Managing Director), are invited to participate in an annual incentive scheme which provides cash incentives where specified criteria are met. These include annual profit and return on capital targets, individual goals and where appropriate, safety targets for business operations for which they are responsible. These measures were chosen because of their impact on return on equity, which is a key group measure of annual achievement of satisfactory return to shareholders. Executive Directors and Senior Executives are rewarded for the performance of both the business they manage and the group as a whole. The specific measures and weightings vary for Executive Directors and Senior Executives within the following ranges:

MEASURES	WEIGHTING
Financial • Group net profit after tax • Divisional earnings before interest and tax • Divisional return on capital	0.5 to 0.7
Non-financial • Safety measures • Discretionary	0.3 to 0.5
Total	1.0

Financial targets are generally set so that participants receive a nil payment at 92.5 per cent of budget performance, increasing on a pro-rata basis to two thirds of the maximum for achieving 100 per cent of budget and a maximum payment for achieving 110 per cent or more of budget. The annual divisional and group budgets are subject to Board approval.

Subject to reaching the minimum performance measures and hurdles, a cash payment totalling between 0 per cent and 60 per cent of the executive's FAR is made. Incentive payments are determined after the preparation of the financial statements each year, and a review of performance against non-financial measures by the group Managing Director.

This policy applied for both the current and prior year.

For the 2006 financial year incentives entitlements were paid to Executive Directors and Senior Executives in August 2006. Most Divisions, with the exception of Home Improvement, did not meet their financial targets however non-financial targets were met. The percentage of the total incentive paid and the percentage of the incentive forfeited by Executive Directors and Senior Executives is as follows:

	PERCENTAGE OF TOTAL INCENTIVE	
	% PAID	%FORFEITED
T M Bowen	29%	71%
R J Buckley	20%	80%
P J C Davis	55%	45%
J C Gillam	44%	56%
K D Gordon	30%	70%
D A Robb	0%	100%
G T Tilbrook	40%	60%

Directors' report

Wesfarmers Limited and its controlled entities

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)

4.3 Long term incentive

The Nomination and Remuneration Committee strives to seek an appropriate balance between risk and reward in setting long term incentive arrangements. The primary objective is to ensure that long term incentives appropriately align reward with company and individual performance, while maintaining a sensible level of remuneration within the market in which Wesfarmers competes for senior talent. Executives are rewarded based on criteria over which they have some control. Therefore the measures used to determine long term incentive awards vary between the Senior Executives and Executive Directors, as described at 4.3.1 and 4.3.2 below.

Long term incentive awards are provided through the Wesfarmers Long Term Incentive Plan ("WLTIP") under which participants receive shares in the company. The shares are awarded on a tax-deferred basis, at market price, with a three-year trading lock on each award whilst employed by the company. Participants forfeit their award if they leave the company prior to the end of the financial year in which the award is made, except in the case of retirement or redundancy.

4.3.1 Senior Executives

The Senior Executives are the heads and former heads of the business divisions of Wesfarmers. So that Wesfarmers' shareholders will receive over time a consistently high Total Shareholder Return and so that our senior executives are rewarded for their contribution to that return their long term incentives are based on Return On Equity ("ROE"). This is consistent with Wesfarmers planning, budgeting, project evaluation, operational performance measures and financial reporting which all use ROE as the key underlying internal measure.

An annual WLTIP award may be provided if a ROE hurdle is achieved. The hurdle in 2004/05 (for which amounts are disclosed in the remuneration tables) was set so that no incentive was payable if ROE was below the 40th percentile of a comparative group of companies (explained below) and payments increased pro-rata between the 40th and 60th percentiles. The company achieved a ROE of 22.1%, placing it at above the 80th percentile. From 2005/06 the hurdle is set at the 50th percentile, and using a comparison of five-year rolling-average performance. The award provided to executives at this level is 50 per cent of their FAR, which is in line with the median level of long term incentives paid in comparative companies. The group Managing Director has the discretion to provide a higher award (up to 100 per cent of FAR) in extraordinary circumstances, to recognise outstanding individual performance or to address critical retention issues. Such awards are provided within parameters established by the Nomination and Remuneration Committee. These changes have three key effects: a longer term measure of performance; a higher performance hurdle; and the opportunity to differentiate outstanding individual performers.

The comparative group used is the 50 largest companies by market capitalisation in the Standard & Poor's ASX 100 Index, as at 30 June. Incentive awards are determined after the preparation of the financial accounts each year. Awards are made once the financial performance has been verified by the company's external auditor and approved by the Board. Wesfarmers' 2004/05 performance against the comparative group, giving rise to the payments made during 2005/06, was 22.1% which exceeded the 60th percentile of the comparative group, which was 18.0%.

