



Wesfarmers
Annual Report 2012



Wesfarmers

About Wesfarmers

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

Our objective

Wesfarmers remains committed to providing a satisfactory return to shareholders.

Proud history, strong future

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

Securities exchange listing

Wesfarmers is a company limited by shares that is incorporated and domiciled in Australia. Australian Securities Exchange (ASX) listing codes:

- Wesfarmers (WES)
- Wesfarmers Partially Protected Shares (WESN)

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Our people are our most important asset. We are proud to have them as representatives of the Wesfarmers team. This, combined with the strength of our diverse portfolio of businesses, strong commitment and sustainable practices, ensures that we create long-term value – and provide satisfactory returns for our shareholders. **This is our story.**



Highlights summary

All our business divisions achieved improvements in underlying performance and profits exceeded \$2 billion for the first time.

Results summary – year ended 30 June

Key financial data		2012	2011
Revenue	\$m	58,080	54,875
Earnings before interest and tax	\$m	3,549	3,232
Net profit after tax	\$m	2,126	1,922
Dividends	\$m	1,909	1,735
Total assets	\$m	42,312	40,814
Net debt	\$m	4,904	4,343
Shareholders' equity	\$m	25,627	25,329
Capital expenditure on property, plant and equipment and intangibles	\$m	2,626	2,062
Depreciation and amortisation	\$m	995	923
Key share data			
Earnings per share	cents	184.2	166.7
Dividends per share	cents	165.0	150.0
Net tangible assets per share	\$	4.45	4.12
Operating cash flow per share	\$	3.15	2.52
Key ratios			
Return on average shareholders' equity (R12)	%	8.4	7.7
Gearing (net debt to equity)	%	19.1	17.1
Interest cover (cash basis)	times	10.8	9.5

Key financial data

Net profit after tax (\$m)

\$2,126 million

2012	2,126
2011	1,922
2010	1,565
2009	1,522*
2008	1,063

Earnings per share (cents)

184.2 cents

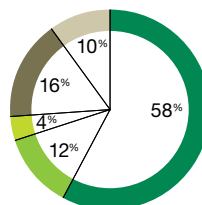
2012	184.2
2011	166.7
2010	135.7
2009	158.5*
2008	174.2

* Restated for change in accounting policy for Stanwell royalty payment.

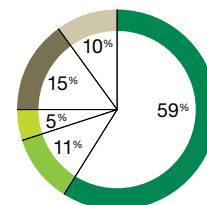
Wealth created by Wesfarmers

- Employees – salaries, wages and other benefits
- Government – tax and royalties
- Lenders – borrowed funds
- Shareholders – dividends on their investment
- Reinvested in the business

2012
\$12,280 million



2011
\$11,449 million



Financial highlights

- Operating revenue of \$58.1 billion, up 5.8 per cent
- Earnings before interest and tax (EBIT) of \$3,549 million, up 9.8 per cent
- Net profit after tax of \$2,126 million, up 10.6 per cent
- Earnings per share of \$1.84, up 10.5 per cent
- Operating cash flows of \$3,641 million, up 24.8 per cent
- Free cash flow of \$1,472 million, up 41.4 per cent
- Fully-franked full-year dividend of \$1.65 declared, up 10.0 per cent

Operational highlights

- **COLES** achieved strong earnings growth of 16.3 per cent to \$1,356 million. Savings generated through improved operating efficiencies supported continued price reinvestment, driving growth in volumes. The continued renewal refurbishment program and the improvement of the store network benefited performance.
- **BUNNINGS** recorded earnings growth of 4.9 per cent to \$841 million. This result was underpinned by solid transaction growth from a number of merchandise initiatives, investments in customer service and value, and improvements in the store network.
- **KMART** and **OFFICEWORKS** recorded earnings growth of 32 per cent and 6.3 per cent respectively.

Kmart and Officeworks continued to drive higher customer transactions during the year, and Kmart's improvements in product sourcing and stock management supported continued reinvestment in lower prices.

- **TARGET** reported earnings of \$244 million, which were in line with last year after excluding a one-off \$40 million provision in the current year for future supply chain restructuring. Underlying earnings were maintained through a focus on the profitability of promotions and lower levels of clearance.
- **INSURANCE** earnings were \$5 million after increasing reserve estimates for the February 2011 Christchurch earthquake by \$108 million. Excluding this event, earnings were ahead of last year due to reduced catastrophe claims expenses in underwriting and growth in broking.
- **RESOURCES** earnings increased by 19.0 per cent to \$439 million due to higher export coal prices in the first half and improved sales volumes in the second half following the completion of expansion projects at the Curragh and Bengalla mines.
- **CHEMICALS, ENERGY AND FERTILISERS** reported earnings of \$258 million. Earnings were supported by higher pricing and good plant production performances in the chemicals business and increased fertiliser sales.
- **INDUSTRIAL AND SAFETY** delivered a good result, with earnings increasing by 14.5 per cent to \$190 million, supported by strong demand from the resources and engineering construction sectors and an enhanced competitive position.

Dividends per share (cents)

165 cents

Year	Dividend (cents)
2012	165
2011	150
2010	125
2009	110
2008	200

Operating cash flow (\$m)

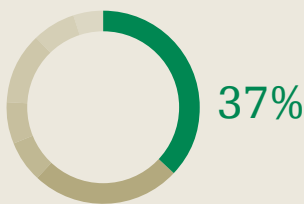
\$3,641 million

Year	Operating cash flow (\$m)
2012	3,641
2011	2,917
2010	3,327
2009	3,044
2008	1,451

Retail operations

Coles

Contribution to operating divisional EBIT



Activities

- National full service supermarket retailer operating 749 stores
- Liquor retailer operating three brands through 792 liquor outlets, as well as 92 hotels
- National fuel and convenience operator managing 627 sites
- More than 18 million customer transactions each week
- Employing more than 100,000 team members

Year in brief

- Full-year revenue of \$34.1 billion
- EBIT of \$1,356 million
- Food and liquor store sales growth of 4.6 per cent, with comparable store sales growth of 3.7 per cent¹
- 13 consecutive quarters of industry out-performance
- Continued focus on quality, service and value
- 108 new format supermarket stores delivered during the year and 252 since the Coles acquisition
- Easy ordering and easy warehousing complete
- Responsible sourcing initiatives on track
- Loyalty program reinvigorated
- Improved safety performance

Future directions

- Enter second wave of transformation
- Further improvements in quality and value
- Investment in store network and multi-channel offer
- Relentless focus on generating savings through efficiency
- Continued cultural transformation

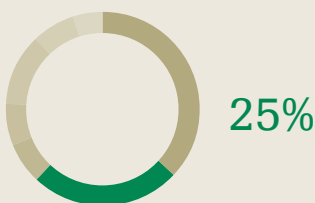
Businesses



¹ For the 52 week period 27 June 2011 to 24 June 2012.

Home Improvement and Office Supplies

Contribution to operating divisional EBIT



Activities

- **Bunnings:** Retailing home improvement and outdoor living products and servicing project builders, commercial tradespeople and the housing industry across Australia and New Zealand
- **Officeworks:** Retailer and supplier of office products and solutions for home, business and education across Australia

Year in brief

Bunnings

- 5.6 per cent increase in revenue
- 4.9 per cent increase in EBIT
- Growth in consumer and commercial sales
- 13 new Bunnings Warehouse stores opened
- One smaller format Bunnings store opened
- Two new trade centres opened

Office Supplies

- 0.7 per cent increase in revenue
- 6.3 per cent increase in EBIT
- Strong online sales growth from 'every channel' strategy
- Six new stores, six full store upgrades
- Good progress on actions to improve the customer offer

Future directions

- **Bunnings:** Growth to be achieved through increased service levels, category development, network expansion and reinvestment, an improved light and heavy commercial offer, and through investment of productivity gains in lower prices to drive volume
- **Office Supplies:** Continued growth from improving the customer offer and expanding and renewing the network. Increasing business-to-business sales and more online initiatives remain high priorities. Ongoing investment in the development of the Officeworks team will underpin all strategic initiatives

Businesses



Target

Contribution to operating divisional EBIT



Activities

- Mid-tier retailer offering superior value through style, quality, experience
- Customer destination for fashionable clothing, underwear, footwear and accessories for women, children and men, in addition to homewares, entertainment and general merchandise
- Network of 301 stores located throughout regional and metropolitan Australia
- Online store that now offers free delivery to store via click and collect

Year in brief

- Full-year revenue of \$3.7 billion
- \$284 million EBIT (excluding a \$40 million restructuring provision), with EBIT margin of 7.6 per cent
- Comparable store sales decrease of 2.1 per cent¹, with an improved second half performance due to the 2012 mid-year toy sale brought forward to June
- Four year transformation journey started
- Number of items available for sale online increased from 6,000 to 36,000 in six months, with plans to grow to 60,000 in 12 months
- 12 new stores and 26 stores upgraded

¹ For the 52 weeks from 26 June 2011 to 23 June 2012.

Future directions

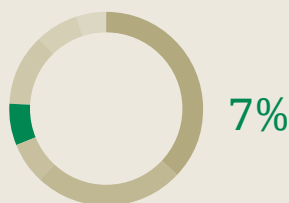
- Customer remains the first priority in decision making which will inform the transformation initiatives to build a sustainable growth company
- Continued expansion of online range and functionality to world class
- Investment in systems to support improvement in stock planning, replenishment, supply chain and buying processes
- 10 new stores and four replacement stores to be completed in 2013

Businesses



Kmart

Contribution to operating divisional EBIT



Activities

- Kmart is committed to offering its customers low prices on all products every day, right across its network of 185 stores throughout Australia and New Zealand
- Categories include menswear, womenswear, childrenswear, beauty, footwear, toys and sporting, events and food, entertainment, newsagency and home
- Kmart Tyre & Auto Service is one of Australia's largest retail automotive service, repair and tyre businesses with 260 stores

Year in brief

- Full-year revenue of \$4.1 billion
- EBIT of \$266 million¹
- The 'OK' campaign, highlighting Kmart's everyday low prices, was well received by customers
- Comparable store sales² for the year were in line with last year's result
- The business is continuing to operate on an everyday low-priced model
- Strong continued growth in volumes and customer transactions
- One new Kmart store opened during the year
- Six Kmart store refurbishments completed
- 238 Kmart Tyre & Auto Service stores re-imaged during the year

¹ Excludes \$2 million earnings related to Coles Group Asia overseas sourcing operations.

² For the 52 weeks from 27 June 2011 to 24 June 2012.

Future directions

- Continue to lead on price
- Continue to source more products directly to keep costs down
- Continue to drive prices down for Australian and New Zealand families
- Continue to improve the flow of stock and reduce out of stocks
- Continue to improve product ranges that connect with customers
- Continue to search for new and fresh products that customers want
- Continue to refurbish stores and open new sites

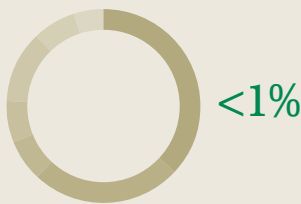
Businesses



Industrial and other businesses

Insurance

Contribution to operating divisional EBIT



Activities

- Key brands: Lumley, WFI, OAMPS and Crombie Lockwood
- Provision of general insurance products
- Insurance broking, risk management and financial services distribution
- Operations in Australia, New Zealand and the United Kingdom

Year in brief

- 10.1 per cent increase in revenue to \$1.9 billion
- EBIT of \$5 million, adversely affected by a \$108 million increase in claims reserves associated with the Christchurch earthquake
- 18.7 per cent growth in broking income, reflecting solid sales growth in core business and the successful integration of acquired businesses
- Gross earned premium growth of 9.1 per cent achieved
- Strong premium rate increases achieved in Australia and New Zealand
- Targeted reduction in exposures to higher hazard regions and industries
- Strong growth in Coles home and motor insurance
- IT investment, claims optimisation and efficiency initiatives delivering value

Future directions

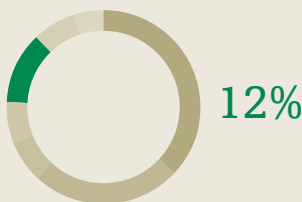
- Continue improvements in the underlying underwriting performance
- Continue to grow broking platform through acquisitions and sales optimisation
- Continue to grow and expand capabilities in personal lines
- Strive to consistently deliver outstanding client service across all businesses
- Invest in the development of employees

Businesses



Resources

Contribution to operating divisional EBIT



Activities

- Australian open-cut miner with investments in coal mining:
 - » Curragh, Queensland (100 per cent) – metallurgical coal for export and domestic markets
 - » Bengalla, New South Wales (40 per cent) – export steaming coal for Asian market
- Mine operation and development

Year in brief

- 19.9 per cent increase in revenue to \$2.1 billion
- EBIT up 19.0 per cent to \$439 million
- Curragh metallurgical coal export sales up 34.1 per cent to 7.2 million tonnes
- Significant second half improvement in Curragh's mine cash costs
- Record fourth quarter production and sales from both mines as current 'Stage One' mine expansions completed
- Feasibility studies into next-stage expansions of export capacity at both Curragh and Bengalla continuing
- Second half decline in export coal prices
- Premier Coal (WA) divested 30 December 2011: profit on sale of \$98m (not included in operating results)

Future directions

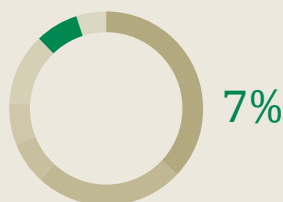
- Focus on future growth – maximise exports
- Feasibility study continuing to expand Curragh further from 8.0-8.5 to 10 million tonnes annual metallurgical export capacity (plus continuation of existing 3.5 million tonnes steaming coal annual production capacity)
- Feasibility study continuing to expand Bengalla to 10.7 million tonnes annual Run of Mine capacity (100 per cent basis)
- Strong business sustainability commitment
- Short-term global economic uncertainty, but longer term strong export market fundamentals and customer demand

Businesses



Chemicals, Energy and Fertilisers

Contribution to operating divisional EBIT



Activities

- Manufacture and marketing of chemicals for mining, minerals processing and industrial sectors
- Production, marketing and distribution of liquefied petroleum gas (LPG) and liquefied natural gas (LNG)
- Importation, manufacture and marketing of broadacre and horticultural fertilisers
- Manufacture, marketing and distribution of industrial, medical and specialty gases

Year in brief

- 8.8 per cent increase in revenue to \$1.8 billion
- 7.1 per cent increase in EBIT (excluding insurance proceeds from the 2009 Varanus Island gas disruption claims) to \$258 million
- Construction underway for \$550 million expansion of current ammonium nitrate production capacity
- Sale of enGen, remote power generation business in August 2011, and Bangladesh LPG joint venture in January 2012

Future directions

- Ammonium nitrate expansion on track to be operational in 2014
- Completion of detailed engineering to debottleneck sodium cyanide production
- Seek to grow sales of LPG and manage the impact of increased gas costs and lower LPG content

Future directions (continued)

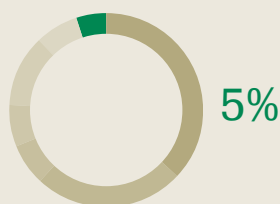
- Continue development of the LNG business
- Enhance fertiliser earnings through market-focused customer offers
- Continuing strong demand for chemicals; ammonia earnings increasingly dependent on international ammonia pricing following transition to import parity pricing

Businesses



Industrial and Safety

Contribution to operating divisional EBIT



Activities

- Leading provider of industrial and safety products and services in Australia and New Zealand to a wide range of customers
- Strong focus on security of supply to customers of broadest product range
- Cost efficiency to customers through local and global procurement, supply chain and eBusiness solutions

Year in brief

- 8.5 per cent increase in revenue to \$1.7 billion
- EBIT increased by 14.5 per cent
- Strongest results in Blackwoods, Protector Alsafe and Bullivants
- Strong contract, projects, services and eBusiness growth
- Increased industry diversification
- Opened a Blackwoods branch in Indonesia
- Restructured Coregas, Total Fasteners and Blackwoods Tasmania
- Improvement in Coregas, increased collaboration with other businesses in the division
- Operational and capital management contributing to improved returns
- Non-cash writedown in the carrying value of Coregas of \$181 million (not included in operating results)

Future directions

- Move to a more customer centric organisation
- Grow share of customers' products and services spend
- Invest in developing people and broaden the talent pool
- Continue to improve portfolio performance and efficiency through technology
- Develop new growth platforms, ongoing revenue diversification
- Growth through acquisitions

Businesses



Other activities

Activities

Gresham

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

Wespine

- 50.0 per cent interest in a plantation softwood sawmill at Dardanup, Western Australia

BWP Trust

- 23.5 per cent interest in the property trust which mainly owns Bunnings Warehouses tenanted by Bunnings Group Limited

Year in brief

Gresham

- The Gresham Private Equity Funds investment recorded a loss of \$55 million, compared to a loss of \$60 million last year, due to non-cash market revaluations

Wespine

- Earnings decreased 28.6 per cent due to decreased sales into the Western Australian market caused by reduced house construction and increased price competition

BWP Trust

- Wesfarmers share of profit from investment in BWP Trust generated earnings of \$16 million, compared to \$19 million recorded last year

Future directions

Gresham

- Focus on maintaining active participation in the Australian investment banking markets and on improving portfolio returns and identifying investment opportunities

Wespine

- Increased focus on customer service and maintaining a strong Western Australian market position

BWP Trust

- Focus on capital management to improve the efficiency, security and flexibility of funding, and asset management to continue to drive growth and value



Chairman's message

Our objective must be to ensure Wesfarmers is successful in a sustainable way for our shareholders, our employees, our customers and suppliers.

It gives me great pleasure to introduce the 2012 Wesfarmers annual report in a year when our profit exceeded \$2 billion for the first time. It is a milestone which reflects the continued strength of our business model and the tremendous expertise and capacity for hard work residing in our employee teams across our eight business divisions.

Ever since Wesfarmers became a listed company, it has been our stated objective to provide a satisfactory return to shareholders. That remains, and will continue to remain, the central focus of our efforts. In 2012, we recorded a six per cent increase in operating revenue to \$58 billion, and a 10.6 per cent increase in after tax profit. In a year in which caution and uncertainty marked consumer and investor sentiment in Australia, that is a good performance.

The directors were able to declare a fully-franked dividend of 95 cents per share at year's end, taking the full-year dividend to \$1.65, up from \$1.50 per share fully-franked in 2011. That result is very pleasing, and demonstrates yet again the benefits of being a diversified conglomerate.

Business performance

While there has been a lot of focus on the performance of the former Coles Group businesses since we acquired them in 2007, I am delighted to point out that many of our established Wesfarmers businesses have continued to perform very well and make significant contributions to the Group's results.

Bunnings has continued to deliver outstanding results in generally tighter trading conditions.

Industrial and Safety continued its path of ongoing improvement and increased its profit and return on capital from previous years.

Wesfarmers Chemicals, Energy and Fertilisers had a solid year with Board approval given and construction now underway on the \$550 million expansion of the ammonium nitrate facility at Kwinana, Western Australia.

Our Resources division reported a 19 per cent increase in earnings and improved sales volumes in the second half after completion of expansion projects at both Curragh and Bengalla.

Our Insurance businesses had a very difficult year with the February 2011 earthquake in Christchurch, New Zealand, having a major impact on the performance of the Insurance division.

I am especially pleased at the improvement shown in all the former Coles Group businesses and at how these businesses represent further improvement opportunities and a platform for more growth.

Wesfarmers has outperformed the market since the acquisition of Coles as confidence in the turnaround has increased.

Businesses sold

During 2012 we sold three businesses: the Premier Coal mine in Collie, Western Australia; the enGen regional power generation business, also in Western Australia; and the gas distribution business in Bangladesh. We were pleased with the outcomes of the sale processes, believing good prices were obtained for our shareholders. I would like to put on record my thanks and appreciation to the employees at these businesses for the contribution they have made to our company and for the way they conducted themselves while the sales were being progressed.

Sustainability

Our objective must be to ensure Wesfarmers is successful in a sustainable way, not only for the benefit of our half-a-million shareholders, but for our 200,000 employees, millions of customers and thousands of suppliers in the communities in which we operate right across Australia and New Zealand.

Good safety is good business and financial results will not be sustainable if we do not do everything to ensure safety is part of daily work. Our safety performance is improving, but we still have a long way to go on this critical measure of our success as a company. I am delighted that the leadership team has set up a group, led by John Gillam, to benchmark our safety performance across all aspects of the Wesfarmers business against the best in the world.

The team consists of individuals from all the divisions. The project will look at how we compare with best practice around the world but, more importantly, look at how we can take the best learnings from companies within the Group and across the world to improve our own safety performance.

One of the big challenges thrown out to businesses in Australia recently has been the decision by the federal government to put a price on carbon. No business looks forward to additional cost burdens, but I am pleased to tell you about how our company has responded.

The *National Greenhouse and Energy Reporting Act 2007* emissions for Wesfarmers Limited in 2011 were 5.04 million tonnes. Despite the fact that our businesses have grown in the just completed financial year, our greenhouse emissions have declined to approximately 4.67 million tonnes. I believe this is a remarkable accomplishment and is a tribute to the way we have worked in previous years to position ourselves for what we considered to be an inevitable price on carbon in the Australian economy.



The major reasons for the reduction were energy efficiency investments, especially at Coles, and nitrous oxide emission abatement at our Chemicals, Energy and Fertilisers business' nitric acid plants. Incidentally, if Premier Coal, enGen and the gas distribution business in Bangladesh were still within the Group, our 2012 emissions would have been about 4.9 million tonnes, still a decrease from 2011.

Total electricity use around the Group was lower in 2012 than in 2011, despite an increase in our retail floor space and the size of our businesses in general.

The Board

I would like to thank my Board colleagues for their hard work and support throughout the year. Although we had no departures from or new appointments to the Board during the 2012 financial year, we have made provision in our remuneration settings for the potential expansion of the Board's numbers.

While the Board continues to believe our current size is appropriate for Wesfarmers, the proposed increase is intended to provide sufficient 'headroom' to appoint up to two additional members to allow for effective Board succession over the next two to three years.

Investing for the future

We have every reason to be confident about the future and that confidence is reflected in our capital expenditure decisions. Net capital expenditure for 2012 was \$2.35 billion, which represents a substantial investment in growth.

Significant capital expenditure projects for the year included continued investment in our retail store networks, completion of production expansions in our coal businesses, and commencement of the ammonium nitrate expansion project in the chemicals business.

On behalf of the Board I would like to thank all of our 200,000 employees for their dedication and hard work that has translated into a good performance for the past financial year. We have an excellent culture within the company and the Board is determined to maintain and sustain this strong culture.

There is no doubt that external factors will continue to challenge our company but, under Richard Goyder's excellent leadership and his strong management team, I believe Wesfarmers is well-placed to meet those challenges and continue to prosper in the interests of our shareholders and the wider communities of Australia and New Zealand.

Finally, my thanks go to you, our shareholders. Wesfarmers exists for your benefit and the Board and entire leadership are grateful for your ongoing support of this great company.

Bob Every AO, Chairman

Managing Director's review

Wesfarmers is well-placed to grow and create value for all our stakeholders due to the strength of our businesses, our balance sheet and the quality of our people.

At Wesfarmers, we are fortunate to have a great portfolio of assets, a very strong balance sheet and, most importantly, a team of talented and enthusiastic employees. Thanks to their efforts, your company has enjoyed a year in which we returned profits of more than \$2 billion for the very first time and lifted our dividends to shareholders by 10 per cent over the previous year.

We had turnover of \$58 billion for the year. Our profit after tax was \$2,126 million, up 10.6 per cent, and our earnings before interest and tax, which is how we measure the divisional performance, was more than \$3.5 billion. Our earnings per share were up and our cash flows were very strong.

In an underlying profit sense, every one of the eight divisions recorded increased earnings compared to last year, which is a really outstanding outcome in an environment that has been challenging economically in Australia.

Business divisions

Coles achieved strong earnings growth of 16.3 per cent to \$1,356 million, building on the 21.2 per cent earnings growth achieved last year. Savings generated through improved operating efficiencies supported continued price reinvestment during the year, driving growth in volumes and profitability. The continuation of the renewal refurbishment program and the improvement of the store network further benefited performance in the year.

Bunnings' earnings increased 4.9 per cent to \$841 million which represented another good result for the business. In tighter trading conditions, this result was underpinned by solid transaction growth from a number of merchandise initiatives and investment in customer service and value. Earnings were further supported by cost management initiatives and the improvement of the store network.

Officeworks' earnings increased 6.3 per cent to \$85 million. The focus on the strategic agenda of the business continued to drive transaction growth during the year, offsetting heavy deflation and generally challenging trading conditions, particularly in technology-related areas.

Kmart achieved pleasing growth in earnings for the year, up 31.4 per cent to \$268 million. Improvements in range, together with better sourcing and stock management, continued to drive business efficiencies and support reinvestment in lower prices that were positively received by customers. Kmart has now achieved 10 consecutive quarters of growth in transactions and units sold.

Target's reported earnings of \$244 million include a one-off \$40 million provision in the current year for future supply chain restructuring.

Excluding this provision, Target's earnings of \$284 million were just above the prior year, despite difficult trading conditions, particularly in consumer electronics. Underlying earnings were maintained through a focus on the profitability of promotions and lower levels of clearance activity due to better inventory management.

The **Insurance** division reported earnings of \$5 million after increasing reserve estimates for the 22 February 2011 Christchurch earthquake by \$108 million during the year. Excluding this event, underlying earnings were ahead of last year.

The **Resources** division's earnings increased 19.0 per cent to \$439 million. The major driver of the result was increased revenue due to higher export coal prices in the first half, and improved sales volumes in the second half, following the completion in the fourth quarter of expansion projects at the Curragh and Bengalla mines. Higher revenue was partially offset by extra costs associated with flood recovery efforts, one-off mine expansion preparation costs and higher government royalties.

The **Chemicals, Energy and Fertilisers** division reported earnings of \$258 million, representing growth of 7.1 per cent after excluding \$42 million of insurance proceeds in the prior year related to the 2009 Varanus Island gas outage. Earnings were supported by higher prices in the chemicals business and increased fertiliser sales, which offset a lower contribution from Kleenheat Gas and the loss of earnings from the enGen business following its divestment in August 2011.

The **Industrial and Safety** division delivered a good result, with earnings increasing by 14.5 per cent to \$190 million, supported by strong demand from the resources and engineering construction sectors, and an enhanced competitive position.

Other businesses' earnings were broadly in line with last year with lower interest revenue and a \$15 million expense associated with non-trading items largely offset by a reduction in the Group's self-insurance expense. Non-trading items for the year included a \$181 million non-cash writedown in the carrying value of Coregas, which was partially offset by gains on asset sales totalling \$166 million.

Management change

During the year, Dene Rogers replaced Launa Inman as Managing Director of Target. Dene has extensive retailing experience from North America and has been making encouraging progress with several major initiatives in what has been a difficult retail environment for Target. I would like to sincerely thank Launa Inman for her significant contribution to Target as its Managing Director for seven years, and for her support during the four years of Wesfarmers ownership.



Innovation

One of our key values as a company is boldness. In order to progress and provide better products and services to our customers, and to win the battle against our competitors, we have to be prepared to be bold by innovating and being creative. During the year we launched the Wesfarmers Innovation Awards, an initiative that came from the Leadership Conference two years ago. We had outstanding applicants and winners for these awards. I have had the great privilege of meeting these teams and congratulating them. The depth of innovation underway across the Group is encouraging.

Suppliers

There has been a lot of public comment this year on Wesfarmers' relationship with our suppliers through the Coles business. This is an issue we take very seriously. We know Coles is a big player and that we buy a lot of product from Australian suppliers and producers. We provide an important way of getting to market.

Coles, a once iconic Australian business, was in steep decline prior to our acquisition. When we walked into the business we had a product range that was unwieldy and extensive. We had to get a better range for our customers and increase the efficiency and cost-competitiveness of our supply chain. In that turnaround process, it was inevitable that some suppliers would miss out.

We now purchase \$1.6 billion per annum more from Australian primary producers than we did when we took control of the business in 2007. We are committed to outcomes that are beneficial for our shareholders and suppliers.

Looking ahead

Wesfarmers is well-placed to grow and create value for all our stakeholders due to the strength of our businesses, our balance sheet and the quality of our people. We will continue to invest to grow our existing businesses and we have the capacity to further add to the portfolio should suitable opportunities arise. As always, we will be patient and disciplined, and endeavour to make decisions which are in the long-term interests of all our stakeholders, particularly you, our owners.

The leadership team has a very positive working relationship with Bob Every and the Board and we thank them for that.

Richard Goyder Managing Director

Wesfarmers leadership team

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

Richard Goyder (1)

Managing Director, Wesfarmers Limited

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

Terry Bowen (2)

Finance Director, Wesfarmers Limited

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

Ian McLeod (3)

Managing Director, Coles

Ian joined Wesfarmers as Managing Director, Coles in 2008. He has extensive experience in British and European retailing, including senior executive roles at the United Kingdom retailer Asda, where he played a key role in the recovery and turnaround program during the 1990s. Other senior retail roles included Chief Executive Officer at Halfords Group plc, the UK's leading retailer of car parts, leisure and cycling products and Chief Merchandise Officer with Wal-Mart in Germany.

John Gillam (4)

Managing Director, Home Improvement and Office Supplies

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

Dene Rogers (5)

Managing Director, Target

Dene Rogers was appointed Managing Director of Target in November 2011 and prior to this was Chief Executive Officer of Sears Canada, a diversified public company, for five years. Before Sears, Dene was based in Chicago as Executive Vice President and General Manager of Kmart USA, where he oversaw the operations of approximately 1,500 stores and US\$18 billion of revenue. Dene has a Master of Business Administration and a Bachelor of Engineering.

Guy Russo (6)

Managing Director, Kmart

Guy was appointed Managing Director of Kmart in 2008. Prior to that, he was Managing Director and Chief Executive Officer of McDonald's Australia between 1999 and 2005, having held all key operational posts since 1974. Guy also served as President, McDonald's Greater China until 2007 and is currently President of the international Half the Sky Foundation for orphaned children in China.

Stewart Butel (7)

Managing Director, Wesfarmers Resources

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

Rob Scott (8)

Managing Director, Wesfarmers Insurance

Rob started with Wesfarmers in 1993 before moving into investment banking, where he had various roles in corporate finance and mergers and acquisitions in Australia and Asia. He rejoined Wesfarmers in business development in 2004 before being appointed Managing Director of Wesfarmers Insurance in 2007. He is the President of the Insurance Council of Australia.

Tom O'Leary (9)

Managing Director, Wesfarmers Chemicals, Energy & Fertilisers

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

Olivier Chretien (10)

Managing Director, Wesfarmers Industrial and Safety

Olivier joined Wesfarmers in 2006 as General Manager Commercial, Wesfarmers Industrial and Safety, before being appointed Managing Director of the division in 2007. Prior to joining Wesfarmers, Olivier was a management consultant with The Boston Consulting Group in France and Australia. He previously worked in logistics and project management with engineering contractor Jacobs Serete.



Tim Bult (11)
Executive General Manager, Business Development, Wesfarmers Limited

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

Paul Meadows (12)
Group General Counsel, Wesfarmers Limited

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

Ben Lawrence (13)
Chief Human Resources Officer, Wesfarmers Limited

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

Alan Carpenter (14)
Executive General Manager, Corporate Affairs, Wesfarmers Limited

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

Finance Director's review

Cash flow from operations increased by 24.8 per cent to \$3,641 million and was driven by strong earnings growth and effective working capital management.

Results overview

Net profit after tax for the Group in the 2012 financial year of \$2,126 million was 10.6 per cent ahead of last year.

Earnings per share of 184.2 cents were up 10.5 per cent on last year, in line with earnings growth, and average return on equity increased to 8.4 per cent from 7.7 per cent in the previous year.

Cash flow

Cash flows from operations of \$3,641 million for the year were 24.8 per cent higher than last year, representing a cash realisation ratio of 117 per cent. Operating cash flows during the year were supported by earnings growth and improved working capital performance, particularly across the Group's retail businesses.

The Group continued to invest strongly in capital expenditure over the year in order to drive future growth. Net capital expenditure of \$2,351 million, which included a \$245 million contribution from property sales in Coles and Bunnings, was up 27.4 per cent on last year. Significant capital expenditure projects during the year included continued retail network expansion and refurbishment activity, completed production expansions of the Curragh and Bengalla coalmines and the commencement of the ammonium nitrate capacity expansion in the chemicals business.

It is expected that the current phase of strong capital investment will continue in the 2013 financial year through plans to further improve and grow retail store networks and progress the 260,000 tonne ammonium nitrate expansion at Kwinana, Western Australia. Proceeds from the sale of businesses of \$402 million, predominantly from the sales of the Premier Coal mine and the enGen business, offset higher net capital expenditure, resulting in a 41.4 per cent increase in free cash flows to \$1,472 million. Cash dividends paid increased to \$1,789 million from \$1,557 million in the previous year.

Balance sheet

The strength of the balance sheet was maintained during the year, as evidenced by improvements in all key liquidity ratios. Total net debt at 30 June 2012 increased to \$4,904 million (from \$4,343 million 12 months earlier) reflecting the Group's growth in capital investment. Despite this increase, finance costs for the Group declined by 4.0 per cent to \$505 million for the year, following successful refinancing initiatives and the progressive expiry of pre-global financial crisis interest swap hedges.

Total property, plant and equipment increased over the year, from \$8,302 million to \$9,463 million as at 30 June 2012, due to capital investment being well ahead of depreciation and amortisation.

Strong working capital management, particularly in the retail divisions, kept capital employed in this area to a similar level to last year, despite the increased sales activity and retail footprint.

Detailed impairment testing of non-current assets, including goodwill and other intangible assets recognised on business acquisitions, was carried out during the year. External experts were engaged to provide support on model inputs including discount rates and long-term growth rates. Non-cash impairment charges totalling \$197 million were made during the year, compared to \$27 million in the prior year. The current year's impairment charge was mainly due to a non-cash writedown in the carrying value of Coregas as a result of BlueScope Steel Limited's restructure of its Port Kembla operations. In all other cases, recoverable amounts of non-current assets determined for impairment testing exceeded their carrying values. Future impairment testing of non-current assets remains sensitive to changes in general trading conditions and outlook, as well as discount rates.

Debt management

The Group aims to maintain a strong investment-grade rating through prudent balance sheet management. The Group's credit ratings remained unchanged at A- (stable outlook) for Standard & Poor's and Baa1 (positive outlook) for Moody's.

During the year the Group continued to proactively diversify its funding sources and extend its debt maturity profile. Refinancing activity included two \$500 million domestic bond issues, comprising a five year issue in November 2011 and a seven year issue in March 2012.

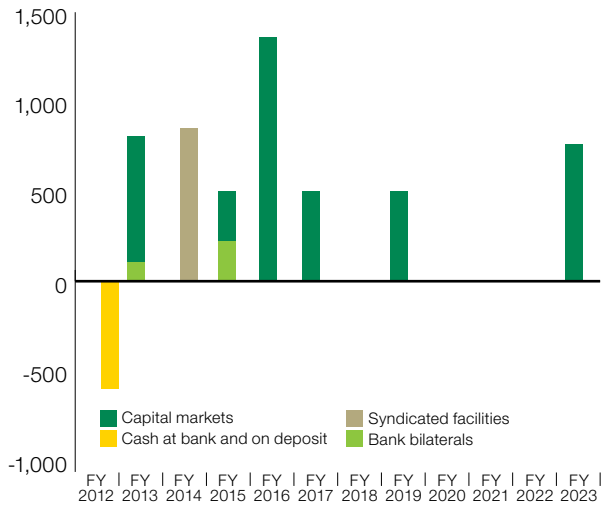
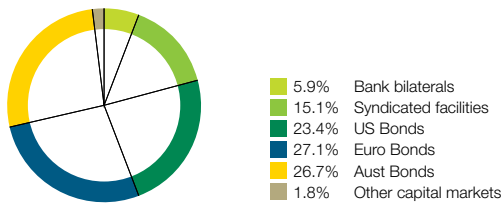
The proceeds of these issuances were utilised to fund maturing bank debt and general business requirements, which resulted in a lengthening of the Group's average tenor to 3.8 years across well diversified sources of debt.

As at 30 June 2012, the Group had available to it \$598 million in cash at bank and on deposit and \$2,298 million in committed but undrawn bank facilities.

Strong operating performance and debt management initiatives resulted in improvements in the Group's fixed charges cover ratio to 2.8 times, up from 2.7 times a year ago, and the cash interest cover ratio to 10.8 times, up from 9.5 times. Refinancing initiatives contributed to a one percentage point decrease in the weighted average cost of debt to 7.8 per cent compared to 8.8 per cent last year.

In August 2012, the Group raised €650 million in European debt capital markets through its first ten year bond issue, further confirming debt investors' confidence in the Group's businesses and balance sheet.

Average debt tenor of 3.8 years across diversified sources of debt



Note: Amounts shown and average tenor based on the drawn amount at balance date of 30 June 2012, adjusted for 10 year bond issued August 2012.

Equity management

Over the year shares on issue were stable, with 1,157 million shares on issue at 30 June 2012, made up of 1,007 million ordinary shares and 150 million partially-protected ordinary shares.

Dividend policy

Wesfarmers' dividend policy seeks to deliver growing dividends over time, with the declared amount reflective of the Group's current and projected cash position, profit generation and available franking credits. Consistent with this policy, a fully-franked, full-year dividend of 165 cents per share was declared, an increase of 10.0 per cent on last year. The final dividend, to be paid on 28 September 2012, is not provided for in the accounts. Given a preference by many shareholders to receive dividends in the form of shares, the directors decided to continue the operation of the Dividend Investment Plan (the Plan). No discount applies to shares allocated under the Plan and in recognition of the Group's capital structure and strong balance sheet, all shares issued under the Plan will be acquired on-market by a broker and transferred to participants.

Risk management

The Group maintains and adheres to clearly defined policies covering areas such as liquidity risk, market risk (including foreign exchange, interest rate and commodity price risk) and credit risk.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments be undertaken.

The main sources of foreign exchange risk include: the sale of export coal, denominated in US dollars; purchases in foreign currency, mainly retail inventory in US dollars; and current US dollar and Euro denominated debt. Businesses exposed to foreign exchange risk use forward contracts to minimise currency exposure. US dollar and Euro denominated debt and associated interest



costs are fully hedged at the time the debt is drawn down. The Group uses interest rate and cross currency interest rate swaps to manage interest rate risk. Interest rate swaps covering \$2.2 billion of debt are currently in place for the 2013 financial year. The annual corporate planning process includes an established framework for assessing broad business risk as well as considering appropriate risk mitigation strategies.

Internal control and assurance

The Group maintains an internal audit function with a Group-wide mandate that is fully independent of the business operations to monitor and provide assurance to the Board's Audit Committee and ultimately the Board as to the effectiveness of risk management and internal control systems. The annual internal audit plan is developed within a combined assurance framework and applies a risk-based methodology to ensure that the Group's key risks are appropriately and regularly reviewed.

The internal audit plan is approved by the Board. The internal audit function delivers the approved internal audit plan by engaging a single outsource audit provider. As part of the annual operating cycle, each business is also required to review and report on: legal liabilities; financial controls; information systems; environment, health and safety planning; risk assessment and mitigation; and post implementation reviews on all major capital investment expenditure.

Terry Bowen Finance Director

Retail operations

Our relationship with suppliers is a vital part of making Wesfarmers the company that it is today. This year, Coles partnered with Warrnambool Cheese and Butter to launch a new brand – 'Great Ocean Road' dairy products.



Coles page 18



Home Improvement and Office Supplies page 22



Target page 26



Kmart page 30





Coles

The Coles turnaround produced strong trading results in 2012 by improving quality, service and value. The business achieved its thirteenth quarter of industry out-performance.



Ian McLeod,
Coles Managing
Director (left),
with team member
Dishank Shah,
Coles Tooronga,
Victoria

The business

Coles is a leading food, liquor and convenience retailer, with a presence in every Australian state and territory. The business operates more than 2,200 retail outlets across Coles, BiLo, First Choice Liquor, Liquorland, Vintage Cellars, Coles Express and Spirit Hotels.

The business employs more than 100,000 team members and handles more than 18 million customer transactions a week.

Strategy

Coles seeks to give the people of Australia a shop they trust, delivering quality, service and value.

In 2011/12, Coles continued to invest in new stores, delivered lower prices through its value campaigns, supported the Australian food industry with its 'Australia First' policy and relaunched its customer loyalty program.

Results

The 2012 financial year saw Coles deliver operating revenue of \$34.1 billion, up 6.4 per cent on the prior corresponding period. Earnings before interest and tax grew to \$1,356 million, up 16.3 per cent on the previous year.

Food and liquor store sales were \$26.2 billion, up 4.6 per cent on the previous year and comparable store sales growth was 3.7 per cent. The results were driven by increased customer transactions as a result of delivering quality, service and value.

Coles' investment in more direct relationships with growers during the year led to better and fresher produce for customers, as did further investment in logistics, team member training and store infrastructure.

Programs to improve the future performance of Coles Liquor were introduced, including installing a new integrated management information system, delivering more effective customer promotions and making further changes to the store network.

Coles Express sales (including fuel) rose 11.5 per cent to \$7.5 billion, largely driven by strong fuel volumes and a broader fuel offer.

Year in brief

This year was the fourth year of a five-year turnaround plan for Coles, which was focused on 'driving the Coles difference'.

Coles' investment in lower prices during the year saved customers more than \$800 million as part of an ongoing strategy to deliver value through programs such as 'Down Down', 'Super Specials' and the new 'My5' – introduced with the relaunch of the 'flybuys' customer loyalty program.

Customers continued to respond well to Coles' campaigns and more than half of Australian households are now using a flybuys card.

As part of its 'Australian First' policy, Coles awarded numerous new contracts to Australian-based businesses during the year, including: a five-year contract with Tamar Valley to produce Coles brand yoghurts; switching from a New Zealand supplier for all Coles brand cheese to Australian-based Bega Cheese Limited, which will see 19,000 tonnes of cheese produced for Coles annually; and launching a new brand – 'Great Ocean Road' cheese and milk – with Warrnambool Cheese and Butter.

The Coles brand also became the first Australian supermarket private label to offer 100 per cent Australian grown frozen vegetables with the support of Simplot Australia.

Coles brand products continued to be recognised for quality, receiving more than 50 awards in industry competitions during the year.

The business made good progress to deliver on all its ethical sourcing commitments. For example, in February 2012, a sustainable seafood message was introduced to all Coles' seafood counters across Australia to make it easier for shoppers to identify a sustainable seafood choice.

Coles expanded its online presence during the year, launching a version of **coles.com.au** for mobile devices and an online store for the 'Mix' range of clothing and accessories.



Growth strategies

- Renewed investment in value
- Stronger supplier partnerships
- Improved quality and simpler range
- Coles brand and new ranges
- Leveraging supply chain
- Investment in team members
- New and bigger stores and existing store refurbishment
- Multi-channel integration and financial services expansion

Revenue (\$m)

\$34,117

2012	34,117
2011	32,073
2010	30,002
2009	28,799
2008*	16,876

EBIT (\$m)

\$1,356

2012	1,356
2011	1,166
2010	962
2009	831
2008*	475

Key financial indicators

For the year ended 30 June	2008*	2009	2010	2011	2012
Revenue (\$m)	16,876	28,799	30,002	32,073	34,117
Earnings before interest and tax (\$m)	475	831	962	1,166	1,356
Capital employed (R12) (\$m)	14,952	15,163	14,830	14,973	15,544
Return on capital employed (%)	nm	5.5	6.5	7.8	8.7
Capital expenditure (\$m)	351	606	683	840	1,218

nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.
 * For the ownership period from 23 November 2007 to 30 June 2008.

Coles (continued)

The trial of Coles 'Click & Collect' service in Victoria, which enables customers to order groceries online and collect these at a supermarket or Coles Express site, has performed well. The service will be extended to other parts of Australia in the coming year.

Coles invested more than \$1 billion during the year, mainly in building new and bigger stores and in refurbishing existing stores, including the launch of 19 new supermarkets (two of which were larger format superstores), 35 new liquor stores and 10 new Coles Express sites.

During the year Coles delivered 108 supermarkets in the new store format, including all its supermarkets in the Australian Capital Territory. New format supermarkets now represent one third of the store network.

A focus on controlling waste has generated savings of more than \$400 million over the last four years, which has been invested in better store and distribution infrastructure and lower prices for consumers.

Improvements to transport management, Coles' distribution and logistics network and Easy Ordering and Easy Warehousing, have improved stock availability, freshness and lowered the average delivery cost per carton to a Coles store.

Business sustainability

In preparation for the federal government's Clean Energy Future legislative package, Coles took steps to reduce energy consumption, including installing voltage optimisation technology in 182 stores which reduces the energy drawn from the public grid and reduces store power consumption.

Coles also expanded its in-store plastic bag recycling service for customers to include soft plastic food packaging as part of a trial in 114 Victorian supermarkets. Between September 2011 and May 2012, more than 23.5 tonnes of plastic packaging was returned to Coles and saved from landfill. The waste will be turned into outdoor furniture which will be donated to schools and kindergartens.

Investing in team members in order to provide the best customer experience continues to be a focus for Coles. This year 800 team members completed the Retail Leaders program, taking the total to more than 2,500 since it was launched in 2009. The program continues to be the key development program for team members looking to move into store management.

During the year, Coles continued to drive diversity through the launch of its 'First Step' Indigenous employment and engagement programs.

In September 2011, Coles announced a national partnership with not-for-profit food rescue organisation, SecondBite, to donate surplus healthy fresh produce and bread to community food programs all over Australia. As at 30 June 2012, 208 stores provided the equivalent of 852,000 meals to people in need.



Funding from the Department of Education, Employment and Workplace Relations will help provide more than 200 job opportunities in the coming year.

Coles had an improved safety result with a lost time injury frequency rate of 12.99, down 23 per cent on last year. A business integrated injury management system introduced during the year has contributed to faster intervention and a greater focus on returning to work, lower lost time injuries and reduced new claims.

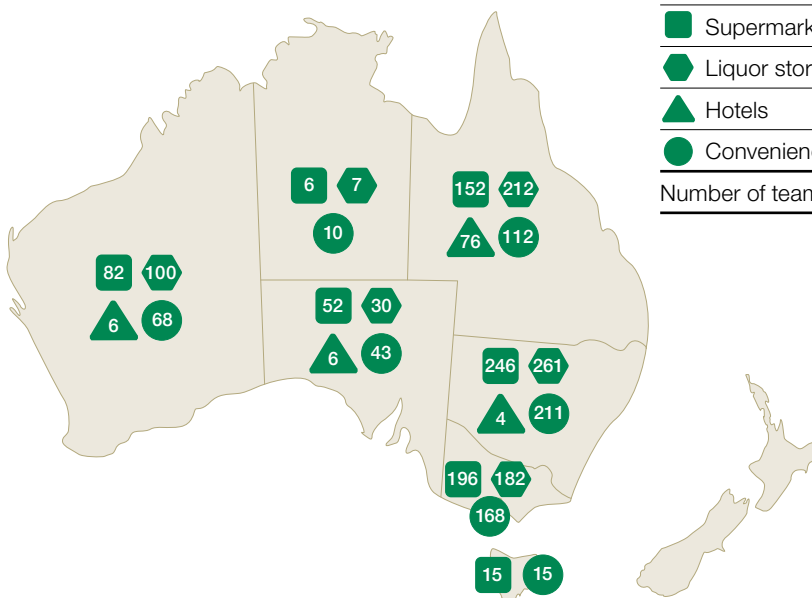
This year, Coles community investment totalled \$21.9 million, of which \$19 million was cash and in-kind donations to major charity partners and community programs. Close to \$10 million in sports equipment was distributed to more than 7,500 schools across Australia in the second year of the Coles 'Sports for Schools' program.

