


**Delivering today.
Value tomorrow.**



Wesfarmers | Annual Report 2013



Wesfarmers



**Every day brings with it the opportunity for growth;
for reflection on methods and performance;
improvement of practices and results; and above all,
the opportunity to learn and improve.**

**Through sharing knowledge across diverse roles,
locations and business portfolios, we can deliver on
our commitment to provide value to our people, our
shareholders and our communities.**

**Delivering today.
Value tomorrow.**

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)

Wesfarmers Limited ABN 28 008 984 049

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About Wesfarmers

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 production and export; 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.



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Our objective

Wesfarmers remains committed to providing a satisfactory return to shareholders.

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Proud history, strong future

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



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Operating and financial review

Highlights summary

KEY FINANCIAL DATA

Year ended 30 June		2013	2012
Revenue	\$m	59,832	58,080
Earnings before interest, tax, depreciation and amortisation	\$m	4,729	4,544
Depreciation and amortisation	\$m	1,071	995
Earnings before interest and tax	\$m	3,658	3,549
Net profit after tax	\$m	2,261	2,126
Operating cash flows	\$m	3,931	3,641
Net capital expenditure on property, plant, equipment and intangibles	\$m	1,672	2,351
Free cash flows	\$m	2,171	1,472
Dividends paid	\$m	1,985	1,789
Total assets	\$m	43,155	42,312
Net debt	\$m	5,259	4,904
Shareholders' equity	\$m	26,022	25,627






KEY SHARE DATA

Earnings per share	cents	195.9	184.2
Operating cash flow per share	cents	339.7	314.6
Free cash flow per share	cents	187.6	127.2
Dividends per share (declared)	cents	180.0	165.0

KEY RATIOS

Return on average shareholders' equity (R12)	%	8.9	8.4
Fixed charges cover (R12)	times	3.0	2.9
Interest cover (R12) (cash basis)	times	12.2	10.8
Gearing (net debt to equity)	%	20.2	19.1

Wealth created by Wesfarmers

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

2013

12,910 \$m



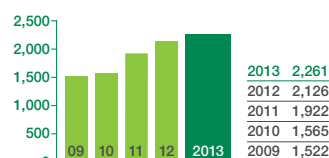
2012

12,280 \$m



Key financial data

Net profit after tax
2,261 \$m



Financial highlights

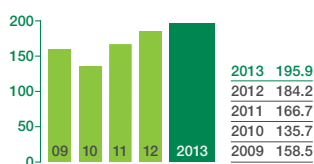
- Operating revenue of \$59.8 billion, up 3.0 per cent
- Earnings before interest and tax (EBIT) of \$3,658 million, up 3.1 per cent
- Net profit after tax of \$2,261 million, up 6.3 per cent
- Earnings per share of \$1.96, up 6.4 per cent
- Operating cash flows of \$3,931 million, up 8.0 per cent
- Free cash flows of \$2,171 million, up 47.5 per cent
- Fully-franked full-year dividend of \$1.80 declared, up 9.1 per cent