4.3.2 Executive Directors

The three Executive Directors are rewarded on a different basis to the Senior Executives. For a shareholder, Total Shareholder Return ("TSR") is considered to be the best performance measure over the period of investment. TSR is influenced by external market factors in addition to internal performance. For this reason, Wesfarmers rewards Executive Directors, whose role it is, amongst other things, to manage financial gearing and industry risk on the long term growth of the economic value of the company. A reward model, known as the Wesfarmers Long Term Incentive Award Determination ("the Award Determination"), has been developed to determine the long term incentive for Executive Directors. This Award Determination rewards the Executive Directors for the achievement of long term increases in shareholder wealth. A detailed summary of how the Award Determination is calculated is provided below. The Award is determined on an annual basis, and any incentive due is provided through the WLTIP, and the rules of that plan will apply to any shares awarded.

Award Determination

The long term incentive is based on Total Value Return (TVR). TVR is a variation of Total Shareholder Return (TSR) using an internal valuation of equity rather than market value and comprises the sum of two components.

Shareholder cash flow. This is the net annual aggregate of all cash flows to and from shareholders (eg dividends, capital returns and share buy backs, less rights issues and dividend reinvestments).

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Wesfarmers Limited and its controlled entities

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)

4.3 Long term incentive (continued)

4.3.2 Executive Directors (continued)

Investment value (IV). This represents the annual increment in value of total shareholders' equity calculated at the conclusion of each year of the LTI. It is determined by the following formula:

$$\frac{\text{Return on Equity}}{\text{Hurdle Rate}} \times \text{Weighted Average Equity for the Year}$$

where:

"Return on Equity" is the weighted average return on equity achieved over the period of the plan;

"Hurdle Rate" is a hurdle ROE (as a surrogate for the cost of equity) determined as the average of the Commonwealth Bond Ten Year Indicator rate (2005/06: 5.41%) plus a market risk premium of 6.6%; and

"Weighted Average Equity for the Year" is determined based on a monthly rolling average of the book value of equity. The book value of equity used in the calculation is capped based on the group's minimum level of gearing to ensure equity is not overstated as a result of low financial leverage (refer to 'Checks and Balances' below).

Determining the entitlement

Annual net shareholder cash flow increases and annual increments in IV are added to provide an annual net increase or decrease in shareholder wealth each year.

A proportion of that amount is credited or debited to an incentive pool which could be in credit or debit at the end of each year. Where the pool is in credit, a proportion of the amount will form the incentive entitlement for that year. The latter proportion will be up to 70%, except in the final year of employment, when 100% is payable. The balance each year is carried forward to the pool in the succeeding year. A cap on the amount payable is described below.

Form of entitlement

The incentive entitlement will be used to participate in the WLTIP, which provides for the award of shares on a deferred tax basis and includes a three year trading lock on each award whilst employed by the company. The shares are forfeited if the participant leaves the company prior to the end of the financial year for which the award is made, except in the case of retirement or redundancy. The entitlement in the final year of participation will be provided as a taxable cash payment.

Estimated amount of entitlement and entitlement caps

Given good performance the amount available annually under the incentive plan could be expected to be of a similar order of magnitude to each executive director's FAR. In any event, no more than two times FAR may be paid as an LTI in any year, except in the final year payment, which cannot exceed four times FAR.

Checks and Balances

A number of components of the Award Determination will ensure that the Award will align reward with shareholder expectations. These include:

- caps are applied to the calculation to ensure that there are no unintended benefits accruing if the financial gearing of the company is outside the agreed gearing limits;
- the weighted average equity for the year shall not be greater than that which would be determined consistent with the lower end of the group target gearing range (currently 50% net debt to equity);
- for the purpose of calculating ROE the equity shall not be less than that which would be determined consistent with the upper end of the gearing range (currently 75% net debt to equity); and
- the Award Determination must be reviewed at least every three years. In addition, if at any time the Board, acting in good faith and in the interest of shareholders, determines that it is necessary to amend the terms of the Award Determination as a result of the occurrence of an extraordinary circumstance, it may make those changes by written notice to the Executive Directors.

Because the eligibility period for participation in the WLTIP commences in 2006/07 the expense for the award to be provided in December will be charged in 2006/07. However, table 1(b) provides the notional share based award to enhance understanding of this incentive.

4.4 At risk remuneration

The proportion of at risk remuneration for Executive Directors and Senior Executives in 2005/06 varied between 52 per cent and 67 per cent of their maximum remuneration, being the sum of FAR, maximum annual incentive and maximum long term incentive.