Outlook

In the coming year, the business will continue to 'drive the Coles difference' by creating a culture of continuous improvement; building strong customer trust and loyalty; delivering operational efficiency; innovating and improving its customer proposition; and delivering an improved store network with new and refurbished stores and the introduction of new categories.



Business statistics



Coles

Supermarkets	749
Liquor stores	792
Hotels	92
Convenience stores	627
Number of team members	100,625

Business websites

www.coles.com.au
www.colesonline.com.au
www.1stchoice.com.au
www.liquorland.com.au
www.liquorlanddirect.com.au
www.mixapparel.com.au
www.vintagecellars.com.au

Home Improvement and Office Supplies

Bunnings

Bunnings continues to expand and improve its store network through ongoing investment in existing outlets, innovative merchandising initiatives and new store openings.



John Gillam,
Home Improvement
and Office Supplies
Managing Director
(right), with
Nicky Triantafyllidis,
Activities Organiser,
South Oakleigh,
Victoria

The business

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

Operating from a network of large warehouse stores, smaller format stores, trade centres and frame and truss manufacturing sites, Bunnings caters for consumer and commercial customers.

Strategy

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

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

Results

Operating revenue from Bunnings increased by 5.6 per cent to \$7.2 billion for the full year, with trading revenue also increasing by 5.6 per cent. Earnings before interest and tax grew 4.9 per cent to \$841 million.

Total store sales growth in Bunnings of 5.9 per cent was achieved during the year, with underlying store-on-store sales increasing by 3.9 per cent. Commercial sales were 6.9 per cent higher than in the comparative period. Sales growth for the full-year was achieved in both consumer and commercial areas, across most key trading regions. Particularly pleasing were the outcomes from merchandising initiatives, including the range reset project and operational work to further strengthen service and services. A strong focus on productivity and cost management supported investments in the customer offer and EBIT growth.

Year in brief

During the year 16 trading locations were opened, including 13 new warehouse stores, one smaller format store and two trade centres. At the end of the period there were 206 warehouses, 58 smaller format stores and 36 trade centres operating across Australia and New Zealand. Investment in bringing current merchandising standards into older parts of the network continued, together with category-specific upgrade work across the whole network.

Business sustainability

Work continued during the year towards long-term carbon footprint reduction initiatives to reduce energy usage and waste, and educating customers and team members on sustainable living choices. Although continued growth in new stores affected the business' total carbon footprint, carbon intensity remained stable at 3.4 CO₂e tonnes per \$100,000 of revenue. Water consumption remained a priority, with rainwater tanks and capillary mats continuing to be rolled out in new warehouse stores, and hand watering in selected nurseries. Scheme water use was 869 megalitres, an increase of 19 per cent overall. Notwithstanding the significant expansion in the store network, the intensity of our water use has reduced 31 per cent compared to the intensity of water use five years ago.

Over the year, Bunnings supported more than 42,000 community activities through community group sausage sizzles, hands on do-it-yourself projects and renovations, local fundraising activities, community workshops and other activities. Support included more than 106,000 hours of team member support for activities and projects, product contributions and financial assistance. This involvement helped raise and contribute more than \$27 million for local, regional and national charities and community organisations across Australia and New Zealand.

Disappointingly, safety performance did not improve during the year. The rolling 12-month all injuries frequency rate increased from 36.6 to 38.8. Bunnings continues to focus on team member safety by strengthening safety leadership across the business, reducing risks linked to known injury hot spots, improving safety for higher risk activities, and achieving better returns to work outcomes.

Outlook

The business is well-positioned for continued sales growth, through increased service levels, category development, network expansion and reinvestment, an improved light and heavy commercial offer, and the continued investment of productivity gains in lower prices to drive volume.



Bunnings growth strategies

Profitable sales growth: Key growth drivers are providing better customer experiences, enhancing the offer, investing in and expanding the network, further developing a multi-channel commercial offer, and creating value

Better stock flow: Improving the end-to-end supply chain, with higher in-stock performance the priority

Stronger team: Continuing investments in product knowledge, development and safety

Productivity gains: Focusing on making core processes faster and easier

Community and sustainability involvement: Ongoing commitment to store-based community involvement work, reducing water and energy consumption and wastage, plus improved affordability of sustainability projects for customers

Home Improvement and Office Supplies Revenue (\$m) \$8,644

2012	8,644
2011	8,251
2010	7,822
2009	7,151
2008*	6,160

Office Supplies growth strategies

• **Evolve our customer offer:** Expand services and solutions offer; print and copy enhancements and expansion; improve and grow furniture offer; extend price leadership; and continue to deliver widest range

• **Improve our customer service:** Expand business-to-business service; consistent customer service; and specialist knowledge in key categories

• **Team development and engagement:** Continue to focus on improving safety and delivering team programs that support and enhance the business strategy and underlying culture

• **Reduce costs and complexity:** Rebuild an efficient and cost-effective supply chain; reduce shrinkage; and continue to work on removing costs, duplication and complexity

• **Drive sales and profitability:** Lift product range authority; expand and renew the store network; improve the online offer; improve stock management; and look after business customers better

Home Improvement and Office Supplies EBIT (\$m) \$926

2012	926
2011	882
2010	802
2009	724
2008*	625

Key financial indicators

For the year ended 30 June	2008*	2009	2010	2011	2012
Revenue (\$m)	6,160	7,151	7,822	8,251	8,644
Earnings before interest and tax (\$m)	625	724	802	882	926
Capital employed (R12) – Home Improvement (\$m)	1,925	2,185	2,398	2,863	3,250
Return on capital employed – Home Improvement (%)	31.2	30.2	30.4	28.0	25.9
Capital employed (R12) – Officeworks (\$m)	1,080	1,145	1,178	1,195	1,208
Return on capital employed – Officeworks (%)	nm	5.7	6.3	6.7	7.1
Capital expenditure (\$m)	302	378	446	613	587

* Officeworks' contribution for the ownership period from 23 November 2007 to 30 June 2008.
nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.

Home Improvement and Office Supplies (continued)

Office Supplies

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



The business

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

Strategy

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

Results

Operating revenue for the office supplies businesses was \$1.5 billion for the full-year, which was 0.7 per cent higher than the previous year. Earnings before interest and tax grew 6.3 per cent to \$85 million.

Deflationary headwinds and challenging market conditions kept store sales growth flat across the year. Online sales grew strongly, in line with the Officeworks 'every channel' strategy. Transaction and unit sales both online and in-store were well above last year.

Year in brief

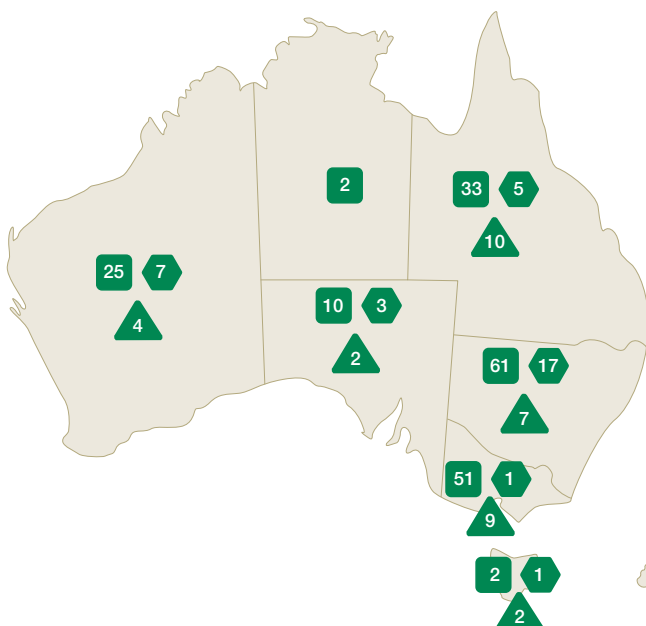
Improving customer service remained at the forefront of the agenda with a range of different initiatives rolled out. New products and services were added to the range and investment in the online offer was received favourably by customers.

Business sustainability

Officeworks remains committed to social responsibility and the continued contribution to the wellbeing of the communities in which we operate. During the year, more than \$1 million was raised to support a variety of local and national programs, such as Australia's Biggest Morning Tea, the ANZAC Day and Remembrance Day appeals, and numerous local and national activities. Officeworks continued its support of the Australian Literacy and Numeracy Foundation through the sale of the reusable 'Helping Kids Grow' jute bag.

Officeworks' commitment to the environment was a priority with the introduction of the EcoOK range and a dedicated business supplies directory to help customers make environmentally preferable purchasing decisions.

Business statistics



Bunnings

Warehouse stores	206
Smaller format stores	58
Trade centres	36
Number of team members	32,839

Business websites

www.bunnings.com.au
www.bunnings.co.nz

Since Officeworks' partnerships with 'Cartridges 4 Planet Ark' began in 2004, more than 2.9 million cartridges have been recycled. The business continued to support Mobile Muster resulting in more than 2,900 kilograms of waste being diverted from landfill during the course of the year.



Additionally, a Supplier Code of Conduct and a Responsible Forest Products Procurement Policy was rolled out to ensure ethical sourcing for our paper and timber products.

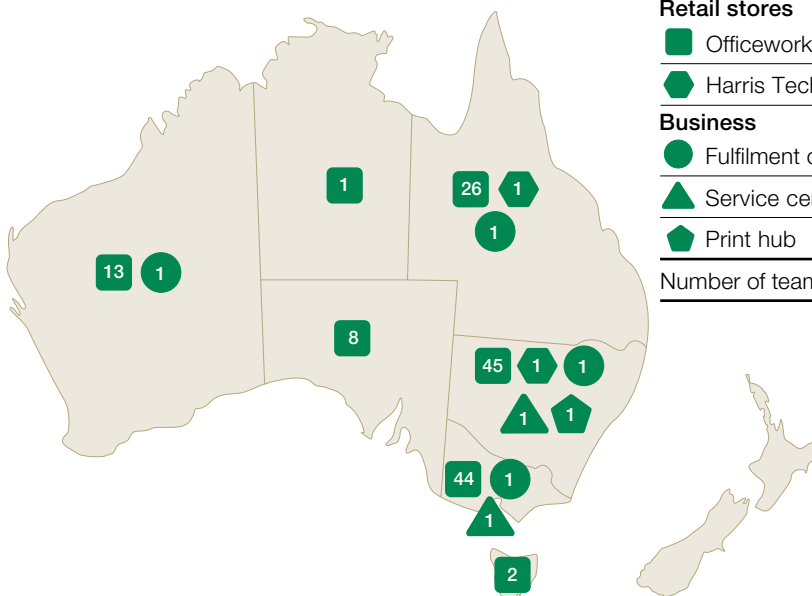
The lost time injury frequency rate for the period reduced from 12.17 to 10.81. The StaySafe program introduced in February 2009 operated in conjunction with the StayHealthy program to ensure that the health and wellbeing of Officeworks team members remained a priority.

Outlook

Officeworks' primary focus remains on driving good business performance through a range of initiatives. Investment to further enhance the customer offer while expanding and renewing the store network will continue, as will work to lower costs and remove operational complexity. Increasing business-to-business sales and investing online will remain high priorities. Underpinning all these strategic initiatives will be ongoing work to develop the Officeworks team.

The challenging outlook for sales and margins is expected to continue given the current economic and competitive landscape.

Business statistics



Officeworks

Retail stores

Officeworks	139
Harris Technology	2

Business

Fulfilment centres	4
Service centres	2
Print hub	1

Number of team members 6,018

Business websites

www.officeworks.com.au
www.ht.com.au

Target

Target's four-year transformation journey began with early success from communicating value to customers and improving the profitability of promotions.



Dene Rogers,
Target Managing
Director (right),
with team member
Gabbie King,
Chadstone, Victoria

The business

Target is a mid-tier retailer, aimed at offering customers value through style, quality and an enhanced in-store and online experience.

Today, customers can shop at 301 stores nationwide and from the online store at shop.target.com.au and choose from 36,000 items. Target has a team of more than 22,000.

Key product ranges include ladieswear, intimate apparel, menswear, childrenswear and nursery, accessories and footwear, homewares, electrical, toys and other general merchandise.

Strategy

Target's vision is to become Australia's leading mid-tier retailer, with the goal that 'everything we do makes our customers feel good'. At the core of this vision is a commitment to offer customers a combination of style, quality and experience that combine to create a true definition of value.

This vision will be brought to life through:

- **Style** – product that represents the latest trends and contemporary fashions that are affordable
- **Quality** – durable, high-quality product that has been 'Target-tested' to ensure it represents superior quality to the deep discounters and comparable quality to high-priced department stores
- **Experience** – the in-store and online environment is a place where customers feel valued and inspired and receive a first class experience
- **Value** – with the right style, superior quality, and a first class in-store and online experience, customers will receive more value from Target than its competitors.

The business is transforming over a four-year period to enable the delivery of this better value definition for customers. The focus of this transformation is strengthening the mid-tier position, investing in online and the store network, increasing direct sourcing of merchandise, re-engineering the supply chain and building organisational capabilities.

Results

Operating revenue for Target decreased by 1.2 per cent to \$3.7 billion, with a decline in comparable store sales for the full-year of 2.1 per cent¹. Reported earnings before interest and tax (EBIT) were \$244 million which includes a \$40 million restructuring provision. EBIT, excluding the provision, was \$284 million reflecting an EBIT margin of 7.6 per cent, up from 7.4 per cent last year.

Target's underlying profit was maintained through an improvement in margin, generated from a focus on the profitability of promotions and clearance activity.

Positive sales results were achieved in children's clothing, homewares, footwear and accessories, with customers responding positively to offerings in these areas.

Sales were also higher in toys and leisure, although this was largely due to the 2012 mid-year toy sale being brought forward into June from July. Trading was particularly challenging in consumer electronics with weak demand and price deflation continuing to affect sales in this category.

Promotional strategies, including the introduction of everyday low pricing on the Target Essentials range and better communication of value, continue to be key areas of focus as the business drives its mid-tier market positioning.

Inventory levels were well-controlled throughout the period and considerably lower, on average, than last year. This, combined with a higher gross margin, resulted in a pleasing improvement in net inventory days.

¹ For the 52 weeks from 26 June 2011 to 23 June 2012.



Growth strategies

- Strengthen Target's mid-tier offer by redefining value perception from price-only to style, quality and experience, expanding the Target Essentials range and reducing unprofitable sales
- Continue to expand the products available online and improve functionality
- Maximise the benefit of direct sourcing
- Re-engineer the supply chain and supporting processes

Revenue (\$m)

\$3,738

2012	3,738
2011	3,782
2010	3,825
2009	3,788
2008*	2,198

EBIT (\$m)

\$244

2012	244
2011	280
2010	381
2009	357
2008*	221

Key financial indicators

For the year ended 30 June	2008*	2009	2010	2011	2012
Revenue (\$m)	2,198	3,788	3,825	3,782	3,738
Earnings before interest and tax (\$m)	221	357	381	280	244
Capital employed (R12) (\$m) ¹	2,866	2,955	2,778	2,873	2,911
Return on capital employed (%) ¹	nm	12.1	13.7	9.7	8.4
Capital expenditure (\$m)	60	91	91	95	67

* For the ownership period from 23 November 2007 to 30 June 2008.

¹ The comparative figures have been restated to reflect the goodwill reallocation outlined in the notes to the financial statements.
nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.

Target (continued)

Year in brief

Target commenced a four-year transformation journey to become Australia's leading mid-tier retailer, with a focus on resetting the value proposition to customers from price-only to the right style, superior quality and an enhanced in-store and online experience, at a low price.

Target Essentials launched during the year, consisting of products that customers use every day with Target's superior quality and at an everyday low price. The 'Target Tested' marketing program is intended to support and communicate the superior quality Target aims to offer customers.

Gross margin improvements were achieved following changes to clearance activity and a reduction in selling product below cost.

As well as improving the profitability of promotions, Target introduced events and services to reinforce value with customers, such as bra fitting, the denim jeans fit campaign and children's shoe fitting.

Customer insight capabilities were introduced into the business to put the customer at the heart of all decision making.

During the past year, 12 stores were opened including two replacement stores. At year end there were 179 Target stores, including three Urban by Target stores and one Target Outlet, and 122 Target Country stores.

Target online sales continued to grow after launching the site in the 2011 financial year. The number of items available for sale online increased from 6,000 to 36,000 between January and July 2012. Also, online functionality improved with click and collect launched for the June toy sale.

Business sustainability

Target remains committed to embedding sustainability into the business and creating a culture consistent with becoming a leader in sustainability.

In safety, store teams were engaged through an educational DVD to improve awareness of safe work practices, with Target's lost time injury frequency rate this year 7.99, compared to 6.96 in 2011.

Investment in the development of Target team members continued through the Future Leaders program, women's mentoring events and programs, and increased opportunities for Indigenous employment.

The business is fully committed to ethical sourcing and this year improved reporting processes and data management.



Target is committed to making a positive difference in the community through support of a range of national and local initiatives, such as a toy drop in support of SIDS and Kids Red Nose Day.

Reduction in energy consumption from air conditioning in stores continued with a progressive implementation of variable temperature settings that are linked to outside conditions and controlled fresh air levels. In addition, standards for automated controls for reduced lighting outside of trading hours were implemented and in selected stores power factor correction units were installed to improve energy efficiency.

Outlook

Improving the profitability of promotions and identifying new ways to offer value to customers will continue to be a focus. Target is committed to making the customer the first priority in decision making which will inform the transformation initiatives that will lead to a sustainable growth company.

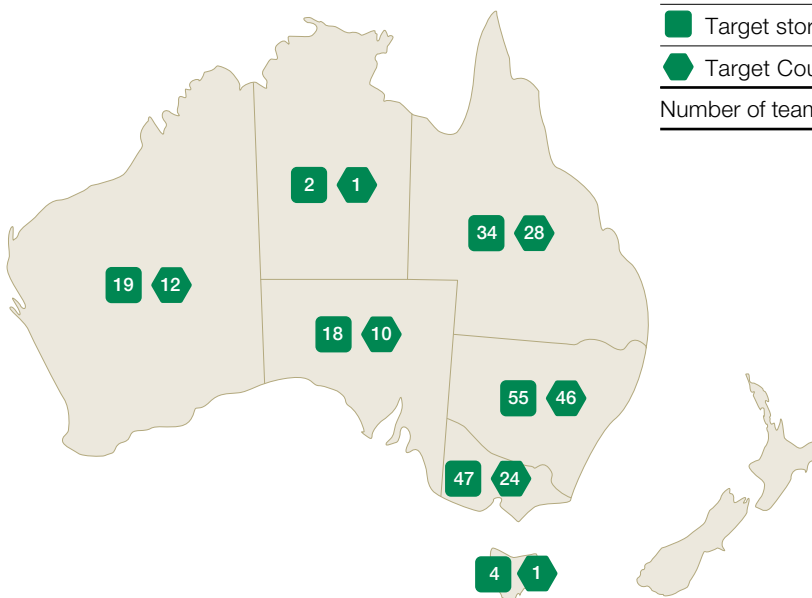
The online store range and functionality will expand to 60,000 products in 12 months and new channels will be developed to improve reach and engagement with customers.

The business will continue to invest in systems to improve stock planning, supply chain and buying which will ultimately deliver a better in-store experience for customers.

The store network will continue to expand, with 10 new stores and four replacement stores to be completed in 2013.



Business statistics



Target

Target stores	179
Target Country	122
Number of team members	22,606

Business websites

www.target.com.au
shop.target.com.au

Kmart

Kmart achieved strong EBIT growth, with 10 consecutive quarters of growth in customer transactions and units sold.



Guy Russo,
Kmart Managing
Director (left), with
Lauren Bottams,
Store Manager,
Richmond, Victoria

The business

Kmart is one of Australia's largest retailers with 185 stores throughout Australia and New Zealand, product sourcing offices in Hong Kong, China, Bangladesh and India, and more than 28,000 team members.

The Kmart team is committed to its customers and offers low prices on all products every day, right across its store network.

Kmart Tyre & Auto Service (KTAS) is one of Australia's largest retail automotive service, repair and tyre businesses, with a network of 260 stores. In addition, it is also one of Australia's largest employers of mechanics and apprentice mechanics, with more than 1,400 team members.

Strategy

Kmart continued to move away from high/low pricing, dropping prices to lead on lowest price, with a focus on continuing to adjust its operating model to ensure sales are coming from everyday items.

Customers were invited back to experience the 'new' Kmart, an invitation that received a very positive response. Kmart is now focused on improving the customer experience and the second phase of the strategy will aim to increase customer awareness about the extent of the low priced range.

The Kmart Australia Sourcing quality team is focused on quality and safety in a number of ways, including auditing the safety and technical capabilities of factories, through to sample approvals, laboratory testing and verification of finished products.

Results

Kmart's operating revenue for the year was \$4.1 billion with underlying earnings before interest and tax of \$266 million¹.

Comparable store sales² growth for the year was in line with last year's result.

Quarter four in 2012 represented the tenth consecutive quarter of growth in transactions and units sold, with strong growth achieved across all key categories.

Strong earnings growth of 32 per cent was achieved through improved product sourcing, better stock management and Kmart's everyday core range performing well.

Business sustainability

Kmart continues to improve its safety performance with the business recording a reduction in total recordable injury frequency rate (TRIFR) of 10 per cent, however, it had an increase in lost time injuries. A key highlight for the year has been a 52 per cent reduction in injuries across the supply chain and the Wiri Distribution Centre in New Zealand recording a TRIFR of zero.

During the year the business started a trial of energy saving initiatives at one Kmart store. Initial results are showing a reduction in energy use of more than 20 per cent, with the potential to introduce these initiatives to additional stores. Kmart's total carbon emissions for the year were 313,703 tonnes of CO₂e, up 0.7 per cent on the previous year.

Kmart also became a signatory to the FluroCycle program to divert used fluorescent tubes from landfill. Through this program, the business has diverted more than eight tonnes of used tubes from landfill and in total Kmart and KTAS sites recycled more than 75 per cent of the waste generated.

¹ 2012 result excludes \$2 million earnings relating to Coles Group Asia overseas sourcing operations.

² For the 52 weeks from 27 June 2011 to 24 June 2012.



Growth strategies

- Kmart is a low price retailer, committed to putting families first by striving to provide low prices on all products every day, right across its stores
- Customers are the number one focus, along with products, price, promotion, people, place (where we operate) and profit

Revenue (\$m)

\$4,055

2012	4,055
2011	4,036
2010	4,019
2009	3,998
2008*	2,454

EBIT (\$m)

\$268

2012 ¹	268
2011 ¹	204
2010 ¹	196
2009	109
2008*	111

Key financial indicators

For the year ended 30 June	2008*	2009	2010	2011	2012
Revenue (\$m)	2,454	3,998	4,019	4,036	4,055
Earnings before interest and tax (\$m) ¹	111	109	196	204	268
Capital employed (R12) (\$m) ²	1,482	1,524	1,359	1,342	1,423
Return on capital employed (%) ²	nm	7.2	14.4	15.2	18.8
Capital expenditure (\$m)	41	63	79	101	136

* For the ownership period from 23 November 2007 to 30 June 2008.

¹ 2012 includes \$2 million earnings related to Coles Group Asia overseas sourcing operations (2011: \$3 million; 2010: \$6 million).

² The comparative figures have been restated to reflect the goodwill reallocation outlined in the notes to the financial statements.
nm = not meaningful given ownership period from 23 November 2007 to 30 June 2008.

Kmart (continued)

The Kmart Wishing Tree Appeal continues to be Australia's largest gift collection appeal and this year Kmart also partnered with Variety, the Children's Charity to support the 'Bikes4Kids' program. The business provided more than \$1.42 million in direct support and \$10.4 million in indirect support to the community throughout the year.

Outlook

Kmart will continue to lead on price and value, and as the business continues its turnaround, will seek to deliver the lowest prices to Australian and New Zealand families on items used every day.

This coming year there will be an increased focus on continuing to decrease costs and offer high volume, everyday merchandise at low prices without compromising on quality.

While customers have responded well to the 'new' Kmart, another important focus for the 2013 financial year is continuing to connect them with the Kmart low price and high value message.

Opportunity remains in sourcing at lowest cost, improving stock flow and product availability.

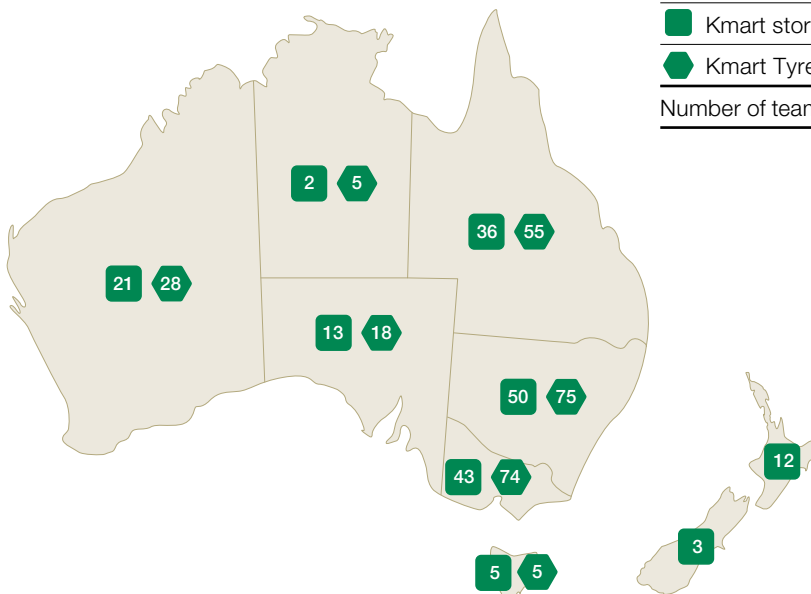
Seven new Kmart stores and seven new Kmart Tyre & Auto Service stores are planned to open in the 2013 financial year.

Participation in Kmart's ethical sourcing program has increased, with 580 factories engaged with the program during year, representing more than 70 per cent of the business' direct importer spend.







Business statistics



Kmart

 Kmart stores	185
 Kmart Tyre & Auto Service	260
Number of team members	29,680

Business websites

- www.kmart.com.au
- www.kmart.co.nz
- www.ktas.com.au

Industrial and other businesses

Our industrial and insurance operations continue to provide growth opportunities around parts of Australia and New Zealand.





Insurance page 36



Resources page 40



Chemicals, Energy and Fertilisers page 44



Industrial and Safety page 48

Insurance

Wesfarmers Insurance delivered on rate increases, exposure management and made solid progress with efficiency initiatives that have set the business up for the year ahead.



Rob Scott,
Insurance Managing
Director (right), with
Kirrilee Alexander,
Strategy Manager,
Wesfarmers
Insurance, Sydney,
New South Wales

The business

Wesfarmers Insurance provides insurance and risk management solutions to corporates, small-to-medium-sized businesses, not-for-profit organisations and individuals across Australia, New Zealand and the United Kingdom. The insurance underwriting operations include WFI, Affinity & Direct, Lumley Australia and Lumley New Zealand. The insurance broking operations include OAMPS Australia, OAMPS UK and Crombie Lockwood in New Zealand.

Strategy

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

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

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

Results

Wesfarmers Insurance operating revenue of \$1.9 billion increased by 10.1 per cent on the previous year. Earnings before interest, tax and amortisation (EBITA) declined to \$17 million, compared with \$30 million for the previous year. Earnings were significantly affected by a \$108 million increase in reserves in Lumley New Zealand relating to the February 2011 Christchurch earthquake. Excluding the impact of the February 2011 earthquake, the division reported a significant increase in EBITA to \$125 million from \$30 million the previous year.

This increase was achieved despite higher reinsurance costs from 1 July 2011, catastrophe claims above allowances and the impact of lower government bond rates on reserves.

Broking operations generated strong growth in revenue and earnings with reported EBITA of \$79 million, up 27.4 per cent on the prior year.

Gross earned premium from underwriting increased by 9.1 per cent. Strong premium rate increases were achieved in Australia (8.4 per cent) and New Zealand (10.9 per cent).

Reported combined operating ratio (COR) for underwriting was 111.2 per cent, with an underlying COR (excluding the 2011 Christchurch Earthquake and one-off items) of 96.0 per cent.

Year in brief

The February 2011 Christchurch earthquake has been the largest insured loss in the Southern Hemisphere and has resulted in a significant increase in claims estimates as a result of several factors including:

- an increase in domestic claims cost estimates following the completion of all scopes of work for residential rebuilds and repairs;
- higher reserve estimates for large commercial claims;
- changes in the scope of repairs required within specified land zones as a result of revised building foundation standards; and
- Earthquake Commission approach to reserving and claims settlement.

Higher reinsurance costs from 1 July 2011 adversely affected underwriting margins during the period. Despite this, however, underwriting operations in Australia and New Zealand achieved strong premium rate increases. Average rate increases achieved across the Australian portfolio were 8.4 per cent, with higher rates achieved in property and farm related classes. In New Zealand, average rate increases of 10.9 per cent were achieved following significant rate increases in earthquake and property classes.



Growth strategies

- Improve and grow underwriting margin
- Build personal lines and direct capabilities
- Sales growth in broking
- Engaged and productive people
- Leverage scale and capabilities

Revenue (\$m)

\$1,915

2012	1,915
2011	1,739
2010	1,698
2009	1,720
2008	1,649

EBIT (\$m)

\$5

2012	5
2011	20
2010	122
2009	91
2008	122

Key financial indicators

For the year ended 30 June	2008	2009	2010	2011	2012
Revenue (\$m)	1,649	1,720	1,698	1,739	1,915
Earnings before interest and tax (\$m)	122	91	122	20	5
Earnings before interest and tax and amortisation (\$m)	135	103	131	30	17
Capital employed (R12) (\$m)	1,146	1,337	1,343	1,260	1,291
Return on capital employed (%)	11.5	6.8	9.1	1.6	0.4
Capital expenditure (\$m)	18	26	26	47	47

The fall in government bond rates during the period resulted in unrealised losses due to an increase in insurance liabilities. These losses were offset by improvements in the underlying portfolio resulting from achieved rate increases and improved underwriting risk selection.

Modest growth in gross written premium was achieved during the year reflecting an increase in premium rates and strong growth in personal lines, rural and corporate business, offset by a targeted reduction in exposures in higher risk categories and geographies.

Strong customer response to the Coles Insurance offer resulted in more than 100,000 policies written during the period. Motor and home products continue to deliver conversion and retention rates ahead of expectations.

Further investment in information technology and efficiency initiatives in underwriting were undertaken in the period, including the implementation of a new policy administration system in New Zealand, the launch of our Partnered Repair Network for motor claims and optimisation of claims and underwriting processes in Australia.

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

Broking earnings were higher than the previous year, with EBITA increasing to \$79 million, an increase of 27.4 per cent on the previous year. Four broking bolt-on acquisitions were completed during the year and the integration of the FMR and ACM Ahlers acquisitions in New Zealand is well advanced and these businesses are performing above expectations.

The business focused on several growth strategies and achieved important milestones this year, most notably:

- Launch of the Wesfarmers Insurance Charter, incorporating common values and supported by a performance and leadership framework
- Crombie Lockwood acquisition of the ACM Ahlers broking business in New Zealand
- Strong Coles Insurance growth with more than 100,000 policies written
- Australian motor and homes claims optimisation includes centralised motor lodgements and recoveries and common approach to assessing
- Rollout of Wesfarmers Insurance Partnered Repair Network



The Insurance division contributes to local communities through programs such as OAMPS Australia's National Charity Partnership with Make-A-Wish Australia.

Business sustainability

Business sustainability continues to depend on the skills, commitment and behaviour of employees. Maintaining a focus on attracting, retaining and developing the best industry talent and continuing to undertake key initiatives ensures the business keeps improving its organisational potential. An emphasis on the health and safety of employees is a central part of the business' sustainability strategy. A disappointing increase in the last time injury frequency rate was recorded across the business this year. However, the aim remains to achieve zero workplace incidents.

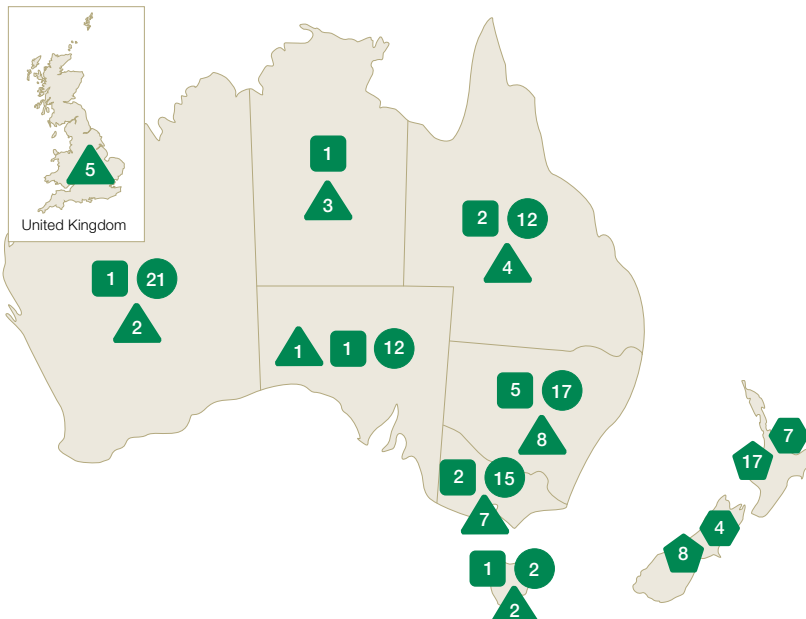
During the last 12 months the business has continued to invest in leadership and culture, and improve management and governance processes, structures and policies to support growth and help ensure compliance with regulations. Strategy and risk oversight remain core functions of the leadership team. The responsiveness of teams to the record number of claims experienced from the recent natural disasters in Australia and New Zealand was a key focus over the past year. An investment in claims capabilities, underwriting processes and ongoing training and development is fundamental to supporting all customers. The Insurance division worked with the Insurance Council of Australia, and state and federal governments on a range of matters affecting the industry and the future of insurance in Australia.

Outlook

Underwriting earnings are expected to improve following solid premium rate increases, disciplined risk selection and cost efficiency initiatives. The reinsurance program for the next financial year was renewed, with modest increases on the prior year that are expected to be offset by higher premium rates. Broking operations will continue to pursue growth through targeted recruitment, bolt-on acquisitions and improvements in productivity. While further growth in earnings from broking operations is expected, a planned upgrade and new investment in broking systems is likely to adversely impact margin in the 2013 financial year. The division will continue to expand its personal lines business through partnerships with Coles Insurance and OAMPS.



Business statistics



Insurance

■ Lumley Insurance (Australia)	13
⬡ Lumley General New Zealand	11
● WFI	79
▲ OAMPS ¹	33
⬢ Crombie Lockwood	25
Number of team members	3,882

¹ OAMPS New Caledonia location not shown.

Business websites

www.wesfarmersinsurance.com.au
www.wfi.com.au
www.lumley.com.au
www.lumley.co.nz
www.oamps.com.au
www.crombielockwood.co.nz
www.oamps.co.uk

Resources

Stronger first half export coal prices, plus increased production and sales volumes upon completion of mine expansion projects during the second half saw earnings increase 19.0 per cent on the previous year.



Stewart Butel, Resources Managing Director (left), with Chris Hobbs, Process Engineer, Curragh, Queensland

The business

Wesfarmers Resources is a significant Australian open-cut miner, with investments in two world-scale coalmines.

The division's operations comprise the Curragh mine in Queensland's Bowen Basin (metallurgical and steaming coal for export and 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).

Strategy

Wesfarmers Resources' vision is to be a high performance resource company delivering shareholder value through initiative, innovation and growth.

The division seeks to achieve this on a sustainable basis through:

- excellence in mining operations and customer relationships
- the safety and development of our people
- making a positive contribution to the communities in which the division operates
- the pursuit of growth in shareholder value through expansion of existing mines
- subject to appropriate opportunities, expansion of the division's portfolio through acquisition of additional mines and/or development of greenfields projects.

Results

Revenue of \$2.1 billion for the year was 19.9 per cent above the \$1.8 billion recorded in the preceding year. Earnings before interest and tax of \$439 million were 19.0 per cent higher than the \$369 million earned last year.

Strong export prices in the first half and, in the second half, higher production and sales from both the Curragh and Bengalla mines as mine expansions were completed were major factors in the improved result. Additionally, Curragh's mine cash costs were significantly improved in the second half.

Curragh's Stanwell royalty (paid to the Queensland Government-owned Stanwell Corporation) was \$219 million (up 93.8 per cent). Additionally, the division paid ordinary government royalties in Queensland, New South Wales and Western Australia totalling \$149 million (up 28.4 per cent) for the year.

Year in brief

Curragh (Qld): Total production of 10.1 million tonnes (7.2 million tonnes of metallurgical coal and 2.9 million tonnes of steaming coal) was up 28.6 per cent on last year, assisted by completion of a Curragh expansion to 8.0-8.5 million tonnes per annum coal export capacity in the final quarter. Coal sales volumes were closely aligned to production volumes and were 27.8 per cent above the sales volumes achieved last year. Earnings were higher than the previous year, reflecting a combination of stronger first half prices, stronger second half volumes and lower second half cash costs.

Bengalla (NSW): (Wesfarmers' 40 per cent share): Production of 2.3 million tonnes was in line with last year. Sales volumes of 2.4 million tonnes were down 2.2 per cent on last year. Earnings were down slightly on the previous year, affected by both lower coal production during commissioning of the Coal Handling and Preparation Plant upgrade and lower prices for export steaming coal.

The Premier Coal mine near Collie, Western Australia, was divested on 30 December 2011 for a profit-on-sale of \$98 million, not included in operating results.



Growth strategies

- **Mine expansions:**

Curragh: A decision was taken in November 2009 to invest \$286 million to expand the Curragh mine to 8.0-8.5 million tonnes annual export capacity, and practical completion was achieved in the fourth quarter of financial year 2012 within budget. A feasibility study with respect to a further expansion of Curragh to 10 million tonnes annual export capacity is continuing

Bengalla: A decision was taken in November 2010 to invest \$56 million (Wesfarmers' 40 per cent share) in an expansion of the Bengalla mine to 9.3 million tonnes (100 per cent basis) annual Run of Mine capacity (7.5 million tonnes annual production). That expansion was also completed within budget during the year. A feasibility study for further expansion of Bengalla to 10.7 million tonnes Run of Mine capacity is underway

- **Business optimisation:** Continuous improvement of operations including safety, sustainable cost control and marketing for global competitiveness
- **Increase export sales:** Maximise metallurgical coal export sales from the Curragh mine through efficiencies and market growth
- **Portfolio growth:** Evaluation of acquisitions and other 'step-out' opportunities – as an established large-scale Australian open-cut miner, this includes coal, other carbon-steel raw materials and energy

Key financial indicators

For the year ended 30 June	2008	2009	2010	2011	2012
Revenue (\$m)	1,311	2,411	1,416	1,778	2,132
Earnings before interest and tax (\$m)	423	885	165	369	439
Capital employed (R12) (\$m)	984	1,075	1,146	1,293	1,488
Return on capital employed (%)	43.0	82.4	14.4	28.5	29.5
Capital expenditure (\$m)	146	252	228	372	392

Resources divested the Premier Coal business in December 2011. Gains on disposal of this entity is excluded from the divisional results and reported as non-trading items as part of 'other' earnings within the Group's results.

Revenue (\$m)

\$2,132

2012	2,132
2011	1,778
2010	1,416
2009	2,411
2008	1,311

EBIT (\$m)

\$439

2012	439
2011	369
2010	165
2009	885
2008	423

Resources (continued)

Business sustainability

Throughout the 2012 financial year, action was taken at Wesfarmers Resources locations to improve the efficiency of mining processes, to develop employee capability, to support local communities, to grow the business through expansion plans and to reduce the business' environmental footprint.

At the heart of Wesfarmers Resources sustainability strategy is the safety and wellbeing of employees.

A focus for the year was on consolidating and improving upon the safety performance achieved in the previous year. Importantly, the total recordable injury frequency rate was reduced from 30.80 to 18.75, a decrease of 39.1 per cent. While this year's performance was positive, our aim remains to achieve zero workplace incidents. Lost time injury frequency rate increased marginally from 1.28 to 1.71.

During the year, the division implemented a 'Women in Resources' program and continued to progress an Aboriginal and Torres Strait Islander Employment Strategy. A new community program with a focus on community health was also initiated, water management at Curragh was improved, and the business prepared for the introduction of the Clean Energy Future legislative package.

Curragh continued to support numerous community-based organisations such as cultural and sporting associations, clubs, festivals and schools to help develop strong, vibrant and healthy communities in which it operates.

Outlook

Increased production and export sales volumes are expected from both the Curragh and Bengalla mines for the 2013 financial year. Curragh's metallurgical export sales are forecast to be in the range of 8.0-8.5 million tonnes, subject to mine operating performance and infrastructure constraints.

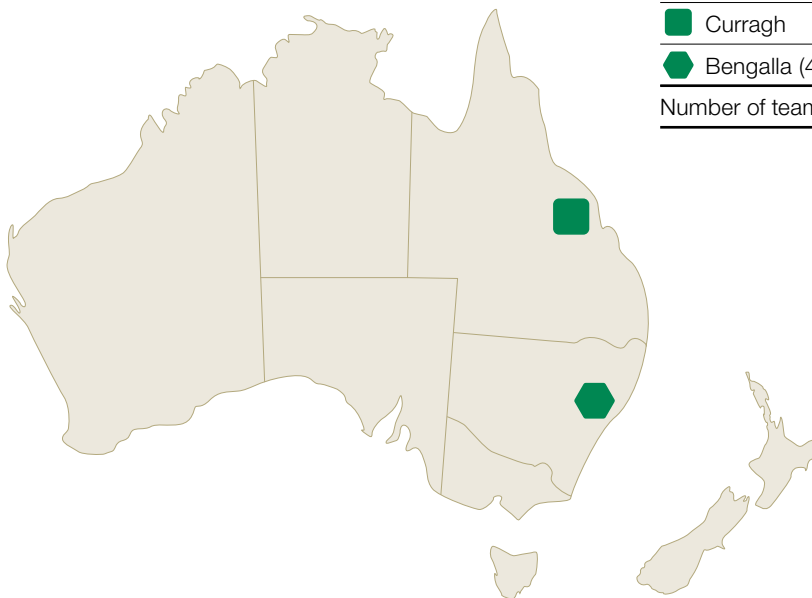
While the September 2012 quarter coal price outcomes were generally pleasing, recent softening in steel production and lower export coal spot prices, together with a high Australian dollar, provide for a less favourable short-term outlook.

Curragh continued its partnership with the University of Queensland to monitor the mine's rehabilitation areas.







Business statistics



Resources

	Curragh
	Bengalla (40%)
<hr/>	
Number of team members	658

Business websites

www.wesresources.com.au
www.curragh.com.au

Chemicals, Energy and Fertilisers

The division reported a strong result for the year and commenced construction of its ammonium nitrate expansion in Western Australia.



Tom O'Leary,
Chemicals, Energy
and Fertilisers
Managing Director
(right), with
Michael Rodriguez,
AN3 Engineering
Manager, CSBP,
Western Australia

The business

The activities of Wesfarmers Chemicals, Energy & Fertilisers include the manufacture and marketing of chemicals for mining, minerals processing and industrial sectors through CSBP, Australian Gold Reagents (75 per cent owned), Queensland Nitrates (50 per cent owned) and Australian Vinyls. The division also produces, markets and distributes liquefied petroleum gas (LPG) and liquefied natural gas (LNG) through its Kleenheat Gas business. The division also imports, manufactures and markets broadacre and horticultural fertilisers through CSBP and manufactures, markets and distributes industrial, medical and specialty gases through Air Liquide WA (40 per cent owned).

Strategy

Develop a portfolio of successful and innovative industrial businesses that deliver satisfactory shareholder returns and continually strengthen our reputation for the management of health, safety and the environment.

Results

Operating revenue of \$1.8 billion was 8.8 per cent higher than last year, largely as a result of increased sales in both the chemicals and fertiliser businesses.

Earnings before interest and tax were \$258 million, including a one-off positive earnings impact of \$9 million from the termination of the Hismelt industrial gas supply agreement in February 2012. This compared to earnings from the previous year of \$283 million, which included \$42 million from the finalisation of the Varanus Island gas disruption insurance claims.

During the year, the division divested the enGen business in August 2011 and the Bangladesh LPG joint venture in January 2012, with a corresponding loss of operating earnings. The gains on disposal for these transactions of \$43 million and \$9 million respectively have been reported as non-trading items as part of 'Other' earnings within the Group's result.

Year in brief

Ammonium nitrate expansion

In December 2011, the Wesfarmers Limited Board approved a \$550 million (excluding capitalised interest) expansion of ammonium nitrate production capacity at Kwinana, in Western Australia. The expansion will increase the current production capacity by 260,000 tonnes per annum (tpa) to 780,000 tpa. Earthworks for the expansion are now complete, with civil works and on-site construction of the nitric acid tank underway. Offsite fabrication of piping and structural steel is also progressing well. Delivery of long lead items ordered in June 2011 is on schedule, with the boiler due to be received in Kwinana in October 2012.

Chemicals

Excluding the impact of Varanus Island insurance proceeds, earnings from the chemicals businesses were ahead of last year.

Good production performances and strong product pricing in ammonia, ammonium nitrate and sodium cyanide resulted in a pleasing earnings uplift for these businesses. As anticipated, earnings from the Queensland Nitrates joint venture were below the previous year due to a three-yearly plant shutdown. Australian Vinyls had a challenging year, with higher PVC input costs relative to selling prices and a strong Australian dollar.

Kleenheat Gas

Excluding the impact of Varanus Island insurance proceeds, Kleenheat Gas earnings were significantly below the previous year, following anticipated declines in LPG production economics. LPG production for the year was 150,075 tonnes, 7.2 per cent lower than last year because of further declines in LPG content in the Dampier to Bunbury natural gas pipeline.

LNG business performance improved on the previous corresponding period.

Fertilisers

Fertiliser earnings were higher than last year supported by a strong 10.2 per cent increase in sales volumes following good seasonal conditions.

Air Liquide WA (40 per cent)

Earnings were ahead of the previous year.



Growth strategies

- Invest in the businesses' capacity to meet the needs of customers
- Execute opportunities for growth in existing and new markets, including progressing the proposed ammonium nitrate expansion
- Foster a culture that recognises that people are central to success
- Focus on sustainable operations for the benefit of our team members, customers and communities in which we operate

Revenue (\$m)

\$1,786

2012	1,786
2011	1,641
2010	1,570
2009	1,760
2008	1,562

EBIT (\$m)

\$258

2012	258
2011	283
2010	196
2009	127
2008	214

Key financial indicators

For the year ended 30 June	2008 ¹	2009 ¹	2010 ²	2011 ³	2012 ⁴
Revenue (\$m)	1,562	1,760	1,570	1,641	1,786
Earnings before interest and tax (\$m)	214	127	196	283	258
Capital employed (\$m)	1,728	2,022	1,371	1,298	1,282
Return on capital employed (%)	12.4	6.3	14.3	21.8	20.1
Capital expenditure (\$m)	370	84	49	63	167⁵

¹ 2007 to 2009 combines the results of the Energy (which included Coregas) and the Chemicals and Fertilisers divisions.