Operational highlights

- **Coles** achieved strong EBIT (earnings) growth of 13.1 per cent to \$1,533 million. This result was achieved through the provision of a better customer offer by enhancing stores, improving the broader Coles network and investing in lower prices which were funded principally by achieving operating efficiencies across stores, supply chain and store support functions.
- **Bunnings** recorded another good result with earnings growth of 7.5 per cent to \$904 million. Bunnings continued to invest in better customer experiences, range innovation and category expansion, with improved stock flow achieved and increased value provided to customers through continued price investment.
- **Officeworks** recorded earnings growth of 9.4 per cent to \$93 million, underpinned by strong transaction and unit growth across an expanding store network and online.
- **Kmart** recorded strong earnings growth of 28.4 per cent to \$344 million, principally through improvements in sourcing, range assortment, inventory management and in-store execution.
- **Target** reported earnings of \$136 million, below the \$244 million achieved in the prior year, with sales and trading margins affected by price deflation due to increased competition and ongoing challenges in entertainment-related categories. There were significant management changes late in the year and high levels of clearance activity were required to be undertaken to reduce excess inventory, particularly given the late start to winter. Costs were also higher than planned, in part due to restructuring activities expected to provide future benefits.
- **Insurance** recorded earnings of \$205 million, which was a significant increase on the \$5 million achieved in the prior year, largely driven by higher premiums and a more favourable claims experience within the underwriting businesses.
- **Resources** reported earnings of \$148 million or 66.3 per cent below last year due to lower export coal prices as the division experienced a progressively weakening export coal market. Positively, a strong focus on cost control resulted in reduced mine cash costs.
- **Chemicals, Energy and Fertilisers** reported earnings of \$249 million which were in line with last year (after allowance for the termination payment of \$9 million relating to the Hlsmelt agreement received in the prior period). Earnings were supported by good plant production performances and product pricing in the chemicals business. Offsetting this was a poor harvest and a dry June which adversely affected fertiliser earnings and a reduced contribution from Kleenheat Gas due to lower gas content in the Dampier to Bunbury natural gas pipeline.
- **Industrial and Safety** delivered a solid result in a challenging market with earnings of \$165 million, below the \$190 million recorded in the prior year. This result was supported by a high level of focus on cost control, improved distribution capabilities, and the maintenance of strong service levels and customer retention.
- Other businesses, non-trading items and corporate overheads reported an expense of \$119 million, compared to an expense of \$137 million last year, with better results in the Gresham Private Equity Funds and the BWP Trust partially offset by lower interest revenue.
- Financing costs for the year of \$432 million were \$73 million lower than the previous year reflecting the benefits of refinancing activity and the progressive expiry of pre-global financial crisis interest rate hedges.
- Net capital expenditure of \$1,672 million was 28.9 per cent below last year, in part driven by an increase in retail property disposal proceeds following higher levels of sale and leaseback activity.
- Given increased earnings, good free cash flow generation and a strong balance sheet, directors declared an increase in the fully-franked full-year dividend of 9.1 per cent to \$1.80 per share, and announced the intention to make, subject to shareholder approval, a capital return of 50 cents per fully-paid ordinary share and partially protected share, accompanied by an equal and proportionate share consolidation.

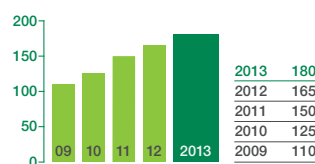
Earnings per share

195.9 cents



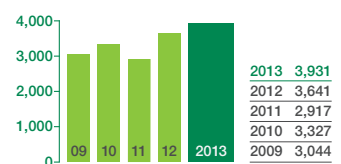
Dividends per share

180 cents



Operating cash flows

3,931 \$m



Operating and financial review

Wesfarmers is a diversified Australian company with strong, established market positions and recognised brands with the objective of delivering satisfactory returns to shareholders.

This information is supplementary to the financial report and should be read in conjunction with the financial statements and their accompanying notes on pages 95 to 175 of this annual report.

Activities

From our origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies and employers. Wesfarmers' diverse business operations cover supermarkets, department stores, home improvement and office supplies; coal production and export; insurance; chemicals, energy and fertilisers; and industrial and safety products. The vast majority of Wesfarmers' businesses operate in Australia and New Zealand, with the portfolio including some of Australia's leading brands.

In a challenging environment, the solid growth in revenue and earnings achieved in 2013 highlights the benefits of our conglomerate model, where portfolio diversity assists the risk management of earnings and Group ownership enables divisions to take a long-term investment view.

Objective

The primary objective of Wesfarmers is to provide a satisfactory return to our shareholders. The measure used by the Group to assess satisfactory returns is total shareholder returns (TSR) over time. We measure our performance by comparing Wesfarmers' TSR against that achieved by the S&P/ASX200 Index.

Wesfarmers aims to achieve its objective of providing satisfactory returns to shareholders by:

- improving returns on invested capital relative to the cost of that capital; and
- ensuring a satisfactory return is made on any new capital invested.

On this measure, during the last 10 years the Group has delivered compound annual growth in TSR of 12.0 per cent, which compares to growth in TSR of 9.3 per cent in the S&P/ASX200 Index.