Directors' report

Wesfarmers Limited and its controlled entities

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)

4.5 Retention incentive

Each Executive Director and Senior Executive, other than the group Managing Director, is entitled to a retention incentive which accrues over the first five years of their employment contract and is payable on termination. This incentive is important to the retention strategy for key executives. The amount is determined by multiplying the payout factor by the total target remuneration at the time of termination. The payout factor increases proportionately from 0.2 after one year to 1.0 after five years. If the company initiates the termination, other than for reasons related to serious misconduct, the payout factor is 1.0. Total target remuneration means FAR plus target annual incentive (40 per cent of FAR) and target long term incentive (50 per cent of FAR). The amounts that would have been payable to the recipients (if those arrangements had applied for 2005/06) under these arrangements at 30 June 2006 total, in aggregate, $8.7 million (2004: $7.1 million). The increase in the accrued expense for the year is disclosed under "Post employment: other benefits" in Table 1(a).

5 REMUNERATION OF SENIOR MANAGERS

The remuneration structure for Senior Managers also has three main components: FAR, annual incentive and long term incentive.

5.1 Fixed annual remuneration

The base component of remuneration for Senior Managers is FAR. They may elect to have a combination of benefits, including superannuation and the provision of a motor vehicle, provided out of their FAR. The value of any of the non-cash benefits provided to them includes the costs of any fringe benefits tax payable by the company as a result of providing the benefit. The amount of FAR is approved for Senior Managers annually by the group Managing Director with consideration given to business and individual performance and market relativity.

FAR includes the minimum superannuation contribution required by law and is paid into a nominated superannuation fund. Senior Managers may choose to have the company contribute beyond the minimum level, by sacrificing part of their FAR. For Wesfarmers Superannuation Fund members a compulsory minimum level of life insurance is set, with the premiums being deducted from members' Superannuation Fund accounts.

This policy applied for both the current and prior year.

5.2 Annual incentive

The annual incentive is linked to group and individual business unit financial and operational performance. All Senior Managers are invited to participate in an annual incentive scheme which provides cash incentives where specified criteria are met; these include annual profit and return on capital targets, individual goals and, where appropriate, safety targets for business operations under their control. These measures were chosen because of their impact on return on equity, which is a key group measure of annual achievement of satisfactory return to shareholders. Senior Managers are rewarded for the performance of both the business they manage and the group as a whole. The specific measures and weightings vary for Senior Managers within the following ranges:

MEASURES	WEIGHTING
Company Financial • Group net profit after tax • Divisional earnings before interest and tax • Divisional return on capital	Minimum 0.5
Individual objectives • Safety measures • Business unit financials • Non-financial objectives	Maximum 0.5
Total	1.0

Financial targets are generally set so that participants receive a nil payment at 92.5 per cent of budget performance, increasing on a pro-rata basis to half of the maximum for achieving 100 per cent of budget and a maximum payment for achieving 110 per cent or more of budget. The annual divisional and group budgets are subject to Board approval.

Subject to reaching the minimum performance measures and hurdles and depending upon the seniority of the manager, a cash payment totalling between 0 per cent and 40 per cent of the executive's FAR is made. Incentive payments are determined after the preparation of the financial accounts each year, and performance against non-financial measures is reviewed, and subject to approval by, the appropriate business unit Managing Director or Executive Director.

This policy applied for both the current and prior year.

Directors' report

Wesfarmers Limited and its controlled entities

5 REMUNERATION OF SENIOR MANAGERS (continued)

5.3 Long term incentive

Senior Managers are invited to participate in the WLTIP under which the participants receive shares in the company. The WLTIP provides for an award of shares on a tax-deferred basis, at market price, with a three-year trading lock on each award whilst employed by the company. Participants forfeit their award if they leave the company prior to the end of the financial year in which the award is made, except in the case of retirement or redundancy.

WLTIP awards may be made annually. They have a value up to a fixed amount based on the seniority of the role, subject to achievement of the ROE hurdle described at paragraph 4.3.1 above. In 2005/06 the hurdle was achieved. Awards are made once the financial performance has been verified by the company's external auditor and approved by the Board.

6 EMPLOYMENT CONTRACTS

6.1 Executive Directors and Senior Executives

A summary of the key employment contract terms for the Executive Directors and the Senior Executives is provided in the table below. The Executive Directors and the Senior Executives are employed by Wesfarmers Limited. Details of Mr Goyder's employment contract are disclosed separately below.

Term	*Notice period*	*Termination provisions*
• Employment contracts do not have a specified term.	• Three months' notice of termination must be provided by either party. In the event of redundancy, the company must provide six months' notice. • The company may terminate immediately for issues related to serious misconduct.	• A retention payment of up to one times total target remuneration may be made as described at 4.5 of this report. • No further payment is provided in the event of redundancy.