² In July 2010, the Energy, and Chemicals and Fertilisers divisions merged to form WesCEF, and Coregas (formerly part of the Energy division) was transferred to the Industrial and Safety division. The 2010 figures have been restated to reflect WesCEF's post-merger operating structure.

³ 2011 includes \$42 million Varanus Island insurance proceeds.

⁴ WesCEF divested the enGen business in August 2011 and the Bangladesh LPG joint venture in January 2012. Gains on disposal of both entities are excluded from the divisional results and reported as non-trading items as part of 'Other' earnings within the Group's result.

⁵ Excluding capitalised interest.

Chemicals, Energy and Fertilisers (continued)

The division also provided support to a range of community organisations, signed new partnerships with Youth Focus and the Clontarf Foundation, and continued support of the Salvation Army, and the Asthma Foundation WA.



Business sustainability

The division continued its focus on the sustainable operation of its businesses for the benefit of its people, customers and the communities in which it operates. As at 30 June 2012, it employed 1,439 people, excluding contractors but including casuals.

The division remains committed to the safe operation of its facilities in a way that minimises any adverse impact. Notwithstanding continued investment and efforts in this area, the business experienced an increase in total recordable injuries from 55 in 2010/11 to 58 in 2011/12. The total recordable injury frequency rate also increased from 15.8 in 2010/11 to 16.3 this year. The division continues to work to improve workplace safety.

In the 2012 financial year, there were 22 reportable environmental events, an increase of six on last year.

CSBP continued to trial nitrous oxide reduction technology in its nitric acid plants at Kwinana, Western Australia, to help reduce greenhouse gas emissions. Catalysts have been installed in both nitric acid plants and both have achieved an emissions improvement of more than 80 per cent nitrous oxide abatement.

In late 2009, the division announced an investment of almost \$5 million in a regenerative thermal oxidiser (RTO) to allow diversification of phosphate rock supply options. Following operational testing and trials of various blends of odorous phosphate rock, the RTO was commissioned this year. Phosphate rock from Western Sahara is not part of the import program for the coming production year.

Outlook

The ammonium nitrate expansion project remains on track to be operational during the first half of the 2014 calendar year.

Detailed engineering is underway for a potential sodium cyanide debottlenecking to deliver up to 20 per cent production expansion, and is expected to be completed in the coming months. Funding approval for approximately \$15 million is to be sought in the first half of the 2013 financial year.

Strong demand for ammonia, ammonium nitrate and sodium cyanide is expected to continue. Ammonia earnings will become increasingly dependent on international ammonia pricing as the business transitions to import parity pricing. Planned shutdowns of one of the two nitric acid/ammonium nitrate plants, the ammonium nitrate prill plant and the sodium cyanide plant during the 2013 financial year will affect earnings in the period.

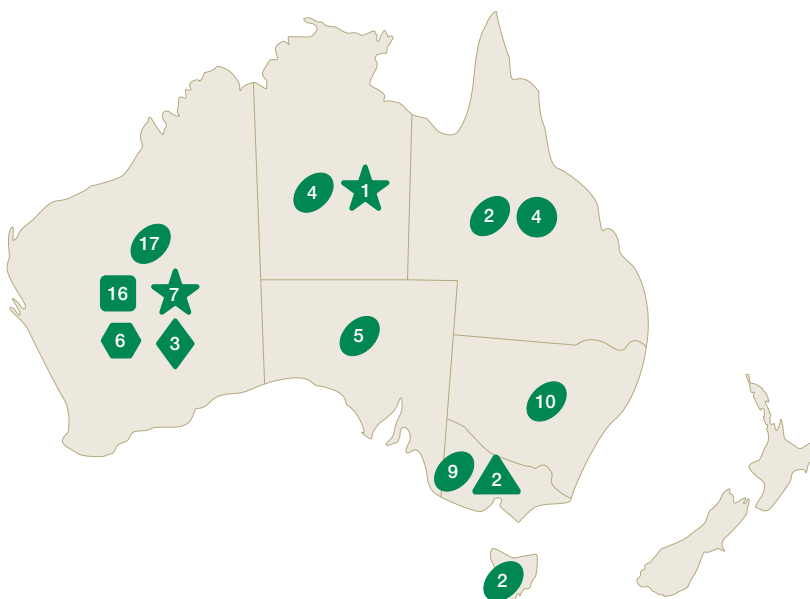
Continued pressure on margins at Australian Vinyls is expected until the relativity between its raw material costs and PVC pricing returns to more typical levels. A continuation of the strong Australian dollar will place further pressure on margins.

Kleenheat Gas' LPG earnings continue to be dependent on international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline, with both drivers of performance remaining challenging.

The fertiliser business has experienced solid sales volumes in the initial weeks of the 2013 financial year; however, full-year earnings remain dependent upon a good seasonal break in the second half of the financial year and farmers' terms of trade.



Business statistics



Chemicals, Energy and Fertilisers

■ CSBP fertilisers	16
⬡ CSBP chemicals	6
◆ AGR (75%)	3
▲ Australian Vinyls	2
● QNP (50%)	4
★ ALWA (40%)	8
● Kleenheat Gas	49
Number of team members	1,439

Business websites

www.wescef.com.au
www.csbp.com.au
www.av.com.au
www.modwood.com.au
www.airliquidewa.com.au
www.kleenheat.com.au

Industrial and Safety

Strong sales and earnings momentum supported by strong delivery performance and customer service.



Olivier Chretien, Industrial and Safety Managing Director (left), with team member Chantelle Sauer

The business

Wesfarmers Industrial and Safety is the leading provider of industrial and safety products and services in Australia and New Zealand. It services customers across mining, oil and gas, construction and infrastructure, retail, manufacturing, health and government.

The division comprises nine businesses, including Blackwoods, the leading industrial supplier in Australia with an extensive national network and broad product range. Protector Alsafe, Bullivants and Total Fasteners complement Blackwoods with specialist market offers. Coregas provides an industrial, medical and specialty gases offering in Australia. In New Zealand, Blackwoods Protector's generalist offer is complemented by three specialists: NZ Safety; Packaging House; and Safety Source.

The division operates from a network of 217 industrial and safety locations and 135 gas distribution points. The network is supported by large distribution centres, hundreds of external and internal sales resources, as well as eBusiness, websites and telesales channels.

Strategy

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

The division's increased customer-centric focus will further strengthen its relationships with large customers by enhancing sales force effectiveness, broadening product range, expanding network capacity and continuously improving delivery performance. Key priorities for the division include the expansion into higher growth sectors and the diversification of the revenue base, as well as complementing organic growth through value-creating acquisitions.

Lowering the cost of doing business for our customers and our own businesses is a focus for the division as is improving the use of working capital or implementing process enhancements.

The division is committed to safety, sustainability, community support and continued investment in its people.

Results

The division delivered a strong result in the year, reflecting solid market conditions and a strong competitive position. The division benefited from activity in the resources sector, major project activity and continued improvements in business operations. Operating revenue increased by 8.5 per cent to \$1.7 billion.

Earnings before interest and tax increased by 14.5 per cent to \$190 million. The earnings result was supported by strong sales growth and increasing operational efficiencies helping to offset competitive margin pressures.

The rolling 12 month return on capital of 16.0 per cent improved from 13.1 per cent last year.

During the year, as a result of changes in the operations of BlueScope Steel and an associated review of the Coregas business, a non-cash writedown in the carrying value of Coregas of \$181 million was taken. This adjustment has been excluded from the division's earnings result and contributed a 1.3 percentage point improvement to return on capital.

Year in brief

Overall the division continued increasing its share of spend from key customers (especially in the resources and engineering construction sectors), as well as expanding and diversifying its customer base.

Strong sales growth was supported by high service levels and further investments in key account and contract management capabilities.

Sales growth was achieved in most business segments, with strong results delivered by Blackwoods, Protector Alsafe and Bullivants. Good results were also achieved in the New Zealand businesses.

Coregas' results were affected by the renegotiation of the BlueScope Steel agreement. Increasingly Coregas is benefiting from collaboration with other businesses in the division, which should assist future growth.

The division upgraded a number of its business websites and continued investing in its eBusiness capability, increasing the proportion of customer transactions through this channel.



Growth strategies

- Growing share of customer spend by focusing on customer needs and expanding range, services and footprint
- Addressing resourcing challenges by investing in people and broadening the talent pool
- Enabling future growth by moving to a more customer-centric organisation
- Continuing to improve portfolio performance and deliver efficiency improvement (including supply chain and technology improvements)
- Developing new growth platforms by targeting new industries, customer segments, geographies, services and business models, including acquisition opportunities

Revenue (\$m)

\$1,690

2012	1,690
2011	1,557
2010	1,412
2009	1,294
2008	1,309

EBIT (\$m)

\$190

2012	190
2011	166
2010	138
2009	114
2008	130

Key financial indicators

For the year ended 30 June	2008 ¹	2009 ¹	2010 ²	2011	2012
Revenue (\$m)	1,309	1,294	1,412	1,557	1,690
Earnings before interest and tax (\$m)	130	114	138	166	190
Capital employed (R12) (\$m)	775	808	1,312	1,272	1,187
Return on capital employed (%)	16.8	14.1	10.5	13.1	16.0
Capital expenditure (\$m)	20	25	29	32	49

¹ 2008 to 2009 excludes the results of Coregas (formerly part of the Energy division).

² 2010 has been restated to reflect the current divisional structure.

Industrial and Safety (continued)

The division also enhanced its strong supplier relationships with leading industrial brands which, when combined with its range of value brands and global sourcing capabilities, enabled the businesses to meet customers' needs and to bring new product ranges to the market. Blackwoods and a number of other businesses launched new catalogues this year.

Blackwoods opened its first overseas branch in Indonesia, leveraging the division's international supply chain capability.

Supply chain improvements also resulted from technology investments and ongoing upgrades to the branch networks.

An ongoing focus on operational efficiency delivered cost and capital management improvements, contributing to improved returns.

Business sustainability

Safety continues to be a major focus and a number of safety initiatives have been implemented during the year that are expected to deliver further improvements over coming years.

Progress has been made on energy, packaging and waste management efficiency initiatives, while new sustainable product range solutions for customers have been introduced.

The division's efforts in attracting, retaining and developing quality employees remain a priority and during the year significant new recruitment and training programs have been implemented.

Outlook

The outlook remains positive and the division is well-placed to seize growth opportunities and leverage operational improvements implemented over recent years.

Continued sales growth is expected by enhancing the division's customer-centric focus, increasing share of customers' spend, accelerating services development and further diversifying the customer base. Over the next year, the division will continue to invest in productivity and efficiency improvements, while maintaining expense and capital management disciplines. The division will also develop new growth platforms and continue to target acquisition opportunities to complement organic growth.

Possible risks for the division over the next 12 months include the uncertainty in the global outlook, a potential slow-down and deferral of major resource projects, competitive margin pressures, as well as ongoing labour access and costs challenges, especially in resource-related areas.

Particular efforts to continue to increase diversity in the workplace were focused on gender diversity and the development of programs in support of the division's Aboriginal strategy. Blackwoods' support of the Fred Hollows Foundation's Indigenous health program continued during the period.

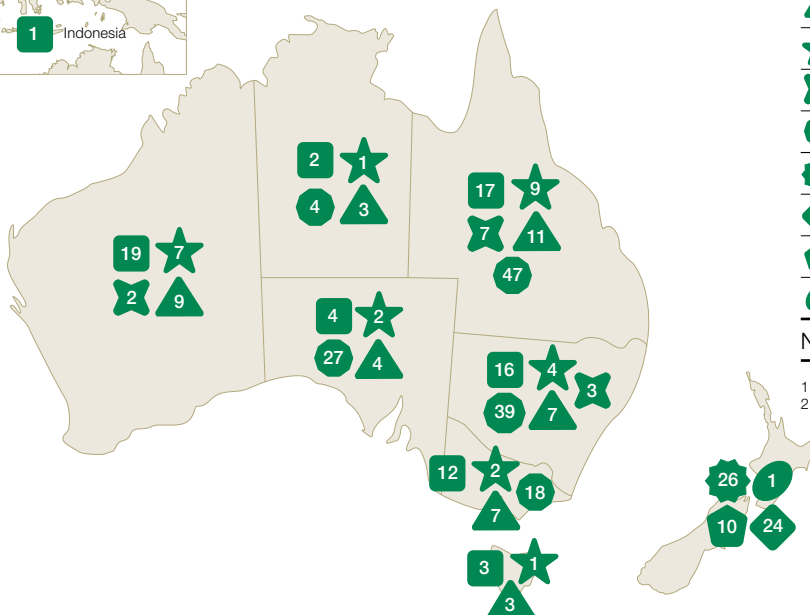


Business websites

www.blackwoods.com.au
www.protectoralsafe.com.au
www.coregas.com
www.bullivants.com
www.totalfasteners.com.au
www.blackwoodsprotector.co.nz
www.nzsafety.co.nz
www.packaginghouse.co.nz
www.safetysource.co.nz



Business statistics



Industrial and Safety

■ Blackwoods ¹	74
▲ Protector Alsafe	44
★ Bullivants	26
✕ Total Fasteners	12
● Coregas ²	135
⊛ Blackwoods Protector (NZ)	26
◆ NZ Safety	24
⬠ Packaging House (NZ)	10
● Safety Source (NZ)	1
Number of team members	3,666

¹ Blackwoods includes Bakers and Migomag.
² Coregas includes eight owned branches and 127 distribution points.

Other activities

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

Gresham Partners

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

In addition, Wesfarmers is a participant in the Gresham Private Equity wholesale investment funds with underlying investments in mining services, retail, logistics and other specialist sectors.

During the 2012 financial year, Wesfarmers' investment in Gresham Private Equity Funds recorded a loss of \$55 million due to downward non-cash revaluations following a difficult year for some of the funds' trading businesses and generally lower industry valuation multiples.

Gresham participated in a number of significant corporate advisory transactions during the year, including mergers and acquisitions, corporate restructurings and refinancings on behalf of a range of domestic and international clients.

Its property funds management business, which is the manager of three established funds with total capital commitments of more than \$227 million, continued to support a range of projects primarily in New South Wales, Victoria and Queensland.

Wespine Industries

The 50 per cent-owned Wespine Industries, which operates a plantation softwood sawmill in Dardanup in Western Australia, contributed earnings of \$5 million after tax, a 28.6 per cent decrease on last year. Sales volume in the second half were constrained by weak Western Australian house construction activity, combined with continued import competition driven by the strong Australian dollar and a global softwood timber supply surplus. An improved safety performance was achieved during the year with no lost time injuries and a 35 per cent reduction in the number of total recordable injuries. Wespine is targeting a further reduction in total recordable injuries in the coming year.

The local housing market is forecast to improve during the coming year, but with continued import competition and subdued housing construction in overseas markets, is expected to see a continuation of the challenging market conditions.

BWP Trust

Wesfarmers' investment in BWP Trust contributed earnings of \$16 million, compared to \$19 million recorded last year.

The Trust was established in 1998 with a focus on warehouse retailing properties and, in particular, Bunnings Warehouses leased to Bunnings Group Limited. BWP Management Limited, the responsible entity for the Trust, is a wholly-owned subsidiary of Wesfarmers Limited.

Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly owned subsidiary, 23.5 per cent of the total units issued by the Trust.

During the 2012 financial year, the Trust completed the acquisition of three new Bunnings Warehouses, and construction of two new Bunnings Warehouses on existing development sites. The Trust also sold the Bunnings Warehouse at Hoppers Crossing in Victoria, realising a capital profit of \$6.2 million, which was distributed to unit holders via a special distribution.

The Trust's current portfolio consists of a total of 72 properties: 62 established Bunnings Warehouses; four Bunnings Warehouses with other showrooms; one Bunnings distribution centre; one development site for a Bunnings Warehouse; three office/warehouse industrial properties; and one retail/bulky goods showrooms complex.

Sustainability

Sustainability is integral to how we do business, and we continue to strive for innovative and efficient approaches to improve our social, environmental and economic performance.



Coles Online is trialling hybrid vans in Burwood, New South Wales, with a view to a national transport solution that reduces fuel consumption and carbon emissions for home deliveries

Wesfarmers' sustainability priorities

As one of Australia and New Zealand's largest companies, with a diverse portfolio of businesses, Wesfarmers has a significant responsibility to get its sustainability efforts right. This is a responsibility not only towards its employees and shareholders, but also its customers, suppliers, communities and environment. Wesfarmers has long recognised the value of sustainable business practices, and this is the fifteenth year it has reported on a number of key outcomes and performance metrics. This year's report will be available in November.

Wesfarmers has five sustainable business strategies which focus on:

- the importance of people
- carbon emissions reduction and energy management
- community partnerships and investment
- a reduced overall environmental footprint
- a strong economic contribution.

The importance of people

With more than 200,000 employees, Wesfarmers is committed to continually improving the development and retention of its people. Wesfarmers' employees are crucial to the success of the organisation, and there are a number of overarching principles and practices across the Group, in addition to the many programs happening within the businesses.

This included more than 2.2 million hours invested in training and development across the Group in 2011/12.

Wesfarmers' commitment to the safety of its employees, customers and visitors is absolute and the organisation has a number of systems in place to focus on, and drive, safety performance. The Group's lost time injury frequency rate was 10.90 compared to 12.78 in the previous year, and the total recordable injury frequency rate was 42.67 compared to 40.94 in 2011. Safety will continue to be prioritised across all of the businesses.

Diversity

A diverse workforce is of significant social and commercial value and Wesfarmers recognises the importance of being an inclusive employer.

The Wesfarmers Diversity Policy outlines four core objectives which are used to measure performance in this area:

- **Foster an inclusive culture** – Wesfarmers divisions undertake different initiatives and practices based on the needs of their business, such as flexible work practices at senior levels and paid parental leave.

Specific targets are linked to senior executive key performance objectives under the annual incentive plan.

- **Improve talent management** – at least once a year, the Group Managing Director meets with each division to review: senior leader performance and development; succession plans for critical roles; and the pipeline of high-potential leaders.

During the 2012 financial year, talent reviews were conducted with all divisions for senior manager level staff and above and included 138 women. This is in addition to detailed talent reviews conducted with employees by individual businesses within the Wesfarmers Group. Throughout the Group, all high-potential leaders benefit from an array of development opportunities such as internal and external development programs, stretch assignments, action learning projects, coaching, mentoring and 360-degree feedback.

- **Enhance recruitment practices** – in 2012, 37 per cent of externally recruited positions and 30 per cent of internal

promotions (all manager level and above roles) were filled by women.

- **Ensure pay equity** – a pay audit is conducted annually on a Group basis (which includes a review of gender pay equity). Results are reviewed by the Board and divisional Managing Directors. In addition, a pay equity review of all Wesfarmers divisions was undertaken during the year, in line with previous years, which did not indicate any observable discrepancies in pay across each level, after taking into account performance, experience, location and job nature.

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

Percentage of female employees	30 June 2011	30 June 2012
Wesfarmers Ltd non-executive directors	25%	25%
Senior executive positions (general manager or above)	22%	21%
All management and professional roles	26%	28%
Total workforce	57%	57%

Further details on the Diversity Policy are set out on page 62 of this annual report.

In 2009 Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP). Wesfarmers' long-term objective is to have a workforce that reflects the representation of Aboriginal people in the broader community. Each division now has its own plan and programs to ensure that Aboriginal people feel welcomed in our businesses as customers, team members and citizens. The 2012 RAP review and 2013 plan will be available in November.

Carbon emissions reduction and energy management

On 1 July 2012 the federal government's Clean Energy Future legislation became law in Australia. Wesfarmers has a clear focus not only on legal compliance but, through strong investment in energy efficiency and emission abatement, is seeking to reduce its emission intensity as its businesses grow, including reducing absolute emissions where possible.

Sustainability (continued)

Through investment in new technologies and systems, Wesfarmers' businesses are focused on improving environmental outcomes with a commercial focus.

Many energy efficiency initiatives throughout the Group are starting to become evident in reducing the organisation's base carbon footprint. In 2011/12 direct (Scope 1) and indirect (Scope 2) emissions reduced by two per cent to 4,896,847 tonnes carbon dioxide equivalent compared to last year (excluding the businesses sold during 2011). This reduction was largely the result of energy efficiency initiatives in the businesses, offset to an extent by business growth, and emission abatement activities where feasible.

Wesfarmers submitted its fourth report under the *Energy Efficiency Opportunities Act 2006* (EEO) in December 2011 and our third report under the *National Greenhouse and Energy Reporting Act 2007* in October 2011.

Community partnerships and investment

Wesfarmers has long held the belief that to have a healthy business, you must have strong vibrant communities in which to live and work. One aspect of contributing positively to local communities is through community partnerships and investments.

In addition to each division's programs and initiatives, Wesfarmers has a number of key partnerships across the arts, Indigenous development, medical research and education in Australia and New Zealand.

In 2011/12 our total community contributions, including direct (cash and product) and indirect (facilitating contributions by customers and others) contributions, exceeded \$70 million in Australia and New Zealand.

A strong economic contribution

Wesfarmers seeks to maximise its contribution to the economy through long-term growth that increases overall economic activity and its capacity to generate additional direct and indirect employment. In 2011/12, Wesfarmers paid \$7,156 million in salaries, wages and other benefits to employees.

Through the taxes it pays, the company plays its part in enabling governments to invest in better development-focused infrastructure, health, education and other valuable community services. In 2011/12, Wesfarmers paid \$1,499 million in taxes and royalties to government.

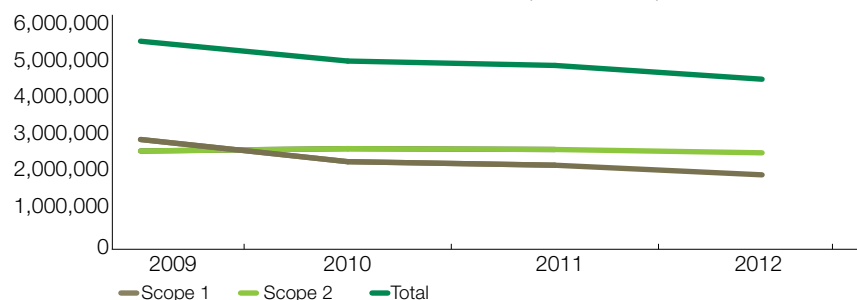
By providing dividends (\$1,909 million in 2011/12) and other investment returns to shareholders, Wesfarmers contributes to individual wealth generation and to a more prosperous general community.

The company's businesses all continued to improve the processes supporting the verification and auditing of suppliers to ensure the responsible sourcing of products and services.

Wesfarmers sustainability report

The Wesfarmers 2012 sustainability report will be published in November, and contains much more detail – and specific data – on all of the above priorities.

Wesfarmers' greenhouse gas emissions (Scope 1 and 2) as measured under the NGER Act from 2009 to 2012 (tonnes CO₂e)



More information

More information regarding Wesfarmers activities can also be found at:

- Carbon Disclosure Project www.cdproject.net
- Dow Jones Sustainability Index www.sustainability-index.com
- Australian Packaging Covenant www.packagingcovenant.org.au
- Energy Efficiency Opportunities Act www.energyefficiencyopportunities.gov.au
- National Greenhouse and Energy Reporting Act in Australia www.climatechange.gov.au/reporting

Sustainability performance

Greenhouse gas emissions (Scope 1, 2 and 3)

(tonnes carbon dioxide equivalent)

2012	5,808,553
2011	6,349,576
2010*	6,132,809
2009	6,298,544
2008 ^Δ	6,139,222

* The reduction in FY10 is primarily due to more accurate measurement of refrigerant gas emissions in Coles, and nitrous oxide emissions in WesCEF.

^Δ Includes the former Coles Group except Officeworks.

Energy use

(million gigajoules)

2012	30.00
2011	33.75
2010*	32.40
2009	29.76
2008 ^Δ	31.07

* The increase in FY10 is primarily due to the full-year availability of gas supplies to our Western Australian industrial businesses.

^Δ Includes the former Coles Group except Officeworks.

Water use

(megalitres)

2012	13,151
2011	12,107
2010*	12,243
2009	9,704
2008	9,966

* Increase due to improved reporting.

Community contributions

(\$m)

2012	31.82	40.42	72.24
2011	33.8	43.8	77.6
2010	19.6	26.2	45.8
2009	25.8	31.8	57.6

■ Direct, in-kind and product. ■ Community raised contributions supported by Wesfarmers.

Lost time injury frequency rate

(LTIFR)

2012	10.90
2011	12.78
2010	10.95
2009	13.06
2008 ^Δ	9.94

^Δ Excludes Coles and Officeworks.

Board of directors



Bob Every AO, age 67 (1) Chairman

Status and term: Appointed in 2006 as a non-executive director (independent) and appointed Chairman in November 2008. Chairman of the Remuneration and Nomination committees and member of the Audit Committee.

Skills and experience: Bachelor of Science degree and a Doctorate of Philosophy (Metallurgy) from the University of New South Wales. Bob was the Chairman of the New Zealand-based listed company Steel and Tube Holdings Limited and a director of OneSteel Limited. Other executive positions previously held 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. Bob's considerable experience as both an executive officer and a director of major Australian companies has given him a good insight into, and understanding of, the roles and responsibilities of both senior management and directors.

Directorships of listed entities (last three years)

- Chairman of Boral Limited (appointed May 2010, previously Deputy Chairman with initial appointment in September 2007)
- Former Chairman of Iluka Resources Limited (appointed March 2004 – resigned May 2010)

Other directorships/offices (current and recent)

- Chairman Redkite
- Director of O'Connell Street Associates Pty Limited
- Director of OCA Services Pty Limited
- Fellow of The Institution of Engineers, Australia
- Fellow of the Australian Academy of Technological Sciences and Engineering
- Fellow of AICD

Richard Goyder, age 52 (2) Managing Director

Status and term: Appointed in 2002 as an executive director (non-independent). Attends committee meetings by invitation.

Skills and experience: Bachelor of Commerce degree from the University of Western Australia. Completed the Advanced Management Programme at the Harvard Business School in 1998. Richard 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.

Directorships of listed entities (last three years)

- Nil

Other directorships/offices (current and recent)

- Director of a number of Wesfarmers Group subsidiaries
- Director of Gresham Partners Holdings Ltd
- Non-executive Commissioner of the Australian Football League
- Director of the University of Western Australia Business School Advisory Board
- Chairman of Scotch College Council
- Director of the Business Council of Australia
- Advisory Council Member of the Juvenile Diabetes Research Foundation International
- Council Member of the Australian Business and Community Network
- Fellow of AICD

Terry Bowen, age 45 (3) Finance Director

Status and term: Appointed in 2009 as an executive director (non-independent). Attends committee meetings by invitation.

Skills and experience: Bachelor of Accountancy degree and Fellow of CPA Australia. Terry has held a number of finance positions with Tubemakers of Australia Limited, culminating in his appointment as General Manager Finance. Terry joined Wesfarmers in 1996 and undertook various roles with Wesfarmers Landmark Limited, where he was appointed Chief Financial Officer, until its acquisition by AWB Limited in 2003. He was then appointed the inaugural Chief Financial Officer for Jetstar Airways, prior to rejoining Wesfarmers as Managing Director, Wesfarmers Industrial and Safety in November 2005. Terry became Finance Director, Coles in 2007 and Wesfarmers Finance Director in May 2009 with responsibility for the Group's Finance, Treasury, Risk & Assurance, Investor Relations and Business Development departments.

In 2010, Terry also assumed responsibility for the Group's Chemicals, Energy and Fertilisers and Industrial and Safety businesses.

Directorships of listed entities (last three years)

- Nil

Other directorships/offices (current and recent)

- Director of a number of Wesfarmers Group subsidiaries
- Director of Gresham Partners Holdings Ltd
- President of the National Executive of the Group of 100 Inc
- Member of the Curtin Business School Advisory Council at Curtin University
- Director of the Western Australian Institute for Medical Research Incorporated
- Director of the Western Australian Opera Company Incorporated

Colin Carter AM, age 69 (4)

Status and term: Appointed in 2002 as a non-executive director (independent). Member of the Remuneration and Nomination committees.

Skills and experience: Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School. Colin has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas.

Directorships of listed entities (last three years)

- SEEK Limited (appointed March 2005)
- Lend Lease Corporation Limited (appointed April 2012)

Other directorships/offices (current and recent)

- Director of World Vision Australia
- Director of the Ladder Project
- President of the Geelong Football Club Limited
- Member of the Board of the Cape York Institute for Indigenous Policy and Leadership
- Ambassador to the federal government's Indigenous Employment Initiative
- An adviser to, and former Senior Partner of, the Boston Consulting Group
- Fellow of AICD

James Graham AM, age 64 (5)

Status and term: Appointed in 1998 as a non-executive director (non-independent). Member of the Remuneration and Nomination committees.

Skills and experience: Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney and a Master of Business Administration from the University of New South Wales. James has had an active involvement in the growth of Wesfarmers since 1976 in his roles as Managing Director of Gresham Partners Limited since 1985 and previously as Managing Director of Rothschild Australia Limited and a director of Hill Samuel Australia Limited.

Directorships of listed entities (last three years)

- Nil

Other directorships/offices (current and recent)

- Managing Director of the Gresham Partners Group
- Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research
- Director of Wesfarmers General Insurance Limited
- Former Chairman of the Darling Harbour Authority in New South Wales
- Former Chairman of Rabobank Australia Limited and Rabobank New Zealand Limited
- Fellow of the Australian Academy of Technological Sciences and Engineering
- Fellow of the Financial Services Institute of Australasia
- Fellow of AICD

Tony Howarth AO, age 60 (6)

Status and term: Appointed in 2007 as a non-executive director (independent). Chairman of the Audit Committee and member of the Nomination Committee.

Skills and experience: Senior Fellow of the Financial Services Institute of Australia. Tony has more than 30 years experience in the banking and finance industry. He has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited. Tony is also Adjunct Professor (Financial Management) at the University of Western Australia Business School.

Directorships of listed entities (last three years)

- Chairman of Mermaid Marine Australia Limited
- Chairman of Home Building Society Limited (delisted December 2007) (appointed June 2003 and resigned July 2010)
- Deputy Chairman of Bank of Queensland Limited (appointed December 2007 – resigned July 2010)
- AWB Limited (appointed March 2005 – resigned December 2010)

Other directorships/offices (current and recent)

- Chairman of St John of God Health Care Inc
- Senator of the University of Western Australia
- Chairman of the Committee for Perth Limited
- Member of the Rio Tinto WA Future Fund
- Member of the University of Western Australia Business School Advisory Board
- Chairman of the International Chamber of Commerce, Australia Limited
- Director of the Chamber of Commerce and Industry of Western Australia (Inc)
- Director of West Australian Rugby Union Inc
- Director of Alinta Holdings
- Life Fellow of the Financial Services Institute of Australasia
- Fellow of AICD

Charles Macek, age 65 (7)

Status and term: Appointed in 2001 as a non-executive director (independent). Member of the Audit, Nomination and Remuneration committees.

Skills and experience: Bachelor of Economics degree and a Master of Administration from Monash University. Charles is the Chairman of the Sustainable Investment Research Institute Pty Limited, Racing Information Services Australia Pty Limited, and the Vice-Chairman of the IFRS Advisory Council (formerly the Standards Advisory Council of the International Accounting Standards Board). He is also a member of the investment committee of Unisuper Limited and the AICD Corporate Governance Committee. With a strong background in corporate governance and a long career in financial services working at a senior executive level, Charles brings extensive experience in formulating strategy and advising on off-shore and on-shore investment opportunities.

Directorships of listed entities (last three years)

- Centro Retail Australia Limited (appointed December 2011)
- Telstra Corporation Limited (appointed November 2001 – retired November 2009)

Other directorships/offices (current and recent)

- Chairman of Thoroughbred Trainers Service Centre Limited
- Member of the Marsh & McLennan Companies, Inc. Australian Advisory Board
- Director of Earthwatch Institute Australia
- Fellow of CPA
- Fellow of the Institute of Chartered Accountants Australia
- Senior Fellow of the Financial Services Institute of Australasia
- Fellow of AICD

Wayne Osborn, age 61 (8)

Status and term: Appointed in 2010 as a non-executive director (independent). Member of the Remuneration and Nomination committees.

Skills and experience: Diploma of Engineering (Electrical) from the Gordon Institute of Technology, a Master of Business Administration from Deakin University and is a Member of The Institution of Engineers, Australia. Wayne started his career in telecommunications and moved to the iron ore industry in the mid-1970s. He joined Alcoa in 1979 and worked in a variety of roles and locations across the Australian business, including accountability for Alcoa's Asia Pacific operations, prior to being appointed Managing Director in 2001. Wayne was appointed Chairman of the Australian Institute of Marine Science in 2010. He has an interest in whale conservation and wildlife photography and was elected an International Fellow of the New York-based Explorers Club in 2004. His work in support of the arts through the Australian Business Arts Foundation was recognised with the 2007 WA Business Leader Award.

Directorships of listed entities (last three years)

- Leighton Holdings Limited
- Iluka Resources Limited

Other directorships/offices (current and recent)

- Chairman of Thiess Pty Ltd
- Director of Alinta Holdings
- Fellow of the Australian Academy of Technological Sciences and Engineering
- Fellow of AICD

Diane Smith-Gander, age 54 (9)

Status and term: Appointed in 2009 as a non-executive director (independent). Member of the Audit and Nomination committees.

Skills and experience: Bachelor of Economics degree from the University of Western Australia and a Master of Business Administration from the University of Sydney. Diane has more than 11 years experience as a banking executive, which culminated in her appointment as the head of Westpac Banking Corporation's Business and Technology Solutions and Services Division. She was a Partner with McKinsey & Company in the USA, where she led major transformation projects and had exposure to a wide variety of businesses in areas such as financial services, pharmaceuticals and retail.

Directorships of listed entities (last three years)

- Transpac Services Limited (appointed October 2010)

Other directorships/offices (current and recent)

- Deputy Chairman of the NBN Co Limited (National Broadband Network)
- Director of Co-operative Bulk Handling Limited and CBH Grain Limited
- Commissioner of the Western Australian Tourism Commission (appointed July 2012)
- Former Chair of Basketball Australia Limited
- Former Chair of the NBL Commission of Basketball Australia Limited
- Former Chair of the Australian Sports Drug Agency
- Adviser to McKinsey & Company and the Barrington Consulting Group
- Member of the University of Western Australia Business School Advisory Board
- Fellow of Chartered Secretaries Australia
- Fellow of AICD

Vanessa Wallace, age 49 (10)

Status and term: Appointed in 2010 as a non-executive director (independent). Member of the Audit and Nomination committees.

Skills and experience: Bachelor of Commerce degree from the University of New South Wales and a Master of Business Administration from the IMD Switzerland. Vanessa currently leads Booz & Company's financial services practice in Australia, New Zealand and South East Asia and previously led the strategy practice. She has held multiple governance roles at the highest level within Booz's global partnership. She is an experienced management consultant who has been with Booz & Company for more than 20 years. She is actively involved in the firm's customer, channels and markets activities which focus on areas such as customer experience, offer design and channels to market across a number of industries. She has had hands on experience in mergers and acquisitions and post merger integration.

Directorships of listed entities (last three years)

Nil

Other directorships/offices (current and recent)

- Member of Board of Directors Booz & Company (2008 – 2010)
- Director of Booz & Company (Australia) Ltd and a number of group subsidiaries and related companies in Australia, New Zealand, Indonesia and Thailand
- Chairman's Council of the Australian Chamber Orchestra Pty Ltd
- Member of AICD

Corporate governance statement

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

The Board is a strong advocate of good corporate governance as evidenced by the policies and practices outlined below.

Introduction

This corporate governance statement outlines Wesfarmers' corporate governance policies and practices for the year ended 30 June 2012, and at the date of this report.

The corporate governance framework of Wesfarmers operates according to a series of governance charters and policies which have been adopted by the Board. The Board recognises that corporate governance is not a static concept, and it regularly reviews and updates the Company's governance charters and policies by reference to corporate governance developments and best practice in Australia and overseas.

Compliance with Australian corporate governance standards

In accordance with the disclosure requirements of the ASX Listing Rules, the Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2012 follow the recommendations contained in the ASX Corporate Governance Principles and Recommendations ('ASX Principles').

Access to information

Corporate governance documentation, including the charters or policies referred to in this statement, together with a checklist cross-referencing the ASX Principles to the relevant sections of this statement and elsewhere in the annual report, are published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html.

Role and responsibilities of the Board and Management

Functions of the Board

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

The Board has a Charter which clearly sets out the role and responsibilities of the Board, and describes the separate functions of management and responsibilities delegated. The key responsibilities of the Board are set out in the diagram below.

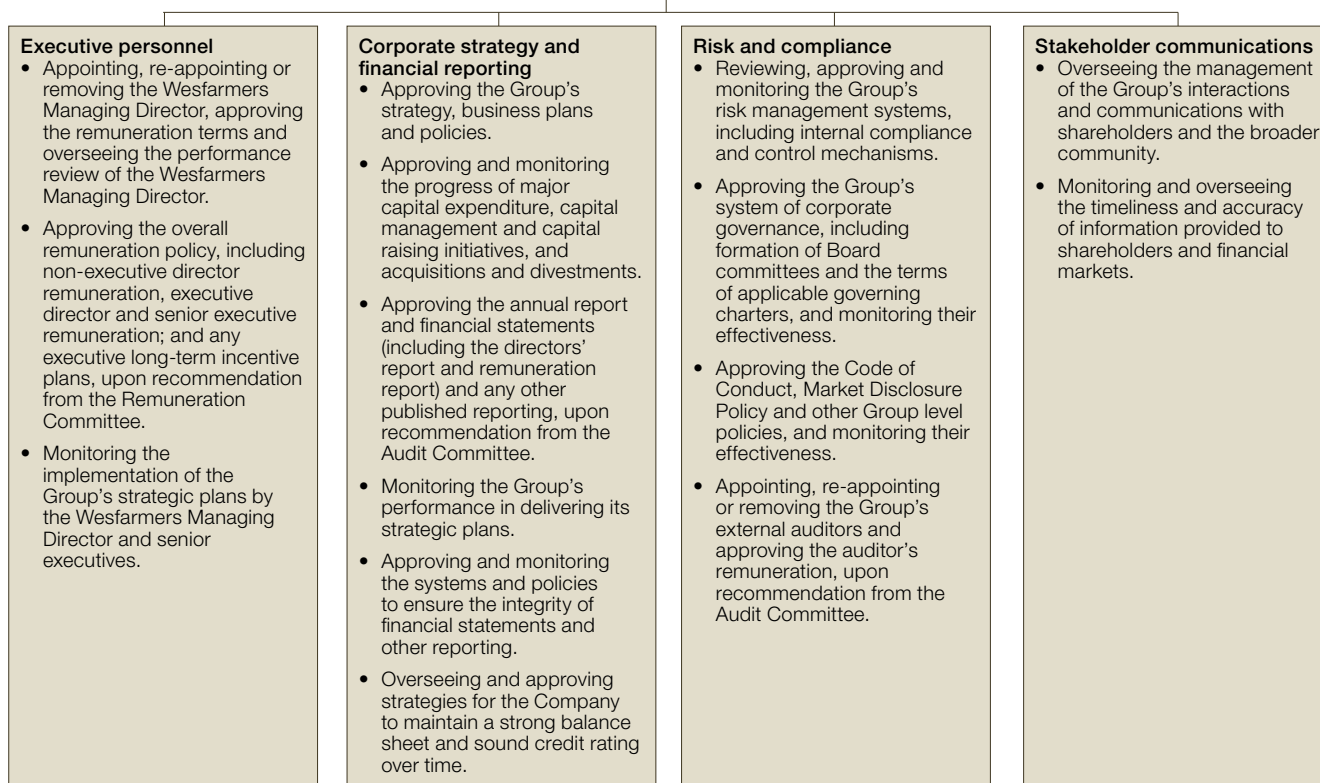
Functions of management

The Wesfarmers Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers executive leadership team (which comprises the direct reports to the Wesfarmers Managing Director, divisional managing directors and the Executive General Manager, Business Development). The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

The key responsibilities of the Wesfarmers Managing Director are to:

- manage and administer the day-to-day operations of Wesfarmers and its businesses in accordance with the strategy, business plans and policies approved by the Board;
- develop strategies for Wesfarmers, its businesses and management, and make recommendations to the Board on such strategies;
- develop the Group's annual budget and conduct the Group's activities within the approved annual budget;
- develop strategies for the Company to maintain a strong balance sheet and sound credit rating over time;
- develop and maintain the Group's risk management systems, including internal compliance and control mechanisms;

Board responsibilities



Corporate governance statement (continued)

- ensure compliance with the Company's continuous disclosure obligations, in accordance with the role and responsibilities delegated under the Market Disclosure Policy;
- assign responsibilities clearly to the executive leadership team, and supervise and report on their performance to the Board;
- recommend to the Board significant operational changes, and major capital expenditure, acquisitions or divestments, which are beyond delegated thresholds;
- report regularly to the Board with timely and quality information, such that the Board is fully informed to discharge its responsibilities effectively; and
- exercise such additional powers as are delegated to the Wesfarmers Managing Director by the Board from time to time.

Structure and composition of the Board

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

The Board is currently comprised of 10 directors, with eight non-executive directors. The Board is of the view that its current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's corporate objectives.

Mr Archie Norman, who has significant retail experience, was appointed in 2009 as an adviser to the Board on retail issues. In this role, Mr Norman attends Board meetings on a regular basis, as well as the Board's annual planning session. Mr Norman has had a major role in helping guide the turnaround of the former Coles Group businesses.

Independence of the Chairman

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

- maintain effective communication between the Board and management;
- lead the Board;
- ensure the efficient organisation and conduct of the Board's function;
- brief all directors in relation to issues arising at Board meetings;
- chair general meetings of Wesfarmers; and
- exercise such specific and express powers as are delegated to the Chairman by the Board from time to time.

Dr Bob Every is the present serving Chairman and further information about Dr Every is set out on page 55 of this annual report.

Director independence

Directors are expected to bring views and judgement to the Board's deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

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

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

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

The Board regularly reviews the independence of each non-executive director in light of the information which each director is required to disclose in relation to any material contract or other relationship with Wesfarmers in accordance with the *Corporations Act 2001*, the Board Charter and Wesfarmers' Conflicts of Interest Policy. Each non-executive director could be involved with other companies or professional firms which may from time to time have dealings with Wesfarmers. Details of offices held by directors with other organisations are set out on pages 55 and 56 of this annual report and on the Group's website.

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

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

Structure and composition of the Board

The non-executive directors are:

Director	Year of appointment	Period of office as at September 2012
Bob Every	2006	6 years and 7 months
Colin Carter	2002	9 years and 11 months
James Graham	1998	14 years and 4 months
Tony Howarth	2007	5 years and 2 months
Charles Macek	2001	10 years and 11 months
Wayne Osborn	2010	2 years and 6 months
Diane Smith-Gander	2009	3 years and 1 month
Vanessa Wallace	2010	2 years and 2 months

The executive directors are:

Director	Year of appointment	Period of office as at September 2012
Richard Goyder	2002	10 years and 1 month
Terry Bowen	2009	3 years and 4 months

The skills and experience of the Company's directors are detailed on pages 55 and 56 of this annual report.

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

- seven of the eight non-executive directors are independent; and
- Mr James Graham is deemed not to be independent by virtue of his position as Managing Director of Gresham Partners Limited, which acts as an investment adviser to the Company.

Details of Mr Graham's association with Gresham Partners Limited is set out in note 35 on page 165 of this annual report. The Board has determined that Mr Graham's appointment is in the best interests of Wesfarmers because of the substantial knowledge and expertise he brings to the Board, and any conflicts which may arise are managed in accordance with Wesfarmers' Conflicts of Interest Policy.

Skills, experience and diversity of the Board

The Nomination Committee's delegated responsibilities include:

- periodically assessing the skill set required to discharge the Board's duties, having regard to the strategic direction of the Wesfarmers Group and assessing the skills currently represented on the Board;
- regularly reviewing and making recommendations to the Board regarding the structure, size and composition of the Board (including the mix of skills, knowledge and experience); and the effectiveness of the Board as a whole; and
- developing strategies to address Board diversity.

Board succession planning

Retirement and re-election of directors

The Constitution of Wesfarmers requires one third of the directors, other than the Wesfarmers Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board during the year (as a casual vacancy or as an addition to the Board) are required to have their appointment confirmed at the next annual general meeting.

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 Nomination Committee is responsible for

Board succession planning (including the role of Chairman), with the aim of maintaining an appropriate mix of skills, experience, expertise and diversity over time.

The Nomination Committee considers each director who is due for re-election and assesses whether to make a recommendation to the Board for his or her re-appointment, having regard to the results of the director's performance reviews, and the succession plans of the Board. The performance review process for each director is described on page 62.

Wesfarmers also expects directors to voluntarily review their membership of the Board from time to time, taking into account other commitments, length of service, age, qualifications and expertise relevant to the Company's business.

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

Appointment of new directors

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

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

In addition, the Board Charter requires a director to hold, directly or indirectly, a minimum of 1,000 ordinary shares in Wesfarmers within two months of their appointment and at all times during the director's period of office.

Induction of new directors and ongoing director development

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including their duties, rights and responsibilities; the

time commitment envisaged; expectations regarding involvement with committee work; and their responsibilities with respect to acting in a capacity other than as a director of Wesfarmers.

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

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

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

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

Board access to information and independent advice

All directors have unrestricted access to employees of Wesfarmers and its businesses and, subject to the law, access to all Company records and information held by Wesfarmers employees and external advisers.

Each director, the Board and the Board committees may obtain independent professional advice at Wesfarmers' expense, as considered reasonable and necessary, subject to prior consultation with the Chairman.

Directors are entitled to reimbursement of all reasonable costs where a request for reimbursement of the cost of such advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required from the Chairman of the Audit Committee.

Corporate governance statement (continued)

Conflicts of interest

The directors have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board.

Directors are under an ongoing obligation to disclose to the Board such interests immediately, in addition to the statutory obligation to disclose to the Board any material personal interests in a matter.

The Board has adopted the use of formal standing notice registers, in which each director must have and keep updated a register disclosing the nature and extent of their interests. Where a change in circumstance results in an interest which is declared on the register as giving rise to a material personal interest or other conflict requiring disclosure, each director is required to notify the Board.

The Board has also adopted a Conflicts of Interest Policy, setting out the disclosure obligations of each director with respect to conflicts of interest, and the procedures to be followed where:

- a director has disclosed a conflict of interest in accordance with the policy; or

- the Board has identified a matter which is or is likely to be brought before the Board, which may place a particular director in a position of conflict.

The procedures detail the restrictions which may apply to a director in such circumstances, including the ability to participate in Board discussions, ability to vote on the matter or the degree of access to information and Board papers.

The Conflicts of Interest Policy is published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Related party transactions

With respect to any transaction which involves a Group entity giving a financial benefit to a related party or related entity, Wesfarmers discloses its related party transactions in the notes to its financial statements as required under the relevant Accounting Standards (as set out in note 35 on page 165 of this annual report).