Return on Equity

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

The Wesfarmers Way

Growth enablers

- Outstanding people
- Commercial excellence
- Empowering culture
- Innovation
- Social responsibility
- Robust financial capacity

Value creating strategies

- Strengthen existing businesses through operating excellence and satisfying customer needs
- Secure growth opportunities through entrepreneurial initiative
- Renew the portfolio through value-adding transactions
- Ensure sustainability through responsible long-term management

Objective

Satisfactory return to shareholders

Due to the long-term value creation opportunity afforded by the Coles Group acquisition, the Group has in recent years considered growth in ROE as an important driver of TSR. Through the turnaround of Coles the Group has achieved growth in ROE of 21.9 per cent over the five years to 30 June 2013, with ROE of 8.9 per cent recorded in 2013.

Return on Capital

While ROE is a key performance indicator at a Group level, Return on Capital (ROC) is the principal measure of business unit performance as it aligns the Group's divisions to improve Group returns in areas within their control.

Minimum ROC targets for each division are set based on the Group's pre-tax cost of capital,

while satisfactory ROC targets are established based on the Group's ROE targets which are reviewed annually with reference to the performance of the broader market.

Divisional ROC performance can be found in the review of operations (pages 9 to 13) and in the divisional reviews (pages 22 to 54) of this annual report.

Strategic framework

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

- strengthening existing businesses through operating excellence and satisfying customer needs

- securing growth opportunities through entrepreneurial initiative
- renewing the portfolio through value-adding transactions
- ensuring sustainability through responsible long-term management

As shown in the table below, each strategy is underpinned by a set of common Group practices that support the Group's overarching strategic framework.

A key attribute of Wesfarmers' strategic framework is the maintenance of a long-term focus and acting sustainably in the creation of value and the building of businesses. Further detail on the Group's sustainability initiatives can be found in the Group's Sustainability Report and in the sustainability section (pages 55 to 57).

Strategies

Strengthen existing businesses through operating excellence and satisfying customer needs	Secure growth opportunities through entrepreneurial initiative	Renew the portfolio through value-adding transactions	Ensure sustainability through responsible long-term management
<ul style="list-style-type: none"> – External benchmarking to ensure best practice and innovation – Strong strategic planning process – Detailed operational plans and implementation programs – The setting of stretch targets and performance monitoring – Strong focus on team development and management of key role succession 	<ul style="list-style-type: none"> – Encouragement of experimentation and innovation – Strong commercial evaluation methodology – A preparedness to invest with a long-term focus on shareholder returns – Appropriate corporate governance processes with sufficient flexibility to support entrepreneurial initiative 	<ul style="list-style-type: none"> – Focus on building businesses for the long-term – A strong commercial evaluation capability, applying strict investment valuation methods – Rigorous due diligence and integration processes post acquisition – Maintenance of a strong balance sheet to enable the Group to act opportunistically – Acquisition of businesses which the Group has the ability to operate and improve – Divestments where shareholder returns can be maximised – Ongoing review of the portfolio to ensure capital is allocated efficiently 	<ul style="list-style-type: none"> – Protect and enhance our reputation with stakeholders – Look after the health, safety and development of our people – Responsibly source products across the Group – Contribute positively to the communities in which we operate – Minimise our environmental footprint – Provide appropriate governance structures to safeguard future value creation

Operating and financial review

Operational independence among businesses and an experienced management team with a proven track record.

Supporting Wesfarmers' value creating strategies, and at the heart of our operating model, is the Group's annual corporate planning process which is intended to ensure consistent strategic planning across the Group and the development of detailed strategic initiatives aimed at improving future performance and achieving satisfactory ROC targets.

Current areas of divisional strategic focus include:

- driving operational efficiencies in all retail businesses and reinvesting in better value and service for customers; continuing to optimise supply chains, particularly in Coles and Target; innovation in product categories and all retail channels to market, including through online and store renewal programs; store network expansion and capital recycling, particularly in Coles and Bunnings;
- successful completion and commissioning of ammonium nitrate expansion and sodium cyanide debottlenecking projects in the chemicals business;
- improving productivity in the Resources division;
- increasing the Insurance division's underwriting returns through disciplined risk selection in commercial lines and growth in personal lines through Coles; targeting bolt-on acquisitions in broking; and
- creating operational efficiency, product range development and customer base diversification in the Industrial and Safety division.