6.2 Managing Director's contract - Mr Richard Goyder (appointed 13 July 2005)

Mr Richard Goyder was appointed group Managing Director and Chief Executive Officer on 13 July 2005. Key features of Mr Goyder's employment contract, details of which were contained in an ASX announcement on 12 July 2005, include:

6.2.1 Term

The contract commenced on 13 July 2005 and continues until either party terminates the contract.

6.2.2 Termination

The contract may be terminated by either party with 12 months' notice, or immediately by the company in the event of issues related to serious misconduct, breach of contract, bankruptcy or mental incapacity.

6.2.3 Remuneration

The remuneration comprises two components; FAR and long term incentive. It has no fixed term and contains no short term incentive component as the Board is of the view that the group Managing Director should be judged and rewarded based on performance over an extended period.

6.2.3.1 Fixed annual remuneration

The commencing FAR was $2.25 million and will be reviewed annually by the Board, commencing October 2006.

From this amount the minimum statutory superannuation amount is deducted, and Mr Goyder may choose to salary sacrifice for additional superannuation, motor vehicle and other benefits.

A contractual non-monetary benefit ceased to be provided effective 30 November 2005 and the accrued benefit of $129,807 was paid out to Mr Goyder in December 2005, which is reflected in the remuneration tables below.

6.2.3.2 Long term incentive

An explanation of Mr Goyder's long term incentive is provided above in section 4.3.

The long term incentive amount disclosed in Table 1(a) relates to the award provided under the WLTIP in December 2005, which was made in relation to the plan which applied to Mr Goyder in 2004/05 prior to his appointment as group Managing Director. The 2005/06 award will be made in December 2006 and the expense for that award will be reflected in the 2006/07 accounts. The pool accrual and accounting charge will be $3.77 million, and the amount to be awarded to Mr Goyder in the form of shares will be $2.64 million.

6.2.4 Termination benefit

Mr Goyder is entitled to a service payment which provides one year's FAR on cessation other than for reasons of serious misconduct or other grounds specified in the contract.

No other amount is payable on termination, other than pay in lieu of notice in the event that the company does not wish Mr Goyder to work out the required notice period.

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Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION

Table 1(a): Compensation of Key Management Personnel for the year ended 30 June 2006

DIRECTORS		SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS	
	YEAR	SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	OTHER $	SUPER-ANNUATION BENEFITS $	OTHER BENEFITS $
C B Carter	**2006**	**133,133**	**-**	**-**	**8,700**	**13,167**	**-**
Director (non-executive)	2005	125,402	-	-	7,600	12,231	-
M A Chaney	**2006**	**41,587**	**-**	**-**	**-**	**-**	**34,951**
Managing Director and Chief Executive Officer (retired 12 July 2005)	2005	1,291,500	-	208,254	2,507,600	-	75,000
P A Cross	**2006**	**105,740**	**-**	**-**	**8,700**	**40,560**	**-**
Director (non-executive)	2005	124,043	-	-	7,600	13,590	-
T R Eastwood	**2006**	**390,299**	**-**	**-**	**8,700**	**38,601**	**-**
Chairman (non-executive)	2005	367,107	-	-	7,600	35,793	-
R L Every	**2006**	**51,606**	**-**	**-**	**3,625**	**5,186**	**-**
Director (non-executive, appointed 1 February 2006)	2005	-	-	-	-	-	-
T J Flugge	**2006**	**149,668**	**-**	**-**	**8,700**	**16,632**	**-**
Director (non-executive, resigned 3 July 2006)	2005	142,043	-	-	7,600	15,590	-
L A Giglia	**2006**	**100,217**	**-**	**-**	**8,700**	**46,083**	**-**
Director (non-executive)	2005	98,391	-	-	7,600	39,242	-
R J B Goyder	**2006**	**2,081,013**	**-**	**100,103**	**138,507**	**38,000**	**445,000**
Managing Director and Chief Executive Officer (appointed 13 July 2005)	2005	772,621	386,270	86,516	7,600	38,500	475,000
J P Graham	**2006**	**230,050**	**-**	**-**	**8,700**	**-**	**-**
Director (non-executive)	2005	205,900	-	-	7,600	-	-
R D Lester	**2006**	**140,670**	**-**	**-**	**8,700**	**15,630**	**-**
Director (non-executive)	2005	133,043	-	-	7,600	14,590	-
C Macek	**2006**	**142,233**	**-**	**-**	**8,700**	**14,067**	**-**
Director (non-executive)	2005	134,502	-	-	7,600	13,131	-
D A Robb	**2006**	**730,093**	**-**	**58,493**	**8,700**	**100,587**	**281,200**
Managing Director, Wesfarmers Energy & Executive Director	2005	656,364	322,696	65,168	7,600	11,439	79,800
G T Tilbrook	**2006**	**797,029**	**213,600**	**80,711**	**8,700**	**12,139**	**281,200**
Finance Director (appointed 13 July 2005)	2005	609,925	301,697	94,750	292,984	37,534	79,800
D C White	**2006**	**123,410**	**-**	**-**	**8,700**	**52,890**	**-**
Director (non-executive)	2005	117,863	-	-	7,600	49,770	-