Committees of the Board

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Gresham

Mandate Review Committee as standing committees to assist the Board in the discharge of its responsibilities.

All directors have a standing invitation to attend committee meetings. These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's Charter):

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

Details of the membership, composition and responsibilities of each committee are detailed below and on the following page.

Remuneration

Full details of the remuneration paid to non-executive and executive directors, and senior executives, are set out in the remuneration report on pages 70 to 86 of this annual report.

	Audit Committee	Remuneration Committee	Nomination Committee	Gresham Mandate Review Committee
Members	<ul style="list-style-type: none"> • Tony Howarth (Chairman) • Bob Every • Charles Macek • Diane Smith-Gander • Vanessa Wallace 	<ul style="list-style-type: none"> • Bob Every (Chairman) • Colin Carter • James Graham • Charles Macek • Wayne Osborn 	<ul style="list-style-type: none"> • Bob Every (Chairman) • Colin Carter • James Graham • Tony Howarth • Charles Macek • Wayne Osborn • Diane Smith-Gander • Vanessa Wallace 	Any two of: <ul style="list-style-type: none"> • Colin Carter • Charles Macek • Diane Smith-Gander
Composition	The Committee must comprise: <ul style="list-style-type: none"> • only non-executive directors; • at least three members; • a majority of non-executive directors who are able to exercise independent judgement in their role as a member of the Committee, as determined by the Board; • members who are sufficiently financially literate to understand financial statements and general accounting principles, for the purpose of assessing and questioning information presented in Committee meetings; and • at least one member who has relevant financial qualifications and experience. 	The Committee must comprise: <ul style="list-style-type: none"> • only non-executive directors; and • at least three members. 	The Committee must comprise all non-executive directors.	The Committee must comprise such members as the Board determines from time to time.

	Audit Committee	Remuneration Committee	Nomination Committee	Gresham Mandate Review Committee
Responsibilities include:	<ul style="list-style-type: none"> • reviewing all financial statements and other financial disclosures of the Group requiring Board approval, and discussing these with the external auditors and management, prior to their submission and recommendation to the Board; • reviewing any material changes in accounting or reporting requirements, and assessing subsequent effects on the Company's financial statements and the Group's policies and practices; • reviewing with management the terms of external audit engagement in order to make recommendations to the Board concerning the appointment, re-appointment and removal of external auditors; • reviewing and assessing non-audit and assurance-related services to be provided by external auditors, with particular consideration to the potential of those services to impair external auditors' judgement or independence in respect of the Group; • reviewing and assessing the effectiveness of the internal controls, policies, programs, guidelines and procedures which form the Group's risk management framework and reporting systems, assessing the effectiveness of the risk management framework and reporting systems, and controlling their financial impact; • assessing the effectiveness of the Group's Compliance Program in ensuring compliance with relevant regulatory, industry and legal requirements. 	<ul style="list-style-type: none"> • reviewing and making recommendations to the Board on: <ul style="list-style-type: none"> – the remuneration of non-executive directors (including fees, travel and other benefits) – the level of remuneration of executive directors and direct reports to the Wesfarmers Managing Director (including equity grants and plan participation) – new executive incentive plans and amendments to existing plans • determining, on the recommendation of the Wesfarmers Managing Director, the level of remuneration of other executives; • ensuring remuneration packages across the Group are equitable and making recommendations to the Board as appropriate, including remuneration by gender; • assisting the Chairman of the Board in the annual performance review of the Wesfarmers Managing Director; • approving new employee incentive plans and amendments to existing plans; • overseeing preparation of the annual remuneration report and recommending the report to the Board for approval. 	<ul style="list-style-type: none"> • reviewing and making recommendations in relation to Board composition, competencies and diversity; • developing and reviewing Board succession plans, director induction programs and continuing development; • ensuring that there is a robust and effective process for evaluating the performance of the Board, the committees of the Board and individual directors; • reviewing and making recommendations in relation to Board appointments, re-elections and terminations; • reviewing or making recommendations to the Board on matters which the Committee considers necessary, or are requested by the Board. 	<ul style="list-style-type: none"> • considering and approving the mandate agreement terms and all fees payable to Gresham Partners Limited group of companies where they are to be appointed advisers to the Company; • reporting on the approved mandate terms and fees to the Board.
Attendance	Details of meeting attendance for members of each committee are set out in the directors' report on page 66 of this annual report.			

Performance evaluation

Evaluation of the performance of senior executives

Senior executives comprising members of the Wesfarmers leadership team have an annual and long-term incentive or 'at risk' component as part of their total remuneration package. The mix of remuneration components and the measures of performance used in the incentive plans have been chosen to ensure that there is a strong link between remuneration earned and the achievement of sustainable performance, which leads to satisfactory returns for shareholders.

Annual incentives are based on the achievement of annual performance conditions, which are set at the start of the plan year and are heavily weighted to return and earnings-based measures, and also include non-financial measures which seek to achieve corporate objectives in areas such as safety, diversity, succession planning and talent management. The Wesfarmers Long Term Incentive Plan for the 2012 financial year is a share award with a four-year forward-looking performance hurdle, based on growth of return on equity and relative total shareholder return. Shareholder approval will be sought at the annual general meeting for long-term incentive allocations to executive directors. The Remuneration Report, which details Wesfarmers' policy on the remuneration of senior executives, is set out on pages 70 to 86 of the report.

For the annual incentive plan, awards are determined after the preparation of the financial statements at the end of the financial year (in respect of the financial measures) and after a review of performance against non-financial measures has been carried out by the Wesfarmers Managing Director (and in the case of the Wesfarmers Managing Director, by the Chairman, the results of which are reported to the Board). The Board confirms final awards based on overall personal and financial performance after the reviews have been completed in August each year.

Corporate governance statement (continued)

For the long-term incentive, the Board tests the performance conditions following finalisation of the annual accounts at the end of the four-year performance period. As part of the performance development review process, the potential future development of an executive is discussed on an annual basis, along with any training required to enhance the prospects of the development objectives being achieved and progression within Wesfarmers. Annual performance reviews for the 2012 financial year have been undertaken in accordance with the process described above.

Evaluation of the Board and its committees

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

A Board performance review was conducted in July 2011, and the Board committees performance review was conducted in December 2010. Both were facilitated by an external consultant.

With respect to the Nomination Committee, the Board is responsible for periodically assessing its effectiveness, with a view to ensuring that its performance accords with best practice.

Evaluation of non-executive directors

The Nomination Committee is responsible for scheduling performance reviews of each non-executive director. This incorporates a review of the time commitment required by each non-executive director and whether these time commitments are being met. In relation to any re-appointment of a non-executive director, the performance of the non-executive director during their term of office will be reviewed.

Annual performance reviews for the 2012 financial year for each non-executive director are scheduled to take place in December 2012. The performance review process comprises:

- completion by each director of a survey prepared and distributed by an external consultant;
- a Board meeting to discuss areas for improvement and action items identified, following the receipt by each non-executive director of a report with feedback on the Board's performance based on the survey results; and

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

Governance policies

Code of Conduct

Wesfarmers has adopted a Code of Conduct for all employees (including directors). This code details policies, procedures and guidelines aimed at ensuring that the highest ethical standards, corporate behaviour and accountability are maintained across Wesfarmers.

The managing directors and chief financial officers of each division are required to report annually to the Audit Committee on their division's compliance with the code.

A copy of the Code of Conduct is published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Whistleblower protection

The Whistleblower Policy of Wesfarmers has been adopted to promote and support a culture of honest and ethical behaviour, corporate compliance and good corporate governance.

This policy encourages employees, contractors and suppliers to raise any concerns and report instances of unethical, illegal, fraudulent or undesirable conduct either internally with management within his or her division (as applicable) or with a Protected Disclosure Officer, or externally via a telephone helpline managed by an independent third party. Wesfarmers is committed to absolute confidentiality and fairness in all matters raised and will support and protect those who report violations in good faith. The Audit Committee is responsible for overseeing compliance with this policy.

A copy of the Whistleblower Policy is published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Anti-bribery Policy

Wesfarmers is committed to operating in a manner consistent with the laws of the jurisdictions in which its businesses operate, including those relating to anti-bribery and corruption. Since our annual report last year, we have updated our Anti-bribery Policy, which strictly prohibits our employees from engaging in activity that constitutes bribery or corruption.

The policy also includes processes for implementing appropriate controls to ensure that the actions of third parties who are engaged to act for or on behalf of Wesfarmers will not adversely affect the Group.

Wesfarmers has in place an extensive training program on its Anti-bribery Policy. The terms of the policy are also required to be communicated to suppliers, contractors and business partners, both at the outset of a business relationship, and as appropriate during the course of their work for the Group.

A copy of the Anti-bribery Policy is published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Diversity Policy

Wesfarmers recognises the social and commercial value of diversity and strives to create a work environment which is inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference.

While Wesfarmers is committed to fostering all types of diversity, gender diversity has and continues to be a priority for the Group. As set out in the Wesfarmers Diversity Policy, the Group's approach to gender diversity is based on four core objectives: foster an inclusive culture; improve talent management; enhance recruitment practices; and ensure pay equity.

The Board has approved measurable objectives at a Group level for achieving gender diversity set in accordance with these core objectives. Noting the diverse nature of Wesfarmers portfolio of businesses, each division has developed specific gender diversity plans in line with the Group Policy which are tailored to take account of the specific circumstances of the particular division. The Board reviews progress against the measurable objectives twice per year.

The measurable objectives for 2012 at a Group level and the progress against achieving these objectives are outlined on page 53 in the sustainability section of this annual report.

As part of Wesfarmers' commitment to diversity, the Company strives to make its businesses a place where Aboriginal and Torres Strait Islander people feel welcome and valued, as employees, customers and citizens. To do this, Wesfarmers has a Reconciliation Action Plan which outlines specific measurable actions to be undertaken across the Wesfarmers Group, targeting employment and community engagement.

As a large employer, Wesfarmers can provide Aboriginal and Torres Strait Islander people with greater opportunities to participate in the country's economic prosperity, through sustainable employment and support through community partnership programs.

The Wesfarmers Reconciliation Action Plan acts as an 'umbrella' document to the Aboriginal strategies developed in each of the Company's business divisions. More details about the Wesfarmers Reconciliation Action Plan can be found on the community and sustainability section of the Company's website at www.wesfarmers.com.au/community-a-sustainability/community.html

Share Trading Policy

The Share Trading Policy of Wesfarmers states that all employees and directors of the Group are expressly prohibited from trading in Wesfarmers' securities, or securities in other entities in which Wesfarmers has an interest, if they are in possession of 'inside information'.

Directors and senior executives are generally prohibited from trading in the Company's securities during 'black out' periods (which are the periods from the close of books to one day following the announcement of the full-year or half-year results). Trading during these periods may only be permitted with prior approval of the Chairman in exceptional circumstances (such as severe financial hardship), subject at all times to the general prohibition on insider trading.

Outside of these periods, a director or senior executive who intends to buy or sell shares must:

- advise the Company Secretary of their intention to trade; and
- confirm that they do not hold unpublished inside information.

Directors, senior executives and their closely related parties are prohibited from entering into arrangements that have the effect of limiting exposure to risk in relation to an element of their remuneration. In addition, they must advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting the Company's securities.

A copy of the Share Trading Policy is published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Market Disclosure Policy

Wesfarmers understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a comprehensive Market Disclosure Policy.

Each Wesfarmers employee is required to report any information concerning Wesfarmers which is price sensitive, even where in doubt, to the appropriate person identified in Wesfarmers' reporting system.

Wesfarmers has an education program to ensure that those in management and other potential risk areas for continuous disclosure understand Wesfarmers' disclosure obligations and what information may be price sensitive.

The Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and coordinating the disclosure of information by the Company to the ASX, the Group's continuous disclosure education program, and administration of the policy.

A disclosure sub-committee has been formed, comprising of the Wesfarmers Managing Director, Finance Director and Group General Counsel, which oversees the disclosure officer's administration of the policy. In addition, the Audit Committee reviews a report prepared by the disclosure officer on the operation of the Group's market disclosure practices, and provides this report with any comments or recommendations to the Board.

A copy of the Market Disclosure Policy is published on the governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Shareholder Communications Policy

The Board has developed a strategy for engaging and communicating with shareholders, key aspects of which are set out below.

The Communications Policy of Wesfarmers promotes the communication of information to shareholders through the distribution of an annual report and announcements through the ASX and the media regarding changes in its businesses, and the Chairman's address at the annual general meeting.

The Company produces an annual shareholder review, an easy to read summary of the annual report. A number of shareholders have elected to receive the review in place of the annual report, or have elected to receive electronic communications in respect of their shareholdings.

The Company encourages and welcomes shareholder participation at general meetings, with the annual general meeting being the major forum for shareholders to ask questions about the performance of the Company and provide valuable feedback.

Wesfarmers conducts live webcasts of Company general meetings as well as major institutional investor and analyst briefings, which are available on the Company's website. The Company provides shareholders with the opportunity to receive email alerts of significant announcements and advises of the availability of reports on the Company's website.

A copy of the Communications Policy is published on the governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Integrity in financial reporting

Role of the Audit Committee

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

The membership and responsibilities of the Audit Committee are set out on pages 60 and 61 of this annual report.

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

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

The Audit Committee Charter is published on the governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Role of the external auditor

Appointment and rotation of auditor

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

The lead audit partner is required to rotate after a maximum of five years. Mr Greg Meyerowitz is the lead audit partner for Ernst & Young, and was appointed on 3 June 2009.

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

Independence declaration

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2012.

The independence declaration forms part of the directors' report and is provided on page 69 of this annual report.

Corporate governance statement (continued)

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

The Board has considered the nature of the non-audit and assurance-related services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of fees paid (or payable) to Ernst & Young for non-audit and assurance-related services provided to the Wesfarmers Group in the year ended 30 June 2012 are set out in the directors' report on page 68 of this annual report.

Attendance of external auditors at annual general meetings

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

Risk management

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

Risk Management Policy

The Risk Management Policy of Wesfarmers was approved by the Board. The policy details the overarching risk management controls that are embedded in the Group's risk management framework and reporting systems, including:

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

A copy of the Risk Management Policy is published on the corporate governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Risk management oversight and responsibility

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

Board

- Reviewing, approving and monitoring the Group's risk management systems, including internal compliance and control mechanisms.
- Approving and monitoring the systems and policies to ensure integrity of budgets, financial statements and other reporting.

Wesfarmers Managing Director and Finance Director

- Providing a declaration to the Board regarding the financial statements.
- Assessing and providing assurance to the Board that the Group's risk management and internal control systems are operating effectively in all material respects.

Audit Committee

- Reviewing and assessing the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including accounting standards.
- Reviewing the qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors.
- Overseeing the internal controls, assurance, policies and procedures which the Group uses to identify and manage business risks.
- Overseeing the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements.

Management

- Implementing and maintaining risk management and internal control systems.
- Preparing divisional Risk Compliance Reports (approved by each divisional board).
- Preparing a consolidated Group Risk Compliance Report setting out key risks and the controls and processes implemented to mitigate these risks (approved by the Wesfarmers executive leadership team).
- Reporting to the Board on the adequacy of the systems and processes in place to manage material business risks.

Group Assurance and Risk

- Monitoring the effectiveness of risk management systems through a single outsourced audit provider.
- Preparing internal audit reports and reporting to the Audit Committee on the adequacy of risk management and the internal control environment. In addition, the General Manager Group Assurance and Risk maintains direct and unfettered access to the Audit Committee.
- Facilitating the annual risk compliance reporting and preparing the Group Risk Compliance report for review by the Audit Committee.

Risk certification

Financial risk

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

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

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

Non-financial risk

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

Divisional management is ultimately responsible for the relevant division's internal control and risk management systems.

Management has reported to the Audit Committee on the effectiveness of the internal control and risk management systems throughout the year, and management of its material business risk.

In addition, the Insurance division's Australian licensed insurers are subject to the Australian Prudential Regulatory Authority reporting obligations. These reporting obligations, including a requirement to lodge Risk Management Strategies and Insurance Liability Valuation Reports, have been complied with.

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 2 to 64 forms part of the directors' report for the financial year ended 30 June 2012 and is to be read in conjunction with the following information:

Results and dividends

YEAR ENDED 30 JUNE	2012 \$m	2011 \$m
Profit		
Profit attributable to members of the parent entity	2,126	1,922
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 2012:		
(a) out of the profits for the year ended 30 June 2011 on the fully-paid ordinary shares and partially protected shares:		
(i) fully-franked final dividend of 85 cents per share paid on 30 September 2011 (as disclosed in last year's directors' report)	983	810
(b) out of the profits for the year ended 30 June 2012 and retained earnings on the fully-paid ordinary shares and partially protected shares:		
(i) fully-franked interim dividend of 70 cents (2011: 65 cents) per share paid on 30 March 2012	810	752
(ii) fully-franked final dividend of 95 cents (2011: 85 cents) per share to be paid on 28 September 2012	1,099	983

Principal activities

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

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

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

Directors

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

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

All directors served on the Board for the period from 1 July 2011 to 30 June 2012.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 55 and 56 of this annual report.

Directors' report

Wesfarmers Limited and its controlled entities

Directors' shareholdings

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

Wesfarmers Limited	BWP Trust (units)	Wesfarmers Limited (shares)
T J Bowen	20,000	452,648
C B Carter	–	29,031
R L Every	–	28,373
R J B Goyder*	–	1,123,396
J P Graham	13,013	807,317
A J Howarth	–	13,781
C Macek	–	20,571
W G Osborn	–	4,000
D L Smith-Gander	–	12,410
V M Wallace	–	4,805

* R J B Goyder also holds 100,000 performance rights. The performance rights were issued pursuant to the Group Managing Director Long Term Incentive Plan (Rights Plan). Each performance right is a right to acquire a fully-paid ordinary share subject to satisfaction of a performance condition which is based on return on equity. For further details, please see the remuneration report on pages 70 to 86 of this annual report.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2012 and the number of meetings attended by each director:

	Board		Audit Committee		Remuneration Committee		Nomination Committee		Gresham Mandate Review Committee	
	(A) ¹	(B) ²	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Current directors										
T J Bowen	8	8								
C B Carter	8	8			8	7	3	2	1	1
R L Every	8	8	7	7	8	8	3	3		
R J B Goyder	8	8								
J P Graham	8	8			8	8	3	3		
A J Howarth	8	8	7	7			3	3		
C Macek	8	8	7	7	8	8	3	3	1	1
W G Osborn	8	7			8	8	3	3		
D L Smith-Gander	8	8	7	7			3	3	1	1
V M Wallace	8	8	7	7			3	3		

Notes:

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

2 (B) = number of meetings attended.

Insurance and indemnification of directors and officers

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

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

indemnify a director to the full extent permitted by law against any liability incurred by the director:

- as an officer of the Company or of a related body corporate; and
- to a person other than the Company or a related body corporate, unless the liability arises out of conduct on the part of the director which involves a lack of good faith;

Directors' report

Wesfarmers Limited and its controlled entities

- provide for insurance against certain liabilities incurred as a director; and
- provide a director with continuing access, while in office and for a specific period after the director ceases to be a director, to certain Company documents which relate to the director's period in office.

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

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

Indemnification of auditors

The Company's auditor is Ernst & Young.

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

During the financial year:

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

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and Company performance are contained in the remuneration report on pages 70 to 86 of this annual report.

Options

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

Company Secretary

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

Linda holds Bachelor of Laws and Bachelor of Jurisprudence degrees from the University of Western Australia and is a Fellow of 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 BWP Trust. Linda 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 52 of this annual 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 the directors, disclosure of further material relating to those matters is likely to result in unreasonable prejudice to the interests of the Company and the 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:

- revenue up from \$54,875 million to \$58,080 million
- profit for the year up from \$1,922 million to \$2,126 million
- dividends per share up from \$1.50 to \$1.65
- total assets up from \$40,814 million to \$42,312 million
- shareholders' equity up from \$25,329 million to \$25,627 million
- net borrowings up from \$4,343 million to \$4,904 million
- net cash flows from operating activities up from \$2,917 million to \$3,641 million

Directors' report

Wesfarmers Limited and its controlled entities

Significant events after the balance date

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

Dividend

On 16 August 2012, a fully-franked final dividend of 95 cents per share resulting in a dividend payment of \$1,099 million was declared for payment on 28 September 2012.

Borrowings

On 25 July 2012, Wesfarmers announced the issue of €650 million of unsecured fixed rate medium term notes maturing in August 2022. The notes were priced at 110 basis points over the EURO ten-year mid swap rate and have been fully swapped back in Australian dollars, resulting in a total fixed interest cost of 5.85 per cent per annum. On the same day Wesfarmers repaid \$400 million seven-year bonds that were issued by Coles on 25 July 2005.

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 10 to 52 of this annual report. 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 the directors' report.

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2012 and received, or is due to receive, the following amounts for the provision of these services:

	\$'000
Tax compliance	883
Assurance related	781
Other	615
TOTAL	2,279

The total non-audit services fees of \$2,279,000 represents 24.3 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2012.

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

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

- the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the Company;
- all non-audit services were subject to the corporate governance procedures and policies adopted by the Company and have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- there is no reason to question the veracity of the auditor's independence declaration (a copy of which has been reproduced on page 69).

Directors' report

Wesfarmers Limited and its controlled entities

The directors received the following declaration from Ernst & Young:



ERNST & YOUNG

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
www.ey.com/au

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz
Partner
18 September 2012

Liability limited by a scheme approved under Professional Standards Legislation

Environmental regulation and performance

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

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

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

Proceedings on behalf of the Company

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

Corporate governance

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's corporate governance statement is on pages 57 to 64 of this annual report.

Corporate information

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

Rounding

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

Directors' report

Remuneration report 2012 (audited)

Wesfarmers Limited and its controlled entities

Contents

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Section 1:	Executive remuneration outcomes for 2012 (page 73)
Section 2:	Executive remuneration policy and framework (page 75)
Section 3:	Executive remuneration components (page 77)
Section 4:	Service agreements (page 84)
Section 5:	Legacy plans (page 84)
Section 6:	Non-executive director remuneration (page 85)
Section 7:	Other information (page 86)

Introduction: 2012 Overview

The Wesfarmers Limited Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking executive pay to the achievement of the Group's strategy and business objectives and, ultimately, generating satisfactory returns for shareholders. This report explains how Wesfarmers' performance for the 2012 financial year has driven remuneration outcomes for senior executives.

Key changes

A summary of the key changes to remuneration-related matters approved for the 2012 financial year is set out below:

Executive directors and senior executives

Senior executive fixed annual remuneration increased effective 1 October 2011, based on business and individual performance and aligned to market remuneration levels. The average senior executive (i.e. Wesfarmers leadership team) fixed remuneration increase was 5.4 per cent. The Board has determined that no increase will be made to the fixed remuneration for the Group Managing Director for the 2013 financial year.

As set out in the 2011 Remuneration Report, having considered current market practice and shareholder views, the Board approved various changes to the November 2011 Wesfarmers Long Term Incentive Plan (WLTIP) allocation including:

- introducing relative Total Shareholder Return (TSR) as a second performance metric;
- extending the performance period from three to four years; and
- increasing the level of performance required for full vesting in relation to both performance hurdles to the 75th percentile of the comparator group.

The Board continued to review the WLTIP during 2012. To better align the WLTIP with prevailing market practice, the Board has approved further changes to the 2012 WLTIP, including that executives will receive an allocation of performance rights (rather than performance shares, as in prior years). As performance rights are a right to be allocated a share in the future, executives are not entitled to dividend or voting rights during the performance period.

Shareholder approval will be sought at the 2012 Annual General Meeting (AGM) for 2012 WLTIP allocations proposed to be made to the Group Managing Director and the Finance Director.

Non-executive directors

A thorough review of the level of fees paid to Wesfarmers non-executive directors was undertaken during the year. This included a broad ranging review of the number of hours spent by each non-executive director on Wesfarmers' matters over the year (including preparation for and attendance at Board and Board Committee meetings, site visits, strategy sessions and other Company events), as well as an assessment of the reasonableness of the compensation provided in return for the time commitment required to oversee the business of the Wesfarmers Group, including benchmarking against comparable size companies and the hourly rates paid to professional consultants.

Following this review, non-executive director fees were increased effective 1 January 2012. Main Board fees increased by 4.0 per cent and the Audit Committee chair fee increased; however, Audit Committee and Remuneration Committee member fees were not increased. The Board has determined that no increase will be made to non-executive director fees prior to 1 July 2013.

Shareholder approval will be sought at the 2012 AGM to increase the maximum aggregate amount of remuneration that may be paid to the non-executive directors by \$300,000 to \$3,300,000 per annum (inclusive of superannuation). The current fee pool was approved by shareholders at the 2007 AGM. While the Board continues to believe the current size of the Board is appropriate for Wesfarmers, the proposed increase is intended to provide sufficient 'headroom' to appoint up to two additional members for a limited duration to allow for effective Board succession.

Other changes

In line with the 1 July 2011 changes made to the *Corporations Act 2001*, the Board has implemented procedures and protocols regarding the engagement of external remuneration consultants.

Directors' report

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Key management personnel

The remuneration report sets out remuneration information for key management personnel, which encompasses the non-executive directors, the executive directors (comprising the Group Managing Director and the Finance Director) and those executives who have authority and responsibility for planning, directing and controlling the activities of a major revenue-generating division of Wesfarmers.

Executive directors		Non-executive directors	
R J B Goyder	Group Managing Director	R L Every	Chairman (non-executive)
T J Bowen	Finance Director	C B Carter	Director (non-executive)
Senior executives		J P Graham	Director (non-executive)
S A Butel	Managing Director, Resources division	A J Howarth	Director (non-executive)
J C Gillam	Managing Director, Home Improvement and Office Supplies division	C Macek	Director (non-executive)
I J W McLeod	Managing Director, Coles division	W G Osborn	Director (non-executive)
D L Rogers	Managing Director, Target division – appointed 17 October 2011	D L Smith-Gander	Director (non-executive)
G A Russo	Managing Director, Kmart division	V M Wallace	Director (non-executive)
Former senior executive			
L K Inman	Managing Director, Target division – resigned 30 March 2012		

Overview of remuneration components

Remuneration component		Participants			
		Group Managing Director	Finance Director / senior executives	Managing Director, Coles division	Non-executive directors
Fixed	Fixed Annual Remuneration	Page 77	Page 77	Page 77	
	Fees				Page 85
Annual incentive		Page 77	Page 77	Page 77	
Long-term incentive		WLTIP – page 79	WLTIP – page 79	CLTIP – page 82	
Post-employment arrangements	Superannuation	Page 74	Page 74	Page 74	Page 86

Link to 2012 financial performance

Annual incentive plan

The Wesfarmers Group performance for the 2012 financial year has been positive and the threshold performance level was achieved. The graph on the following page shows Wesfarmers' net profit after tax (NPAT) for the 2012 financial year and the previous four financial years, which is an important indicator of performance and a key measure in the annual incentive plan.

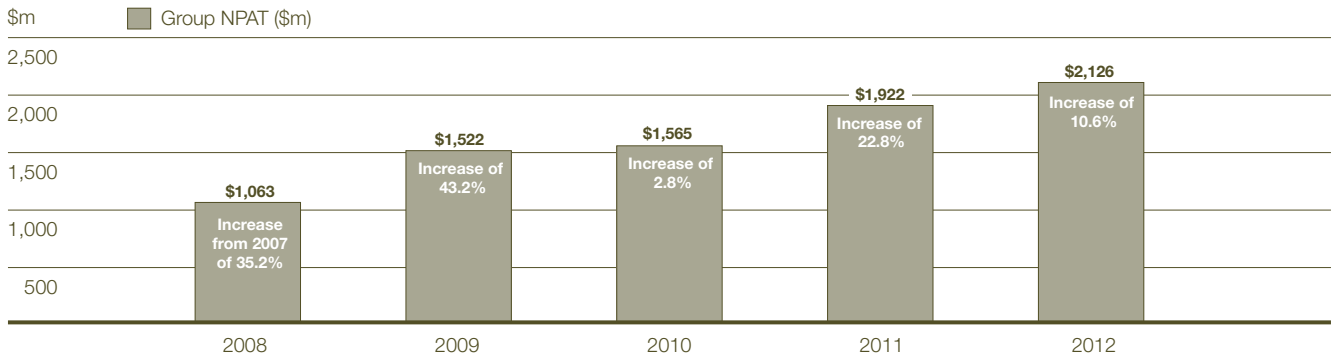
In addition, the majority of divisions achieved earnings improvements from 2011 to the 2012 financial year, as shown in the earnings before interest and tax (EBIT) graph on page 72, and a number of divisions saw improvements in return on capital (ROC) while others maintained a strong double digit ROC (graph on page 72). ROC is calculated by dividing the rolling 12 months of EBIT by the rolling 12 months of capital employed. The financial performance for the Coles, Kmart, Chemicals, Energy and Fertilisers and Industrial and Safety divisions met or exceeded the annual financial targets set by the Board for 2012, resulting in the annual incentive plan (which is linked to divisional performance) delivering at or above target awards for the executive directors and for senior executives in those divisions. For the divisions that exceeded threshold performance levels or did not meet the annual financial targets, this was reflected in the annual incentives for senior executives in those divisions. Further detail on the annual incentive plan and actual performance for the 2012 financial year can be found on page 77 of this annual report.

Directors' report

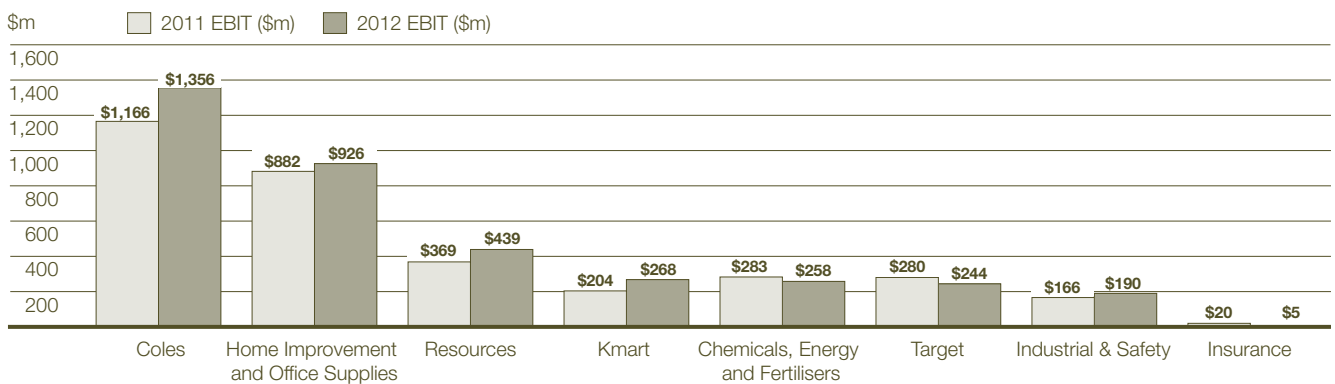
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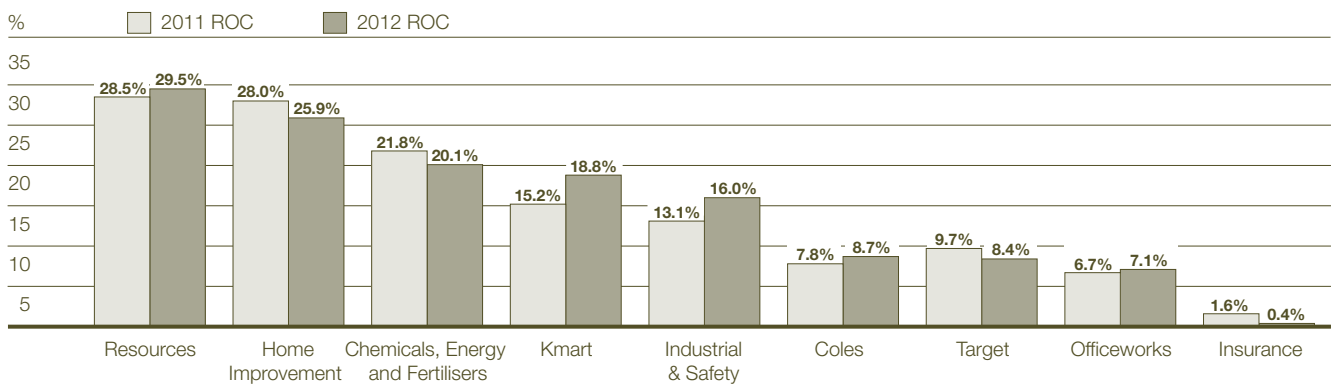
Group net profit after tax



Earnings before interest and tax



Return on capital



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Wesfarmers Long Term Incentive Plan

A number of senior executives received an allocation of shares during the year under the 2011 WLTI, which is subject to Wesfarmers achieving strong growth in return on equity (ROE) and relative total shareholder return.

In accordance with the shareholder approval received at the 2011 AGM, the Group Managing Director (Group MD) received an allocation of 206,480 shares under the 2011 WLTI award. These shares are subject to a four-year forward-looking performance period and judged against two relative performance hurdles, with the Group MD having no entitlement to dividends during the vesting period. The Group MD's total reported remuneration for the 2012 financial year was \$8,010,045, which includes an accounting expense of approximately \$2.3 million in relation to his participation in the WLTI and the deferred share component of the annual incentive program. Further detail is shown in the table on page 74.

During the 2012 financial year, shares vested under the 2008 WLTI for participating senior executives, with Wesfarmers' compound average growth rate (CAGR) in ROE over the three-year performance period to 30 June 2011 at the 71st percentile of the S&P/ASX 50 Index. The number of shares that vested is shown in the table on page 81.

Coles Long Term Incentive Plan

As previously disclosed, the Managing Director, Coles division, participates in the Coles Long Term Incentive Plan (CLTI), which is a special-purpose plan designed to incentivise and reward the Managing Director for implementing turnaround strategies that generate significant returns to Wesfarmers and its shareholders. After the fourth year of the Coles turnaround, the Coles division continues to show encouraging earnings growth and is meeting Wesfarmers' expectations in line with its ambitious five-year plan.

For the 2012 financial year, Coles delivered a 16.4 per cent increase in divisional EBIT and a 11.5 per cent increase in ROC, compared to the 2011 financial year. Accordingly, \$7.4 million has been contributed to the award pool under the CLTI for the Managing Director Coles division, with an associated accounting accrual of \$10.9 million (being the amount expensed and included in the remuneration disclosures this year). Further detail is shown in the table on page 74.

Overview of Company performance

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

Financial year ended 30 June	2008	2009	2010	2011	2012
Net profit after tax (NPAT) (\$m)	1,063 ¹	1,522 ²	1,565	1,922	2,126
Dividends per share (cents)	200	110	125	150	165
Closing share price (\$ as at 30 June)	37.30	22.76	28.67	31.90	30.12 ³
Earnings per share (cents)	174.2 ⁴	158.5 ²	135.7	166.7	184.2
Return on equity (rolling 12) (%)	8.6	7.3 ²	6.4	7.7	8.4

1 Restated due to finalisation of acquisition accounting for the Coles group.

2 Restated due to a change in accounting policy for coal rebates payable and rights to mine.

3 Weighted average closing share price as at 30 June 2012 (WES \$29.90, WESN \$31.56).

4 Restated due to the entitlement offers.

Section 1: Executive remuneration outcomes for 2012

The remuneration table on page 74 sets out the remuneration information for the executive directors and senior executives who are considered to be the key management personnel (KMP) of the Group.

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Executive director and senior executive remuneration for 2012

	Short-term benefits			Post-employment benefits			Share-based payments ¹		Termination benefits	Total	Percentage performance related ²
	Cash salary ³	Short-term incentive	Non-monetary benefits ⁴	Other ⁴	Super-annuation	Other benefits ⁵	Value of short-term incentive (STI) – STI shares and other	Value of long-term incentive (LTI) – LTI equity and cash settled LTI			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Executive directors											
R J B Goyder (Group Managing Director)											
2012	3,284,899	2,103,600	171,490	10,347	48,199	58,433	1,184,790	1,148,287	-	8,010,045	55.4%
2011	3,170,173	2,003,400	149,360	9,592	48,357	55,650	1,499,208	-	-	6,935,740	50.5%
T J Bowen (Finance Director)											
2012	1,651,801	1,020,000	55,083	10,347	23,199	103,333	366,899	1,178,183	-	4,408,845	58.2%
2011	1,551,643	960,000	11,537	9,592	23,357	101,666	487,061	943,999	-	4,088,855	58.5%
Senior executives											
S A Butel (Managing Director, Resources division)											
2012	895,217	264,000	49,565	10,347	48,199	42,917	202,400	556,218	-	2,068,863	49.4%
2011	800,059	547,575	49,477	9,592	48,357	222,333	644,000	505,765	-	2,827,158	60.0%
J C Gillam (Managing Director, Home Improvement and Office Supplies division)											
2012	1,349,301	840,000	1,731	10,347	23,199	105,833	200,093	1,183,533	-	3,714,037	59.9%
2011	1,224,143	774,000	2,349	55,703	23,357	149,000	414,460	1,105,837	-	3,748,849	61.2%
I J W McLeod (Managing Director, Coles division)											
2012	1,912,454	1,667,233	167,323	110,347	15,775	33,333	-	10,900,000	-	14,806,465	84.9%
2011	1,932,333	2,305,840	150,392	109,592	15,200	33,333	-	11,080,000	-	15,626,690	85.7%
D L Rogers (Managing Director, Target division – appointed 17 October 2011)											
2012	808,045	720,000	33,278	51,064	11,831	20,000	67,532	506,362	-	2,218,112	58.3%
2011	-	-	-	-	-	-	-	-	-	-	-
G A Russo (Managing Director, Kmart division)											
2012	1,126,801	720,000	1,731	10,347	48,199	95,000	946,522	1,011,083	-	3,959,683	67.6%
2011	1,049,935	298,609	3,423	9,592	48,357	18,333	1,016,873	1,192,033	-	3,637,155	68.9%
Former senior executive											
L K Inman (Managing Director, Target division – resigned 30 March 2012)											
2012	933,246	-	13,454	7,767	22,631	-	765,417	282,920	-	2,025,435	51.8%
2011	1,216,032	276,705	24,578	9,592	41,772	51,500	1,361,667	1,187,028	-	4,168,874	67.8%
TOTAL											
2012	11,961,764	7,334,833	493,655	220,913	241,232	458,849	3,733,653	16,766,586	-	41,211,485	-
2011	10,944,318	7,166,129	391,116	213,255	248,757	631,815	5,423,269	16,014,662	-	41,033,321	-

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- 1 Share-based payments: Refer to page 77 for detailed disclosures under the annual incentive plan and pages 79 to 83 for the various long-term incentive plans.
The amounts included for the 'Value of short-term incentive shares' includes the portion of the 2012 annual incentive that was deferred into shares and is recognised for accounting purposes over the performance and forfeiture periods, which together are referred to as the 'service period'. Refer to page 79 for additional information. For accounting purposes, the 2010 and 2011 short-term incentive shares continue to be expensed in the 2012 financial year as these shares are subject to performance and forfeiture conditions. Further details of the 2010 and 2011 short-term incentives are provided on page 161 of the 2010 annual report and page 83 of the 2011 annual report.
The amount for I J W McLeod relates to the cash settled award made for the period under the CLTIP, refer to page 83 for additional information.
The amounts for S A Butel, L K Inman and G A Russo include shares under the retention incentive plan, now closed, which are subject to future service periods. The allocation of restricted shares for unvested entitlements are recognised for accounting purposes over the remaining service period. Refer to page 84 of the 2011 annual report and page 160 of the 2010 annual report for additional information.
The amounts included for the 'Value of long-term incentive equity' for the 2011 WLTIP are detailed on page 81. For accounting purposes, the 2008 WLTIP and 2010 WLTIP continue to be expensed in the 2012 financial year as these shares are subject to performance and forfeiture conditions, together referred to as the service period. Further details of the 2008 WLTIP allocations are provided on page 172 of the 2009 annual report, and 2010 WLTIP allocations are provided on page 83 of the 2011 annual report.
- 2 Percentage performance related is the sum of the short-term incentive and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year, as compared to the target percentage of remuneration at risk shown on page 76.
- 3 The amount of the individual components of fixed remuneration may vary depending on the elections made by executives.
- 4 Short-term benefits, non-monetary benefits, include the cost to the Company of providing parking, vehicle, visitor health insurance, life insurance and travel. Short-term benefits, other, includes the cost of director and officer insurance and housing allowance.
- 5 Post-employment benefits, other benefits, include the retention incentive accrual (equal to nine months FAR) from last year to this year, which is payable upon termination of employment for T J Bowen, S A Butel, J C Gillam and G A Russo. Refer to page 84 of the 2012 annual report and page 160 of the 2010 annual report for additional information.

Section 2: Executive remuneration policy and framework

Responsibility for setting remuneration

The Remuneration Committee is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Group, including, in particular, the policies governing the remuneration of senior executives. Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, which is available on the Corporate Governance section of the Company's website at www.wesfarmers.com.au

In performing its role, the Board and Remuneration Committee directly commission and receive information, advice and recommendations from independent external advisers. In 2011, the Board reviewed the process for engaging and seeking advice from external advisers and adopted a protocol setting out the process for receiving remuneration recommendations in relation to KMP which, among other things, is designed to ensure that the recommendations made are free from undue influence by management. One of the key outcomes of this review was that the Chairman of the Remuneration Committee appoints and engages directly with remuneration consultants in relation to KMP remuneration matters.

During the 2012 financial year, the Remuneration Committee employed the services of PricewaterhouseCoopers (PwC) under the Board-approved protocol to review and provide recommendations on non-executive director fees, the aggregate fee limit and the appropriateness of the Group MD and executive remuneration proposals. Under the terms of the engagement, PwC provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$62,000 for these services.

In addition to providing remuneration recommendations, PwC provided advice on other aspects of the remuneration of the Group's employees, and various non-audit services (including advice in relation to taxation, accounting, operations, technology and people matters across all Wesfarmers divisions), and was paid a total of approximately \$12.57 million for services to the Wesfarmers Group for the 2012 financial year.

For each of the remuneration recommendations referred to above, the Board is satisfied that the recommendations were made free from any undue influence. In addition to the internal protocols referred to above that have been adhered to, in each case, PwC provided a formal declaration confirming that the recommendation was made free from 'undue influence' by the members of the KMP to whom the recommendation related.

The Committee has engaged jws consulting to provide independent governance and legal advice in relation to senior executive remuneration matters.

Remuneration policy and principles

As set out in detail in the 2011 Report, the Remuneration Committee has adopted four core guiding principles that are used as a reference when considering remuneration plans and policies that apply to senior executives.

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

These guiding principles also reaffirm the Board's commitment to communicating KMP remuneration arrangements to key stakeholders in an open and transparent manner.

- **ownership aligned** – remuneration arrangements generally encourage Wesfarmers' senior executives to behave like long-term 'owners' through performance-based equity plans to increase shareholdings. The mix of remuneration components and the measures used in the performance incentive plans were chosen to ensure there is a strong link between remuneration earned and the achievement of sustainable performance that leads to satisfactory returns for shareholders;

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- **performance focused** – generally remuneration arrangements reward strategic, operational and financial performance of the business. A significant proportion of each executive's remuneration is dependent upon Wesfarmers' success and individual performance;
- **consistency and market competitiveness** – a core common set of remuneration practices will generally apply to all senior executive roles. However, differential management will be applied by the Remuneration Committee to meet specific needs. Wesfarmers positions fixed remuneration and incentives to be competitive with executives in comparable companies, with an opportunity for highly competitive total remuneration for superior performance; and
- **open and fit for purpose** – remuneration arrangements can be innovative to respond to business and operational needs. However, all remuneration arrangements for KMP will be communicated to key stakeholders in an open and transparent manner.

Components and mix of executive remuneration

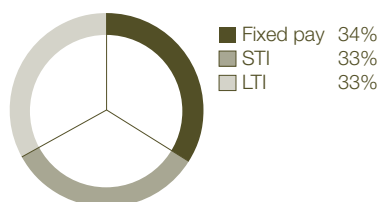
The executive remuneration framework consists of the following components:

Base salary		At risk components	
Fixed Annual Remuneration (FAR)	Short-term incentives (STI)	Long-term incentives (LTI)	
	The Board considers that a significant portion of executives' remuneration should be 'at risk' in order to provide a strong alignment with the interests of shareholders.		
	Incentives are set at levels competitive with the market.		
<p>In setting FAR:</p> <ul style="list-style-type: none"> – reference is made to the median of salaries for executives in ASX 25 companies – consideration is given to business and individual performance as well as the ability to retain key talent – additional sector or industry-specific data is taken into consideration in benchmarking the senior executives where appropriate 	<ul style="list-style-type: none"> – based on the achievement of annual performance conditions – performance conditions: <ul style="list-style-type: none"> – heavily weighted to return and earnings-based measures – include non-financial performance measures set to drive leadership performance and behaviours consistent with achieving the Group's long-term objectives in areas including safety, diversity and succession planning and talent management – vested incentive comprises both: <ul style="list-style-type: none"> – a cash component – paid following the end of the performance year – a restricted share component – subject to forfeiture in the 12 months following allocation and restricted for a minimum of three years 	<ul style="list-style-type: none"> – based on achievement of performance conditions over a four-year period – move from performance shares to performance rights for the 2012 WLTIP allocation – performance conditions comprise growth in ROE and relative TSR, in order to ensure a strong link with the creation of shareholder value – to encourage longer-term share ownership and further align executives' interests with those of shareholders, executives can elect to have a trading restriction placed on shares received on vesting of the rights for a further one or three years – one-off specific plan operated for select Coles executives, the performance conditions for which are linked to the turnaround of the Coles division 	

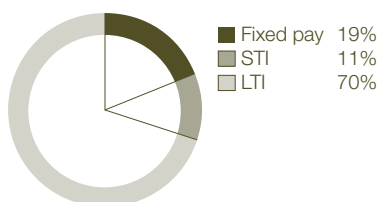
Within this framework, the Board considers it essential to have remuneration arrangements that reflect the diversified nature of the Wesfarmers business and are structured to reward executives for performance at a Group level and, for divisional executives, also at a divisional level.

Wesfarmers' mix of fixed and at risk components for each of the executives disclosed in the remuneration report, as a percentage of total target annual remuneration for the 2012 financial year, is as follows:

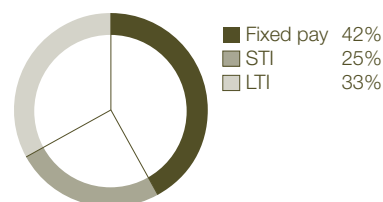
Group MD



Managing Director Coles



Other senior executives



■ Fixed remuneration ■ 'At risk' pay – annual incentive (STI) and long-term incentive (LTI)

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Senior executive share ownership

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

Wesfarmers' Share Trading Policy prohibits executive directors and senior executives from entering into transactions or arrangements that protect against the risk of any fluctuation in the value of shares obtained under an employee share plan for as long as the shares remain subject to a restriction on disposal under the plan. Strict compliance with the Share Trading Policy is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment. The policy requires Wesfarmers directors and senior executives to advise the Company Secretary if they intend to enter, or have entered into, a margin-lending or other security arrangement affecting the Company's securities. The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and require disclosure to the market. The policy is available on the Corporate Governance section of the Company's website at www.wesfarmers.com.au

Section 3: Executive remuneration components

Fixed Annual Remuneration

Fixed Annual Remuneration (FAR) consists of base salary and statutory superannuation contributions.