More detail regarding divisional operational strategies can be found in the Review of Operations (pages 9 to 13), the divisional reviews (pages 22 to 54) and in the Group's strategy briefing day presentation lodged with the ASX on 29 May 2013.

In the delivery of its strategies, as well as detailed implementation plans, the Group focuses on six key enablers:

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

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

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

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

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

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

Operating model

Wesfarmers' operating model is focused on ensuring each of the Group's divisions has a very strong management capability and day-to-day operational autonomy, overseen by divisional boards and a well-established Group-wide framework where governance processes are coordinated over a 12 month operating cycle. This approach encourages strong accountability for operating results and assurance in areas such as:

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

The Group's Business Development function provides the Group assurance over any significant capital expenditure evaluation, including merger and acquisition activity, as well as post implementation review.

Risks

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

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

As part of its management processes and operating cycle, the Group regularly reviews material business risks, as well as plans to mitigate these risks, and discusses these plans with the Wesfarmers Board.

Further information on risk management, including policies, responsibility and certification, can be found in the Corporate governance statement on pages 60 to 71.

Prospects

Despite more challenging forecasts for the Australian domestic economy and households, the Group continues to remain optimistic in its outlook.

The turnaround strategies in Coles, Kmart and Officeworks have provided solid platforms for future growth. These businesses ended 2013 with solid momentum and have plans in place to pursue further opportunities to deliver growth through operating efficiencies and improvements in their customer offers. Bunnings' outlook appears similarly positive, supported by a full strategic and operational agenda to improve an already strong customer experience. The future conversion of the property pipeline into trading locations at a higher rate than historically achieved is also expected to contribute to growth.

Target remains a valued brand in Australia and its performance is expected to progressively improve over time. Trading in the first half of the 2014 financial year is, however, expected to continue to be challenging as a result of ongoing winter clearance activity and the non-repeat of high levels of promotional activity in the prior year.

The Insurance division's outlook appears positive, assuming the absence of significant catastrophe events. In relation to underwriting, growth in Coles Insurance and ongoing

discipline in commercial underwriting is expected. Future growth in broking earnings is also anticipated, but planned systems upgrades will constrain margin improvement in the near-term.

The short-term outlook for two of the Group's Industrial divisions will continue to be challenging. Current variable metallurgical coal demand and low export coal prices provide for a difficult short-term outlook for the Resources division. Within this environment, the division will continue to maintain a strong focus on cost control. The division will benefit should there be any further weakening in the Australian dollar. Longer-term, a reducing cost structure and recent capacity expansions provide leverage to any improvement in coal prices. The Industrial and Safety division is also expected to face a more difficult short-term trading outlook.

The longer-term outlook for the Chemicals, Energy and Fertilisers division appears positive given the expected commissioning during the 2014 financial year of its ammonium nitrate expansion and sodium cyanide debottlenecking projects.

Risks

Strategic	Operational	Regulatory	Financial
<ul style="list-style-type: none"> - Increased competition - Ineffective execution of strategy - Loss of key management personnel - Damage or dilution to Wesfarmers' brands 	<ul style="list-style-type: none"> - Loss of critical supply inputs or infrastructure, including IT systems - Business interruption arising from industrial disputes, work stoppages and accidents - Risks inherent in distribution and sale of products - Ineffective reinsurance of catastrophic loss in underwriting 	<ul style="list-style-type: none"> - Non-compliance with applicable laws, regulations and standards - Adverse regulatory or legislative change 	<ul style="list-style-type: none"> - Adverse currency movements - Adverse commodity price movements (metallurgical coal) - Reduced access to funding

Operating and financial review

Divisional key financial data

Retail operations

Coles		2013	2012
Revenue	\$m	35,780	34,117
Earnings before interest and tax	\$m	1,533	1,356
Segment assets	\$m	20,367	19,940
Segment liabilities	\$m	4,145	3,676
Capital employed	\$m	16,114	15,572
Return on capital employed	%	9.5	8.7