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Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION (continued)

Table 1(b): Additional disclosure, not audited

LONG-TERM OTHER LONG TERM BENEFITS $	SHARE BASED PAYMENTS VALUE OF SHARES $	TERMINATION BENEFITS TERMINATION BENEFITS $	TOTAL $	TOTAL PERFORMANCE RELATED %	NOTIONAL SHARE BASED AWARDS VALUE OF SHARES $	NOTIONAL TOTAL REMUNERATION $	NOTIONAL TOTAL PERFORMANCE RELATED %
-	**-**	**-**	**155,000**	**0%**	**-**	**155,000**	**0%**
-	-	-	145,233	0%	-	145,233	0%
-	**-**	**-**	**76,538**	**0%**	**-**	**76,538**	**0%**
-	2,045,514	-	6,127,868	33.4%	-	4,082,354	0%
-	**-**	**-**	**155,000**	**0%**	**-**	**155,000**	**0%**
-	-	-	145,233	0%	-	145,233	0%
-	**-**	**-**	**437,600**	**0%**	**-**	**437,600**	**0%**
-	-	-	410,500	0%	-	410,500	0%
-	**-**	**-**	**60,417**	**0%**	**-**	**60,417**	**0%**
-	-	-	-	-	-	-	-
-	**-**	**-**	**175,000**	**0%**	**-**	**175,000**	**0%**
-	-	-	165,233	0%	-	165,233	0%
-	**-**	**-**	**155,000**	**0%**	**-**	**155,000**	**0%**
-	-	-	145,233	0%	-	145,233	0%
-	**475,000**	**-**	**3,277,623**	**14.5%**	**3,770,000**	**6,572,623**	**57.4%**
-	-	-	1,766,507	21.9%	475,000	2,241,507	38.4%
-	**-**	**-**	**238,750**	**0%**	**-**	**238,750**	**0%**
-	-	-	213,500	0%	-	213,500	0%
-	**-**	**-**	**165,000**	**0%**	**-**	**165,000**	**0%**
-	-	-	155,233	0%	-	155,233	0%
-	**-**	**-**	**165,000**	**0%**	**-**	**165,000**	**0%**
-	-	-	155,233	0%	-	155,233	0%
-	**371,000**	**-**	**1,550,073**	**23.9%**	**1,890,000**	**3,069,073**	**61.6%**
-	-	-	1,143,067	28.2%	371,000	1,514,067	45.8%
-	**371,000**	**-**	**1,764,379**	**33.1%**	**1,890,000**	**3,283,379**	**64.1%**
-	-	-	1,416,690	21.3%	371,000	1,787,690	37.6%
-	**-**	**-**	**185,000**	**0%**	**-**	**185,000**	**0%**
-	-	-	175,233	0%	-	175,233	0%

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7 DETAILS OF REMUNERATION (continued)

Table 1(a): Compensation of Key Management Personnel for the year ended 30 June 2006 (continued)

EXECUTIVES		SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS	
	YEAR	SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	OTHER $	SUPER-ANNUATION BENEFITS $	OTHER BENEFITS $
T M Bowen Managing Director, Industrial & Safety Division (appointed 24 October 2005)	**2006**	**426,620**	**49,315**	**19,401**	**5,800**	**17,262**	**155,540**
	2005	-	-	-	-	-	-
R J Buckley Chief Executive Officer, Insurance Division	**2006**	**521,853**	**73,200**	**58,637**	**8,700**	**19,510**	**281,067**
	2005	438,172	240,402	72,253	7,600	23,880	223,217
P J C Davis Chief Operating Officer, Home Improvement Division	**2006**	**602,646**	**214,382**	**16,107**	**8,700**	**33,250**	**278,302**
	2005	568,846	139,776	30,505	7,600	20,500	250,763
R M Denby Managing Director, Industrial & Safety Division (resigned 30 November 2005)	**2006**	**201,854**	**-**	**26,709**	**3,625**	**7,950**	**11,500**
	2005	503,565	85,693	63,811	7,600	31,505	241,056
J C Gillam Managing Director, Hardware Division	**2006**	**702,967**	**202,896**	**172,786**	**8,700**	**36,754**	**416,708**
	2005	593,881	249,757	127,526	7,600	36,754	388,892
K D Gordon Managing Director, Chemical & Fertilisers Division	**2006**	**428,089**	**91,800**	**49,321**	**8,700**	**38,857**	**208,507**
	2005	328,070	176,859	59,150	6,967	34,538	157,324
Total Remuneration:	**2006**	**8,100,777**	**845,193**	**582,268**	**282,057**	**547,125**	**2,393,975**
	2005	7,211,238	1,903,150	807,933	2,921,551	428,587	1,970,852