Executive directors and senior executives may also elect to have a combination of benefits provided out of their FAR, including additional superannuation and the provision of a motor vehicle. The value of any non-cash benefits provided to them includes the costs of any fringe benefits tax payable by Wesfarmers as a result of providing the benefit.

Remuneration levels for executives are reviewed annually, with the Board and Remuneration Committee seeking independent advice from external consultants as part of this process. Senior executive fixed annual remuneration increased effective 1 October 2011, based on business and individual performance and aligned to market remuneration levels. The average senior executive (i.e. Wesfarmers leadership team) 2011 fixed remuneration increase was 5.4 per cent. The Board has determined that no increase will be made to the fixed remuneration for the Group MD for the 2013 financial year.

Annual incentive plan

Summary of plan

What is the annual incentive and who participates?	The annual incentive provides, upon satisfaction of applicable performance conditions, a cash award up to 60 per cent of FAR, with any amount awarded above that provided in the form of restricted (deferred) shares. All senior executives are eligible to receive an annual incentive.	
What is the amount the executive can earn?	Level of performance	Percentage of FAR received
	Below threshold or below expectations (i.e. $\leq 92.5\%$ or 95% of target, depending on the division)	0%
	Between threshold and target	Up to 60% (up to 100% for the Group MD)
	Target or meets expectations	60% (100% for the Group MD)
What were the performance conditions for the 2012 financial year?	Above target or well above expectations (i.e. $\geq 105\%$ or 110% of target, depending on the division)	Up to 120%
	The performance conditions for the annual incentive are a mix between financial and non-financial measures. The specific performance conditions for the 2012 financial year, and achievement against these measures, is shown in the table on page 78.	
Why were the performance conditions chosen?	The financial performance measures were chosen principally because of their impact on ROE, which is a contributor to achievement of satisfactory returns to shareholders of the Wesfarmers Group. The non-financial performance measures have been set to drive leadership performance and behaviours consistent with achieving the Group's long-term objectives in areas including safety, diversity and succession planning and talent management. In addition, due to the significant turnaround effort required, the Group MD has a separate performance measure that is dependent on the improvement in annual performance of the Coles division.	

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When are the performance conditions tested?	<p>Incentive awards are determined after the preparation of the financial statements each year (in respect of the financial measures) and after a review of performance against non-financial measures by the Group MD (and in the case of the Group MD, by the Board) at the end of the financial year.</p> <p>The Board confirms final awards based on overall personal and Group performance. In accordance with the terms of the plan, the Board has discretion to make adjustments to the performance conditions.</p> <p>Annual incentive cash payments and deferred restricted share awards are generally made in early September, after the reviews are completed.</p>
What are the key terms of the restricted shares?	<p>The Board believes the deferral of part of the short-term incentive links the value of part of the annual incentive to sustainable longer-term performance.</p> <p>The shares are subject to forfeiture if the executive resigns within one year of the share allocation. The shares are subject to a three-year trading restriction while the executive remains an employee of Wesfarmers and the executive can elect for an additional restriction of up to seven years.</p>

Summary of actual performance – 2012 financial year

The Wesfarmers Group performance for the 2012 financial year has been positive and the threshold performance level was achieved. In addition, the majority of divisions achieved earnings improvements from 2011 to the 2012 financial year, and a number of divisions saw improvements in ROC while others maintained a strong double digit ROC. The financial performance for the Coles, Kmart, Chemicals, Energy and Fertilisers and Industrial and Safety divisions met or exceeded the annual financial targets set by the Board for 2012, resulting in the annual incentive plan delivering at or above target awards for the executive directors and for senior executives in those divisions. For the divisions that exceeded threshold performance levels or did not meet the annual financial targets, this was reflected in the annual incentives for senior executives in those divisions.

The table below sets out the performance conditions for the 2012 annual incentive, and the weighting between these measures for each of the executive directors and senior executives. Also indicated in the table is whether the 'threshold' or 'target' performance level for each of the financial measure was met or exceeded, as shown by the following key:

 = 'Threshold' performance level not met

 = 'Threshold' performance level met or exceeded

 = 'Target' performance level met or exceeded

Name ¹	Weighting of financial measures			Weighting of non-financial measures		Link to Group or divisional performance outcomes
	Group NPAT, ROE	Divisional EBIT	Divisional ROC	Divisional sales, cash flow, store growth	Agreed objectives include diversity, talent management and safety	
R J B Goyder ²	30%	30% on Coles turnaround			40%	Group – pages 2 to 3
T J Bowen	50%	N/A	N/A	N/A	50%	Group – pages 2 to 3
S A Butel	N/A	35%	35%	N/A	30%	Resources – page 40
J C Gillam	N/A	35%	35%	N/A	30%	Home Improvement and Office Supplies – page 22
I J W McLeod	N/A	40%	N/A	40%	20%	Coles – page 18
D L Rogers ³	N/A	5%	5%	5%	85%	Target – page 26
G A Russo	N/A	40%	10%	20%	30%	Kmart – page 30

1 L K Inman did not participate in the annual incentive plan for the 2012 financial year.

2 The Group MD requested, and the Board agreed, that he forego the Group NPAT component of his 2012 annual incentive award in light of the asset impairment charge recognised in relation to the Group's Coregas investment (an investment made earlier in his tenure as Group MD). This adverse treatment was not applied to the Finance Director, T J Bowen, who was not in a role with responsibility for the Coregas investment at the time of the original investment.

3 As D L Rogers joined the Company on 17 October 2011 after the 2012 financial year budget had been set, the 2012 financial year targets were heavily weighted towards agreed objectives for the business. The weightings for financial and non-financial performance conditions are expected to be aligned with other divisional managing directors in the 2013 financial year.

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Summary of annual incentive awards – 2012 financial year

Specific information relating to the actual annual incentive awards for the 2012 financial year, including the breakdown between cash and mandatory deferred restricted shares (where applicable), is set out in the table below. As indicated on page 78, the shares allocated are subject to a three-year trading restriction while the executive remains an employee of Wesfarmers and subject to forfeiture if the executive resigns employment within one year of the share allocation.

Name	Total annual incentive award ¹	Percentage of maximum award ²	Amount of award in cash	Number of restricted shares ³	Amount of award in shares ⁴	Allocation share price
R J B Goyder	\$2,784,374	66.2%	\$2,103,600	19,833	\$680,774	\$34.32
T J Bowen	\$1,409,316	69.1%	\$1,020,000	11,342	\$389,316	\$34.32
S A Butel	\$264,000	22.0%	\$264,000	–	–	–
J C Gillam	\$860,324	51.2%	\$840,000	592	\$20,324	\$34.32
I J W McLeod ⁵	\$1,667,233	69.5%	\$1,667,233	–	–	–
D L Rogers	\$866,350	85.3%	\$720,000	4,263	\$146,350	\$34.32
G A Russo	\$1,029,460	71.5%	\$720,000	9,015	\$309,460	\$34.32

- Annual incentive awards for the 2012 financial year were paid in cash to a maximum of 60 per cent of FAR, with the balance deferred into shares. Detail of the portion of the total annual incentive paid in cash is set out in the table on page 74 (under the column titled 'short-term benefits, short-term incentive').
- The maximum annual incentive payment a KMP can earn for the 2012 financial year is 120 per cent of FAR. Any amount not earned/awarded is not paid to the executive (and is forfeited). The annual incentive payment for senior executives for target performance is 60 per cent of FAR, and 100 per cent of FAR for the Group MD.
- The number of shares is determined based upon the allocation share price on 29 August 2012. For R J B Goyder and T J Bowen, the number of rights to shares is shown. These shares are expected to be allocated within six months of the Board approval. For accounting purposes, the service period for the 2012 annual incentive plan commenced on 1 July 2011 and the grant date is September 2011.
- 46.1 per cent of the value is shown in the table on page 74 (under the column titled 'share-based payments, value of short-term incentive shares') as the 2012 annual incentive mandatory deferral into shares commenced vesting from 1 July 2011 and is subject to forfeiture if the executive resigns prior to 29 August 2013, as described above.
- I J W McLeod as a temporary resident initially employed on a fixed term contract is not mandatorily required to defer a portion of the 2012 annual incentive into shares. For the 2014 financial year, Mr McLeod will be required to defer any annual incentive above 60 per cent of FAR into shares.

Long-term incentive plans

Summary of plans

Plan	Participants	Performance period	Discussion
Wesfarmers Long Term Incentive Plan (WLTIP)	Group MD Senior executives	4 years (2011–2015)	Page 79
Coles Long Term Incentive Plan (CLTIP)	Managing Director, Coles division Select Coles senior executives	5 years (2008–2013)	Page 82

Wesfarmers Long Term Incentive Plan (WLTIP)

Changes for 2012 WLTIP allocations (for rights allocated during the 2013 financial year)

Further to changes made in recent years, the Board continued to review the WLTIP during 2012.

To better align the WLTIP with prevailing market practice, the Board has determined that for the 2012 WLTIP, executives will receive an allocation of performance rights. As performance rights represent a right to be allocated a share in the future, executives are not entitled to dividends or voting rights during the performance period.

In general, if the relative TSR and CAGR in ROE performance conditions are met, executives will be allocated Wesfarmers shares at the end of the four-year performance period. In order to encourage longer-term share ownership and further align executives' interests with those of shareholders, executives can also elect to have a trading restriction placed on the Wesfarmers shares received on vesting of the rights for a further one or three years.

Shareholder approval will again be sought at the 2012 AGM for 2012 WLTIP allocations of performance rights to be made to the executive directors.

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Summary of 2011 WLTIP (for shares allocated during the 2012 financial year)

What is the WLTIP and who participates?	<p>The WLTIP is designed to link long-term executive reward with ongoing creation of shareholder value, with the allocation of equity awards that are subject to satisfaction of long-term performance conditions.</p> <p>For the 2011 WLTIP, participants were allocated share awards.</p> <p>All senior executives (including the Group MD), other than the Coles division executives, participate in the WLTIP.</p>										
How is the WLTIP allocation determined?	<p>The number of awards granted commences at 80 per cent of FAR (for 'Target' performance), although the Group MD may recommend a greater allocation up to 160 per cent of FAR to reward exceptional performance. The WLTIP for the Group MD is determined by the Board and set within the range of 100 to 200 per cent of FAR.</p> <p>The number of shares allocated is determined based upon the share price at the date of allocation.</p>										
What is the performance period?	<p>The share awards are subject to a four-year forward-looking performance period, being 1 July 2011 to 30 June 2015.</p>										
What are the performance conditions?	<p>The 2011 WLTIP is subject to two performance hurdles:</p> <ul style="list-style-type: none"> – 75 per cent of the shares will be tested based on Wesfarmers' Compound Average Growth Rate (CAGR) in Return on Equity (ROE); and – 25 per cent of the shares will be tested based on Wesfarmers' Total Shareholder Return (TSR), relative to the CAGR in ROE and TSR of the ASX50 Index over the four-year performance period. <p>The following vesting schedule applies to both performance hurdles:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Percentile ranking</th> <th style="text-align: left;">Percentage of awards vesting</th> </tr> </thead> <tbody> <tr> <td>Below the 50th percentile</td> <td>0% vesting</td> </tr> <tr> <td>Equal to the 50th percentile</td> <td>50% vesting</td> </tr> <tr> <td>Between the 50th and 75th percentile</td> <td>An additional 2% of awards vest for each percentile increase</td> </tr> <tr> <td>Equal to the 75th percentile or above</td> <td>100% vesting</td> </tr> </tbody> </table>	Percentile ranking	Percentage of awards vesting	Below the 50th percentile	0% vesting	Equal to the 50th percentile	50% vesting	Between the 50th and 75th percentile	An additional 2% of awards vest for each percentile increase	Equal to the 75th percentile or above	100% vesting
Percentile ranking	Percentage of awards vesting										
Below the 50th percentile	0% vesting										
Equal to the 50th percentile	50% vesting										
Between the 50th and 75th percentile	An additional 2% of awards vest for each percentile increase										
Equal to the 75th percentile or above	100% vesting										
Why were these performance conditions chosen and when are they tested?	<p>The Board considers that CAGR in ROE is an appropriate performance hurdle on the basis that it:</p> <ul style="list-style-type: none"> – is used by Wesfarmers to measure the return on its portfolio of businesses; – is a key metric to measure Wesfarmers' long-term success as it contains clear links to shareholder value creation; and – is an internal measure that an executive can influence and avoids the unintended consequences of share market volatility. <p>The Board also approved the addition of a relative TSR hurdle for the 2011 WLTIP. The use of a TSR hurdle:</p> <ul style="list-style-type: none"> – ensures alignment between comparative shareholder return and reward for the executive; and – provides a relative, external market performance measure having regard to Wesfarmers' comparative companies. <p>The Board tests the performance conditions following finalisation of the annual accounts at the end of the performance period.</p>										
What happens in the event of a change of control?	<p>The Board has discretion to determine the treatment of awards under the WLTIP in the event of a change of control.</p>										
What happens if the executive ceases employment during the performance period?	<p>Shares allocated to executives under the 2011 WLTIP are subject to a four-year forfeiture condition where the executive resigns or is terminated for cause or poor performance prior to 30 June 2015.</p> <p>In addition, the shares remain restricted until November 2015 while the executive remains employed by Wesfarmers. The shares are held in trust for this period. At the end of the restriction period (and subject to shares not being forfeited) the executive is free to sell or transfer the shares.</p> <p>If an executive ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances approved by the Board, the executive will generally be entitled to a pro-rata number of shares based on achievement of the ROE and TSR hurdles over the performance period up to ceasing employment.</p>										
What WLTIP shares have vested in the 2012 financial year?	<p>The 2008 WLTIP has a three-year performance period to 30 June 2011, which required Wesfarmers' CAGR in ROE over the relevant performance period to exceed the 50th percentile of the CAGR in ROE of the S&P/ASX 50 Index before any shares vest. The performance condition was met in full with Wesfarmers' CAGR in ROE at the 71st percentile. The number of shares that vested under the 2008 WLTIP is shown in the table on page 81.</p>										

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Summary of awards under WLTIP

The table below sets out details of shares allocated to senior executives under the 2011 WLTIP allocation (i.e. during the 2012 financial year) and the shares that vested during 2012 (i.e. under the 2008 WLTIP).

Name	Unvested at 1 July 2011 ¹	Allocated during year ²	Valuation at allocation ³	Vested during year ⁴	Forfeited during year	Unvested at 30 June 2012 ⁵
R J B Goyder ³	–	206,480	\$4,593,148	–	–	206,480
T J Bowen	176,676	118,730	\$3,240,731	176,676	–	118,730
S A Butel	20,718	47,739	\$1,303,034	–	–	68,457
J C Gillam	191,269	95,726	\$2,612,837	176,676	–	110,319
D L Rogers	–	74,206	\$2,025,448	–	–	74,206
G A Russo	147,887	68,022	\$1,856,656	121,464	–	94,445
Former executives						
L K Inman ⁶	116,311	–	N/A	110,635	5,676	–

- Held at 1 July 2011 reflects the WLTIP allocations subject to performance conditions at that time (i.e. under the 2008 WLTIP multi-year and 2010 WLTIP allocations).
- The 2011 WLTIP shares were allocated to participants on 23 November 2011, and the number of shares awarded is determined based upon the share price of \$32.34 at the date of allocation. For accounting purposes, the service period for the 2011 WLTIP commenced on 1 July 2011 and the grant date is 19 August 2011. The 2011 WLTIP grant is subject to a four-year performance period and forfeiture if the executive resigns prior to 30 June 2015.
- For accounting purposes, the fair value at grant date is shown above, in accordance with AASB 2: Share Based Payments. The shares subject to market conditions (TSR hurdle) have been independently valued using Monte Carlo simulation (using the Black-Scholes framework). The shares subject to non-market conditions (CAGR in ROE hurdle) have been valued using the Black-Scholes option pricing model. The value per share for the TSR performance hurdle and ROE hurdle is \$20.41 and \$29.59 respectively. The value per share for R J B Goyder was \$15.36 and \$24.54 respectively on the basis that there was no entitlement to the dividend stream during the vesting period.
- Vested during the year reflects the shares that were granted under the 2008 WLTIP multi-year award, as described above, and vested based on meeting the three-year ROE hurdle to 30 June 2011. The share price at the date of vesting on 21 November 2011 was \$32.12.
- Unvested at 30 June 2012 reflects the WLTIP allocations subject to performance conditions at that time (i.e. the 2010 and 2011 WLTIP award allocations).
- In accordance with the terms of the WLTIP, L K Inman was entitled to a number of the 2010 WLTIP shares earned at the end of the period based on testing of the performance condition to 31 December 2011. Ms Inman did not participate in the 2011 WLTIP.

Summary of dividends paid on WLTIP shares

The table below sets out details of dividends paid on unvested shares allocated under the WLTIP to participating senior executives during the 2012 financial year. Unvested shares are those shares that remain subject to performance conditions during the 2012 financial year. The total of the 2011 final dividend (paid 30 September 2011 of 85 cents) and the 2012 interim dividend (paid 30 March 2012 of 70 cents) paid during the 2012 financial year on these shares is set out below. The future dividend entitlement on WLTIP awards was taken into account by the Board when determining the amount of the LTI awards and the competitiveness of the executive's total remuneration against comparator roles in the ASX25 companies. The accounting expense in relation to WLTIP awards is shown in the table on page 74. An external remuneration adviser provided the Board with relevant market data and advice was sought on the reasonableness of LTI awards, to ensure LTI awards were within the stated policy range and total remuneration market position. WLTIP participants will not receive dividends on WLTIP allocations made in the form of performance rights for 2012 and later years.

Name	Total value of dividend payments ¹
R J B Goyder	\$0 ²
T J Bowen	\$233,286
S A Butel	\$65,530
J C Gillam	\$239,802
D L Rogers	\$51,944
G A Russo	\$191,815

- Total value of dividend payments reflects the shares that were subject to performance conditions during the 2012 financial year and are considered 'unvested' shares i.e. 2008 WLTIP multi-year and 2010 and 2011 WLTIP share award allocations. The 2008 WLTIP multi-year award vested based on meeting the three year ROE hurdle to 30 June 2011. The 2010 and 2011 WLTIP are subject to performance and forfeiture conditions to 30 June 2013 and 30 June 2015 respectively.
- None of Mr Goyder's long-term incentive arrangements (i.e. 2011 WLTIP share award allocation and 2008 Group MD Rights Plan) carry the entitlement to dividends.

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Coles Long Term Incentive Plan (CLTIP)

Summary of 2012 performance

At the end of the fourth year of the special purpose CLTIP, the Coles division continues to perform well against Wesfarmers' ambitious five-year plan for the business.

Coles divisional EBIT of \$1,356.4 million for the 2012 financial year met the business plan target set under the CLTIP, with performance highlights including:

- Coles division EBIT growth of 16.4 per cent against the 2011 financial year;
- Coles division revenue (excluding fuel sales) growing to \$27,201.8 million (approximately \$1.2 billion higher than the 2011 financial year);
- Coles division ROC increasing to 8.7 per cent (up from 7.8 per cent in the 2011 financial year); and
- Coles division exceeding key health of business factors including new store formats, customer and employee satisfaction score improvements and on-shelf availability of fresh and grocery products.

Summary of CLTIP

Who participates?	The Managing Director Coles division and a select number of key executives within the Coles division.					
What is the performance period?	This plan operates from 1 July 2008 to 30 June 2013 for the initial participants, which is aligned to Wesfarmers' five-year period for the Coles turnaround. Annual performance awards are made over this period based on performance and are accumulated in an award pool for each participant that is progressively paid out from 2011 through 2013, subject to ongoing service with the Coles division.					
When do awards become payable?	At the end of the 2012 financial year, 60 per cent of the aggregate award pool will be paid out of the accumulated annual awards that have been contributed to the pool. The balance of the accrued award is payable on 30 June 2013.					
How is the annual award pool contribution determined?	In each year of the plan, an award opportunity is determined by reference to the Coles division's EBIT performance for the year against the annual targets approved by the Board. Contributions to the award pool only commence once EBIT performance for a year reaches a threshold level approved by the Board (which is set at an average of 94 per cent of the business plan EBIT target in each year). The size of the contribution to the award pool increases as the Coles division's EBIT increases. In order to encourage exceptional performance, there is no upper limit on the size of the award pool.					
What are the performance conditions?	<p>The actual entitlement of each participant out of the pool is determined by performance against the following performance conditions applicable to each year of the plan:</p> <table border="1"> <thead> <tr> <th>Financial (80 per cent)</th> <th>Non-financial (20 per cent)</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> – Annual growth in Coles revenue (excluding fuel sales) against targets – Return on capital invested by Wesfarmers against targets </td> <td> <ul style="list-style-type: none"> – Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning </td> </tr> </tbody> </table> <p>As we near the end of the five-year turnaround period, an additional performance condition relating to key management succession planning applies to the 2012 and 2013 financial years.</p>		Financial (80 per cent)	Non-financial (20 per cent)	<ul style="list-style-type: none"> – Annual growth in Coles revenue (excluding fuel sales) against targets – Return on capital invested by Wesfarmers against targets 	<ul style="list-style-type: none"> – Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning
Financial (80 per cent)	Non-financial (20 per cent)					
<ul style="list-style-type: none"> – Annual growth in Coles revenue (excluding fuel sales) against targets – Return on capital invested by Wesfarmers against targets 	<ul style="list-style-type: none"> – Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning 					
Why were these performance conditions chosen?	<p>The performance conditions have been selected as, in addition to growing EBIT, they are important indicators of a long-term structural turnaround in the Coles business.</p> <p>In particular, these conditions were chosen as:</p> <ul style="list-style-type: none"> – sustainable profit growth from Coles and a satisfactory rate of return on capital invested in Coles are key drivers for Wesfarmers' financial performance; and – maximising revenue growth and achieving sustained improvement in the non-financial 'health of business' conditions in the competitive retail markets in which Coles operates is a key indicator of the market attractiveness and quality of management of Coles' offerings, which in turn is a key contributor to future profitability. <p>The Board retains discretion to review and, where appropriate, amend the applicable annual performance conditions to take account of changed circumstances.</p>					
When is performance determined?	Performance against each of the targets is determined annually by the Board at the time of finalising the financial statements.					

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Are awards payable in cash or shares?	At least 50 per cent of the award made available to participants each year is payable in cash and a participant may elect earlier in the year to take up to 50 per cent of any award in relation to the 2012 financial year in the form of Wesfarmers shares. These shares would be restricted and remain subject to forfeiture in specified circumstances until 30 June 2013. Mr McLeod did not elect to take any part of his 2012 CLTIP award in the form of shares. As at the date of this report, the number of Wesfarmers shares held by Mr McLeod in his own right is 65,276.
What happens in the event of a change of control?	The Board may determine that the restrictions applicable to accrued awards under CLTIP do not apply in the event of a change of control.
What happens if the executive ceases employment during the performance period?	If Wesfarmers terminates a participant's employment (other than for cause) all accrued awards vest at that time. If a participant resigns between 30 June 2012 and 30 June 2013, 40 per cent of any awards accrued over the first four years of the plan (not paid out) will be forfeited.

Overview of performance over the last four years

Over the four years of the operation of the CLTIP, the Coles management team has:

- increased Coles divisional revenue (excluding fuel sales) by \$4,165 million to \$27,201.8 million (an increase of 18.1 per cent);
- increased EBIT from \$830.6 million to \$1,356.4 million (an increase of 63.3 per cent);
- invested \$3,240.6 million in launching new stores, refurbishing older stores and other capital requirements and, notwithstanding this significant investment, increased ROC from 5.5 per cent to 8.7 per cent;

for the benefit of Wesfarmers and its shareholders.

Summary of awards under CLTIP

What amount was contributed to the award pool in relation to 2012 for Mr McLeod?	The 2012 contribution to the award pool in respect of Mr McLeod was \$7.4 million for achievement above the business plan for Coles. The contribution to the award pool in respect of Mr McLeod for the first four years has been \$32.6 million.
What amount was payable to Mr McLeod in the 2012 financial year?	Mr McLeod became entitled on 1 July 2012 to a payment of \$9.48 million, being 60 per cent of the \$32.6 million cumulative cash award pool as at 30 June 2012, less the first interim payment, which was made last financial year.
What amount is shown as remuneration for Mr McLeod in relation to the 2012 financial year?	Recognising that performance awards under the CLTIP are made annually and the payment of awards is subject to an ongoing service condition, an amount of the award pool is accrued in each year of the CLTIP. The accounting accrual for the 2012 financial year in relation to Mr McLeod's potential awards earned over the first four years of the CLTIP (as shown in the table on page 74) was \$10.9 million. The accounting accrual reflects the amortisation of contributions to the award pool as required under accounting standards over the period of the CLTIP, which, as indicated above, remains subject to an ongoing service condition.
What amount remains available to Mr McLeod in the final year of the CLTIP?	Assuming the current Board approved business plan for Coles is achieved in 2013, the amount that could be allocated to the award pool for Mr McLeod in the final year of the CLTIP is approximately \$8.2 million.

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Section 4: Service agreements

The remuneration and other terms of employment for the executive directors and senior executives are covered in formal employment contracts.

All service agreements are for unlimited duration. As announced to the market on 29 May 2012, Mr McLeod's previous fixed term employment contract (which was due to expire on 30 June 2013) has been converted to an open ended contract. Further detail is provided in the table below.

Name	Notice periods / Termination payment
R J B Goyder	12 months notice (or payment in lieu) May be terminated immediately for serious misconduct
I J W McLeod	The notice period under the existing contract is the unexpired balance of that contract From 1 January 2013, the notice period will be six months by either party (or payment in lieu) May be terminated immediately for serious misconduct
T J Bowen ¹	Three months notice by either party (or payment in lieu) May be terminated immediately for serious misconduct
S A Butel, J C Gillam, G A Russo ¹	Three months notice by either party and six months notice in the case of redundancy (or payment in lieu) May be terminated immediately for serious misconduct
D L Rogers	Three months notice by either party (or payment in lieu) May be terminated immediately for serious misconduct In the event of termination by the Company, the executive will be entitled to receive a severance payment equal to nine months FAR

¹ A portion of the retention incentive previously earned for satisfying the applicable service condition under the legacy retention incentive plan, equal to nine months FAR, is payable to these executives at the time of termination of employment (except in the case of termination for serious misconduct).

Section 5: Legacy plans

Group Managing Director Rights Plan – 2008 grant

As disclosed in previous reports, the Group MD Rights Plan was a one-off special purpose Plan pursuant to which performance rights were granted to the Group MD. The ROE based vesting condition applicable to the Plan was not met this year and, if the condition is not met on 30 June 2013, no rights will vest. Following an assessment of the probability of the performance condition being met, no expense was recognised in the 2012 financial year.

Details of the performance rights granted on 30 September 2008 are set out in the table below:

Executive director	Held at 1 July 2011	Vested during the year	Forfeited during the year	Held at 30 June 2012
R J B Goyder	100,000	–	–	100,000

Retention incentive plan

As part of the arrangements to close-out the legacy retention incentive plan in 2010, those participants who had not completed five years of service with the Group were allocated restricted shares in relation to the part of the five years not completed as at 30 June 2010. These shares vest on an annual basis under these arrangements, but continue to be restricted and subject to forfeiture where the participant resigns, is summarily dismissed or breaches a material provision of their service agreement prior to the forfeiture date indicated in the table below.

Details of the shares held by senior executives under the retention incentive plan are set out in the table below:

Name	Unvested at 1 July 2011	Vested during the year ¹	Forfeited during the year	Forfeiture date	Unvested at 30 June 2012	Subject to trading restriction at 30 June 2012
S A Butel ²	11,365	11,365	–	N/A	–	–
G A Russo ³	54,356	18,118	–	1 October 2013	36,238	62,282
L K Inman ⁴	41,178	41,178	–	N/A	–	–

¹ The shares are recognised for accounting purposes over the remaining service period, and shown in the table on page 74 (under the column titled 'share-based payments, value of STI shares and other').

² S A Butel's retention incentive plan shares fully vested on 11 September 2011, and are free from further restrictions.

³ During the year, 18,118 of G A Russo's retention incentive plan shares vested, but remain restricted until the end of his first five years of service with the Group, being 1 October 2013. As at 30 June 2012, a total of 26,044 retention incentive plan shares have vested, but remain restricted until 1 October 2013.

⁴ L K Inman ceased employment on 30 March 2012 and all shares vested on cessation. All conditions applicable to the shares have been satisfied and the restrictions attaching to the shares were lifted upon cessation.

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Section 6: Non-executive director remuneration

Overview of remuneration policy and arrangements

Policy objectives	<p>Wesfarmers policy regarding fees for non-executive directors is intended to:</p> <ul style="list-style-type: none"> – be market competitive – aim to set fees at a level competitive with non-executive directors in comparator companies; and – safeguard independence – to not include any performance-related element, to preserve the independence of non-executive directors.
Aggregate fees approved by shareholders	<p>The current aggregate fee pool for non-executive directors of \$3,000,000 was approved by shareholders at the 2007 AGM.</p> <p>Board and committee fees, as well as statutory contributions made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, are included in this aggregate fee pool.</p> <p>Shareholder approval will be sought at the 2012 AGM to increase the maximum aggregate amount of remuneration that may be paid to the non-executive directors by \$300,000 to \$3,300,000 per annum (inclusive of superannuation). While the Board continues to believe the current size of the Board is appropriate for Wesfarmers, the proposed increase is intended to provide sufficient 'headroom' to appoint up to two additional members for a limited duration to allow for effective Board succession.</p>
Regular reviews of remuneration	<p>The Board periodically reviews the level of fees paid to non-executive directors and seeks independent advice in that regard. A thorough review was undertaken during the year with the assistance of PwC which, in addition to considering relative benchmarks against comparable size companies, also examined broader factors such as the time commitment required from directors to oversee the business of the Wesfarmers Group, overall Company performance and the hourly rates paid to professional consultants in order to test reasonableness of the non-executive director fees.</p> <p>Following this review, and having regard to the recommendations made by PwC, non-executive director fees were increased effective 1 January 2012. Main Board fees increased by four per cent and the Audit Committee chair fee increased; however, Audit Committee and Remuneration Committee member fees were not increased. The Board has determined that no increase will be made to non-executive director fees prior to 1 July 2013.</p>
Share acquisition plan	<p>Recognising the difficulties for directors purchasing shares in Wesfarmers, non-executive directors have the facility to acquire shares out of their fees under the Wesfarmers Employee Share Acquisition Plan (WESAP).</p> <p>Participation in the plan is voluntary and enables non-executive directors to use their after-tax fees to acquire Wesfarmers shares. Shares are purchased on behalf of the directors on a monthly basis (except during blackout periods) and are subject to a 12 month trading restriction, during which time the shares are held by the plan trustee. The shares are acquired on-market at the prevailing market price.</p> <p>For the 2012 financial year, a total of 3,320 shares were allocated under the WESAP to Ms Wallace (with a total value of \$99,984) at share prices ranging between \$28.46 and \$32.72.</p> <p>The number of Wesfarmers Limited shares held by non-executive directors as at the date of this report is shown on page 66.</p>

Non-executive director fees

The table below provides details of Board and committee fees (inclusive of superannuation) for the 2012 and 2011 financial years and current committee membership. The fee levels shown in the table below took effect from 1 January of the relevant financial year. Members of the Nomination Committee do not receive any additional fees.

	2012 \$	2011 \$
Main Board		
Chairman – R L Every	592,800	570,000
Members – all non-executive directors	197,600	190,000
Audit Committee		
Chairman – A J Howarth	80,000	60,000
Members – R L Every, C Macek, D L Smith-Gander, V M Wallace	40,000	40,000
Remuneration Committee		
Chairman – R L Every	50,000	50,000
Members – C B Carter, J P Graham, C Macek, W G Osborn	25,000	25,000

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Non-executive director remuneration for 2012

The fees paid or payable to the non-executive directors in relation to the 2012 financial year are set out below:

Non-executive director		Fees and allowances \$	Short-term benefits ¹ \$	Superannuation ² \$	Total \$
C B Carter	2012	203,025	10,347	15,775	229,147
	2011	184,800	9,592	15,200	209,592
R L Every	2012	655,625	10,347	15,775	681,747
	2011	614,800	9,592	15,200	639,592
J P Graham ³	2012	326,860	10,347	–	337,207
	2011	297,800	9,592	–	307,392
A J Howarth	2012	225,622	10,347	38,178	274,147
	2011	195,360	9,592	39,640	244,592
C Macek	2012	229,485	10,347	29,315	269,147
	2011	216,033	9,592	18,740	244,365
W G Osborn	2012	203,025	10,347	15,775	229,147
	2011	184,800	9,592	15,200	209,592
D L Smith-Gander	2012	218,025	10,347	15,775	244,147
	2011	199,800	9,592	15,200	224,592
V M Wallace	2012	218,025	10,347	15,775	244,147
	2011	197,700	9,592	15,027	222,319
Former non-executive director					
D C White ⁴	2011	64,507	3,469	7,463	75,439
TOTAL	2012	2,279,692	82,776	146,368	2,508,836
	2011	2,155,600	80,205	141,670	2,377,475

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

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

3 J P Graham's fees are paid to Gresham Partners Limited for participation on the boards of Wesfarmers Limited, Wesfarmers Insurance Pty Ltd and Wesfarmers General Insurance Limited.

4 D C White resigned as a director on 9 November 2010, therefore 2011 remuneration data is shown for comparative purposes only.

Section 7: Other information

Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 173 of this annual report for Ernst & Young's report on the remuneration report.

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



R L Every
Chairman



R J B Goyder
Managing Director
Perth, 18 September 2012

Financial statements

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Income statement

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2012 \$m	2011 \$m
Revenue			
Sale of goods		55,897	52,891
Rendering of services		1,788	1,622
Interest – other		144	145
Other		251	217
		58,080	54,875
Expenses			
Raw materials and inventory		(38,406)	(36,515)
Employee benefits expense	4	(7,496)	(7,116)
Net insurance claims, reinsurance and commissions		(1,413)	(1,283)
Freight and other related expenses		(946)	(895)
Occupancy-related expenses	4	(2,232)	(2,151)
Depreciation and amortisation	4	(995)	(923)
Impairment expenses	4	(197)	(27)
Other expenses	4	(3,213)	(2,977)
		(54,898)	(51,887)
Other income	4	383	259
Finance costs	4	(505)	(526)
Share of losses of associates	14	(16)	(15)
Profit before income tax		3,044	2,706
Income tax expense	5	(918)	(784)
Profit attributable to members of the parent		2,126	1,922
Earnings per share (cents per share)			
– basic for profit for the period attributable to ordinary equity holders of the parent	6	184.2	166.7
– diluted for profit for the period attributable to ordinary equity holders of the parent		183.9	166.3

Statement of comprehensive income

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2012 \$m	2011 \$m
Profit attributable to members of the parent		2,126	1,922
Other comprehensive income			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		(7)	(3)
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		(7)	3
Tax effect	5	2	(1)
Cash flow hedge reserve			
Unrealised gains on cash flow hedges		55	301
Realised gains transferred to net profit		(125)	(97)
Realised losses transferred to non-financial assets		33	176
Share of associates reserve		(3)	-
Tax effect	5	11	(114)
Retained earnings			
Actuarial loss on defined benefit plan, net of tax	24	(4)	-
Other comprehensive income for the year, net of tax		(45)	265
Total comprehensive income for the year, net of tax, attributable to members of the parent		2,081	2,187

Balance sheet

as at 30 June 2012 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2012 \$m	2011 \$m
ASSETS			
Current assets			
Cash and cash equivalents	8	1,127	897
Trade and other receivables	9	2,384	2,149
Inventories	10	5,006	4,987
Derivatives	27	164	184
Investments backing insurance contracts, reinsurance and other recoveries	11	1,690	1,543
Other	12	540	458
Total current assets		10,911	10,218
Non-current assets			
Receivables	9	33	9
Available-for-sale investments	13	15	17
Investment in associates	14	429	471
Deferred tax assets	5	475	437
Property	15	2,631	2,148
Plant and equipment	15	6,832	6,154
Intangible assets	16	4,393	4,353
Goodwill	16	16,097	16,227
Derivatives	27	233	233
Investments backing insurance contracts, reinsurance and other recoveries	11	193	471
Other	17	70	76
Total non-current assets		31,401	30,596
Total assets		42,312	40,814
LIABILITIES			
Current liabilities			
Trade and other payables	18	5,420	5,059
Interest-bearing loans and borrowings	19	1,621	266
Income tax payable		455	345
Provisions	20	1,289	1,166
Insurance liabilities	21	1,635	1,532
Derivatives	27	126	96
Other	22	201	258
Total current liabilities		10,747	8,722
Non-current liabilities			
Payables	18	20	24
Interest-bearing loans and borrowings	19	3,881	4,613
Provisions	20	1,206	1,092
Insurance liabilities	21	682	803
Derivatives	27	116	208
Other	22	33	23
Total non-current liabilities		5,938	6,763
Total liabilities		16,685	15,485
Net assets		25,627	25,329
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	23	23,286	23,286
Employee reserved shares	23	(31)	(41)
Retained earnings	24	2,103	1,774
Reserves	25	269	310
Total equity		25,627	25,329

Cash flow statement

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2012 \$m	2011 \$m
Cash flows from operating activities			
Receipts from customers		62,620	58,408
Payments to suppliers and employees		(57,865)	(54,661)
Dividends and distributions received from associates		22	20
Interest received		144	149
Borrowing costs		(445)	(472)
Income tax paid		(835)	(527)
Net cash flows from operating activities	8	3,641	2,917
Cash flows from investing activities			
Net acquisition of insurance deposits		(164)	76
Payments for property, plant and equipment and intangibles	8	(2,626)	(2,062)
Proceeds from sale of property, plant and equipment and intangibles	8	275	216
Proceeds from sale of controlled entities		402	20
Net investments in associates and joint ventures		(4)	(38)
Acquisition of subsidiaries, net of cash acquired		(52)	(88)
Net cash flows used in investing activities		(2,169)	(1,876)
Cash flows from financing activities			
Proceeds from borrowings		1,443	3,291
Repayment of borrowings		(901)	(3,523)
Proceeds from exercise of in-substance options under the employee share plan	23	5	5
Equity dividends paid		(1,789)	(1,557)
Net cash flows used in financing activities		(1,242)	(1,784)
Net increase/(decrease) in cash and cash equivalents		230	(743)
Cash and cash equivalents at beginning of year		897	1,640
Cash and cash equivalents at end of year	8	1,127	897

Statement of changes in equity

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

CONSOLIDATED	Note	Attributable to equity holders of the parent					Total equity \$m
		Issued capital \$m	Employee reserved shares \$m	Retained earnings \$m	Hedging reserve \$m	Other reserves \$m	
Balance at 1 July 2010		23,286	(51)	1,414	(77)	122	24,694
Net profit for the year		-	-	1,922	-	-	1,922
Other comprehensive income							
Exchange differences on translation of foreign operations	25	-	-	-	-	(3)	(3)
Changes in the fair value of available-for-sale assets, net of tax	25	-	-	-	-	2	2
Changes in the fair value of cash flow hedges, net of tax	25	-	-	-	266	-	266
Total other comprehensive income for the year, net of tax		-	-	-	266	(1)	265
Total comprehensive income for the year, net of tax		-	-	1,922	266	(1)	2,187
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	23	-	5	-	-	-	5
Equity dividends	7, 23	-	5	(1,562)	-	-	(1,557)
		-	10	(1,562)	-	-	(1,552)
Balance at 30 June 2011		23,286	(41)	1,774	189	121	25,329
Balance at 1 July 2011		23,286	(41)	1,774	189	121	25,329
Net profit for the year		-	-	2,126	-	-	2,126
Other comprehensive income							
Exchange differences on translation of foreign operations	25	-	-	-	-	(7)	(7)
Changes in the fair value of available-for-sale assets, net of tax	25	-	-	-	-	(5)	(5)
Changes in the fair value of cash flow hedges, net of tax	25	-	-	-	(29)	-	(29)
Actuarial loss on defined benefit plan, net of tax	24	-	-	(4)	-	-	(4)
Total other comprehensive income for the year, net of tax		-	-	(4)	(29)	(12)	(45)
Total comprehensive income for the year, net of tax		-	-	2,122	(29)	(12)	2,081
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	23	-	5	-	-	-	5
Equity dividends	7, 23	-	5	(1,793)	-	-	(1,788)
		-	10	(1,793)	-	-	(1,783)
Balance at 30 June 2012		23,286	(31)	2,103	160	109	25,627

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

1: Corporate information

The financial report of Wesfarmers Limited (referred to as 'Wesfarmers' or 'the Company') for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 18 September 2012. Wesfarmers is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of Wesfarmers Limited and its subsidiaries ('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*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for investments held by associates, financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest million dollars (\$000,000) 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.

Certain comparative information has been reclassified to be presented on a consistent basis with the current year's presentation.

(b) Statement of compliance

The financial report complies with the *Corporations Act 2001*, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('the AASB') that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2011. The adoption of these standards gave rise to new policies being adopted, but did not have a material effect on the financial statements of the Group. Refer to policy note (ai) for the Standards and Interpretations relevant to Wesfarmers that have been adopted.

A number of Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2012. Refer to policy note (aj) for the Standards and Interpretations relevant to Wesfarmers that are not yet effective and have not been early adopted.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group.

A list of controlled entities at year end is contained in note 33.

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.

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

(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 has 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.

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 assets including goodwill and intangibles with indefinite useful lives

The Group determines whether assets including goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The recoverable amounts of the cash generating units have been determined using cash flow projections, as well as other supplementary information, based on an appropriate valuation model which incorporates Wesfarmers' corporate plans covering a five-year period.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

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

The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

On 19 March 2011, the Mineral Resource Rent Tax (MRRT) and Resource Rent Tax (PRRT) legislative packages were passed by the Senate. The legislation introduced a tax on Australian iron ore and coal projects (with some limited exceptions) effective 1 July 2012, and expanded the reach of the PRRT. The introduction of the MRRT has resulted in a number of financial reporting considerations; it has not, however, led to an impairment being recognised in Wesfarmers' coal mining businesses based on current best estimates. Refer to note 5 for further details.

On 8 November 2011 the Senate passed the 'Clean Energy Legislative Package', which set out the introduction of a carbon price in Australia as a means of reducing Australia's carbon pollution.

The carbon pricing mechanism has a two-phased approach: a fixed price mechanism, followed by an emission trading scheme (ETS). Under the carbon pricing scheme, as of 1 July 2012, every tonne of carbon dioxide equivalent (CO₂-e) produced by approximately 500 of Australia's largest emitters is priced at 23 dollars per tonne. For the first three years, the carbon price is fixed, rising annually by 2.5 per cent. On 1 July 2015, the pricing mechanism will transition to the floating ETS.

The introduction of a carbon price mechanism has resulted in a number of financial reporting considerations for the current year. For those divisions directly impacted by the scheme, it has led to a change in assumptions used for the purpose of impairment testing; it has not, however, led to an impairment being recognised in the current year.

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. In addition, the projections obtained from various methods 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.

Where there is no suitable body of claims experience available in relation to a particular event, additional data is obtained and analysed, and valuation methodologies and assumptions are adopted to mitigate, as far as possible, these additional sources of uncertainty.

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.

As the volatility for each class of business is 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 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.

Refer to note 21 for further details.

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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

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

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions, which require the use of management judgement, are the variables affecting estimated costs to sell and the expected selling price. These key assumptions are reviewed annually.

Estimation of useful lives of assets

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. These judgements are supported by consultation with internal technical experts. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

Useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

Customer cards and gift vouchers

The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers. Expected redemption rates are reviewed annually. Any reassessment of the expected redemption rates in a particular year will affect the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing).

Long service leave

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in salaries and wages;
- future on-cost rates; and
- experience of employee departures and period of service.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

(f) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable 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. Revenue from lay-by transactions is recognised as part of revenue from sale of goods at the date upon which the customer satisfies all payment obligations and takes possession of the merchandise. Revenue from the sale of gift cards is recognised when the card is redeemed and the customer purchase goods by using the card, or when the customer card is no longer expected to be redeemed, based on an analysis of historical non-redemption rates.

The Group operates a loyalty points program, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for products, subject to a minimum number of points being obtained.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Rendering of services

Revenue is recognised for services that have been rendered to a buyer by reference to stage of completion.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(f) Revenue (continued)

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.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established. Pre-acquisition dividends received are offset against the cost of the investment.

Operating lease rental revenue

Operating lease revenue consists of rentals from investment properties and sub-lease rentals. Rentals received under operating leases and initial direct costs are recognised on a straight line basis over the term of the lease.

Insurance premium revenue

Refer to policy note (ag) Insurance activities, for treatment of insurance premium revenue.

(g) Finance costs

Finance costs are recognised as an expense when incurred, with the exception of interest charges attributable to major projects with substantial development and construction phases.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate, excluding non-interest costs, applicable to the Group's outstanding borrowings during the year, in this case 7.32 per cent (2011: 8.39 per cent).

Provisions and other payables are discounted to their present value when the effect of the time value of money is material. The carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as a discount adjustment in finance costs.

(h) 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 whether the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and released to earnings on a straight line basis over the lease term.

Fixed rate increases to lease payments, excluding contingent or index based rental increases, such as Consumer Price Index, turnover rental and other similar increases, are recognised on a straight line basis over the lease term.

An asset or liability is recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight line basis.

(i) Cash and cash equivalents

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

In accordance with local laws, all broking receipts are held in separate insurance broking bank accounts and approved investments. Disbursements of these monies can only be made in accordance with local laws. Amounts held, by entities within the consolidated entity, in these accounts and investments outstanding at balance sheet date are included in cash and cash equivalents.

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

(j) Trade and other receivables

Trade receivables generally have terms up to 30 days, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability and impairment are assessed on an ongoing basis at a divisional level. Individual debts that are known to be uncollectable are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(k) 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. Work in progress also includes run-of-mine coal stocks for the Resources division, consisting of production costs of drilling, blasting and overburden removal; and
- retail and wholesale merchandise finished goods – purchase cost on a weighted average basis, after deducting any settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are recognised as a reduction in the cost of inventory.

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.

(l) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and cross currency 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 effective 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. The fair value of cross currency interest rate swap contracts is calculated by reference to current forward exchange rates and forward interest rates 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; or
- 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.

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 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, is terminated or exercised, or 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.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction 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 recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedging (continued)

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.

(m) 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, is 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.

(n) Impairment of financial assets

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 (i.e. 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.

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), 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.

(o) Foreign currency translation

Both the functional and presentation currency of Wesfarmers Limited and its Australian subsidiaries is Australian dollars. The functional currency of overseas subsidiaries is listed in note 33.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. 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.

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 year.

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

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(p) Investment in associates

The Group's investments in its associates are accounted for using the equity method of accounting. The associates are entities in which the Group has significant influence and which are neither subsidiaries nor jointly controlled assets.

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 comprehensive income.

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 consistent with those used by the Group for like transactions and events in similar circumstances.

Investment properties owned by associates are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss of the associate, in the year in which they arise. This is consistent with the Group's policy.