Home Improvement and Office Supplies		2013	2012
Revenue	\$m	9,167	8,644
Earnings before interest and tax	\$m	997	926
Segment assets	\$m	5,888	5,647
Segment liabilities	\$m	957	810
Home Improvement			
Capital employed	\$m	3,492	3,250
Return on capital employed	%	25.9	25.9
Office Supplies			
Capital employed	\$m	1,147	1,210
Return on capital employed	%	8.1	7.1

Kmart		2013	2012
Revenue	\$m	4,167	4,055
Earnings before interest and tax	\$m	344	268
Segment assets	\$m	2,145	2,057
Segment liabilities	\$m	750	604
Capital employed	\$m	1,329	1,416
Return on capital employed	%	25.9	18.9

Target		2013	2012
Revenue	\$m	3,658	3,738
Earnings before interest and tax	\$m	136	244
Segment assets	\$m	3,561	3,538
Segment liabilities	\$m	464	575
Capital employed	\$m	2,930	2,896
Return on capital employed	%	4.6	8.4

Insurance and Industrial businesses

Insurance		2013	2012
Revenue	\$m	2,083	1,915
Earnings before interest and tax	\$m	205	5
Segment assets	\$m	4,440	4,423
Segment liabilities	\$m	2,869	2,988
Capital employed	\$m	1,396	1,278
Return on capital employed	%	14.7	0.4

Resources		2013	2012
Revenue	\$m	1,539	2,132
Earnings before interest and tax	\$m	148	439
Segment assets	\$m	1,920	2,051
Segment liabilities	\$m	420	496
Capital employed	\$m	1,480	1,488
Return on capital employed	%	10.0	29.5

Chemicals, Energy and Fertilisers		2013	2012
Revenue	\$m	1,805	1,786
Earnings before interest and tax	\$m	249	258
Segment assets	\$m	1,675	1,485
Segment liabilities	\$m	303	310
Capital employed	\$m	1,400	1,282
Return on capital employed	%	17.8	20.1

Industrial and Safety		2013	2012
Revenue	\$m	1,647	1,690
Earnings before interest and tax	\$m	165	190
Segment assets	\$m	1,292	1,309
Segment liabilities	\$m	281	270
Capital employed	\$m	1,119	1,187
Return on capital employed	%	14.7	16.0

Review of operations

Coles



Contribution to operating divisional EBIT
41%

Operations

Coles is a national supermarket, liquor, fuel and convenience retailer in Australia. Its purpose is to give the people of Australia a shop they trust, delivering quality, value and service.

Coles has:

- 756 full service supermarkets
- 810 liquor outlets under three brands and 92 hotels
- 636 fuel and convenience stores
- More than 99,000 team members

Operating results and drivers

- Revenue of \$35.8 billion, up 4.9 per cent
- EBIT of \$1,533 million, up 13.1 per cent
- Return on capital of 9.5 per cent, up from 8.7 per cent
- Total food and liquor sales growth of 5.5 per cent and comparative store sales growth of 4.3 per cent
- Over four years of industry outperformance
- Continued investment in customer value funded from cost reductions and business efficiencies
- Continued investment in product quality particularly fresh categories
- Ongoing transformation of the supply chain
- Launch of 90 more stores in renewal format, opening of 6 larger format stores and net space growth of 1.6 per cent
- Good progress on multi-channel initiatives including trials of new Coles Online website

- Growth in financial services including Coles Insurance and flybuys loyalty program
- Strong customer response to fuel offers and better range and value in the convenience store network

Strategies and prospects

- Embark on second wave of transformation with a focus on quality, service and value
- Take advantage of further opportunities in store renewal, supply chain transformation and operating efficiencies
- Investment in category innovation, Coles brand development, multi-channel integration and a tailored loyalty offer
- Culture of continuous improvement

Businesses

coles

coles.com.au

coles
express

VINTAGE CELLARS

firstCHOICEliquor

BI-LO

LIQUORLAND

Home Improvement and Office Supplies



Contribution to operating divisional EBIT
26%

Operations

Bunnings

Bunnings is a retailer of home improvement and outdoor living products, servicing home and commercial customers in Australia and New Zealand.