Directors' report

Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION (continued)

Table 1(b): Additional disclosure, not audited (continued)

LONG-TERM	SHARE BASED PAYMENTS	TERMINATION BENEFITS	TOTAL	TOTAL PERFORMANCE RELATED	NOTIONAL SHARE BASED AWARDS	NOTIONAL TOTAL REMUNERATION	NOTIONAL TOTAL PERFORMANCE RELATED
OTHER LONG TERM BENEFITS $	VALUE OF SHARES $	TERMINATION BENEFITS $	$	%	VALUE OF SHARES $	$	%
-	**-**	**-**	**673,938**	**7.3%**	**600,000**	**1,273,938**	**51.0%**
-	-	-	-	-	-	-	-
-	**268,306**	**-**	**1,231,273**	**27.7%**	**457,500**	**1,420,467**	**37.4%**
-	2,844	-	1,008,368	24.1%	271,150	1,276,674	40.1%
-	**312,000**	**-**	**1,465,387**	**35.9%**	**327,500**	**1,480,887**	**36.6%**
-	-	-	1,017,990	13.7%	312,000	1,329,990	34.0%
-	**-**	**785,094**	**1,036,732**	**0%**	**-**	**1,036,732**	**0%**
-	63,640	-	999,870	15%	63,640	996,870	15.0%
-	**333,900**	**-**	**1,874,711**	**28.6%**	**775,000**	**2,315,811**	**42.2%**
-	70,000	-	1,474,410	21.7%	333,900	1,738,310	33.6%
-	**224,077**	**-**	**1,049,351**	**30.1%**	**382,500**	**1,207,774**	**39.3%**
-	8,141	-	771,049	24.0%	233,200	996,108	41.2%
-	**2,355,283**	**785,094**	**15,891,772**	**-**	**10,092,500**	**23,628,989**	**-**
-	2,190,139	-	17,433,450	-	2,430,890	17,674,201	-

Notes

All directors and executives have held their position for the entire reporting period, unless otherwise indicated.

James Graham's fees are paid to Gresham Partners Limited for participation on the boards of Wesfarmers Limited, Wesfarmers Federation Insurance and Lumley General Insurance. Of the salaries and fees above, $165,000 (2005: $153,500) relates to the parent company only.

'Retirement Benefits' include the accrual towards the Retention/Service Incentive payable under the Executive Employment Contracts.

The unaudited additional disclosure of "Notional Share Based Awards", "Notional Total Remuneration" and "Notional Performance Related %" is provided to match the award with the TSR performance base for that period. The amount to be awarded under the WLTIP in December 2006 will be expensed in the 2007 year for accounting purposes in line with the service period and vesting conditions, but is calculated based on the TSR performance of the Group for the 2006 year. In the opinion of the directors this additional disclosure enhances understanding the remuneration policies of the Group.

The unaudited "Notional Share Based Awards" for Messrs Goyder and Tilbrook for 2006 represent amounts to be added to their pool balance. The actual award payment during the 2007 year will be 70% of the amount shown, with the balance of the pool being carried forward.

Directors' report

Wesfarmers Limited and its controlled entities

8 INDEPENDENT AUDIT OF REMUNERATION REPORT

Required disclosures pursuant to AASB 124: Related Party Disclosures, included in sections 1 - 7 (excluding Table 1(b)) to this Remuneration Report have been audited by Ernst & Young.

This Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.

T Eastwood

T R EASTWOOD
Chairman
Brisbane, 12 September 2006

Richard Goyder

R J B GOYDER
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, notes and the additional disclosures included in the directors' report designated as audited, 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 2006 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. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2006.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group comprising the company and the controlled entities marked "+" as identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee referred to in note 31.

On behalf of the Board

T R EASTWOOD	R J B GOYDER
Chairman	Managing Director
Brisbane, 12 September 2006	

Independent audit report

to members of Wesfarmers Limited

SCOPE

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Wesfarmers Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("remuneration disclosures"), under the heading "Remuneration Report" on pages 131 to 142 forming part of the Directors' Report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the Directors' Report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 Related Party Disclosures. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 Related Party Disclosures.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion:

1. 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 financial position of Wesfarmers Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
   (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on pages 131 to 142 forming part of the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures.