(q) Interest in jointly controlled assets

The Group has interests in joint ventures that are jointly controlled assets. The Group recognises its share of the assets, liabilities, expenses and income from the use and output of the jointly controlled asset.

(r) 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.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognised, other than 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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (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 which 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, is classified as operating cash flows.

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

(t) 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 – 40 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.

(u) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent writedown of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of material discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

(v) Investments and other financial assets

Financial assets in the scope of AASB 139 are classified as 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 transaction costs. The Group determines the classification of its financial assets at initial recognition.

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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(v) Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition 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.

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 that are 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. Interest earned while holding available-for-sale financial investments is reported as interest revenue using the effective interest rate. Dividends earned while holding available-for-sale financial investments are recognised in the income statement as 'other income' when the right of payment has been established.

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

(w) 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 cash generating unit, 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.

Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which goodwill relates.

Impairment testing is performed each year for cash generating units to which goodwill and indefinite life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16.

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 an operating segment determined in accordance with AASB 8 *Operating Segments*.

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 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(w) Goodwill (continued)

Goodwill reallocation

As reported at 31 December 2011, errors were identified in relation to the initial allocations of goodwill which were made at the time of acquisition of the Coles Group of businesses impacting Kmart and Target. The errors arose from an incorrect calculation of the terminal value of Kmart and a failure to consistently reflect the impact of Kmart's and Target's business plans. Accordingly, an adjustment of \$486 million has been made and, as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 44, retrospectively applied to increase the value of goodwill allocated to Kmart and reduce the value of goodwill allocated to Target. This correction has had no effect on consolidated net assets, consolidated profit and reported basic or diluted earnings per share for the current or prior periods. As a result of the correction, the segment assets of Kmart and Target for the comparative period have been restated from \$1,543 million to \$2,029 million and \$3,974 million to \$3,488 million, respectively.

(x) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end.

Intangible assets with indefinite lives are tested for impairment annually, either individually or at the cash generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed each reporting period to determine whether infinite useful life assessment continues to be supportable. If not, the change in useful life assessment from infinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Trade names

Useful lives

Indefinite and finite

Amortisation method used

Amortised over the period of expected future benefit on a straight line basis

Impairment testing

Annually as at 31 March and more frequently when an indication of impairment exists

Contractual and non-contractual relationships

Useful lives

Finite (up to 15 years)

Amortisation method used

Amortised over the period of expected future benefit on a straight line basis

Impairment testing

Annually as at 31 March and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end

Software

Useful lives

Finite (up to seven years)

Amortisation method used

Amortised over the period of expected future benefit on a straight line basis

Impairment testing

Annually as at 31 March and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end

Gaming licences

Useful lives

Indefinite

Amortisation method used

No amortisation

Impairment testing

Annually as at 31 March and more frequently when an indication of impairment exists

Liquor licences

Useful lives

Indefinite

Amortisation method used

No amortisation

Impairment testing

Annually as at 31 March and more frequently when an indication of impairment exists

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(y) Impairment

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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness. 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, on assets other than goodwill, 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.

(z) Trade and other payables

Trade 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 terms up to 60 days.

Other payables also include the liability for customer cards and gift vouchers. The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers. Expected redemption rates are reviewed annually. Any reassessment of expected redemption rates in a particular year will affect the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing).

(aa) Interest-bearing loans and borrowings

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

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

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

(ab) 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 the risks specific to the liability to the extent they are not already reflected in the cash flows.

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

Mine and plant rehabilitation

Provision is made for the Group'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 at the time of disturbance or 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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ac) Employee leave benefits

Wages, salaries and annual leave

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

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 reporting date using the projected unit credit valuation method. 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 reporting 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.

(ad) 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 directly in equity.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

(ae) 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 five plans in place to provide these benefits:

- the Wesfarmers Employee Share Plan (WESP), which provides benefits to all employees. The last issue under this plan was in December 2004;
- the Wesfarmers Long Term Incentive Plan (WLTIP), which provides benefits to senior executives. The first issue under this plan was in October 2005;

- the Coles Long Term Incentive Plan (CLTIP), which provides above average rewards for above average performance in turning around the Coles division's performance over the first five years of Wesfarmers' ownership for the Coles' Managing Director and a small number of Coles senior executives;
- the Group Managing Director Long Term Incentive Plan ('Rights Plan'), which provides rewards for exceptional long-term performance for the Group Managing Director only; and
- the Wesfarmers Employee Share Acquisition Plan (WESAP), which provides benefits to all qualifying employees. The first allocation under this plan was in October 2009.

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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ae) Share-based payment transactions (continued)

The Group also provides benefits to certain executives under the CLTIP, in the form of cash-settled share-based payments, whereby executives can make an election to receive an award in cash. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the executives, which will be the fair value at settlement date.

(af) Contributed equity

Ordinary shares and price protected ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

The Group operates a dividend investment plan. An issue of shares under the dividend investment plan results in an increase in issued capital unless the Group elects to purchase the required number of shares on-market, which in effect would not give rise to a change in issued capital.

(ag) Insurance activities

Insurance premium revenue

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

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

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.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received.

Accordingly, a portion of outwards reinsurance premium is treated as a prepayment at balance date.

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; insurance claims incurred but not reported (IBNR); insurance 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 premiums 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.

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 are 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.

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.

The Group has determined that all bank bills, short-term deposits and trade receivables held by underwriting entities are held to back general insurance contracts. These assets have been valued at fair value through 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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ah) 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 year that would result from the dilution of potential ordinary shares;

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

(ai) New and revised Accounting Standards and Interpretations

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2011 to the Group have been adopted, including:

- Amendments to AASB 7 *Financial Instruments: Disclosure*
The amendments (part of AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
- Amendments to AASB 101 *Presentation of Financial Statements*
The amendments (part of AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
- Amendments to Interpretation 13 *Customer Loyalty Programmes*
The amendments (part of AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) clarify that when the fair value of award credits is measured based on the value of awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award scheme is to be taken into account.
- AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project*

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has had no significant impact on the financial statements.

- AASB 124 *Related Party Disclosures* (revised December 2009)

AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

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

Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.

- AASB 2009-12 *Amendments to Australian Accounting Standards*

The application of AASB 2009-12 makes amendments to AASB 8 *Operating Segments* as a result of the issuance of AASB 124 *Related Party Disclosures* (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.

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

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ai) New and revised Accounting Standards and Interpretations (continued)

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

The application of AASB 2010-6 makes amendments to AASB 7 *Financial Instruments – Disclosures* to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.

To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

New and revised Standards and Interpretations adopted in these financial statements have not affected the Groups reported results or financial position.

(aj) Australian accounting standards and interpretations issued not yet adopted

The potential effects of the following Standards and Interpretations issued have not yet been fully determined:

Effective for annual reporting periods beginning on or after 1 January 2012 and expected to be initially applied by the Group in the financial year ending 30 June 2013:

- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.

Effective for annual reporting periods beginning on or after 1 July 2012 and expected to be initially applied by the Group in the financial year ending 30 June 2013:

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

Effective for annual reporting periods beginning on or after 1 January 2013 and expected to be initially applied by the Group in the financial year ending 30 June 2014:

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 9 includes requirements for the classification and measurement of financial assets and was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements aim to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 by:

- Classifying financial assets that are debt instruments based on the objective of the entity's business model for managing the financial assets and the characteristics of the contractual cash flows.
- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.
- Allowing financial assets to be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Requiring changes in financial liabilities measured at fair value to be presented in other comprehensive income where it is attributable to changes in credit risk and the remaining change in profit or loss to the extent it does not create a mismatch in the profit or loss.

- AASB 10 *Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

- AASB 11 *Joint Arrangements*

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(aj) Australian accounting standards and interpretations issued not yet adopted (continued)

– AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

– AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards*

– AASB 128 *Investments in Associates and Joint Ventures (2011)*

– AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

– AASB 119 *Employee Benefits (2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (2011)*

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans to be recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

– Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the 'stripping activity asset'.

The stripping activity asset is to be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

– AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle*

This standard sets out amendments arising from the annual improvements program. It addresses a number of items, including the requirement for comparative information, classification of servicing equipment, requirement for tax effecting distributions to holders of equity instruments, interim financial reporting and segment information for total assets and liabilities.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

3: Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision makers) monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. The types of products and services from which each reportable segment derives its revenues are disclosed below. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is presented differently from operating profit or loss in the consolidated financial statements.

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

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

- for retail divisions, particularly Kmart and Target, earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period;
- for the Resources division, the majority of the entity's coal contracted tonnages are renewed on an annual basis from April each calendar year and subject to price renegotiation on a quarterly basis which, depending upon the movement in prevailing coal prices, can result in significant changes in revenue and earnings throughout the financial year; and
- for the Chemicals, Energy and Fertilisers division, earnings are typically greater in the June half of the financial year due to the impact of the Western Australian winter season break on fertiliser sales.

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

The operating segments and their respective types of products and services are as follows:

Retail

Coles

- Supermarket retailer;
- Liquor retailer, including hotel portfolio;
- Retailer of fuel and operator of convenience stores; and
- Coles property business operator.

Home Improvement and Office Supplies

- Retailer of building material and home and garden improvement products;
- Servicing project builders and the housing industry; and
- Office supplies products.

Target

- Retailer of apparel, homewares and general merchandise, including accessories, electricals and toys.

Kmart

- Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables; and
- Provision of automotive service, repairs and tyre service.

Insurance

Insurance

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

Industrial

Resources

- Coal mining and development; and
- Coal marketing to both domestic and export markets.

Chemicals, Energy and Fertilisers

- Manufacture and marketing of chemicals for industry, mining and mineral processing;
- Manufacture and marketing of broadacre and horticultural fertilisers;
- National marketing and distribution of LPG and LNG;
- LPG and LNG extraction for domestic and export markets; and
- Manufacture, marketing and distribution of industrial, medical and specialty gases.

Industrial and Safety

- Supplier and distributor of maintenance, repair and operating (MRO) products;
- Manufacture and marketing of industrial gases and equipment; and
- Specialised supplier and distributor of industrial safety products and services.

Other

- Forest products: non-controlling interest in Wespine Pty Ltd, which manufactures products to service the wholesale timber market in Australia;
- Property: includes a non-controlling interest in BWP Trust (formerly 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 interests in Gresham Private Equity Fund No. 2 and Gresham Private Equity Fund No. 3, 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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

3: Segment information (continued)

	COLES ¹		HOME IMPROVEMENT AND OFFICE SUPPLIES		KMART	
	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m
Segment revenue	34,117	32,073	8,644	8,251	4,055	4,036
Segment result						
Earnings before interest, tax, depreciation, amortisation (EBITDA)	1,785	1,567	1,065	1,004	332	268
Depreciation and amortisation	(429)	(401)	(139)	(122)	(64)	(64)
Earnings before interest, tax (EBIT)	1,356	1,166	926	882	268	204
Finance costs						
Profit before income tax expense						
Income tax expense						
Profit attributable to members of the parent						
Assets and liabilities						
Segment assets ⁶	19,940	19,083	5,647	5,183	2,057	2,029
Investments in associates	16	15	-	-	-	-
Tax assets						
Total assets						
Segment liabilities	3,676	3,546	810	769	604	535
Tax liabilities						
Interest-bearing liabilities						
Total liabilities						
Other segment information						
Capital expenditure ⁸	1,218	840	587	613	136	101
Share of net profit or loss of associates included in EBIT	-	-	-	-	-	-
Non-cash expenses other than depreciation and amortisation	67	92	78	79	10	1

1 Coles division includes the food, liquor, convenience and Coles property businesses.

2 Target's result includes a restructuring provision of \$40 million (2011: nil).

3 The Insurance division's result has been adversely affected by:

- additional reserving of \$108 million above the reinsurance program limit relating to the February 2011 Christchurch earthquake; and
- estimated net claims expense in excess of allowances of \$32 million, relating to the bushfires and storms in Western Australia and other severe weather events.

The Insurance division's 2011 result was adversely affected by the Christchurch earthquakes and severe weather events in Australia including the Queensland and Victorian floods and cyclone Yasi.

4 Resources' result includes Stanwell royalty expenses of \$219 million (2011: \$113 million) and hedge gains of \$143 million (2011: \$134 million).

5 The Chemicals, Energy and Fertiliser division's result includes profit on the termination of its HISmelt agreement of \$9 million (2011: nil). The 2011 result includes insurance proceeds on the Varanus Island claim of \$42 million.

6 As reported at 31 December 2011, errors were identified in relation to the initial allocations of goodwill which were made at the time of acquisition of the Coles Group of businesses impacting Kmart and Target. The errors arose from an incorrect calculation of the terminal value of Kmart and a failure to consistently reflect the impact of Kmart's and Target's business plans. Accordingly, an adjustment of \$486 million has been made and, as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 44, retrospectively applied to increase the value of goodwill allocated to Kmart and reduce the value of goodwill allocated to Target. This correction has had no effect on consolidated net assets, consolidated profit and reported basic or diluted earnings per share for the current or prior periods. As a result of the correction, the segment assets of Kmart and Target for the comparative period have been restated from \$1,543 million to \$2,029 million and \$3,974 million to \$3,488 million, respectively.

7 The 2012 Other result includes:

- interest revenue of \$22 million (2011: \$38 million);
- share of loss from associates of \$34 million (2011: \$33 million);
- gain on disposal of Energy Generation Pty Ltd of \$43 million;
- gain on disposal of Wesfarmers Premier Coal Limited of \$98 million;
- gain on disposal of Boddington forestry assets of \$16 million;
- gain on disposal of Bangladesh Gas of \$9 million;
- impairment of the Coregas related goodwill, plant and equipment of \$181 million;
- corporate overheads of \$101 million (2011: \$102 million); and
- depreciation and amortisation credit of \$11 million (2011: \$5 million) arising from depreciation of Premier being discontinued upon its classification as held for sale.

8 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is \$2,626 million (2011: \$2,062 million).

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

TARGET ²		INSURANCE ³		RESOURCES ⁴		INDUSTRIAL AND SAFETY		CHEMICALS, ENERGY AND FERTILISERS ⁵		OTHER ⁷		CONSOLIDATED	
2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m
3,738	3,782	1,915	1,739	2,132	1,778	1,690	1,557	1,786	1,641	3	18	58,080	54,875
317	348	36	47	589	488	217	192	348	379	(145)	(138)	4,544	4,155
(73)	(68)	(31)	(27)	(150)	(119)	(27)	(26)	(90)	(96)	8	-	(995)	(923)
244	280	5	20	439	369	190	166	258	283	(137)	(138)	3,549	3,232
												(505)	(526)
												3,044	2,706
												(918)	(784)
												2,126	1,922
3,538	3,488	4,423	4,325	2,051	1,936	1,309	1,265	1,485	1,461	958	1,136	41,408	39,906
-	-	-	-	-	-	-	-	93	82	320	374	429	471
												475	437
												42,312	40,814
575	489	2,988	2,959	496	471	270	246	310	274	999	972	10,728	10,261
												455	345
												5,502	4,879
												16,685	15,485
67	95	47	47	392	372	49	32	169	63	4	7	2,669	2,170
-	-	-	-	-	-	-	-	18	18	(34)	(33)	(16)	(15)
59	45	22	24	99	77	34	23	16	5	183	7	568	353

Geographical locations

Revenue by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

Australia	56,758	53,642
New Zealand	1,283	1,174
Other foreign countries	39	59
Total revenue	58,080	54,875

The analysis of the location of non-current assets other than financial instruments, deferred tax assets and pension assets is as follows:

Australia	29,471	28,401
New Zealand	895	939
Other foreign countries	85	84
Total non-current assets	30,451	29,424

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

4: Income and expenses

	Note	CONSOLIDATED	
		2012 \$m	2011 \$m
Employee benefits expense			
Remuneration, bonuses and on-costs		6,888	6,536
Amounts provided for employee entitlements		497	475
Share-based payments expense		111	105
		7,496	7,116
Occupancy-related expenses			
Minimum lease payments		1,791	1,722
Other		441	429
		2,232	2,151
Depreciation and amortisation			
Depreciation		807	752
Amortisation of intangibles		89	95
Amortisation other		99	76
		995	923
Impairment Expenses			
Impairment of freehold property	15	11	10
Impairment of plant, equipment and other assets		14	17
Impairment of goodwill	16	172	-
		197	27
Other expenses included in the income statement			
Government mining royalties		149	116
Stanwell rebate		219	113
Repairs and maintenance		395	415
Utilities and office expenses		979	932
Self-insurance expenses		219	187
Other		1,252	1,214
		3,213	2,977
Other income			
Gains on disposal of property, plant and equipment		23	15
Gains on disposal of controlled entities	29	150	3
Other income		210	241
		383	259
Finance costs			
Interest expense		418	423
Capitalised interest		(5)	-
Discount rate adjustment		57	64
Amortisation of debt establishment costs		7	15
Other including bank facility and settlement fees		28	24
		505	526
Insurance underwriting result			
Premium revenue		1,527	1,398
Outwards reinsurance premium expense		(277)	(278)
Net premium revenue		1,250	1,120
Claims expense – undiscounted		(1,159)	(1,625)
Reinsurance and other recoveries revenue – undiscounted		239	847
Discount effect		(10)	5
Net claims incurred		(930)	(773)
Acquisition costs		(247)	(258)
Other underwriting expenses		(144)	(130)
Net underwriting expenses		(391)	(388)
Underwriting result		(71)	(41)

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

5: Income tax

The major components of income tax expense are:

	CONSOLIDATED	
	2012 \$m	2011 \$m
Income statement		
<i>Current income tax</i>		
Current income tax charge	943	773
Adjustments in respect of current income tax of previous years	(19)	(36)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(6)	47
Income tax expense reported in the income statement	918	784
Statement of changes in equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Net gain/(loss) on revaluation of cash flow hedges	(11)	114
Changes in the fair value of available-for-sale financial assets	(2)	1
Income tax expense reported in equity	(13)	115
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	3,044	2,706
At the statutory income tax rate of 30 per cent (2011: 30 per cent):	913	812
Adjustments in respect of current income tax of previous years	(19)	(36)
Carried forward losses now recognised	(44)	-
Non-deductible writedowns	52	16
Share of associated companies net loss/(profit) after tax	5	(8)
Tax on undistributed associates' profit	3	4
Other	8	(4)
Income tax expense reported in the income statement	918	784
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
<i>Balance sheet</i>		
Deferred tax assets		
Provisions	242	231
Employee benefits	314	298
Accrued and other payables	38	63
Insurance liabilities	23	21
Doubtful debts	17	18
Derivatives	92	91
Deferred income	29	21
Trading stock	97	111
Fixed assets	174	177
Share issue costs	1	9
Assets classified as held for sale	-	(15)
Gross deferred income tax assets	1,027	1,025
Amount netted against deferred tax liabilities	(552)	(588)
Net deferred tax assets	475	437

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

5: Income tax (continued)

	CONSOLIDATED	
	2012 \$m	2011 \$m
Deferred income tax (continued)		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	194	215
Mining assets recognised for accounting purposes	52	56
Derivatives	144	125
Borrowings	-	47
Accrued income and other	47	55
Warehouse stock	19	20
Intangible assets	90	94
Deferred acquisition costs	6	8
Assets classified as held for sale	-	(32)
Gross deferred income tax liabilities	552	588
Amount netted against deferred tax assets	(552)	(588)
Net deferred tax liabilities	-	-
<i>Income statement</i>		
Provisions	(8)	24
Employee benefits	(24)	(13)
Doubtful debts	1	5
Depreciation and amortisation	(16)	13
Derivatives	3	5
Insurance liabilities	(2)	(2)
Intangible assets	1	3
Stock	17	-
Mining assets recognised for accounting purposes	20	(3)
Accruals and other	2	15
Deferred tax expense	(6)	47
Unrecognised deferred tax assets		
Capital losses in Australia – available indefinitely subject to meeting relevant statutory tests	272	226
Mineral Resources Rent Tax – mining assets	148	-

A deferred tax asset of \$148 million, net of income tax, associated with the Mineral Resource Rent Tax (MRRT) has not been recognised by the Resources division as it is not considered probable that the deferred tax asset will be utilised based on current forecasts. It is noted that the Resource division's pre-existing annual royalty and rebate commitments for its only wholly owned and operated mine, Curragh, are already in excess of the effective MRRT rate. For the 12 months ended 30 June 2012, the Resources division paid in excess of \$345 million to the Queensland Government and its instrumentalities by way of standard government royalties and Stanwell rebate combined.

Tax consolidation

Wesfarmers and its 100 per cent-owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the 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 notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgment of the consolidated return and payment of the tax liability.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

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 (including partially protected shares) outstanding during the year (excluding employee reserved shares).

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

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

Basic and diluted earnings per share calculations are as follows:

	CONSOLIDATED	
	2012 \$m	2011 \$m
Profit attributable to members of the parent	2,126	1,922
	shares (m)	shares (m)
Weighted average number of ordinary shares for basic earnings per share	1,154	1,153
Effect of dilution – employee reserved shares	2	3
Weighted average number of ordinary shares adjusted for the effect of dilution	1,156	1,156
	cents	cents
Earnings per share (cents per share)		
– basic for profit for the year attributable to ordinary equity holders of the parent	184.2	166.7
– diluted for profit for the year attributable to ordinary equity holders of the parent	183.9	166.3

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

7: Dividends paid and proposed

	CONSOLIDATED	
	2012 \$m	2011 \$m
Declared and paid during the period (fully-franked at 30 per cent)		
Final franked dividend for 2011: \$0.85 (2010: \$0.70)	983	810
Interim franked dividend for 2012: \$0.70 (2011: \$0.65)	810	752
	1,793	1,562
Proposed and not recognised as a liability (fully-franked at 30 per cent)		
Final franked dividend for 2012: \$0.95 (2011: \$0.85)	1,099	983
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for debits and credits arising from the payment of income tax payable and from recognised dividends receivable or payable	54	(10)
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	(471)	(421)

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares, which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

8: Cash and cash equivalents

	CONSOLIDATED	
	2012 \$m	2011 \$m
Cash on hand and in transit	417	264
Cash at bank and on deposit	598	536
Insurance broking trust accounts	112	97
	1,127	897

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 of net profit after tax to net cash flows from operations

Net profit	2,126	1,922
<i>Adjustments</i>		
Depreciation and amortisation	995	923
Impairment and writedowns of assets	197	27
Net (gain)/ loss on disposal of non-current assets	(133)	35
Share of associates' net losses/(profits)	16	15
Dividends and distributions received from associates	22	20
Capitalised borrowing costs	(5)	-
Discount adjustment in borrowing costs	57	64
Amortisation of debt establishment costs, net of amounts paid	7	15
Ineffective interest rate swap losses, net of amounts paid	2	3
Other	(2)	(66)
<i>(Increase)/decrease in assets</i>		
Trade and other receivables	(318)	(249)
Inventories	(16)	(347)
Prepayments	(44)	(63)
Reinsurance and other recoveries	298	(506)
Deferred tax assets	(25)	71
Other assets	(59)	(17)
<i>Increase/(decrease) in liabilities</i>		
Trade and other payables	274	396
Current tax payable	107	186
Provisions	138	(117)
Other liabilities	4	605
Net cash flows from operating activities	3,641	2,917
Net capital expenditure		
Purchase of property	849	642
Purchase of plant and equipment	1,660	1,313
Purchase of intangibles	117	107
Payments for property, plant, equipment and intangibles	2,626	2,062
Proceeds from sale of property, plant, equipment and intangibles	275	216
Net capital expenditure	2,351	1,846

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

9: Trade and other receivables

	CONSOLIDATED	
	2012 \$m	2011 \$m
Current		
Trade receivables	1,781	1,560
Allowance for credit losses	(48)	(54)
Finance advances and loans	264	218
Other debtors	387	425
	2,384	2,149
Non-current		
Finance advances and loans	28	5
Other debtors	5	4
	33	9

Refer to note 26 for information on the risk management policy of the Group and the credit quality of the Group's trade receivables. Reinsurance and other recoveries have been disclosed separately in note 11.

Impaired trade receivables

As at 30 June 2012, current trade receivables of the Group with a nominal value of \$48 million (2011: \$54 million) were impaired. The amount of the allowance account was \$48 million (2011: \$54 million).

Movements in the allowance account for credit losses were as follows:

Carrying value at beginning of year	54	52
Allowance for credit losses recognised during the year	9	10
Receivables written off during the year as uncollectable	(14)	(7)
Unused amount reversed	(1)	(1)
Carrying value at end of year	48	54

Trade receivables past due but not impaired

As at 30 June 2012, trade receivables of \$275 million (2011: \$274 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or other indicators of impairment.

The ageing analysis of these trade receivables is as follows:

Under three months	202	220
Three to six months	51	40
Over six months	22	14
	275	274

With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Finance advances and loans

Finance advances and loans consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A risk assessment process is used for new loan applications, which ranges from conducting credit assessments to relying on the assessments of financial risk provided by credit insurers.

No finance advances or loans are impaired as at 30 June 2012.

Related party receivables

For terms and conditions of related party receivables, refer to note 35.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

10: Inventories

	CONSOLIDATED	
	2012 \$m	2011 \$m
Raw materials	92	97
Work in progress	39	48
Finished goods	4,875	4,842
Total inventories at the lower of cost and net realisable value	5,006	4,987

Inventories recognised as an expense for the year ended 30 June 2012 totalled \$40,987 million (2011: \$38,616 million).

11: Investments backing insurance contracts, reinsurance and other recoveries

The following disclosures relate to the general insurance companies that comprise the Insurance division:

	CONSOLIDATED	
	2012 \$m	2011 \$m
Current		
Investments backing insurance contracts – term deposits	1,152	988
Reinsurance and other recoveries	538	555
	1,690	1,543
Non-current		
Reinsurance and other recoveries	193	471
	193	471

Investments backing insurance contracts

Investments backing insurance contracts are all financial assets at fair value through profit or loss.

Reinsurance and other recoveries

The division reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. The division's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the division's reinsurance management strategy;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on the division's maximum event retention; and
- exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

The reinsurance counterparty risk is managed with reference to an analysis of an entity's credit rating. Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a strong credit rating. Credit risk exposures are calculated regularly and ratings are reviewed by management on a regular basis.

The following table provides information about the quality of the division's credit risk exposure in respect of reinsurance recoveries on outstanding claims at the balance date. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

11: Investments backing insurance contracts, reinsurance and other recoveries (continued)

	CREDIT RATING					Total \$m
	AAA \$m	AA \$m	A \$m	BBB \$m	Not rated \$m	
YEAR ENDED 30 JUNE 2012						
Reinsurance recoveries on outstanding claims	-	355	229	-	4	588
Amounts due from reinsurers on paid claims	-	37	37	-	-	74
	-	392	266	-	4	662
YEAR ENDED 30 JUNE 2011						
Reinsurance recoveries on outstanding claims	12	401	412	-	6	831
Amounts due from reinsurers on paid claims	-	13	24	-	-	37
	12	414	436	-	6	868

The remaining reinsurance and other recoveries relate to third party insurance recoveries. Remaining reinsurance and other recoveries are both current and non-current, and are not impaired.

12: Other current assets

	CONSOLIDATED	
	2012 \$m	2011 \$m
Deferred acquisition costs	172	124
Prepayments	133	92
Assets classified as held for sale (a)	211	223
Other financial assets	24	19
	540	458
Movements in deferred acquisition costs:		
Carrying value at beginning of year	124	125
Acquisition costs deferred during the year	303	151
Costs charged to profit or loss	(287)	(130)
Other movements	32	(22)
Carrying value at end of year	172	124

(a) At 30 June 2012, the Group has a number of properties classified as held for sale. At 30 June 2011, Wesfarmers Premier Coal Limited (Premier) was classified as held for sale by the Group. The Group disposed of 100 per cent of the capital of Premier on 30 December 2011. Refer to note 29 for details on the disposal of controlled entities.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

13: Available-for-sale investments

	CONSOLIDATED	
	2012 \$m	2011 \$m
Shares in unlisted companies at fair value	15	17
	15	17

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. There are no individually material investments at 30 June 2012.

The fair value of the unlisted available-for-sale investments has been estimated using appropriate valuation techniques based on assumptions where the fair value cannot be determined by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in reserves are reasonable and the most appropriate at balance sheet date. In addition, management believes that changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

14: Investments in associates

	CONSOLIDATED	
	2012 \$m	2011 \$m
Shares and units in associates	421	462
Loans to associates at cost	8	9
	429	471
Fair value of listed investments in associates		
BWP Trust (formerly Bunnings Warehouse Property Trust)	230	222
Share of associates' commitments		
Capital commitments	41	63
Lease commitments	4	5
Other commitments	16	-

ASSOCIATE	PRINCIPAL ACTIVITY	OWNERSHIP	
		2012 %	2011 %
Air Liquide WA Pty Ltd	Industrial gases	40.0	40.0
Albany Woolstores Pty Ltd	Wool handling	35.0	35.0
Bengalla Agricultural Company Pty Limited	Agriculture	40.0	40.0
Bengalla Coal Sales Company Pty Limited	Sales agent	40.0	40.0
Bengalla Mining Company Pty Limited	Management company	40.0	40.0
BWP Trust (formerly Bunnings Warehouse Property Trust)	Property investment	23.5	23.3
Gresham Partners Group Limited	Investment banking	50.0	50.0
Gresham Private Equity Funds	Private equity fund	(a)	(a)
HAL Property Trust	Property ownership	50.0	50.0
Queensland Nitrates Management Pty Ltd	Chemical manufacture	50.0	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	50.0	50.0
Wespine Industries Pty Ltd	Pine sawmillers	50.0	50.0

Each of the above entities is incorporated in Australia and has a reporting date of 30 June with the exception of Gresham Partners Group Limited, which has a reporting date of 30 September and the Bengalla companies, which have a reporting date of 31 December.

(a) Gresham Private Equity Funds

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 and 3 amounts to greater than 50.0 per cent, they are not controlled entities as the consolidated entity does not have the capacity to govern decision making in relation to their financial and operating policies. Such control requires a unitholders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds. Gresham Private Equity Fund No. 3 is subject to future capital calls.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

SHARE OF REVENUES		SHARE OF PROFIT/(LOSS)		SHARE OF ASSETS		SHARE OF LIABILITIES		CARRYING AMOUNT	
2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m
28	25	7	6	13	12	7	6	6	5
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
23	24	16	19	297	284	71	55	214	214
21	25	-	1	45	54	7	12	26	29
-	-	(55)	(60)	82	130	10	8	71	122
-	-	-	-	16	15	-	-	16	15
-	-	-	-	-	-	-	-	-	-
74	68	11	12	121	123	36	48	79	68
41	46	5	7	31	33	22	24	9	9
187	188	(16)	(15)	605	651	153	153	421	462

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

15: Property, plant and equipment

	CONSOLIDATED	
	2012 \$m	2011 \$m
Freehold land		
Cost	1,714	1,370
Net carrying amount	1,714	1,370
Net carrying amount at beginning of year	1,370	1,040
Additions	497	324
Transfers	9	118
Assets classified as held for sale	(76)	(4)
Disposals	(77)	(94)
Acquisitions of controlled entities	-	2
Impairment charge	(11)	(10)
Exchange differences	2	(6)
Net carrying amount at end of year	1,714	1,370
Buildings		
Cost	1,032	880
Accumulated depreciation and impairment	(115)	(102)
Net carrying amount	917	778
Net carrying amount at beginning of year	778	612
Additions	357	147
Transfers	(2)	139
Assets classified as held for sale	(122)	(9)
Disposals	(75)	(98)
Acquisitions of controlled entities	-	1
Depreciation expense	(21)	(12)
Exchange differences	2	(2)
Net carrying amount at end of year	917	778
Assets in course of construction included above	284	146
Leasehold improvements		
Cost	1,073	886
Accumulated depreciation and impairment	(336)	(262)
Net carrying amount	737	624
Net carrying amount at beginning of year	624	474
Additions	155	141
Transfers	23	66
Rehabilitation provision asset increment	4	-
Disposals	(2)	(6)
Impairment reversal/(charge)	1	1
Amortisation expense	(68)	(52)
Net carrying amount at end of year	737	624
Assets in course of construction included above	196	151

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

15: Property, plant and equipment (continued)

	CONSOLIDATED	
	2012 \$m	2011 \$m
Plant, vehicles and equipment		
Cost	9,806	8,703
Accumulated depreciation and impairment	(4,165)	(3,597)
Net carrying amount	5,641	5,106
Net carrying amount at beginning of year	5,106	4,903
Additions	1,492	1,466
Transfers	(16)	(323)
Assets classified as held for sale	-	(122)
Rehabilitation provision asset increment	1	-
Disposals	(89)	(70)
Acquisitions of controlled entities	1	4
Sale of business	(55)	(3)
Impairment charge	(11)	(6)
Depreciation expense	(786)	(740)
Exchange differences	(2)	(3)
Net carrying amount at end of year	5,641	5,106
Assets in course of construction included above	666	695
Mineral lease and development costs		
Cost	623	564
Accumulated depreciation and impairment	(169)	(140)
Net carrying amount	454	424
Net carrying amount at beginning of year	424	513
Additions	40	6
Transfers	(14)	-
Assets classified as held for sale	-	(75)
Rehabilitation provision asset increment	35	4
Amortisation expense	(31)	(24)
Net carrying amount at end of year	454	424
Assets in course of construction included above	(1)	-
Total property		
Cost	2,746	2,250
Accumulated depreciation and impairment	(115)	(102)
Net carrying amount	2,631	2,148
Total plant and equipment		
Cost	11,502	10,153
Accumulated depreciation and impairment	(4,670)	(3,999)
Net carrying amount	6,832	6,154

Refer to note 19 for assets pledged as security.

Property, plant and equipment impairments recognised

During the year an \$11 million (2011: \$10 million) impairment charge has been recognised in relation to property held by the Coles division as a result of a decline in rental yields used to determine the recoverable amount. In addition, an impairment charge was recognised in relation to plant and equipment of the Industrial and Safety division's Coregas business. Refer to note 16 for further details.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

16: Intangible assets and goodwill

	Goodwill \$m	Trade names \$m	Contractual and non- contractual relationships \$m	Software \$m	Gaming and liquor licences \$m	Total \$m
YEAR ENDED 30 JUNE 2012						
Cost	16,320	3,808	168	661	154	21,111
Accumulated amortisation and impairment	(223)	(10)	(58)	(330)	-	(621)
Net carrying amount	16,097	3,798	110	331	154	20,490
Net carrying amount at beginning of year	16,227	3,800	110	295	148	20,580
Additions	-	-	12	108	7	127
Transfers	-	-	-	2	-	2
Disposals	(6)	-	-	-	(3)	(9)
Acquisitions of controlled entities	43	-	-	-	-	43
Amortisation for the year	-	(2)	(13)	(74)	-	(89)
Impairment (charge)/reversal	(172)	-	-	-	2	(170)
Exchange differences	5	-	1	-	-	6
Net carrying amount at end of year	16,097	3,798	110	331	154	20,490
YEAR ENDED 30 JUNE 2011						
Cost	16,279	3,808	155	560	148	20,950
Accumulated amortisation and impairment	(52)	(8)	(45)	(265)	-	(370)
Net carrying amount	16,227	3,800	110	295	148	20,580
Net carrying amount at beginning of year	16,206	3,794	86	299	149	20,534
Additions	-	-	7	69	3	79
Transfers	-	-	-	9	-	9
Disposals	(10)	-	-	(1)	(6)	(17)
Acquisitions of controlled entities	52	9	29	1	1	92
Amortisation for the year	-	(3)	(10)	(82)	-	(95)
Impairment (charge)/ reversal	-	-	-	-	1	1
Exchange differences	(21)	-	(2)	-	-	(23)
Net carrying amount at end of year	16,227	3,800	110	295	148	20,580

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

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

Given the amendments to this agreement, and having regard to an associated review of the Coregas business, Coregas has recognised an impairment charge against goodwill and plant and equipment of \$172 million and \$9 million respectively in the year ended 30 June 2012.

The recoverable value of the Coregas business has been determined through a fair value less cost to sell model using a discounted cash flow valuation technique.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

16: Intangible assets and goodwill (continued)

	CONSOLIDATED	
	2012 \$m	2011 \$m
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of intangibles		
Home Improvement and Office Supplies		
– Bunnings	1	1
– Officeworks	160	160
Industrial and Safety	35	9
Coles	2,978	2,965
Kmart	268	268
Target	535	531
	3,977	3,934

Trade names: the brand names included above have been assessed as having indefinite lives on the basis of strong brand strength, ongoing expected profitability and continuing support. The brand name incorporates complementary assets such as store formats, networks and products offerings.

Gaming and liquor licences: gaming and liquor licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.

Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Chemicals, Energy and Fertilisers	13	15
Home Improvement and Office Supplies		
– Bunnings	850	850
– Officeworks	799	799
Industrial and Safety		
– Blackwoods Australia	308	308
– Coregas	81	252
– Other	156	156
Insurance		
– Lumley Australia	434	434
– Other	529	493
Coles	10,235	10,228
Kmart	759	759
Target	1,933	1,933
	16,097	16,227

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

16: Intangible assets and goodwill (continued)

Key assumptions used in impairment calculations

The recoverable amounts of the cash generating units have been determined using cash flow projections based on Wesfarmers' corporate plans and business forecasts using a fair value less costs to sell or value in use methodology as required by Australian Accounting Standards. Wesfarmers' corporate plans are developed annually with a five-year outlook. Supplemental business forecasts are also used where appropriate in determining the recoverable value of a business unit.

Where a value in use methodology has been used, these plans have been adjusted to exclude the costs and benefits of expansion capital and have been prepared on the understanding that many actual outcomes will differ from assumptions used in the calculations.

Cash flows beyond the five-year period are extrapolated using estimated growth rates, which are based on the Group's estimates taking into consideration past historical performance as well as expected long-term operating conditions. 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 the weighted average cost of capital determined by prevailing or benchmarked market inputs.

Other assumptions are determined with reference to external sources of information and use consistent and conservative estimates for such variables such as terminal cash flow multiples.

The impairment calculations have been prepared for the purpose of determining whether the cash generating units' carrying values do not exceed their recoverable amounts, but do not purport to be market valuations of the relevant business operations.

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the carrying values of cash generating units to exceed their recoverable amounts.

Outlined below are the key assumptions used for assessing the recoverable amounts of the Coles and Target cash generating units, being the two cash generating units for which the carrying amount of goodwill and intangible assets with indefinite useful lives are significant in comparison with the total carrying amount of Wesfarmers' goodwill and intangible assets with indefinite useful lives. The comparative figures for the Target cash generating unit have been restated for the reallocation of goodwill from Target to Kmart as detailed in note 3.

Key assumptions used in fair value less costs to sell calculations

	Coles		Target	
	2012	2011	2012	2011
Discount rate (post-tax)	8.0%	8.2%	9.2%	9.2%
Growth rate beyond five-year financial plan	3.0%	3.0%	3.0%	3.0%
Perpetuity factor for calculation of terminal value (1/(discount rate – growth rate))	20.0	19.2	16.1	16.1
Headroom as a percentage of the cash generating unit's net asset carrying value	59.2%	38.8%	57.3%	41.6%

Other key assumptions include retail sales, EBIT margin and inflation rate (which are based on past experience and external sources of information) and a program of business improvement strategies, in particular for Coles, which is undergoing a substantial transition program, including store upgrades (which are based on management projections).

The recoverable amount of the Coles and Target cash generating units currently exceed their carrying value. The recoverable amount could be reduced should changes in the following key assumptions occur:

- i. Trading conditions – The cash flows are based on the forecast improved operating and financial performance of each division, which have been derived from the 2012 Wesfarmers' corporate plan as well as supplemental information. Although the timing of the cash flows arising from these improvements are influenced by general market conditions, Wesfarmers believes the magnitude of the longer-term cash flows will be far less affected. This view is based on the likely longer-term improvement trends in the business (i.e. increasing sales, profitability and cash flows) and the inherent value of the network, especially for Coles once such a network has been revitalised. Notwithstanding this, should such improvements not occur, the impact on the cash flows could result in a reduction of the recoverable amount to below the carrying value.
- ii. Discount rate – The discount rate for each division has been determined based on the weighted average cost of capital with reference to the prevailing risk-free and borrowing rates, and with consideration to the risk associated with each division. Consequently, should these rates increase, the discount rate would also increase. An increase in the discount rate of more than 3.8% (2011: 2.0%) for Coles and 3.8% (2011: 4.1%) for Target would result in a reduction of the recoverable amount to below the carrying value.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

17: Other non-current assets

	CONSOLIDATED	
	2012 \$m	2011 \$m
Deferred acquisition costs	4	3
Defined benefit asset	-	5
Other financial assets	34	36
Investment property	6	6
Prepaid rent	12	13
Other	14	13
	70	76
Movements in deferred acquisition costs:		
Carrying amount at beginning of year	3	9
Acquisition costs deferred during the year	1	3
Costs charged to profit or loss	-	(9)
Carrying amount at end of year	4	3

18: Trade and other payables

	CONSOLIDATED	
	2012 \$m	2011 \$m
Current		
Trade payables	5,420	5,059
	5,420	5,059
Non-current		
Other creditors and accruals	20	24
	20	24

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

19: Interest-bearing loans and borrowings

	CONSOLIDATED	
	2012 \$m	2011 \$m
Current		
Unsecured		
Commercial paper	97	65
Bank bills	400	-
Bank overdrafts	3	-
Corporate bonds (c)	1,051	-
Other bank loans	70	201
	1,621	266
Non-current		
Unsecured		
Term loans (a), (b)	1,066	1,813
Corporate bonds (c)	2,815	2,800
	3,881	4,613
Total interest-bearing loans and borrowings	5,502	4,879
Financing facilities available		
Total facilities		
Term loans (a), (b)	2,722	2,772
Commercial paper	340	340
Bank bills	450	450
Other bank loans	425	532
	3,937	4,094
Facilities used at balance date		
Term loans (a), (b)	1,072	1,822
Commercial paper	97	65
Bank bills	400	-
Other bank loans	70	201
	1,639	2,088
Facilities unused at balance date		
Term loans (a), (b)	1,650	950
Commercial paper	243	275
Bank bills	50	450
Other bank loans	355	331
	2,298	2,006
Total facilities	3,937	4,094
Facilities used at balance date	1,639	2,088
Facilities unused at balance date	2,298	2,006

Repayment obligations in respect of the amount of the facilities utilised are included in maturities of financial liabilities tables in note 26.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

19: Interest-bearing loans and borrowings (continued)

Funding activities

In the year ended 30 June 2012, total interest-bearing loans and borrowings increased to \$5,502 million from \$4,879 million as at 30 June 2011. During the year ended 30 June 2012 Wesfarmers issued \$1,000 million in new corporate bonds into the Australian corporate bond market under its \$2,000 million Note Programme. These bond issues were carried out in order to further improve Wesfarmers liquidity, reduce the Group's reliance on bank funding and further lengthen the Group's maturity profile. The proceeds were utilised to fund maturing bank debt and for general corporate purposes.

Further details relating to all corporate bonds on issue and other debt drawn as at 30 June 2012 can be found below.

(a) Term loan – bilateral facility

As at 30 June 2012, a fixed term bank bilateral funding facility of \$222 million remained in place and was fully drawn at that date. This facility matures in February 2015.

(b) Term loan – syndicated facility

On 21 December 2010, Wesfarmers entered into a \$2,500 million revolving syndicated facility funded by 16 domestic and international banks. The facility comprises two \$1,250 million tranches maturing in December 2013 and December 2014, respectively. As at 30 June 2012, the limit on this facility was \$2,500 million and \$850 million remained drawn against this facility. The purpose of the syndicated facility is to provide funding for general corporate purposes, including ongoing working capital requirements and to meet the ongoing liquidity requirements of the Group. Interest is payable at a rate calculated as the Australian bank bill swap yield plus a margin. The margin is subject to change based on the Company's Moody's credit rating.

The syndicated facility contains financial covenants that are required to be met. As at 30 June 2012, Wesfarmers has complied with these covenants. The syndicated facility also requires that wholly owned subsidiaries of Wesfarmers representing at least five per cent of EBITDA or total assets of the Wesfarmers Group are guarantors and that the guarantor group represents at least 90 per cent of the Group's total assets and 90 per cent of the EBITDA of the Group. The EBITDA and total assets of regulated subsidiaries (subsidiaries that are restricted from giving upstream guarantees including under law, regulation or administrative practice) are excluded from the calculations of EBITDA and total assets of the Group, except to the extent that they do grant guarantees. Insurance underwriting subsidiaries are not permitted to guarantee the senior debt facility due to insurance regulatory restrictions. The above references to EBITDA reflect earnings before interest, tax, depreciation and amortisation as amended by the facility deed.

The carrying amount of the syndicated bank loan is net of remaining capitalised debt fees directly attributable to the establishment of the facility. These will be released to earnings based on the effective interest rate while the loan remains outstanding.

(c) Corporate bonds

On 21 March 2012, Wesfarmers issued \$500 million fixed rate domestic bonds maturing in March 2019. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 6.49 per cent per annum.

On 31 October 2011, Wesfarmers issued \$500 million fixed rate domestic bonds maturing in November 2016. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 6.17 per cent per annum.

During May 2011, Wesfarmers issued US bonds with a face value of \$604 million (US\$650 million) and maturing on 18 May 2016. After the effect of hedging, Wesfarmers pays interest on these bonds at a rate of 126 basis points over the six month Australian bank bill swap rate.

On 10 March 2010, Wesfarmers issued bonds with a face value of \$756 million (€500 million), maturing on 10 July 2015. After the effect of hedging, Wesfarmers pays interest on these bonds at a rate of 228 basis points over the six month Australian bank bill swap rate.

Wesfarmers issued \$400 million fixed rate domestic bonds and \$100 million floating rate domestic bonds in September 2009. Both domestic bonds mature in September 2014. Interest is payable semi-annually in arrears on the fixed rate domestic bonds at a coupon rate of 8.25 per cent per annum. Interest is charged payable quarterly in arrears on the floating domestic bonds at the Australian bank bill swap rate plus a margin of 260 basis points.

Wesfarmers issued US bonds in April 2008, with a face value of \$711 million (US\$650 million), maturing on 10 April 2013. After the effect of hedging, Wesfarmers pays interest on these bonds at a rate of 398 basis points over the six month Australian bank bill swap rate.

As a result of the acquisition of the Coles group, Wesfarmers entered into financing arrangements with Coles group's note holders during the year ended 30 June 2008. The medium-term fixed rate notes outstanding had a principal of \$400 million, which matured, and were repaid, on 25 July 2012. Interest on these notes was payable semi-annually in arrears at a coupon rate of six per cent per annum.

Derivative contracts are held to hedge future foreign exchange transaction, translation and currency interest rate risks in relation to US and European bonds. Refer to note 27 for further details.

Assets pledged as security

A controlled entity has issued a floating charge over assets, capped at \$80 million, as security for payment obligations to a trade creditor. The assets are excluded from financial covenants in all debt documentation.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

20: Provisions

	CONSOLIDATED	
	2012 \$m	2011 \$m
Current		
Employee benefits	943	863
Workers' compensation	92	91
Self-insured risks	52	46
Restructuring and make good	58	45
Surplus leased space	10	9
Off-market contracts	67	59
Other	67	53
	1,289	1,166
Non-current		
Employee benefits	165	139
Workers' compensation	341	286
Self-insured risks	105	82
Mine and plant rehabilitation	223	167
Restructuring and make good	9	15
Surplus leased space	35	27
Off-market contracts	194	262
Other	134	114
	1,206	1,092
Total provisions	2,495	2,258

Provisions have been calculated using discount rates between two per cent and four per cent (2011: between five per cent and six per cent), except as outlined below.