- 210 warehouse stores
- 67 small format stores
- 36 trade centres
- More than 33,000 team members

Officeworks

Officeworks is a retailer and supplier of office products and solutions for home, business and education in Australia.

- 150 stores
- National online and mobile sales channels
- More than 6,000 team members

Operating results and drivers

Bunnings

- Revenue of \$7.7 billion, up 7.0 per cent
- EBIT of \$904 million, up 7.5 per cent
- Return on capital held at 25.9 per cent
- Total store sales growth of 7.2 per cent, with store-on-store sales increasing 4.4 per cent
- 10 new warehouse stores, 10 smaller format stores, and three trade centres opened
- Continued range innovation and category expansion

Officeworks

- Revenue of \$1.5 billion, up 1.6 per cent
- EBIT of \$93 million, up 9.4 per cent
- Return on capital of 8.1 per cent, up from 7.1 per cent
- Challenging market conditions

- Strong online sales growth
- 13 new stores opened

Strategies and prospects

Bunnings

- More customer value through lowest prices
- Delivering better customer experiences
- Expanding brand reach
- Expanding commercial business through better capability
- More merchandising innovation
- Investment in the team, better stock flow, improved productivity and deeper community involvement
- Higher rate of property pipeline conversion
- Ongoing focus on capital recycling

Officeworks

- Enhancing customer offer by extended category reach, expanded print and copy and furniture offers, price leadership and store innovation
- Reducing complexity and cost of doing business

Businesses

BUNNINGS

BUNNINGS
TRADE

BUNNINGS
warehouse

Officeworks

Operating and financial review

Review of operations

Kmart



Contribution to operating divisional EBIT

9%

Operations

Kmart is a discount department store retailer in Australia and New Zealand and a provider of retail automotive services, repairs and tyres in Australia. Kmart's vision is to be a business where families come first for the lowest prices on everyday items.

Kmart has:

- 190 Kmart stores
- 263 Kmart Tyre & Auto Service centres
- More than 31,000 team members

Operating results and drivers

- Revenue of \$4.2 billion, up 2.8 per cent
- EBIT of \$344 million, up 28.4 per cent
- Return on capital of 25.9 per cent, up from 18.9 per cent
- Total store sales growth of 2.7 per cent with comparable store sales growth of 2.1 per cent
- 14 consecutive quarters of growth in customer transactions and units sold
- Improvements in sourcing, range assortment, inventory management and store execution
- Six new Kmart stores opened and 10 stores refurbished
- Five new Kmart Tyre & Auto stores opened

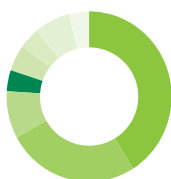
Strategies and prospects

- Continued focus on growth through volume retailing, operational excellence, adaptable stores and high performance culture
- Improve sourcing, stock flow and availability
- Continued focus on ethical sourcing and stronger supplier relationships
- Lower Australian dollar expected to affect margin growth
- Six new stores planned in 2014
- Team and customer safety a priority

Businesses



Target



Contribution to operating divisional EBIT

4%

Operations

Target is a department store retailer in Australia. Target's value proposition is to deliver style and quality every day at prices its customers love.

Target has:

- 183 Target stores
- 125 Target Country stores
- More than 24,000 team members

Operating results and drivers

- Revenue of \$3.7 billion, down 2.1 per cent
- EBIT of \$136 million, down 44.3 per cent
- Return on capital of 4.6 per cent, down from 8.4 per cent
- Total sales decreased 1.7 per cent and comparable stores sales growth fell 3.3 per cent
- Earnings affected by challenging trading conditions, strong competition, higher than expected shrinkage and clearance activity
- Stuart Machin appointed Managing Director on 15 April and initiated 'back to basics' focus
- Store support office restructured
- Leadership team strengthening underway
- 14 new stores opened and seven closed

Strategies and prospects

- Back to basics focus
- Commencement of transformation program
- Strengthening of leadership team to drive transformation
- Initiatives include rationalising range, improving direct sourcing, reviewing pricing architecture and improving the supply chain
- Trading environment remains challenging
- Earnings expected to recover but will take time

Businesses



Insurance



Contribution to operating divisional EBIT
5%

Operations

Wesfarmers Insurance is a provider of insurance solutions in selected market categories in Australia, New Zealand and the United Kingdom. It has general insurance underwriting businesses in the rural, SME and commercial sectors and a growing business in personal lines through Coles Insurance. Its broking operations focus on the SME and commercial sectors.