Ernst + Young

ERNST & YOUNG

G H MEYEROWITZ
Partner
Perth, 12 September 2006

Supplementary statement of coal resources and reserves

as at 30 June 2006

COAL RESOURCES AND RESERVES

The table below details the coal resources and reserves of the Wesfarmers group, as at 30 June 2006.

MINE	OWNERSHIP	BENEFICIAL INTEREST	LOCATION OF TENEMENTS	MINING METHOD	COAL TYPE	COAL RESERVES TONNES (MILLIONS) PROVED	PROBABLE	TOTAL	COAL RESOURCES TONNES (MILLIONS) MEASURED	INDICATED	INFERRED	TOTAL
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	104	21	**125**	296	52	8	**356**
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and Steaming	195	12	**207**	374	132	164	**670**
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut	Steaming	45	30	**75**	31	44	0	**75**

Premier and Curragh coal resources include coal reserves whereas Bengalla coal resources are in addition to coal reserves.

CHARACTERISTICS OF COAL RESOURCES AND RESERVES

PREMIER

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contai
by open cut methods, currently to depths less than 140 metres below the ground surface.

CURRAGH

The coal is bituminous and is used for power generation (principally domestic) and metallurgical processes (primarily steel production overseas). The resource is contained in five seams of varying thickness and quality characteristics. Coal is produced from all of these seams. Coal is extracted by open cut methods to depths of less than 100 metres below the ground surface, and processed through a wash plant using dense medium cyclones and froth flotation.

BENGALLA

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from up to eight seams ranging in thickness from 1.5m up to 13m. These seams produce high yielding, high energy, generally low sulphur coals which are well suited to export and domestic power generation. The seams occur at relatively shallow depths and dip gently to the west. Coal is extracted by open cut methods.

JORC CODE COMPLIANCE

The statement of coal resources and reserves presented in this report has been produced in accordance with the Australasian Code of reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code').

The information in this report relating to coal resources and reserves is based on information compiled by Competent Persons (as defined in the JORC Code, and listed below). All Competent Persons have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the coal resource information is inclusive of coal reserves unless otherwise stated.

COMPETENT PERSONS

PREMIER – Mr David Chapman, a full time Employee of Wesfarmers Premier Coal Limited, a wholly owned subsidiary of Wesfarmers Limited.

Member AusIMM

CURRAGH – Mr Barry Lay, a full time Employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.

Member AusIMM

BENGALLA – Mr Mal Scott, a full time employee of Rio Tinto Coal Australia Pty Limited.

Member AusIMM

– Mr Ken Preston, a full time employee of Rio Tinto Coal Australia Pty Limited.

Fellow AusIMM

Shareholder information

Wesfarmers Limited and its controlled entities

SHAREHOLDER INFORMATION

Wesfarmers Limited and its controlled entities

SUBSTANTIAL SHAREHOLDERS

The Capital Group Companies Inc gave notice on 19 April 2006 that it had ceased to be a substantial shareholder.

VOTING RIGHTS

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

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

SIZE OF HOLDINGS	NUMBER OF ORDINARY SHAREHOLDERS
1 - 1,000	106,667
1,001 - 5,000	38,236
5,001 - 10,000	4,658
10,001 - 100,000	2,922
100,001 - and over	134
	152,617

There were 773 holders holding less than a marketable parcel of ordinary shares.

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

Shareholder information

Wesfarmers Limited and its controlled entities

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders of ordinary shares on the company's register as at 12 September 2006 were:

NAME	NUMBER OF SHARES	% OF ISSUED CAPITAL(*)
National Nominees Limited	30,227,167	8.00
J P Morgan Nominees Australia Limited	27,241,417	7.21
Westpac Custodian Nominees Limited	17,489,281	4.63
ANZ Nominees Limited (Cash Income A/C)	8,702,917	2.30
Citicorp Nominees Pty Limited	7,488,625	1.98
Australian Foundation Investment Company Limited	4,905,928	1.30
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	4,833,615	1.28
Cogent Nominees Pty Limited	4,299,803	1.14
Argo Investments Limited	2,535,000	0.67
HSBC Custody Nominees (Australia) Limited	2,429,225	0.64
Queensland Investment Corporation	2,275,782	0.60
AMP Life Limited	2,149,181	0.57
Merrill Lynch (Australia) Nominees Pty Ltd	1,746,292	0.46
Citicorp Nominees Pty Limited (CFS WSLE 452 Aust Share A/C)	1,718,405	0.45
Perpetual Trustee Company Limited	1,372,683	0.36
Australian Executor Trustees Limited (No 1 Account)	1,326,335	0.35
Australian Reward Investment Alliance	1,276,227	0.34
Milton Corporation Limited	1,192,242	0.32
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/C)	1,129,885	0.30
Citicorp Nominees Pty Limited (CFS WSLE Geared Shr Fnd A/C)	911,992	0.24

* The percentage holding of the twenty largest shareholders was 33.14.