Workers' compensation and self-insured risks

The Group is self-insured for costs relating to workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported, prior to reporting date.

These provisions are determined on a discounted basis, using an actuarially determined method, which is based on various assumptions including, but not limited to, future inflation, investment return, average claim size and claim administration expenses. These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers' compensation or claims expense (either increasing or decreasing the expense).

Mine and plant rehabilitation

In accordance with mining lease agreements and Group policies, obligations exist to remediate areas where mining 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. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates to aid with comparability.

Employee benefits

The provision for employee benefits represents annual leave, vested long service leave entitlements and incentives accrued by employees.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

20: Provisions (continued)

Restructuring and make good

These provisions relate principally to:

- the closure of retail outlets or distribution centres;
- the disaggregation of shared services and supply chain within the former Coles group divisions;
- restructuring; and
- associated redundancies.

Provisions are recognised where steps have been taken to implement the restructuring plan, including discussions with affected personnel.

Surplus leased space

The surplus leased space provision covers future payments for leased premises, which are onerous, net of actual and expected subleasing revenue, and relates to commitments of up to five years (2011: six years). Actual lease payments may vary from the amounts provided where alternate uses are found for these premises, including attraction of new tenants.

Offmarket contracts

In existence at the date of acquisition of Coles group by Wesfarmers were a number of contracts. Changes in market conditions had resulted in the original terms of the contract becoming unfavourable in comparison to market supply conditions present at the date of acquisition. The obligation for the discounted future above market payments has been provided for, calculated using a discount rate of nine per cent. The value of the contract is updated for key underlying assumptions, such as volume/capacity factors, as these become known and is released to earnings over the period of the contract.

CONSOLIDATED	Workers' compensation \$m	Self-insured risks \$m	Mine and plant rehabilitation \$m	Restructuring and make good \$m	Surplus leased space \$m	Off-market contracts \$m	Other \$m	Total \$m
YEAR ENDED 30 JUNE 2012								
Carrying amount at beginning of year	377	128	167	60	36	321	167	1,256
Arising during year	141	57	54	78	15	-	80	425
Utilised	(102)	(34)	(1)	(71)	(7)	(79)	(46)	(340)
Sale of business	-	-	(6)	-	-	-	-	(6)
Discount rate unwind	17	6	9	-	1	19	-	52
Carrying amount at end of year	433	157	223	67	45	261	201	1,387
YEAR ENDED 30 JUNE 2011								
Carrying amount at beginning of year	345	127	175	120	26	375	105	1,273
Arising during year	114	35	5	16	19	-	52	241
Utilised	(100)	(40)	(3)	(78)	(12)	(78)	(38)	(349)
Acquisition of controlled entities	-	-	-	-	-	-	63	63
Liabilities directly associated with assets held for sale	-	-	(23)	-	-	-	(10)	(33)
Discount rate unwind	18	6	9	2	3	24	-	62
Fair value adjustment	-	-	4	-	-	-	(5)	(1)
Carrying amount at end of year	377	128	167	60	36	321	167	1,256

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

21: Insurance liabilities

The following disclosures relate to the general insurance companies that comprise the Wesfarmers Insurance division:

	CONSOLIDATED	
	2012 \$m	2011 \$m
Unearned insurance premiums		
Current	811	766
Non-current	85	95
	896	861
Carrying amount at beginning of year	861	797
Deferral of premium on contracts written during year	826	770
Earning of premiums deferred in prior years	(792)	(706)
Other	1	-
Carrying amount at end of year	896	861
Outstanding insurance claims		
Current	824	766
Non-current	597	708
	1,421	1,474
Outstanding insurance claims		
Gross central estimate of outstanding claims liabilities	1,328	1,444
Discount to present value	(45)	(91)
Claim handling expenses	54	52
Risk margin	84	69
	1,421	1,474
Total insurance liabilities		
Current	1,635	1,532
Non-current	682	803
	2,317	2,335

	CONSOLIDATED			
	Gross \$m	Reinsurance and other recoveries \$m	2012 Net \$m	2011 Net \$m
Movement in outstanding insurance claims				
Carrying amount at beginning of year	1,474	(918)	556	502
Incurred claims recognised in profit or loss	1,228	(280)	948	788
Net claim payments	(1,275)	505	(770)	(731)
Other	(6)	-	(6)	(3)
Carrying amount at end of year	1,421	(693)	728	556

The liability adequacy test (LAT) as at 30 June 2012 has resulted in an overall deficit for the division's portfolio of \$23 million (2011: \$56 million).

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

21: Insurance liabilities (continued)

Actuarial assumptions and methods

The following are the key assumptions used in determining outstanding insurance claims:

	AUSTRALIA		NEW ZEALAND	
	2012	2011	2012	2011
Weighted average term to settlement (years)	1.8	1.8	0.9	1.3
Inflation	4.0% - 6.0%	4.0%	2.5%	2.5%
Superimposed inflation rate	2.0% - 5.0%	2.0% - 5.0%	-	-
Discount rate	2.70%	4.92%	2.49%	3.22%
Discounted mean term (years)	1.6	1.6	0.91	1.2
Risk margin	14.30%	15.3%	28.70%	14.4%

Weighted average term to settlement (years)

The average weighted term to settlement relates to the expected payment pattern for claims. The payment pattern is important in considering the timing of future cash out flows, and in managing the assets backing insurance liabilities to support the cash out flows. It is calculated separately by class of business and is based on historic settlement patterns.

Inflation

Insurance costs are subject to inflationary pressures. Economic inflation assumptions are set by reference to current economic indicators.

Superimposed inflation rate

There is a tendency for claim costs, particularly for the liability classes, to increase at levels in excess of standard inflationary pressures. This can be due to a number of factors including court awards and precedents and social and environmental pressures. This is often termed superimposed inflation and is analysed and forecasted separately from wage inflation.

Discount rate

Outstanding claims liabilities represent payments that will be made in the future. These future payments are discounted to reflect the time value of money at the reporting date. The outstanding claims liabilities are discounted using a risk free rate derived from government bonds.

Discounted mean term (years)

The discounted mean term is defined as the weighted average term to settlement, where the weights are the discounted payments at each payment date.

Risk margin

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 estimate 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 of 85 per cent.

Insurance contracts – risk management policies and procedures

The financial condition and operation of the division is impacted by a number of key risks including:

- insurance risk;
- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

The division's policies and procedures in respect of managing insurance and liquidity risks are set out below. Policies and procedures in respect of managing the other key risks are disclosed in note 26.

In accordance with Prudential Standards, the Insurance Board and senior management of the division have developed, implemented and maintain a sound prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the division'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 division. Annually, the Insurance Board certifies that adequate strategies have been put in place to monitor those risks and that the division has systems in place to ensure compliance with legislative and prudential requirements.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

21: Insurance liabilities (continued)

General insurance risk management policies and procedures (continued)

(a) Insurance risk

Insurance risk arises from the uncertainty of cash flows from insurance contracts, changes in which may result in financial loss or an inability to meet liabilities as and when they fall due.

The division seeks to control insurance risk and thereby minimise the volatility of earnings. 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 the insurance business.

The key processes in place to mitigate risk include:

- The maintenance and use of 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 models based on historical data to inform premium setting and actuarial models to 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 division's exposure to large single claims and accumulation of claims that arise from the same event.
- The monitoring of reinsurers' credit risk policies to control exposure to reinsurance counterparty default.
- The management of assets and liabilities with respect to the expected pattern of claims payments with the maturity dates of assets.
- The reduction in variability in loss experience through diversification over classes of insurance business and geographical segments.

Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the division. The majority of direct insurance contracts written are entered into on standard forms. 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 division'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 losses arising from a natural peril – for example an earthquake	Insured property and motor 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
Multiple classes of business in the one event	Response by a multitude of the division's policies to the one event – for example a construction liability and professional indemnity policy	Purchase of reinsurance clash cover

(b) Liquidity risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The division is exposed to daily calls on its available cash resources from policy claims. The division manages this risk in accordance with the division's investment policy whereby a minimum percentage of investments and cash are held in liquid, short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations.

For the division's underlying activities, the division limits the risk of liquidity shortfalls resulting from mismatch in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims. The division maintains a strong liquidity position, with a portfolio of highly marketable assets that can be easily liquidated in the event of unforeseen interruption of cash flow.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

21: Insurance liabilities (continued)

General insurance risk management policies and procedures (continued)

The maturity profile of the division's discounted net outstanding claims provision is analysed below:

CONSOLIDATED	<3 MONTHS, or on demand	>3-<6 MONTHS	>6-<12 MONTHS	>1-<2 YEARS	>2-<3 YEARS	>3-<4 YEARS	>4-<5 YEARS	>5 YEARS	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
YEAR ENDED 30 JUNE 2012										
Gross outstanding claims	330	209	285	319	113	67	42	56	1,421	1,421
Reinsurance and other recoveries	(161)	(129)	(213)	(99)	(35)	(23)	(10)	(23)	(693)	(693)
Net outstanding claims provision	169	80	72	220	78	44	32	33	728	728
YEAR ENDED 30 JUNE 2011										
Gross outstanding claims	336	196	234	295	209	105	40	59	1,474	1,474
Reinsurance and other recoveries	(179)	(121)	(152)	(201)	(152)	(68)	(13)	(32)	(918)	(918)
Net outstanding claims provision	157	75	82	94	57	37	27	27	556	556

Claims development table

The following table shows the development of the estimated ultimate incurred cost for the long tail classes of business for the six 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.

Ultimate claims cost estimate	CONSOLIDATED ACCIDENT YEAR							2012 \$m	Total \$m
	Prior \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m			
At end of accident year	-	81	87	92	91	108	107	566	
One year later	-	74	90	90	86	98	-	438	
Two years later	-	75	81	90	75	-	-	321	
Three years later	-	70	82	92	-	-	-	244	
Four years later	-	73	82	-	-	-	-	155	
Five years later	-	69	-	-	-	-	-	69	
Current estimate of ultimate claims cost	-	69	82	92	75	98	107	523	
Cumulative payments	-	(54)	(60)	(52)	(36)	(31)	(13)	(246)	
Undiscounted central estimate	9	15	22	40	39	67	94	286	
Discount to present value	(1)	(1)	(1)	(2)	(2)	(4)	(8)	(19)	
Discounted central estimate	8	14	21	38	37	63	86	267	
Claims handling expense	1	1	1	2	2	4	4	15	
Risk margin	2	3	4	7	6	12	15	49	
Net outstanding claims liabilities	11	18	26	47	45	79	105	331	
Reinsurance and other recoveries	11	18	8	18	13	20	9	97	
Gross outstanding claims liabilities	22	36	34	65	58	99	114	428	

New Zealand claims included within the ultimate claims cost estimates for years prior to 30 June 2012 have been converted at the 30 June 2012 closing foreign exchange rate.

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.

In short tail classes, there has been no material movement in net incurred claims in relation to risks borne in previous years, other than the claims development in relation to the Christchurch, New Zealand earthquake event of 22 February 2011, where net claims have increased by \$108 million in the current year.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

22: Other liabilities

	CONSOLIDATED	
	2012 \$m	2011 \$m
Deferred coal revenue		
Current	2	5
Non-current	3	2
	5	7
Liabilities directly associated with assets held for sale		
Current	-	67
Other		
Current	199	186
Non-current	30	21
	229	207
Total		
Current	201	258
Non-current	33	23
	234	281

As at 30 June 2011, Premier assets of \$223 million and liabilities of \$67 million were reclassified as current assets and current liabilities directly associated with assets held for sale. Premier was disposed of on 30 December 2011.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

23: Contributed equity

	CONSOLIDATED	
	2012 \$m	2011 \$m
Issued capital – ordinary shares (a)	23,286	23,286
Employee reserved shares (b)	(31)	(41)
	23,255	23,245

(a) Issued capital – ordinary shares

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

Each partially protected ordinary share confers rights on a partially protected shareholder that are the same in all respects as those conferred by an ordinary share on an ordinary shareholder on an equal basis. In addition, partially protected ordinary shares provide a level of downside share price protection. Refer to note 6 for key terms and conditions. Full terms and conditions are available from the Company website www.wesfarmers.com.au

The Group operates a dividend investment plan that allows eligible shareholders to elect to invest dividends in ordinary shares that rank equally with Wesfarmers ordinary shares, which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers shares sold on the Australian Securities Exchange calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

Movement in shares on issue	Ordinary		Partially protected		Total contributed equity	
	Thousands	\$m	Thousands	\$m	Thousands	\$m
At 1 July 2010	1,005,168	16,913	151,904	6,373	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	508	21	(508)	(21)	-	-
At 30 June 2011	1,005,676	16,934	151,396	6,352	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	833	35	(833)	(35)	-	-
At 30 June 2012	1,006,509	16,969	150,563	6,317	1,157,072	23,286

(b) Employee reserved shares

Movement in employee reserved shares on issue	Thousands	\$m
At 1 July 2010	4,305	51
Exercise of in-substance options	(525)	(5)
Dividends applied	-	(5)
At 30 June 2011	3,780	41
Exercise of in-substance options	(611)	(5)
Dividends applied	-	(5)
At 30 June 2012	3,169	31

Shares issued to employees under the share loan plan referred to in note 37 (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.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

23: Contributed equity (continued)

(c) Capital management

The Board is responsible for monitoring and approving the capital management process. Wesfarmers defines capital as shareholders' equity and net debt. Wesfarmers objective in managing its capital is to ensure that it continues as a going concern while maintaining optimal returns for its shareholders and maximising benefits for other stakeholders. In order to minimise the Group's cost of capital, Wesfarmers aims to maintain a capital structure that is consistent with a stable investment grade credit rating.

In order to manage the short and long-term capital structure, the Group adjusts the amount of ordinary dividends paid to shareholders, maintains a dividend investment plan, returns capital to shareholders, raises capital from shareholders and arranges debt to fund working capital requirements, capital expenditure and acquisitions. Wesfarmers' dividend policy reflects free cash flow generation, profit generation, availability of franking credits and seeks to deliver growing dividends over time.

Wesfarmers continues to maintain investment grade credit ratings with its credit ratings from Standard & Poor's and Moody's remaining unchanged from last year (at A- Stable and Baa1 Positive respectively). An investment grade credit rating assists Wesfarmers to access global debt capital markets as required.

Some subsidiaries in the Insurance division are general insurance companies, which are subject to externally imposed capital requirements set and monitored by regulatory bodies. These subsidiaries have been ring-fenced and maintain a level of solvency deemed sufficient by Standard & Poor's to support at least an A- rating.

Wesfarmers regularly monitors its capital requirements using various benchmarks, with the main measures being cash interest cover, debt cover and fixed charges cover. Cash interest cover is calculated as earnings before interest, tax, depreciation and amortisation divided by net cash interest paid (excluding interest revenue earned in any Insurance business). Debt cover is calculated by dividing total net financial debt by earnings before interest, tax, depreciation and amortisation. The fixed charges cover is calculated by dividing earnings before interest, tax, depreciation and amortisation plus minimum lease payments by finance costs, net of discount adjustment, plus the minimum lease payments. These ratios may be subject to further adjustment by external parties, such as banks and ratings agencies, in line with their own practices.

Cash interest cover, debt cover and fixed charges cover were as follows:

	CONSOLIDATED	
	2012	2011
	\$m	\$m
Cash interest cover		
Profit before income tax	3,044	2,706
Finance costs	505	526
Depreciation and amortisation	995	923
EBITDA	4,544	4,155
Net cash interest paid	423	436
Cash interest cover	10.8	9.5
Debt cover		
Total interest-bearing debt	5,502	4,879
Less: cash and cash equivalents	1,127	897
Net financial debt	4,375	3,982
EBITDA	4,544	4,155
Debt cover	1.0	1.0
Fixed charges cover		
EBITDA	4,544	4,155
Minimum lease payments	1,791	1,722
EBITDA plus minimum lease payments	6,335	5,877
Finance costs, net of discount adjustment, plus minimum lease payments	2,239	2,184
Fixed charges cover	2.8	2.7

Details of externally imposed capital requirements are contained in note 19.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

24: Retained earnings

	CONSOLIDATED	
	2012 \$m	2011 \$m
Balance as at 1 July	1,774	1,414
Net profit	2,126	1,922
Dividends	(1,793)	(1,562)
Actuarial loss on defined benefit plan, net of tax	(4)	-
Balance as at 30 June	2,103	1,774

25: Reserves

CONSOLIDATED	Restructure tax reserve \$m	Capital reserve \$m	Foreign currency translation reserve \$m	Hedging reserve \$m	Available- for-sale reserve \$m	Total \$m
Balance at 1 July 2010	150	24	(56)	(77)	4	45
Gains and losses on financial instruments recognised in equity	-	-	-	301	3	304
Tax effect of revaluation	-	-	-	(90)	(1)	(91)
Realised losses transferred to balance sheet/net profit	-	-	-	79	-	79
Tax effect of transfers	-	-	-	(24)	-	(24)
Currency translation differences	-	-	(3)	-	-	(3)
Balance at 30 June 2011	150	24	(59)	189	6	310
Gains and losses on financial instruments recognised in equity	-	-	-	55	(7)	48
Tax effect of revaluation	-	-	-	(17)	2	(15)
Realised gains transferred to balance sheet/net profit	-	-	-	(92)	-	(92)
Share of associates reserve	-	-	-	(3)	-	(3)
Tax effect of transfers	-	-	-	28	-	28
Currency translation differences	-	-	(7)	-	-	(7)
Balance at 30 June 2012	150	24	(66)	160	1	269

Nature and purpose of reserves

Restructure tax reserve

The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 ownership simplification plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.

Capital reserve

The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Available-for-sale reserve

The available-for-sale reserve records fair value changes on available-for-sale investments.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise syndicated and other bank loans, bank accepted bills, commercial paper, corporate bonds and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations or, in the case of short-term deposits, 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, 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 year, 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:

- liquidity risk;
- market risk (including foreign currency, interest rate and commodity price risk); and
- credit risk.

The Board reviews and agrees policies for managing each 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.

(a) Liquidity risk

Wesfarmers maintains a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of the principal. Wesfarmers aims to spread maturities to avoid excessive refinancing in any period.

Liquidity risk is managed centrally by Group Treasury, by considering over a period of time the operating cash flow forecasts of the underlying businesses and accessing the debt and equity capital markets. Wesfarmers continues to maintain investment grade credit ratings from Moody's and Standard & Poor's.

Wesfarmers aims to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. At 30 June 2012, the Group had unutilised committed debt facilities of \$2,298 million (2011: \$2,006 million). Unutilised committed debt facilities includes backup liquidity for the Group's commercial paper programs through committed commercial paper standby facilities, of which \$243 million was available at 30 June 2012 (2011: \$275 million). Refer to note 19 for the financing facilities used and unused. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets.

Liquidity risk disclosures for insurance liabilities are included in note 21.

Maturities of financial liabilities

The following tables analyse the Group's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

Expected future interest payments on loans and borrowings exclude accruals already recognised in trade and other payables.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid.

For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables, and have been estimated using forward interest rates applicable at the reporting date.

Derivative cash flows exclude accruals recognised in trade and other payables.

Refer to note 28 for further details on contingent liabilities.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(a) Liquidity risk (continued)

Consolidated	<3 months, or on demand \$m	>3-<6 months \$m	>6-<12 months \$m	>1-<2 years \$m	>2-<3 years \$m	>3-<4 years \$m	>4-<5 years \$m	>5 years \$m	Total contractual cash flows \$m	Carrying amount (assets)/ liabilities \$m
YEAR ENDED 30 JUNE 2012										
Non-derivatives										
Trade and other payables	5,339	42	33	23	1	1	-	1	5,440	5,440
Loans and borrowings before swaps	547	421	711	850	722	1,360	500	500	5,611	5,502
Expected future interest payments on loans and borrowings	52	65	136	204	157	98	46	63	821	-
Total non-derivatives	5,938	528	880	1,077	880	1,459	546	564	11,872	10,942
Derivatives										
Hedge interest rate swaps (net settled)	-	10	10	(5)	(6)	-	-	-	9	6
Non-hedge interest rate swaps (net settled)	1	1	2	1	-	-	-	-	5	5
Cross currency interest rate swaps (gross settled)										
- (inflow)	(1)	(22)	(686)	(45)	(46)	(1,448)	-	-	(2,248)	102
- outflow	7	31	771	68	71	1,401	-	-	2,349	-
Net cross currency interest rate swaps	6	9	85	23	25	(47)	-	-	101	102
Hedge foreign exchange contracts (gross settled)										
- (inflow)	(951)	(720)	(753)	(758)	(529)	(316)	(52)	-	(4,079)	(268)
- outflow	910	687	701	678	480	305	50	-	3,811	-
Net foreign exchange contracts	(41)	(33)	(52)	(80)	(49)	(11)	(2)	-	(268)	(268)
Total derivatives	(34)	(13)	45	(61)	(30)	(58)	(2)	-	(153)	(155)
YEAR ENDED 30 JUNE 2011										
Non-derivatives										
Trade and other payables	4,893	151	19	10	6	1	-	3	5,083	5,083
Loans and borrowings before swaps	19	247	-	1,054	1,250	1,072	1,487	-	5,129	4,879
Expected future interest payments on loans and borrowings	89	88	172	312	216	129	40	-	1,046	-
Total non-derivatives	5,001	486	191	1,376	1,472	1,202	1,527	3	11,258	9,962
Derivatives										
Hedge interest rate swaps (net settled)	2	9	13	22	1	-	-	-	47	45
Non-hedge interest rate swaps (net settled)	1	1	2	2	1	-	-	-	7	6
Cross currency interest rate swaps (gross settled)										
- (inflow)	(1)	(19)	(31)	(746)	(48)	(50)	(1,538)	-	(2,433)	169
- outflow	9	39	78	870	98	101	1,418	-	2,613	-
Net cross currency interest rate swaps	8	20	47	124	50	51	(120)	-	180	169
Hedge foreign exchange contracts (gross settled)										
- (inflow)	(776)	(642)	(738)	(813)	(400)	(241)	(46)	-	(3,656)	(333)
- outflow	757	614	662	685	333	202	46	-	3,299	-
Net foreign exchange contracts	(19)	(28)	(76)	(128)	(67)	(39)	-	-	(357)	(333)
Total derivatives	(8)	2	(14)	20	(15)	12	(120)	-	(123)	(113)

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk

Foreign currency risk

The Group's primary currency exposures are in relation to US dollars and arise from sales or purchases by a division in currencies other than the division's functional currency.

As a result of operations in New Zealand, the Group's balance sheet can be affected by movements in the AUD/NZD exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in NZ dollars in New Zealand.

The Group requires all divisions to hedge foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. Before hedging, the divisions are also required to take into account their competitive position. The hedging instrument must be in the same currency as the hedged item. Divisions are not permitted to speculate on future currency movements.

The objective of Wesfarmers' policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons:

- protection of competitive position; and
- greater certainty of earnings due to protection from sudden currency movements.

The Group aims to hedge approximately 45 per cent to 55 per cent (over five years) of its foreign currency sales for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to June 2017. Such foreign currency purchases arise predominantly in the Resources division.

The Group aims to hedge approximately 70 per cent to 100 per cent of its non-capital expenditure related foreign currency purchases for which firm commitments or highly probable forecast transactions exist, up to 12 months forward. The Group currently hedges 100 per cent of capital expenditure related foreign currency purchases to match expected payment dates and these may extend beyond 12 months. The current hedge contracts extend out to June 2014. Such foreign currency purchases arise predominantly in the retail, Chemicals, Energy and Fertilisers, and Industrial and Safety divisions.

Refer to note 27 for details of outstanding foreign exchange derivative contracts used by the Group to manage exposure to foreign exchange risk as at 30 June 2012.

The Group's exposure to the US dollar, EURO and NZ dollar (prior to hedging contracts) at the reporting date were as follows:

CONSOLIDATED	2012			2011		
	USD A\$m	EUR A\$m	NZD A\$m	USD A\$m	EUR A\$m	NZD A\$m
Financial assets						
Cash and cash equivalents	70	2	113	55	6	76
Trade and other receivables	191	2	208	118	5	166
Reinsurance and other recoveries	1	-	383	-	-	452
Finance advances and loans	-	-	97	-	-	78
Cross currency interest rate swap	70	-	-	5	-	-
Hedge foreign exchange derivative assets	294	-	-	403	-	-
Financial liabilities						
Trade and other payables	249	9	264	162	15	214
Interest-bearing loans and borrowings	1,315	648	163	1,236	673	273
Cross currency interest rate swap	63	109	-	83	91	-
Insurance liabilities	-	-	729	-	-	628
Hedge foreign exchange derivative liabilities	23	3	-	68	2	-

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange risk exposures existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements.

The following rates have been used in performing the sensitivity analysis:

	2012			2011		
	Actual	+10%	-10%	Actual	+10%	-10%
US dollar	1.00	1.10	0.90	1.07	1.18	0.96
EURO	0.81	0.89	0.73	0.74	0.81	0.67

The impact on profit and equity is estimated by relating the hypothetical changes in the US dollar and EURO exchange rate to the balance of financial instruments at the reporting date. Foreign currency risks, as defined by AASB 7 *Financial Instruments: Disclosures*, arise on account of financial instruments being denominated in a currency that is not the functional currency in which the financial instrument is measured.

Differences from the translation of financial statements into the Company's presentation currency are not taken into consideration in the above analysis.

The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

- the impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit;
- to the extent that the foreign currency denominated derivatives on balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not affect profit; and
- movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net effect on profit.

At 30 June 2012, had the Australian dollar moved against the US dollar and EURO, as illustrated in the table above, with all other variables held constant, the Group's profit after tax and other equity would have been affected by the change in value of its financial assets and financial liabilities, as follows:

CONSOLIDATED	USD exposure A\$m	AUD/USD + 10%		AUD/USD - 10%		EUR exposure A\$m	AUD/EUR + 10%		AUD/EUR - 10%	
		Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m		Impact on profit A\$m	Impact on equity A\$m		
YEAR ENDED 30 JUNE 2012										
Financial assets										
Cash and cash equivalents	70	(5)	-	5	-	2	-	-	-	-
Trade and other receivables	191	(13)	-	13	-	2	-	-	-	-
Hedge foreign exchange derivative assets	271	-	96	-	(119)	-	-	-	-	-
Financial liabilities										
Trade and other payables	249	17	-	(17)	-	9	1	-	(1)	-
Interest-bearing loans and borrowings	1,315	84	-	(103)	-	648	42	-	(52)	-
Cross currency interest rate swap	(7)	(84)	(3)	103	4	109	(42)	(2)	52	3
Hedge foreign exchange derivative liabilities	-	-	-	-	-	3	-	3	-	(3)
Net impact		(1)	93	1	(115)		1	1	(1)	-

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

CONSOLIDATED	AUD/USD + 10%		AUD/USD - 10%		AUD/EUR + 10%		AUD/EUR - 10%			
	USD exposure A\$m	Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m	EUR exposure A\$m	Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m
YEAR ENDED 30 JUNE 2011										
Financial assets										
Cash and cash equivalents	55	(4)	-	4	-	6	-	-	-	-
Trade and other receivables	118	(8)	-	9	-	5	-	-	-	-
Hedge foreign exchange derivative assets	335	-	55	-	(70)	-	-	-	-	-
Financial liabilities										
Trade and other payables	162	11	-	(13)	-	15	1	-	(1)	-
Interest-bearing loans and borrowings	1,236	79	-	(97)	-	673	44	-	(54)	-
Cross currency interest rate swap	78	(79)	(5)	97	6	91	(44)	-	54	-
Hedge foreign exchange derivative assets	-	-	-	-	-	2	-	(4)	-	5
Net impact		(1)	50	-	(64)		1	(4)	(1)	5

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.

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. The policy requires that an interest rate risk management (IRRM) plan be developed based on cash flow forecasts. A committee comprising senior management meets periodically to review the IRRM plan and make interest rate hedging recommendations, which are provided to the Finance Director for approval. The Group's interest rate hedging profile is regularly reported to the Wesfarmers Board and senior executives.

To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. At 30 June 2012, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 42 per cent of the Group's core borrowings are exposed to movements in variable rates (2011: approximately 41 per cent). Refer to note 27 for details of outstanding interest rate swap derivative contracts used to manage the Group's interest rate risk as at 30 June 2012.

From a Group perspective, any internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Although Wesfarmers has issued US and EURO bonds, cross currency swaps are in place, which remove any exposure to US and EURO interest rates. These cross currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.

As at the reporting date, the Group had the following financial assets and liabilities with exposure to interest rate risk. Interest on financial instruments, classified as floating rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. Other financial instruments of the Group that are not included in the following table are non-interest-bearing and are therefore not subject to interest rate risk.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

	CONSOLIDATED			
	2012		2011	
	Balance \$m	Weighted average interest rate %	Balance \$m	Weighted average interest rate %
Financial assets				
<i>Fixed rate</i>				
Loans to associates	8	7.00	9	7.00
Weighted average effective interest rate on fixed rate assets		7.00		7.00
<i>Floating rate</i>				
Finance advances and loans	292	9.79	223	9.94
Investments backing insurance contracts	1,152	5.59	988	5.43
Cash assets	710	3.35	633	3.33
Weighted average effective interest rate on floating rate assets		5.42		5.25
Total weighted average effective interest rate on financial assets at balance date		5.43		5.26
Financial liabilities				
<i>Fixed rate</i>				
Term loans	994	9.41	1,813	9.34
Bank bills	400	8.56	-	-
Corporate bonds	1,484	6.41	495	6.85
Weighted average effective interest rate on fixed rate liabilities		7.74		8.81
<i>Floating rate</i>				
Bank overdraft	3	7.07	-	-
Term loans	72	6.74	-	-
Other unsecured bank loan	71	3.35	201	4.16
Commercial paper	97	3.32	65	3.51
Corporate bonds	2,382	6.19	2,305	7.66
Weighted average effective interest rate on floating rate liabilities		6.02		7.28
Total weighted average effective interest rate on financial liabilities at balance date		6.92		8.00
Total weighted average effective interest rate on financial liabilities during the year		7.32		8.39

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Group profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements.

The results of the sensitivity analysis are driven by three main factors, as outlined below:

- for unhedged floating rate financial instruments, any increase or decrease in interest rates will impact profit;
- to the extent that derivatives form part of an effective cash flow hedge relationship, there will be no impact on profit and any increase/(decrease) in the fair value of the underlying derivative instruments will be deferred in equity; and
- movements in the fair value of derivatives in an effective fair value hedge relationship will be recognised directly in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. If interest rates had moved and with all other variables held constant, profit after tax and equity would have been affected as follows:

CONSOLIDATED	2012		2011	
	Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m
Australian variable interest rate + 100bps (2011: + 100bps)	(3)	9	(10)	17
Australian variable interest rate - 100bps (2011: - 100bps)	2	(9)	10	(17)

Commodity price risk

The Group's exposure to commodity price risk arises largely from coal price fluctuations, which impact its coal mining operations. Excluding the foreign exchange risk component, which is managed as part of the Group's overall foreign exchange risk management policies and procedures referred to previously, this exposure is not hedged as the coal type predominantly sold by the Group is not a readily traded commodity on a market exchange.

No sensitivity analysis is provided for the Group's coal and gas 'own use contracts' as they are outside the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. Such contracts are to buy or sell non-financial items and were entered into, and continue to be held, for the purpose of the receipt or delivery of the non-financial item, in accordance with the division's expected purchase, sale or usage requirements.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk related to trade and other receivables

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties. Depending on the division, credit terms are generally 14 to 30 days from date of invoice. It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, trade and other receivables balances are monitored on an ongoing basis.

An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. The Group's exposure to bad debts is not significant and default rates have historically been very low.

An ageing of trade receivables past due is included in note 9. The carrying amounts of the Group's trade and other receivables are denominated in Australian dollars, US dollars or NZ dollars. Since the Group trades only with recognised third parties, no requests or requirement for collateral covering trade and other receivables balances have been made.

The following concentrations of the maximum credit exposure of current trade and other receivables are shown for the consolidated entity:

	2012	2011
Coles	11.6%	11.9%
Home Improvement and Office Supplies	7.8%	10.1%
Kmart	1.2%	1.3%
Target	0.6%	0.3%
Insurance	52.1%	52.0%
Resources	8.0%	6.3%
Industrial and Safety	9.4%	9.2%
Chemicals, Energy & Fertilisers	7.6%	7.7%
Corporate	1.7%	1.2%
	100.0%	100.0%

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with Board approved policy. Investments of surplus funds are made only with approved counterparties or counterparties rated AA or higher by Standard & Poor's. Surplus funds are invested within credit limits assigned to each counterparty, unless appropriate approval is provided. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when the Group provides a guarantee to another party. Details of contingent liabilities are disclosed in note 28. There are no significant concentrations of credit risk within the Group.

(d) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are as follows:

CONSOLIDATED	Note	CARRYING AMOUNT		FAIR VALUE	
		2012 \$m	2011 \$m	2012 \$m	2011 \$m
Financial assets					
Cash	8	1,127	897	1,127	897
Trade receivables	9	1,733	1,506	1,733	1,506
Finance advances and loans	9	292	223	292	223
Other debtors	9	392	429	392	429
Investments backing insurance contracts					
Term deposits	11	1,152	988	1,152	988
Reinsurance and other recoveries	11	731	1,026	731	1,026
Available-for-sale investments	13	15	17	15	17
Loans to associates	14	8	9	8	9
Forward currency contracts	27	294	403	294	403
Interest rate swaps	27	33	9	33	9
Cross currency interest rate swaps	27	70	5	70	5
Financial liabilities					
Trade payables	18	5,420	5,059	5,420	5,059
Other creditors and accruals	18	20	24	20	24
Interest-bearing loans and borrowings					
Syndicated bank loans	19	1,066	1,813	1,066	1,813
Unsecured bank loans	19	70	201	70	201
Commercial paper	19	97	65	97	65
Bank bills	19	400	-	400	-
Bank overdraft	19	3	-	3	-
Corporate bonds	19	3,866	2,800	4,004	2,829
Forward currency contracts	27	26	70	26	70
Interest rate swaps	27	44	60	44	60
Cross currency interest rate swaps	27	172	174	172	174

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Other financial assets/liabilities

Market values have been used to determine the fair value of listed available-for-sale investments using a quoted market price. The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(d) Fair values (continued)

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

Valuation of financial instruments

For financial instruments measured at fair value, the Group uses the following to categorise the method used:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments, as well as the methods used to estimate fair value, are summarised in the table below:

Consolidated	Quoted market price (Level 1) \$m	Valuation technique – market observable inputs (Level 2) \$m	Valuation technique – non-market observable inputs (Level 3) \$m	Total \$m
YEAR ENDED 30 JUNE 2012				
Financial assets measured at fair value				
Available-for-sale investments				
Shares in unlisted companies at fair value	-	-	15	15
Investments backing insurance contracts				
Term deposits	-	1,152	-	1,152
Derivative instruments				
Forward currency contracts	-	294	-	294
Interest rate swaps	-	33	-	33
Cross currency interest rate swaps	-	70	-	70
Total financial assets measured at fair value	-	1,549	15	1,564
Financial liabilities measured at fair value				
Derivative instruments				
Forward currency contracts	-	26	-	26
Interest rate swaps	-	44	-	44
Cross currency interest rate swaps	-	172	-	172
Total financial liabilities measured at fair value	-	242	-	242

There were no transfers between Level 1 and Level 2 during the year.

There were no material Level 3 fair value movements during the year.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(d) Fair values (continued)

Consolidated	Quoted market price (Level 1) \$m	Valuation technique – market observable inputs (Level 2) \$m	Valuation technique – non-market observable inputs (Level 3) \$m	Total \$m
YEAR ENDED 30 JUNE 2011				
Financial assets measured at fair value				
Available-for-sale investments				
Shares in unlisted companies at fair value	-	-	17	17
Investments backing insurance contracts				
Term deposits	-	988	-	988
Derivative instruments				
Forward currency contracts	-	403	-	403
Interest rate swaps	-	9	-	9
Cross currency interest rate swaps	-	5	-	5
Total financial assets measured at fair value	-	1,405	17	1,422
Financial liabilities measured at fair value				
Derivative instruments				
Forward currency contracts	-	70	-	70
Interest rate swaps	-	60	-	60
Cross currency interest rate swaps	-	174	-	174
Total financial liabilities measured at fair value	-	304	-	304

There were no transfers between Level 1 and Level 2 during the year.

There were no material Level 3 fair value movements during the year.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

27: Hedging activities

Foreign exchange contracts

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.

Instrument	Notional amount	Average rate	Expiry	Hedge type	FAIR VALUE	
					2012 \$m	2011 \$m
Foreign exchange forwards	2012: US\$2,482.7 million (2011: US\$2,039.5 million)	AUD/USD = 0.8891 (2011: AUD/USD = 0.9037)	July 2011 to June 2017	Cash flow hedge – forward sales contracts relating mainly to USD coal and LPG sales and have maturities out to June 2017	277	403
	2012: US\$1,084.5 million (2011: US\$1,178.7 million)	AUD/USD = 1.0053 (2011: AUD/USD = 1.0199)	July 2011 to June 2014	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to June 2014	(5)	(66)
	2012: €34.3 million (2011: €47.3 million)	AUD/EUR = 0.7518 (2011: AUD/EUR = 0.7166)	July 2011 to March 2014	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to June 2014	(3)	(2)
	2012: NZ\$40.7 million (2011: NZ\$42.6 million)	NZD/USD = 0.7842 (2011: NZD/USD = 0.7780)	July 2011 to March 2013	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to June 2014	(1)	(2)
					268	333

Interest rate swap contracts

The terms of the interest rate contracts match the terms of the underlying debt items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in interest rates. Note, de-designated hedges that have equal and opposite offsetting hedges are not disclosed below.

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE	
					2012 \$m	2011 \$m
Interest rate swaps	AUD 2012 \$1,500 million (2011: \$2,100 million)	Receive BBSW or BBSY floating Pay 7.1% fixed (2011: 7.3%)	October 2010 to October 2013	Cash flow hedge – to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to floating rate bank bill, term loans or commercial paper debt	(32)	(54)
	AUD 2012 \$300 million (2011: nil)	Receive BBSW or BBSY floating Pay 4.51% fixed (2011: nil)	January 2013 to July 2014	Cash flow hedge – delay start interest rate swaps to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to term loan debt starting from 1 October 2010	(7)	-
	AUD 2012 \$400 million (2011: \$400 million)	Receive 8.25% fixed (2011: 8.25% fixed) Pay BBSW floating	September 2014	Fair value hedge – to swap the 2014 \$400 million AUD bond from a fixed rate to floating rate exposure	20	5
	AUD 2012 \$601 million (2011: \$510 million)	Receive 5.6% fixed (2011: 5.9%) Pay BBSW floating	April 2014 to September 2024	Fair value hedge – to hedge the exposure to changes in the fair value of the outstanding insurance claims (a recognised liability) attributable to changes in fixed interest rates	13	4
					(6)	(45)

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

27: Hedging activities (continued)

Cross currency interest rate swap contracts

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE	
					2012 \$m	2011 \$m
Fixed for floating cross currency interest rate swap	USD 2012: US\$650 million (2011: US\$650 million)	Receive 6.998% fixed (2011: 6.998%)	April 2013	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the US dollar LIBOR benchmark curve for the term of the hedged bond and cross currency interest rate swap (CCIRS)	(5)	(11)
		Pay BBSW plus 3.979% floating (2011: 3.979%)		Fair value hedge – to eliminate variability in the changes in the fair value of the remaining portion of coupon and principal cash flows of the US dollar bond, due to changes in spot foreign exchange rates and currency interest rates	(58)	(72)
					(63)	(83)
Fixed for floating cross currency interest rate swap	EUR 2012: €500 million (2011: €500 million)	Receive 3.875% fixed (2011: 3.875%)	July 2015	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the Euribor benchmark curve for the term of the hedge bond and cross currency interest rate swap (CCIRS)	(2)	(9)
		Pay BBSW plus 2.295% floating (2011: 2.295%)		Fair value hedge – to eliminate variability in the changes in the fair value of the portion of coupon based on the Euribor benchmark curve due to changes in spot foreign exchange rates and interest rates	(107)	(82)
					(109)	(91)
Fixed for floating cross currency interest rate swap	USD 2012: US\$650 million (2011: US\$650 million)	Receive 2.983% fixed (2011: 2.983%)	May 2016	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the US dollar LIBOR benchmark curve for the term of the hedged bond and CCIRS	8	8
		Pay BBSW plus 1.265% floating (2011: 1.265%)		Fair value hedge – to eliminate variability in the changes in the fair value of the remaining portion of coupon and principal cash flows of the US dollar bond, due to changes in spot foreign exchange rates and currency interest rates	62	(3)
					70	5
					(102)	(169)
Total derivatives in effective hedge relationships					160	119
Total derivatives in ineffective hedge relationships					(5)	(6)
Total derivatives in hedge relationships					155	113

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

27: Hedging activities (continued)

	FAIR VALUE	
	2012 \$m	2011 \$m
Total derivatives comprise:		
Current assets		
Forward currency contracts – cash flow hedges	151	180
Interest rate swaps – fair value hedges	13	4
Total current assets	164	184
Non-current assets		
Forward currency contracts – cash flow hedges	143	223
Cross currency interest rate swap – cash flow hedge	8	8
Cross currency interest rate swap – fair value hedge	62	(3)
Interest rate swaps – fair value hedges	20	5
Total non-current assets	233	233
Current liabilities		
Forward currency contracts – cash flow hedges	(25)	(62)
Cross currency interest rate swap – cash flow hedge	(5)	-
Cross currency interest rate swap – fair value hedge	(58)	-
Interest rate swaps – cash flow hedges	(34)	(32)
Interest rate swaps classified as held for trading*	(4)	(2)
Total current liabilities	(126)	(96)
Non-current liabilities		
Forward currency contracts – cash flow hedges	(1)	(8)
Cross currency interest rate swap – cash flow hedge	(2)	(20)
Cross currency interest rate swap – fair value hedge	(107)	(154)
Interest rate swaps – cash flow hedges	(5)	(22)
Interest rate swaps classified as held for trading*	(1)	(4)
Total non-current liabilities	(116)	(208)
Total derivatives	155	113

* Derivative instruments classified as held for trading primarily consist of derivatives previously in effective hedge relationships but no longer satisfy the requirements for hedge accounting. These derivative instruments are in offsetting relationships to minimise the effect on earnings.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

28: Commitments and contingencies

	CONSOLIDATED	
	2012 \$m	2011 \$m
Operating lease commitments – Group as lessee		
The Group has entered into commercial leases on office, retail and distribution properties, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings, the lease terms range from one year to 25 years and have various renewal or purchase options, escalation clauses, termination rights and residual liability clauses.		
Future minimum rentals payable under non-cancellable operating leases not included within this financial report were as follows:		
Within one year	1,720	1,610
Greater than one year but not more than five years	5,267	5,057
More than five years	5,532	5,056
	12,519	11,723
Operating lease commitments – Group as lessor		
Contracted non-cancellable future minimum lease payments expected to be received in relation to non-cancellable sub-leases not included in this financial report were as follows:		
Within one year	28	8
Greater than one year but not more than five years	56	14
More than five years	12	2
	96	24
Capital commitments		
Commitments arising from contracts for capital expenditure contracted for at balance date not included in this financial report were as follows:		
Within one year	458	301
Greater than one year but not more than five years	41	242
	499	543
Commitments arising from agreements to invest in Gresham Private Equity Funds contracted for at balance date not included in this financial report were as follows:		
Due within one year	70	74
Other expenditure commitments		
Contracted other expenditure commitments not included in this financial report were as follows:		
Within one year	123	97
Greater than one year but not more than five years	292	299
More than five years	73	69
	488	465
Commitments relating to jointly controlled assets		
At 30 June 2012, the Group's share of the Bengalla Joint Venture commitments was \$13 million (2011: \$74 million), principally relating to the acquisition of plant and equipment, all of which is payable within one year. The Group's share of the Kwinana Sodium Cyanide Joint Venture capital commitments was \$5 million (2011: \$1 million), relating to the acquisition of plant and equipment, all of which is payable within one year. The Group's share of the HAL Property Trust commitments was \$25 million (2011: \$25 million), relating to the acquisition of plant and equipment.		
Share of capital commitments of the joint venture asset:		
Due within one year	33	90
Greater than one year but not more than five years	10	10
	43	100

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

28: Commitments and contingencies (continued)

	CONSOLIDATED	
	2012 \$m	2011 \$m
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	1,198	1,044

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

On acquisition of the Coles group, Wesfarmers assumed responsibility for the guarantees entered into by the Coles group relating to the sale of its Myer business in June 2006, under which Coles group had guaranteed the performance of certain lease agreements held by Myer Ltd. The guarantees amount to \$19 million (2011: \$27 million). The fair value of these guarantees is not considered to be material and has not been recognised in this financial report.

Other

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

29: Disposal of controlled entities

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

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

	Premier \$m	enGen \$m
Consideration received	295	101
Other consideration (payable)/ receivable	-	2
Total consideration received	295	103
Assets and liabilities of controlled entities disposed		
ASSETS		
Property, plant and equipment	242	47
Inventories	11	2
Receivables and other assets	15	17
Total assets disposed	268	66
LIABILITIES		
Trade payables and other liabilities	11	5
Provisions	45	3
Net deferred tax liability	19	-
Total liabilities disposed	75	8
Net assets disposed	193	58
Gain on disposals		
Consideration	295	103
Less: transaction costs	(4)	(2)
Less: net assets disposed of	(193)	(58)
Gain on disposal	98	43

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

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

30: Events after the balance sheet date

Dividend

A fully-franked dividend of 95 cents per share resulting in a dividend payment of \$1,099 million was declared for a payment date of 28 September 2012. The dividend has not been provided for in the 30 June 2012 full-year financial statements.

Borrowings

On 25 July 2012, Wesfarmers announced the issue of €650 million of unsecured fixed rate medium term notes maturing in August 2022. The notes were priced at 110 basis points over the EURO ten-year mid swap rate and have been fully swapped back in Australian dollars, resulting in a total fixed interest cost of 5.85 per cent per annum. On the same day, Wesfarmers repaid \$400 million seven-year bonds that were issued by Coles on 25 July 2005.