Five year financial history

Wesfarmers Limited and its controlled entities

All figures in $000 unless shown otherwise

	AIFRS 2006	AIFRS 2005	AGAAP 2005	AGAAP 2004	AGAAP 2003	AGAAP 2002
Summarised profit and loss						
Sales revenue	**8,818,291**	8,101,112	8,047,045	7,441,539	7,425,836	7,192,537
Other operating revenue	**40,510**	57,519	143,344	965,953	327,538	193,119
Operating revenue	**8,858,801**	8,158,631	8,190,389	8,407,492	7,753,374	7,385,656
Operating profit before depreciation, net interest paid and income tax	**1,597,363**	1,222,808	1,226,702	1,161,558	1,065,379	976,722
Depreciation and amortisation (ex goodwill)	**(283,467)**	(188,861)	(187,103)	(193,848)	(206,240)	(212,893)
Net interest paid	**(81,747)**	(67,313)	(68,865)	(50,483)	(65,266)	(77,188)
Income tax expense	**(362,713)**	(264,797)	(261,430)	(267,062)	(226,283)	(193,115)
	869,436	701,837	709,304	650,165	567,590	493,526
Outside equity interests	**-**	-	(574)	4,535	290	(263)
Operating profit after income tax before goodwill amortisation	**869,436**	701,837	708,730	654,700	567,880	493,263
Goodwill amortisation	**-**	-	(90,430)	(85,536)	(85,734)	(79,340)
Operating profit after income tax attributable to members of Wesfarmers Limited	**869,436**	701,837	618,300	569,164	482,146	413,923
Capital and dividends						
Ordinary shares on issue (number)	**378,042**	378,042	378,042	376,354	376,536	372,291
Paid up ordinary capital	**1,901,522**	1,901,164	2,014,799	2,345,633	3,159,466	3,027,008
Dividend per ordinary share (cents fully franked)	**215**	180	180	140	127	111
Financial performance before goodwill amortisation						
Earnings per ordinary share (weighted average) cents	**235.6**	192.0	187.8	174.2	150.8	138.2
Earnings per ordinary share growth	**22.7%**	10.2%	7.8%	15.6%	9.1%	43.7%
Return on average ordinary shareholders' funds	**31.1%**	25.4%	22.1%	18.5%	15.8%	15.7%
Income tax expense (effective rate)	**29.4%**	27.4%	26.9%	29.1%	28.5%	28.1%
Financial performance after goodwill amortisation						
Earnings per ordinary share (weighted average) cents	**235.6**	192.0	163.9	151.5	128.0	116.0
Earnings per ordinary share growth	**22.7%**	26.8%	8.2%	18.3%	10.4%	25.6%
Return on average ordinary shareholders' funds	**31.1%**	25.4%	19.6%	16.2%	13.3%	13.2%
Net interest cover - cash basis (times)	**13.8**	12.4	12.4	15.8	14.2	10.3
Income tax expense (effective rate)	**29.4%**	27.4%	29.7%	39.5%	32.2%	31.8%
Financial position as at 30 June						
Total assets	**7,515,147**	7,152,769	7,314,348	7,271,400	6,418,102	6,612,721
Total liabilities	**4,349,148**	4,410,568	4,233,329	3,940,875	2,653,025	3,202,644
Net assets	**3,165,999**	2,742,201	3,081,019	3,330,525	3,765,077	3,410,077
Outside equity interests in controlled entities	**52**	52	(1,659)	(2,087)	6,597	10,391
Shareholders' equity attributable to members of Wesfarmers Limited	**3,165,947**	2,742,149	3,082,678	3,332,612	3,758,480	3,399,686
Net tangible asset backing per ordinary share	**4.59**	3.47	4.51	4.94	5.95	4.83
Net financial debt to net tangible assets	**86.0%**	135.1%	100.9%	81.5%	39.7%	73.2%
Net financial debt to equity	**46.1%**	62.9%	55.8%	45.5%	23.7%	38.8%
Total external liabilities/total assets (excluding project financing)	**57.8%**	61.6%	57.9%	54.2%	40.3%	47.3%
Stock market capitalisation as at 30 June	**13,356**	15,125	15,125	11,065	9,526	10,126

Excludes significant items:
In 2003 - Sale of Girrah coal deposit
In 2004 - Sale of rural services business
In 2006 - Sale of ARG

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