31: Interest in jointly controlled assets

The Group has the following interests in joint ventures in Australia:

Joint venture	Principal activity	INTEREST	
		2012 %	2011 %
Sodium Cyanide JV	Sodium cyanide manufacture	75	75
Bengalla JV	Coal mining	40	40
Kwinana Industrial Gases JV	Oxygen and nitrogen manufacture	40	40
HAL Property Trust	Property ownership	50	50

The share of the assets, revenue and expenses of the jointly controlled assets, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED	
	2012 \$m	2011 \$m
Current assets		
Cash and cash equivalents	1	3
Inventories	15	12
Other	7	4
Total current assets	23	19
Non-current assets		
Property, plant and equipment	340	252
Total non-current assets	340	252
Total assets	363	271
Revenue	413	360
Costs of sales	(252)	(217)
Administrative expenses	(26)	(11)
Profit before income tax	135	132
Income tax expense	(41)	(40)
Net profit	94	92

Refer to note 28 for detail on capital commitments. There were no impairment losses in the jointly controlled assets.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

32: Parent disclosures

	PARENT	
	2012 \$m	2011 \$m
ASSETS		
Current assets	7,949	7,856
Non-current assets	23,000	22,452
Total assets	30,949	30,308
LIABILITIES		
Current interest-bearing loans and borrowings	1,051	-
Other current liabilities	689	771
Total current liabilities	1,740	771
Non-current interest-bearing loans and borrowings	3,881	4,218
Non-current other liabilities	737	822
Total non-current liabilities	4,618	5,040
Total liabilities	6,358	5,811
Net assets	24,591	24,497
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	23,280	23,280
Employee reserved shares	(28)	(37)
Retained earnings	1,211	1,146
Restructure tax reserve	150	150
Hedging reserve	(22)	(42)
Total equity	24,591	24,497
Profit attributable to members of the parent	1,860	1,673
Total comprehensive income for the year, net of tax, attributable to members of the parent	1,880	1,711
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	452	364

Wesfarmers Limited has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

Wesfarmers is party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

Refer to note 34 for details of the Wesfarmers Deed of Cross Guarantee.

Capital commitments

There were no commitments arising from contracts for capital expenditure contracted for at balance date not included in this financial report (2011: nil).

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

33: 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	
			2012 %	2011 %
AALARA Risk Management Pty Ltd	Australia	AUD	50	50
A.C.N. 003 921 873 Pty Limited	Australia	AUD	100	100
A.C.N. 008 734 567 Pty Ltd	Australia	AUD	100	100
A.C.N. 082 931 486 Pty Ltd	Australia	AUD	100	100
A.C.N. 081 459 878 Pty Ltd	Australia	AUD	100	100
A.C.N. 112 719 918 Pty Ltd	Australia	AUD	100	100
All Transport Insurance Brokers Pty Ltd	Australia	AUD	100	100
ALW Newco Pty Limited	Australia	AUD	100	100
Andearp Pty Ltd	Australia	AUD	100	100
Arana Hills Properties Pty Limited	Australia	AUD	100	100
Australian Gold Reagents Pty Ltd	Australia	AUD	75	75
Australian Graphics Pty Ltd	Australia	AUD	100	100
Australian Grocery Holdings Pty Ltd	Australia	AUD	100	100
Australian International Insurance Limited +	Australia	AUD	100	100
Australian Liquor Group Ltd +	Australia	AUD	100	100
Australian Taxi Insurance Underwriting Agency Pty Ltd	Australia	AUD	100	100
Australian Underwriting Holdings Limited +	Australia	AUD	100	100
Australian Underwriting Services Pty Ltd	Australia	AUD	100	100
Australian Vinyls Corporation Pty Ltd +	Australia	AUD	100	100
AVC Holdings Pty Ltd +	Australia	AUD	100	100
AVC Trading Pty Ltd +	Australia	AUD	100	100
Bakop Pty Ltd	Australia	AUD	100	100
Barrier Investments Pty Ltd	Australia	AUD	100	100
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
Bi-Lo Pty Limited +	Australia	AUD	100	100
Brian Pty Ltd	Australia	AUD	100	100
Bullivants Pty Limited +	Australia	AUD	100	100
Bunnings Group Limited +	Australia	AUD	100	100
Bunnings Joondalup Pty Ltd @	Australia	AUD	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 (NZ) Limited	New Zealand	NZD	100	100
Bunnings Properties Pty Ltd	Australia	AUD	100	100
Bunnings Pulp Mill Pty Ltd	Australia	AUD	100	100
BWP Management Limited <	Australia	AUD	100	100
Byrne Watkinson Kaye Insurance Brokers Pty Ltd	Australia	AUD	100	100
C S Holdings Pty Limited +	Australia	AUD	100	100
Campbells Hardware & Timber Pty Limited	Australia	AUD	100	100
Car Rental Risk Management Services Pty Ltd	Australia	AUD	100	100
CGNZ Finance Limited	New Zealand	NZD	100	100
Charlie Carter (Norwest) Pty Ltd +	Australia	AUD	100	100
Chemical Holdings Kwinana Pty Ltd +	Australia	AUD	100	100
Clarkson Shopping Centre Pty Ltd	Australia	AUD	100	100
CMFL Services Ltd +	Australia	AUD	100	100
CMNZ Investments Pty Ltd	Australia	AUD	100	100
CMPQ (CML) Pty Ltd	Australia	AUD	100	100
CMPQ (PEN) Pty Ltd	Australia	AUD	100	100
CMTI Pty Ltd	Australia	AUD	100	100
Colac Food Processors Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

33: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2012 %	2011 %
Coles Ansett Travel Pty Ltd	Australia	AUD	97.5	97.5
Coles Group Asia Pty Ltd +	Australia	AUD	100	100
Coles Group Deposit Services Pty Ltd	Australia	AUD	100	100
Coles Group Employee Share Plan Pty Ltd	Australia	AUD	100	100
Coles Group Finance Limited +	Australia	AUD	100	100
Coles Group Finance (USA) Pty Ltd	Australia	AUD	100	100
Coles Group International Pty Ltd	Australia	AUD	100	100
Coles Group Limited +	Australia	AUD	100	100
Coles Group New Zealand Holdings Limited	New Zealand	NZD	100	100
Coles Group Properties Holdings Ltd +	Australia	AUD	100	100
Coles Group Properties Pty Ltd	Australia	AUD	100	100
Coles Group Property Developments Ltd +	Australia	AUD	100	100
Coles Group Superannuation Fund Pty Ltd	Australia	AUD	100	100
Coles Group Supply Chain Pty Ltd +	Australia	AUD	100	100
Coles LD Australia Pty Ltd	Australia	AUD	100	100
Coles Melbourne Ltd +	Australia	AUD	100	100
Coles Online Pty Ltd	Australia	AUD	100	100
Coles Properties WA Ltd +	Australia	AUD	100	100
Coles Retail Group Pty Ltd	Australia	AUD	100	100
Coles Retail Services Pty Ltd @	Australia	AUD	100	-
Coles Stores (New Zealand) Limited	New Zealand	NZD	100	100
Coles Supercentres Pty Ltd	Australia	AUD	100	100
Coles Supermarkets Australia Pty Ltd +	Australia	AUD	100	100
Comnet Pty Ltd	Australia	AUD	100	100
Comprehensive Holiday Insurance (Underwriting Agents) Pty Ltd	Australia	AUD	100	100
ConsortiumCo Pty Ltd	Australia	AUD	100	100
Coo-ee Investments Pty Limited	Australia	AUD	100	100
Coregas Pty Ltd +	Australia	AUD	100	100
Crombie Lockwood (NZ) Limited #	New Zealand	NZD	100	100
CSA Retail (Finance) 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 Pty Ltd (formerly Dairy Properties Co-operative Limited)	Australia	AUD	100	100
Dennison & Associates Pty Ltd	Australia	AUD	100	100
Direct Fulfilment Group Pty Ltd	Australia	AUD	100	100
e.colesgroup Pty Ltd +	Australia	AUD	100	100
e.tailing (Coles Group) Pty Ltd	Australia	AUD	100	100
Eastfarmers Pty Ltd	Australia	AUD	100	100
ELH Services Limited	United Kingdom	GBP	-	100
Energy Generation Pty Ltd	Australia	AUD	-	100
Eskdale Holdings Pty Ltd	Australia	AUD	100	100
Eureka Operations Pty Ltd +	Australia	AUD	100	100
Expresspak Pty Ltd @	Australia	AUD	100	-
FBP Awards Fund Pty Ltd	Australia	AUD	100	100
FIF Investments Pty Limited	Australia	AUD	100	100
Financial Network Card Services Pty Ltd	Australia	AUD	100	100
Fitzgibbons Hotel Pty Ltd	Australia	AUD	100	100
Fitzinn Pty Ltd	Australia	AUD	100	100
Fosseys (Australia) Pty Ltd	Australia	AUD	100	100
Fraser MacAndrew Ryan Limited	New Zealand	NZD	100	100

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for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

33 Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2012 %	2011 %
Fulthorn Pty Limited	Australia	AUD	100	100
G J Coles & Coy Pty Limited	Australia	AUD	100	100
Gault Armstrong Kemble Pty Ltd	Australia	AUD	100	100
Gault Armstrong SARL	New Caledonia	XPF	100	100
GBPL Pty Ltd	Australia	AUD	100	100
General Merchandise & Apparel Group Pty Ltd	Australia	AUD	100	100
GPML Pty Ltd	Australia	AUD	100	100
Grocery Holdings Pty Ltd +	Australia	AUD	100	100
Guidel Pty Ltd	Australia	AUD	100	100
Hadrill Insurance Brokers Pty Ltd	Australia	AUD	100	100
Harris Technology (NZ) Pty Ltd	Australia	AUD	100	100
Harris Technology Pty Ltd +	Australia	AUD	100	100
Hedz No 2 Pty Ltd	Australia	AUD	100	100
Hedz No 3 Pty Ltd	Australia	AUD	100	100
Hedz No 4 Pty Ltd	Australia	AUD	100	100
Hedz No 5 Pty Ltd	Australia	AUD	100	100
Hedz No 6 Pty Ltd	Australia	AUD	100	100
Hedz No 7 Pty Ltd	Australia	AUD	100	100
Hotel Wickham Investments 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
HT (Colesgroup) Pty Ltd	Australia	AUD	100	100
Idobent Pty Ltd	Australia	AUD	100	100
J Blackwood & Son Pty Ltd +	Australia	AUD	100	100
Katies Fashions (Aust) Pty Limited	Australia	AUD	100	100
Kleenheat Gas House Franchising Pty Ltd	Australia	AUD	100	100
Kmart Australia Limited +	Australia	AUD	100	100
Knox Liquor Australia Pty Ltd	Australia	AUD	100	100
Kwinana Nitrogen Company Proprietary Limited	Australia	AUD	100	100
Lawvale Pty Ltd	Australia	AUD	100	100
LHG Pty Ltd +	Australia	AUD	100	100
LHG2 Pty Ltd +	Australia	AUD	100	100
LHG3 Pty Ltd	Australia	AUD	100	100
Liftco Pty Limited +	Australia	AUD	100	100
Liquorland (Australia) Pty Ltd +	Australia	AUD	100	100
Liquorland (Qld) Pty Ltd +	Australia	AUD	100	100
Loggia Pty Ltd +	Australia	AUD	100	100
Loyalty Pacific (Hong Kong) Limited	Hong Kong	HKD	100	100
Loyalty Pacific Pty Ltd	Australia	AUD	100	100
Lumley Corporation Pty Limited +	Australia	AUD	100	100
Lumley Finance (NZ) Limited #	New Zealand	NZD	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
Lumley Life (NZ) Limited	New Zealand	NZD	-	100
Lumley Management Services Pty Limited	Australia	AUD	100	100
Lumley Superannuation Pty Limited	Australia	AUD	100	100
Lumley Technology Pty Ltd	Australia	AUD	100	100
Manacol Pty Limited +	Australia	AUD	100	100
Masters Hardware Limited	New Zealand	NZD	100	100
Masters Home Improvement Limited	New Zealand	NZD	100	100
Mawhinney Insurance Brokers Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

33: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2012 %	2011 %
Meredith Distribution (NSW) Pty Ltd	Australia	AUD	100	100
Meredith Distribution Pty Ltd	Australia	AUD	100	100
MIB Insurance Brokers Pty Ltd	Australia	AUD	100	100
Millars (WA) Pty Ltd	Australia	AUD	100	100
Modwood Technologies Pty Ltd	Australia	AUD	100	100
Monument Finance Limited #	New Zealand	NZD	100	100
Monument Insurance (NZ) Limited #	New Zealand	NZD	100	100
Morley Shopping Centre Pty Limited	Australia	AUD	100	100
Multimedia Services Pty Ltd	Australia	AUD	100	100
Mycar Automotive Pty Ltd	Australia	AUD	100	100
Newmart Pty Ltd +	Australia	AUD	100	100
now.com.au Pty Ltd	Australia	AUD	100	100
NZ Finance Holdings Pty Limited	New Zealand	NZD	100	100
OAMPS (UK) Limited #	United Kingdom	GBP	100	100
OAMPS Agency Pty Ltd	Australia	AUD	100	100
OAMPS Consulting Pty Ltd	Australia	AUD	100	100
OAMPS Corporate Risk Pty Ltd	Australia	AUD	100	100
OAMPS Credit Limited	Australia	AUD	-	51
OAMPS Credit Pty Ltd @	Australia	AUD	100	-
OAMPS Gault Armstrong Pty Ltd	Australia	AUD	100	100
OAMPS Insurance Brokers Ltd +	Australia	AUD	100	100
OAMPS Life Solutions Ltd	Australia	AUD	100	100
OAMPS Ltd +	Australia	AUD	100	100
OAMPS Special Risks Ltd #	United Kingdom	GBP	100	100
OAMPS Sports Services Pty Limited	Australia	AUD	100	100
Officeworks Businessdirect Pty Ltd +	Australia	AUD	100	100
Officeworks Property Pty Ltd @	Australia	AUD	100	-
Officeworks Superstores NZ Limited	New Zealand	NZD	100	100
Officeworks Superstores Pty Ltd +	Australia	AUD	100	100
Offshore Market Placements Limited #	New Zealand	NZD	100	100
OHES Environmental Limited #	United Kingdom	GBP	100	100
OMP Insurance Brokers Ltd +	Australia	AUD	100	100
ORZO Pty Limited	Australia	AUD	100	100
Osmond Hotel Pty Ltd	Australia	AUD	100	100
Outfront Liquor Services Pty Ltd	Australia	AUD	100	100
Pacific Liquor Wholesalers Pty Ltd	Australia	AUD	100	100
Pailou Pty Ltd +	Australia	AUD	100	100
Parks Insurance Pty Ltd	Australia	AUD	100	100
Patrick Operations Pty Ltd	Australia	AUD	100	100
Penneys Pty Limited	Australia	AUD	100	100
Petersen Bros Pty Ltd	Australia	AUD	100	100
Philip Murphy Melbourne Pty Ltd	Australia	AUD	100	100
Philip Murphy Niddrie Pty Ltd	Australia	AUD	100	100
Philip Murphy Toorak Pty Ltd	Australia	AUD	100	100
Philip Murphy Wine & Spirits Pty Ltd	Australia	AUD	100	100
Powertrain Pty Limited	Australia	AUD	100	100
Premier Power Sales Pty Ltd	Australia	AUD	100	100
Price Point Pty Ltd	Australia	AUD	100	100
Procurement Online Pty Ltd	Australia	AUD	100	100
Protector Alsafte Pty Ltd +	Australia	AUD	100	100
PT Blackwoods Indonesia	Indonesia	USD	100	100
PTF Training Limited	United Kingdom	GBP	100	100
Q.R.L. Insurance Finance Agency Pty Ltd	Australia	AUD	50	50

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

33: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2012 %	2011 %
R & N Palmer Pty Ltd	Australia	AUD	100	100
Relationship Services Pty Limited	Australia	AUD	100	100
Retail Australia Consortium Pty Ltd	Australia	AUD	100	100
Retail Investments Pty Ltd	Australia	AUD	100	100
Ronell Pty Ltd	Australia	AUD	100	100
SBS Rural IAMA Pty Limited	Australia	AUD	100	100
Scones Jam n Cream Pty Ltd (formerly Co-operative Wholesale Services Ltd)	Australia	AUD	100	100
Sellers (SA) Pty Ltd	Australia	AUD	100	100
Share Nominees Limited	Australia	AUD	100	100
Sorcha Pty Ltd	Australia	AUD	100	100
Sotico Pty Ltd	Australia	AUD	100	100
Sportsure Pty Ltd	Australia	AUD	50	50
StateWest Power Pty Ltd	Australia	AUD	-	100
Target Australia Pty Ltd +	Australia	AUD	100	100
TGT Business Consulting Services (Shanghai) Co Ltd @ #	China	CNY	100	-
TGT Procurement Asia Limited @ #	Hong Kong	HKD	100	-
TGT Sourcing Asia Limited @ #	Hong Kong	HKD	100	-
TGT Sourcing India Private Limited @ #	India	INR	100	-
The Builders Warehouse Group Pty Limited	Australia	AUD	100	100
The Franked Income Fund	Australia	AUD	100	100
The Grape Management Pty Ltd +	Australia	AUD	100	100
Theo's Liquor Pty Ltd	Australia	AUD	100	100
Tickoth Pty Ltd	Australia	AUD	100	100
Tooronga Holdings Pty Ltd	Australia	AUD	100	100
Tooronga Shopping Centre Pty Ltd	Australia	AUD	100	100
TotalGuard Pty Limited	Australia	AUD	100	100
Tyremaster (Wholesale) Pty Ltd	Australia	AUD	100	100
Tyremaster Pty Ltd	Australia	AUD	100	100
Ucone Pty Ltd +	Australia	AUD	100	100
Universal Underwriting Services Pty Limited	Australia	AUD	100	100
Valley Investments Pty Ltd +	Australia	AUD	100	100
Vigil Underwriting Agencies Pty Ltd	Australia	AUD	100	100
Viking Direct Pty Limited	Australia	AUD	100	100
W F Broking (UK) Limited	United Kingdom	GBP	100	100
W4K.World 4 Kids Pty Ltd	Australia	AUD	100	100
Wesfarmers Agribusiness Limited +	Australia	AUD	100	100
Wesfarmers Bangladesh Gas Pty Ltd	Australia	AUD	-	100
Wesfarmers Bengalla Limited +	Australia	AUD	100	100
Wesfarmers Bioenergy Pty Ltd	Australia	AUD	100	100
Wesfarmers Broking (NZ) Limited	New Zealand	NZD	100	100
Wesfarmers Bunnings Limited +	Australia	AUD	100	100
Wesfarmers Char Pty Ltd	Australia	AUD	-	100
Wesfarmers Chemicals, Energy & Fertilisers Limited +	Australia	AUD	100	100
Wesfarmers Coal Resources Pty Ltd +	Australia	AUD	100	100
Wesfarmers Curragh Pty Ltd +	Australia	AUD	100	100
Wesfarmers Energy (Gas Sales) Limited +	Australia	AUD	100	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	Australia	AUD	100	100
Wesfarmers Federation Insurance Pty Ltd	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 General Insurance Limited	Australia	AUD	100	100
Wesfarmers Holdings Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

33: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2012 %	2011 %
Wesfarmers Industrial & Safety Holdings NZ Limited #	New Zealand	NZD	100	100
Wesfarmers Industrial & Safety NZ Limited #	New Zealand	NZD	100	100
Wesfarmers Industrial and Safety Pty Ltd +	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	-	69
Wesfarmers Kleenheat Gas Pty Ltd +	Australia	AUD	100	100
Wesfarmers LNG Pty Ltd +	Australia	AUD	100	100
Wesfarmers Loyalty Management Pty Ltd	Australia	AUD	100	100
Wesfarmers LPG Pty Ltd +	Australia	AUD	100	100
Wesfarmers Premier Coal Limited	Australia	AUD	-	100
Wesfarmers Private Equity Pty Ltd	Australia	AUD	100	100
Wesfarmers Provident Fund Pty Ltd	Australia	AUD	100	100
Wesfarmers Railroad Holdings Pty Ltd	Australia	AUD	100	100
Wesfarmers Resources Limited +	Australia	AUD	100	100
Wesfarmers Retail Holdings Pty Ltd +	Australia	AUD	100	100
Wesfarmers Retail Pty Ltd +	Australia	AUD	100	100
Wesfarmers Risk Management Limited #	Bermuda	AUD	100	100
Wesfarmers Risk Management (Singapore) Pte Ltd	Singapore	SGD	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
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
WI Premium Funding Limited +	Australia	AUD	100	100
Wideland Insurance Brokers Pty Ltd	Australia	AUD	100	100
Wideland Life Insurance Agency Pty Ltd	Australia	AUD	100	100
WIS International Pty Ltd	Australia	AUD	100	100
WIS Solutions Pty Ltd	Australia	AUD	100	100
WPP Holdings Pty Ltd	Australia	AUD	100	100
XCC (Retail) Pty Ltd	Australia	AUD	100	100
ZIB Credit Trust	Australia	AUD	-	51
ZIB Group Holdings Company Limited +	Australia	AUD	100	100
ZIB Holdings Pty Limited +	Australia	AUD	100	100
ZIB Insurance Brokers Holdings Limited +	Australia	AUD	100	100
ZIB Trust	Australia	AUD	100	100

@ Entity acquired/incorporated during the year.

Audited by firms of Ernst & Young International.

< Audited by other firms of accountants.

+ An ASIC approved Deed of Cross Guarantee has been entered into by Wesfarmers Limited and these entities. Refer note 34 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 2012 – Wesfarmers Limited and its controlled entities

34: Deed of Cross Guarantee

Pursuant to the Wesfarmers Deed of Cross Guarantee ('the Deed') and in accordance with ASIC Class Order 98/1418, the subsidiaries identified with a '+' in note 33 are relieved from the requirements of the *Corporations Act 2001* relating to the preparation, audit and lodgement of their financial reports.

The subsidiaries identified with a '+' in note 33 and Wesfarmers Limited, together referred to as the 'Closed Group', either originally entered into the Deed on 27 June 2008 or have subsequently joined the Deed by way of an assumption deed. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

Where entities previously included in the Closed Group have been disposed of in the current year, those entities are released from their obligations under the Deed provided that none of the parties to the Deed are wound up and no winding up of those parties is commenced within six months after the notice of disposal was lodged with ASIC. The entities leaving the Closed Group by way of disposal are:

- Wesfarmers Premier Coal Limited ACN 008 672 599
- Energy Generation Pty Ltd ACN 009 017 458

The consolidated income statement of the entities that are members of the Closed Group is as follows:

	2012 Deed \$m	2011 Deed \$m
Consolidated income statement		
Profit from continuing operations before income tax	2,862	2,635
Income tax expense	(923)	(762)
Net profit for the year	1,939	1,873
Retained earnings at beginning of year	953	685
Adjustment for companies transferred into/out of the Closed Group	566	(43)
Total available for appropriation	3,458	2,515
Dividends provided for or paid	(1,793)	(1,562)
Retained earnings at end of year	1,665	953

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

34: Deed of Cross Guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

	2012 Deed \$m	2011 Deed \$m
Consolidated balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	1,072	740
Trade and other receivables	1,590	1,487
Inventories	4,801	4,789
Derivatives	151	182
Other	445	359
Total current assets	8,059	7,557
Non-current assets		
Receivables	1,212	715
Investment in controlled entities	5,058	4,880
Available-for-sale investments	1	1
Investment in associates	187	178
Deferred tax assets	481	438
Property	2,430	1,718
Plant and equipment	6,652	6,206
Intangible assets	4,302	4,261
Goodwill	15,813	15,975
Derivatives	233	233
Other	33	37
Total non-current assets	36,402	34,642
Total assets	44,461	42,199
LIABILITIES		
Current liabilities		
Trade and other payables	5,485	5,108
Interest-bearing loans and borrowings	1,452	415
Income tax payable	478	327
Provisions	1,140	1,058
Derivatives	126	96
Other	220	314
Total current liabilities	8,901	7,318
Non-current liabilities		
Payables	5,119	4,496
Interest-bearing loans and borrowings	3,881	4,613
Provisions	1,240	1,063
Derivatives	116	208
Other	32	22
Total non-current liabilities	10,388	10,402
Total liabilities	19,289	17,720
Net assets	25,172	24,479
EQUITY		
Issued capital	23,286	23,286
Employee reserved shares	(31)	(41)
Retained earnings	1,665	953
Reserves	252	281
Total equity	25,172	24,479

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

35: Related party transactions

	CONSOLIDATED	
	2012 \$m	2011 \$m
Associates		
Management fees received	9	8
Profit on sale of rental properties	4	5
Operating lease rent paid	98	83
Financial advisory fees paid	3	3
Agreed reimbursement for completion of upgrades	-	6
Sale of gift cards on commercial terms	-	18
Payments for customer loyalty programs	-	20
Loans receivable	8	9

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd and BWP Trust (formerly 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 BWP Trust. During the year, the BWP Trust acquired rental properties from the consolidated entity and gains and losses were made on disposal, a portion of which was eliminated in the consolidated accounts under equity accounting.

Mr Graham, a director of Wesfarmers, has a majority shareholding interest in a company which jointly owns Gresham Partners Group Limited on an equal basis with a wholly owned subsidiary of Wesfarmers. A partly owned subsidiary of Gresham Partners Group Limited has provided financial advisory services to Wesfarmers and was paid fees of \$1,988,644 in 2012 (2011: \$924,996).

Ms Wallace, a director of Wesfarmers, is a partner of Booz & Company. Booz & Company has provided consultancy services to Wesfarmers and was paid fees of \$230,893 in 2012 (2011: \$1,701,179).

Loans have been made to an associated entity. Loans are subordinated to a syndicate of project financing banks and neither is repayable nor interest-bearing until a number of financial covenants have been achieved.

Other minor loans have also been made to associates.

36: Auditor's remuneration

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
The auditor of Wesfarmers Limited is Ernst & Young (Australia).		
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	6,491	6,499
- other services in relation to the entity and any other entity in the consolidated group		
- tax compliance	760	507
- assurance related	779	1,092
- other	615	536
	8,645	8,634
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- an audit or review of the financial report of subsidiaries	605	598
- other services in relation to the entity and any other entity in the consolidated group		
- tax compliance	123	127
- assurance related	2	-
	730	725
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- assurance related	29	31
	9,404	9,390

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

37: 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 Securities 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.

The following table sets out the number and weighted average exercise prices (WAEP) of and movements in in-substance share options during the year:

	2012		2011	
	Number Thousands	WAEP	Number Thousands	WAEP
Outstanding and exercisable at the beginning of the year	3,780	\$10.83	4,305	\$11.94
Exercised during the year	(611)	\$8.80	(525)	\$10.04
Outstanding and exercisable at the end of the year	3,169	\$9.87	3,780	\$10.83
Weighted average share price for Wesfarmers Limited		\$30.31		\$32.20

The weighted 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:

2001	\$6.15	\$6.97
2002	\$8.12	\$9.64
2003	\$10.41	\$11.95
2004	\$23.56	\$25.10

Wesfarmers Long Term Incentive Plan (WLTIP)

The WLTIP was introduced in September 2005. Under the plan in 2012, eligible senior executives were invited to receive fully-paid ordinary shares in the Company subject to the achievement of future performance hurdles based on the Group achieving a benchmark growth rate in return on equity and total shareholder return against a comparative group of companies and continuation of employment. Eligibility is dependent upon an in-service period and being a permanent employee.

Shares may be either acquired on-market, issued by the parent or forfeited shares reissued. During the current financial year, 1,147,192 shares were acquired on-market and 601 forfeited shares reissued, with the cost being expensed over the vesting period from 1 July 2011 to 30 June 2015. The fair value of the services received from employees and of the equity instruments granted was determined by reference to the fair value of the performance rights.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2012	2011
Shares acquired under the plan	1,147,793	490,336
Fair value per share	\$26.28	\$33.53

The fair value per share on grant date of 19 August 2011 was determined as follows:

Grant date share price	\$29.83
Volatility (per cent)	22.00
Dividend yield (per cent)	4.58
Risk free rate (per cent)	3.58

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

37: Share-based payment plans (continued)

Wesfarmers Employee Share Acquisition Plan (WESAP)

The WESAP was introduced in October 2009. Under the plan, all eligible employees are invited to acquire fully-paid ordinary shares in the Company. The shares are either acquired under a salary sacrifice arrangement, or are granted as an award subject to the Group achieving a net profit after tax performance hurdle. Eligibility for an award of shares is dependent upon an in-service period with a participating division and being a permanent employee.

The Plan qualifies as a nondiscriminatory employee share scheme complying with the requirements of Division 83A of the *Income Tax Assessment Act 1997* (as amended) for Australian resident employees.

Shares may be either acquired on-market or issued by the parent. During the current financial year, 2,676,596 award shares were acquired on-market by the parent and 146,682 forfeited shares were reissued, with the cost being expensed over the vesting period from 1 July 2011 to 30 November 2014. 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 issued.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2012	2011
Shares acquired under the plan	2,823,278	2,617,107
Fair value per share	\$32.00	\$33.15

Coles Long Term Incentive Plan (CLTIP)

The Group provides benefits to certain executives under the CLTIP, in the form of cash-settled share-based payments, whereby executives can make an election to receive an award in cash. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the executives, which will be the fair value at settlement date. During the current financial year, 12,367 shares were acquired on-market, with the cost being expensed over the vesting period. 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 or loss is set out in note 4.

	CONSOLIDATED	
	2012	2011
Shares acquired under the plan	12,367	66,808
Fair value per share	\$32.34	\$33.30

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

38: Pension plan

The Group operated a defined benefit pension plan (the 'Pension Plan') during the year. The Pension Plan provides for a Closed Group of life pensioners only – hence there are no active defined liabilities in the Pension Plan. All other members receive benefits on an accumulation basis.

The Group has a legal obligation to ensure the Pension Plan remains in a satisfactory financial position but no legal right to benefit from any surplus, except to the extent a contribution holiday can be taken.

Actuarial gains and losses are recognised directly in retained earnings.

The following disclosure is for funds related to the defined benefit plan:

	CONSOLIDATED	
	2012 \$m	2011 \$m
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	37	38
Interest cost	2	2
Benefits paid	(3)	(3)
Actuarial losses	10	-
Closing defined benefit obligation	46	37
Changes in the fair value of the defined benefits portion of plan assets are as follows:		
Opening fair value of plan assets	42	42
Expected return	2	2
Benefits paid	(3)	(2)
Actuarial gains	4	-
Closing fair value of plan assets	45	42
The fair value of plan assets does not include amounts relating to the Group's own financial instruments nor any property or other assets used by the Group.		
Net expense recognised in profit or loss:		
Interest cost	2	2
Expected return on plan assets	(2)	(2)
Defined benefit plan expense	-	-
Benefit asset recognised in the balance sheets:		
Defined benefit obligation	(46)	(37)
Fair value of plan assets	45	42
Net benefit asset	(1)	5

The principal actuarial assumptions used in determining pension benefit obligations are:

	2012 %	2011 %
Discount rate	3.00	5.10
Expected rate of return on plan assets	4.50	5.30
Expected pension increase rate	2.50	2.50

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

39: Director and executive disclosures

Details of key management personnel during the year ended 30 June 2012

Non-executive directors

C B Carter
R L Every
J P Graham
A J Howarth
C Macek
W G Osborn
D L Smith-Gander
V M Wallace

Executive directors

R J B Goyder (Group Managing Director)
T J Bowen (Finance Director)

Senior executives

S A Butel, Managing Director, Resources division
J C Gillam, Managing Director, Home Improvement and Office Supplies division
I J W McLeod, Managing Director, Coles division
D L Rogers, Managing Director, Target division (appointed 17 October 2011)
G A Russo, Managing Director, Kmart division

Former key management personnel

L K Inman (resigned as Managing Director, Target division, 30 March 2012)

Compensation of key management personnel

The remuneration disclosures are provided in sections one to seven of the remuneration report on pages 70 to 86 of this annual report designated as audited and forming part of the directors' report.

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Short-term benefits	22,374	20,951
Post-employment benefits	846	1,022
Termination benefits	-	-
Share-based payments	20,500	21,438
	43,720	43,411

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

39: Director and executive disclosures (continued)

Holdings of equity instruments in Wesfarmers Limited of key management personnel

Wesfarmers Limited ordinary shares and partially protected ordinary shares

Shares – 30 June 2012	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Non-executive directors				
C B Carter	27,948	-	1,083	29,031
R L Every	24,873	-	3,500	28,373
J P Graham	968,352	-	(150,395)	817,957
A J Howarth	13,239	-	542	13,781
C Macek	21,571	-	(204)	21,367
W G Osborn	1,202	-	4,350	5,552
D L Smith-Gander	12,089	-	321	12,410
V M Wallace	1,000	-	3,320	4,320
Executive directors				
R J B Goyder ¹	770,193	253,203	-	1,023,396
T J Bowen	327,748	124,900	-	452,648
Senior executives				
S A Butel	155,384	47,739	(22,730)	180,393
J C Gillam	379,047	103,933	-	482,980
I J W McLeod	64,217	-	1,059	65,276
D L Rogers	-	74,205	-	74,205
G A Russo	302,511	68,022	-	370,533
Former key management personnel				
L K Inman ²	304,138	-	(180,960)	123,178
	3,373,512	672,002	(340,114)	3,705,400

¹ R J B Goyder also holds 100,000 performance rights. Refer to the remuneration report for performance conditions.

² Ceased to be non-executive director, executive director or key management personnel during the 2012 financial year.

Notes to the financial statements

for the year ended 30 June 2012 – Wesfarmers Limited and its controlled entities

39: Director and executive disclosures (continued)

Holdings of equity instruments in Wesfarmers Limited of key management personnel (continued)

Shares – 30 June 2011	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Non-executive directors				
C B Carter	27,133	-	815	27,948
R L Every	24,736	-	137	24,873
J P Graham	947,640	-	20,712	968,352
A J Howarth	10,720	-	2,519	13,239
C Macek	21,571	-	-	21,571
W G Osborn	1,202	-	-	1,202
D L Smith-Gander	11,847	-	242	12,089
V M Wallace	1,000	-	-	1,000
Executive directors				
R J B Goyder ¹	714,359	55,834	-	770,193
T J Bowen	301,008	26,740	-	327,748
Senior executives				
S A Butel	140,385	30,502	(15,503)	155,384
J C Gillam	344,602	34,445	-	379,047
L K Inman	275,336	28,802	-	304,138
I J W McLeod	63,418	-	799	64,217
G A Russo	261,872	40,639	-	302,511
Former key management personnel				
D C White ²	58,739	-	32	58,771
	3,205,568	216,962	9,753	3,432,283

¹ R J B Goyder also holds 100,000 performance rights. Refer to the remuneration report for performance conditions.

² Ceased to be non-executive director, executive director or key management personnel during the 2011 financial year.

Other transactions and balances with key management personnel

Refer to note 35 in relation to transactions with Booz & Company, of which V M Wallace is a partner.

Refer to note 35 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.

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:
 - 1.1 the financial statements, notes and the additional disclosures included in the directors' report, designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - 1.2 the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 2(b); and
 - 1.3 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.
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 33 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 34.

On behalf of the Board:



R L Every
Chairman



R J B Goyder
Managing Director
Perth, 18 September 2012

Independent auditor's report

to the members of Wesfarmers Limited

Report on the financial report

We have audited the accompanying financial report of Wesfarmers Limited, which comprises the consolidated balance sheet as at 30 June 2012, the consolidated income statement, and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

- a. the financial report of Wesfarmers Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 70 to 86 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



G H Meyerowitz

Partner
Perth, 18 September 2012

Annual statement of coal resources and reserves

as at 30 June 2012

Coal resources

The table below details the coal resources for the Wesfarmers Group, as at 30 June 2012:

Mine	Ownership	Beneficial interest	Location of tenements	Likely mining method	Coal type	Coal resource tonnes (millions)				Resource quality (in situ)			
						Measured	Indicated	Inferred	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)	VM (%)
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	413	143	168	724	18.7	28.0	–	18.5
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut and underground	Metallurgical and steaming	12	18	53	83	18.6	26.2	0.57	–

Resource notes:

- 1 Curragh's coal resources are reported as being **inclusive** of coal reserves.
- 2 Bengalla's coal resources are reported as being **in addition** to coal reserves.
- 3 Curragh's in situ resource quality parameters are quoted on an air-dried basis.
- 4 Bengalla's in situ resource quality parameters are quoted on an air-dried basis.
- 5 Bengalla's resources as stated incorporate 100 per cent of the site resources, with Wesfarmers Bengalla Limited's beneficial interest being 40 per cent.
- 6 An estimated 330 million tonnes of the resources reported for Curragh, while within the Curragh North Mining Lease, require agreement with Stanwell Corporation for Curragh to access.

Coal reserves

The table below details the coal reserves for the Wesfarmers Group, as at 30 June 2012:

Mine	Ownership	Beneficial interest	Location of tenements	Likely mining method	Coal type	Coal reserve tonnes (millions)			Reserve quality (inclusive of loss and dilution)			
						Proved	Probable	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)	VM (%)
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	232	16	248	23.3	26.7	–	17.6
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut	Steaming	165	10	176	28.8	22.3	0.60	–

Reserve notes:

- 1 Curragh's reserve quality parameters are quoted at a Run of Mine moisture basis.
- 2 Bengalla's reserve quality parameters are quoted on an air-dried basis.
- 3 Bengalla's reserves as stated incorporate 100 per cent of the site reserves, with Wesfarmers Bengalla Limited's beneficial interest being 40 per cent.

Annual statement of coal resources and reserves

as at 30 June 2012

Characteristics of coal reserves and resources

Curragh

The coal is bituminous and is used for power generation (principally domestic) and metallurgical processes (primarily steel production overseas). The resource is contained in five seams of varying thickness and quality characteristics. Coal is produced from all of these seams. Coal is extracted by open cut methods and processed through a wash plant using dense medium cyclones and froth flotation.

Bengalla

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from eight seams of varying thickness and quality characteristics. The seams occur at relatively shallow depths and dip gently to the west. Coal is extracted by open cut methods.

JORC Code compliance

The statement of coal resources and coal reserves presented in this report has been produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and 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.

The coal resources are inclusive of coal reserves unless otherwise stated.

Competent Persons

Curragh Ms Malise Jenkins, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.
Member AusIMM

Mr Johan Ballot, a full-time employee of Wesfarmers Resources Limited, a wholly owned subsidiary of Wesfarmers Limited.
Member AusIMM

Bengalla Mr Jonathon Buddee, 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

Substantial shareholders

As at the date of this report the Commonwealth Bank of Australia Limited and its subsidiaries, holding 5.19 per cent of Wesfarmers' ordinary shares is a substantial shareholder for the purposes of Part 6C.1 of the *Corporations Act 2001*.

Voting rights

Wesfarmers fully-paid ordinary shares carry voting rights of one vote per share.

Wesfarmers partially protected shares carry voting rights of one vote per share.

Distribution of members and their holdings

Size of holdings	Wesfarmers fully-paid ordinary shares number of shareholdings	Wesfarmers partially protected shares number of shareholdings
1 – 1,000	390,040	270,437
1,001 – 5,000	78,038	9,624
5,001 – 10,000	8,752	631
10,001 – 100,000	4,727	274
100,001 – and over	198	44

There were 14,982 holders holding less than a marketable parcel of Wesfarmers fully-paid ordinary shares.

There were 6,381 holders holding less than a marketable parcel of Wesfarmers partially protected shares.

Less than 0.61 per cent of shareholders have registered addresses outside Australia.

Twenty largest shareholders

Fully-paid ordinary shares

The 20 largest shareholders of ordinary shares on the Company's register as at 18 September 2012 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	151,460,429	15.05
J P Morgan Nominees Australia Limited	138,564,978	13.77
National Nominees Limited	83,887,329	8.33
Citicorp Nominees Pty Limited	42,595,432	4.23
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	22,166,004	2.20
BNP Paribas Noms Pty Ltd (Master Cust DRP)	16,270,480	1.62
AMP Life Limited	7,208,549	0.72
J P Morgan Nominees Australia Limited (Cash Income A/C)	7,169,702	0.71
Australian Foundation Investment Company Limited	6,247,951	0.62
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	5,747,944	0.57
CPU Share Plans Pty Limited (WES WLTI Control A/C)	5,023,897	0.50
Argo Investments Limited	4,583,419	0.46
BNP Paribas Noms Pty Ltd (SMP Accounts DRP)	4,490,834	0.45
Perpetual Trustee Company Limited	3,678,738	0.37
CPU Share Plans Pty Limited (WESAP DFE Control A/C)	3,418,698	0.34
Goldman Sachs Australia Nominee Holdings Pty Ltd (WES Ltd Div Inv Plan A/C)	3,405,274	0.34
BNP Paribas Noms Pty Ltd (DRP)	3,065,401	0.30
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	2,766,539	0.27
UBS Wealth Management Australia Nominees Pty Ltd	2,569,083	0.26
Milton Corporation Limited	2,501,866	0.25

The percentage holding of the 20 largest shareholders of Wesfarmers fully-paid ordinary shares was 51.36.

Shareholder information

Wesfarmers Limited and its controlled entities

Twenty largest shareholders (continued)

Partially protected shares

The 20 largest shareholders of partially protected shares on the Company's register as at 18 September 2012 were:

Name	Number of shares	% of issued capital
National Nominees Limited	18,803,416	12.49
J P Morgan Nominees Australia Limited	15,727,070	10.45
HSBC Custody Nominees (Australia) Limited	8,508,114	5.65
J P Morgan Nominees Australia Limited (Cash Income A/C)	8,295,167	5.51
Citicorp Nominees Pty Limited	3,637,953	2.42
M F Custodians Ltd	3,514,311	2.33
AMP Life Limited	2,782,042	1.85
HSBC Custody Nominees (Australia) Limited – A/C 3	1,808,739	1.20
CS Fourth Nominees Pty Ltd	1,798,766	1.19
RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	1,794,366	1.19
Australian Foundation Investment Company Limited	1,400,120	0.93
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	1,301,700	0.86
Buttonwood Nominees Pty Ltd	1,200,000	0.80
BNP Paribas Noms Pty Ltd (Master Cust DRP)	783,565	0.52
BNP Paribas Noms Pty Ltd (SMP Accounts DRP)	782,515	0.52
UBS Wealth Management Australia Nominees Pty Ltd	773,764	0.51
Credit Suisse Securities (Europe) Ltd (Collateral A/C)	760,000	0.50
Mr Peter Alexander Brown	684,454	0.45
UBS Nominees Pty Ltd	583,514	0.39
Australian Executor Trustees Limited (No 1 Account)	421,454	0.28

The percentage holding of the 20 largest shareholders of Wesfarmers partially protected shares was 50.04.

Five-year financial history

Wesfarmers Limited and its controlled entities

All figures in \$m unless shown otherwise	2012	2011	2010	2009	2008
SUMMARISED INCOME STATEMENT					
Sales revenue	57,685	54,513	51,485	50,641	33,301
Other operating revenue	395	362	342	341	283
Operating revenue	58,080	54,875	51,827	50,982	33,584
Operating profit before depreciation and amortisation, finance costs and income tax	4,544	4,155	3,786	3,803	2,889
Depreciation and amortisation	(995)	(923)	(917)	(856)	(660)
Finance costs	(505)	(526)	(654)	(951)	(800)
Income tax expense	(918)	(784)	(650)	(474)	(366)
Operating profit after income tax attributable to members of Wesfarmers Limited	2,126	1,922	1,565	1,522	1,063
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) '000s as at 30 June	1,157,072	1,157,072	1,157,072	1,157,072	799,438
Paid up ordinary capital as at 30 June	23,286	23,286	23,286	23,286	18,173
Fully-franked dividend per ordinary share (cents)	165	150	125	110	200
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	184.2	166.7	135.7	158.5	174.2
Earnings per share growth	10.5%	22.8%	(14.4%)	(9.0%)	(10.8%)
Return on average ordinary shareholders' funds	8.4%	7.7%	6.4%	7.3%	8.6%
Net interest cover – cash basis (times)	10.8	9.5	6.8	5.0	4.9
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	42,312	40,814	39,236	39,062	37,178
Total liabilities	16,685	15,485	14,542	14,814	17,580
Net assets	25,627	25,329	24,694	24,248	19,598
Net tangible asset backing per ordinary share	\$4.45	\$4.12	\$3.61	\$3.13	(\$1.36)
Net debt to equity	19.1%	17.1%	16.3%	18.3%	47.3%
Total liabilities/total assets	39.4%	37.9%	37.1%	37.9%	47.3%
STOCK MARKET CAPITALISATION AS AT 30 JUNE					
	34,846	36,913	33,171	26,337	29,819

Investor information

Wesfarmers Limited and its controlled entities

Managing your shareholding

The Company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

The Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

- view the company share price;
- change banking details;
- change your address (for non-CHESS sponsored holdings);
- update your dividend instructions;
- update your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
- select email and communication preferences; and
- view transaction history.

Visit www.wesdirect.com.au and click on 'Register' for portfolio membership or click on 'My Holdings'.

When communicating with Computershare or accessing your holding online you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post: GPO Box 2975 Melbourne,
Victoria 3001 Australia

Telephone

Australia: 1300 558 062

International: (+61 3) 9415 4631

Facsimile

Australia: (03) 9473 2500

International: (+61 3) 9473 2500

Website: www.investorcentre.com/contact

Tax File Numbers

While it is not compulsory to provide a Tax File Number (TFN), if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly franked dividend, the Company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate. Shareholders can go online to update their TFN or download the form by visiting www.wesdirect.com.au and clicking on 'Downloadable Forms' in the 'Information' tab.

Change of name or consolidation of holdings

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms, which can be downloaded from www.wesdirect.com.au and clicking on 'Downloadable Forms' in the 'Information' tab.

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

- issuer sponsored holdings – these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
- broker sponsored holdings – shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting www.wesdirect.com.au

Information on Wesfarmers

Wesfarmers website

Up-to-date information on the company can be obtained from the company's website www.wesfarmers.com.au

Securities Exchange listing

Wesfarmers shares are listed on the Australian Securities Exchange under the following codes:

WES – ordinary shares

WESN – partially protected shares

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at www.asx.com.au

Dividend investment plan

The company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from the share registry or the Wesfarmers website.

Privacy

A copy of the Wesfarmers Privacy Policy is available on the Wesfarmers website.

Wesfarmers Corporate Affairs department

Further information and publications about the Company's operations are available from the Corporate Affairs department on telephone (08) 9327 4366 (within Australia) or (+61 8) 9327 4366 (International) or from the Wesfarmers website.

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

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

Telephone: (+61 8) 9327 4211

Facsimile: (+61 8) 9327 4216

Website: www.wesfarmers.com.au

Email: info@wesfarmers.com.au

Executive directors

Richard Goyder
Group Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

Bob Every AO, Chairman
Colin Carter AM
James Graham AM
Tony Howarth AO
Charles Macek
Wayne Osborn
Diane Smith-Gander
Vanessa Wallace

Company Secretary

Linda Kenyon

Share registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace, Perth,
Western Australia 6000

Telephone

Australia: 1300 558 062

International: (+61 3) 9415 4631

Facsimile

Australia: (03) 9473 2500

International: (+61 3) 9473 2500

Website: www.investorcentre.com/contact

Financial calendar*

Record date for final dividend	27 August 2012
Final dividend paid	28 September 2012
Annual general meeting	14 November 2012
Half-year end	31 December 2012
Half-year profit announcement	February 2013
Record date for interim dividend	February 2013
Interim dividend payable	March 2013
Year end	30 June 2013

+ Timing of events is subject to change.

Annual general meeting

The 31st Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Wednesday, 14 November 2012 at 1:00 pm (Perth time).

Website

To view the 2012 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit Wesfarmers' website at www.wesfarmers.com.au

Further information

Further information



For more information about Wesfarmers' activities including financial updates, sustainability reports, ASX announcements, key dates and other Wesfarmers corporate reports, visit the 'Investor Centre' at www.wesfarmers.com.au or alternatively, scan this QR code which will take you to Wesfarmers' Investor Centre.



www.wesfarmers.com.au – Investor Centre



Shareholder Review 2012