Insurance has:

- 89 WFI offices
- 26 Lumley offices
- 32 OAMPS offices
- 23 Crombie Lockwood offices
- More than 3,600 team members

Operating results and drivers

- Revenue of \$2.1 billion, up 8.8 per cent
- EBIT of \$205 million, up from \$5 million
- Return on capital of 14.7 per cent, up from 0.4 per cent
- Higher premiums achieved and lower claims
- Underwriting combined operating ratio of 95.3 per cent
- Strong growth in Coles Insurance, Motor and Rural

- Continued investment in IT and efficiency
- Targeted reduction in exposure to higher risk regions and categories
- Strong growth in New Zealand broking

Strategies and prospects

- Further improvement in earnings expected in 2014 in the absence of significant catastrophe events
- Strong growth expected in personal lines
- Broking to grow through targeted recruitment, bolt-on acquisitions and productivity improvement
- Lower interest rates to constrain investment earnings
- Continued investment in broking systems upgrade

Businesses



Resources



Contribution to operating divisional EBIT
4%

Operations

The Resources division owns and operates world-scale open-cut coal producing resources in Australia.

Resources has:

- Curragh in Queensland which produces metallurgical coal for export and steaming coal for domestic power generation
- 40 per cent of Bengalla in New South Wales, which is operated by Coal & Allied and produces export steaming coal for Asia
- More than 650 team members

Operating results and drivers

- Revenue of \$1.5 billion, down 27.8 per cent
- EBIT of \$148 million, down 66.3 per cent
- Return on capital of 10.0 per cent, down from 29.5 per cent
- Production of 13.7 million tonnes, up 10.4 per cent
- Curragh production up 5.3 per cent to 10.6 million tonnes
- Bengalla production up 32.6 per cent to 3.1 million tonnes
- Export revenue affected by low coal prices and high Australian dollar
- Strong cost control delivered a 12.5 per cent reduction in Curragh's unit mine cash costs (excluding carbon tax)

Strategies and prospects

- Continued focus on productivity and cost control
- Sales of Curragh metallurgical export coal in 2014 expected to be 7.5 to 8.5 million tonnes
- Global economic uncertainty expected to see variable short-term coal demand
- Long-term metallurgical coal outlook remains sound
- Expansion options exist for both mines with feasibility studies complete
- Consider acquisitions which could provide economies of scale and growth

Businesses



Operating and financial review

Review of operations

Chemicals, Energy and Fertilisers



Contribution to operating divisional EBIT
7%

Operations

Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) produces and markets chemicals, fertilisers and gas products.

WesCEF has:

- Ammonia and ammonium nitrate production facilities in Western Australia
- 50 per cent of QNP ammonium nitrate production facilities in Queensland
- Sodium cyanide production facilities in Western Australia
- PVC Resin and specialty chemicals production facilities in Victoria

- LPG and LNG distribution across Australia with LPG and LNG production facilities in Western Australia
- Fertiliser production and importation facilities in Western Australia
- More than 1,500 team members

Operating results and drivers

- Revenue of \$1.8 billion, up 1.1 per cent
- EBIT of \$249 million, down 3.5 per cent (in line with last year after allowance for termination payment of \$9 million relating to the HIs melt agreement received in the prior period)
- Return on capital of 17.8 per cent, down from 20.1 per cent
- Higher chemical earnings driven by good production performance and strong product pricing in ammonia, ammonium nitrate and sodium cyanide
- Lower gas earnings due to fall in feedstock LPG content and reduced volume

- Lower fertiliser earnings due to declining prices, a poorer grain harvest and a dry June
- Ammonium nitrate expansion from 520,000 tonnes to 780,000 tonnes per annum on track for first half calendar year 2014
- Launched natural gas retail business in Western Australia

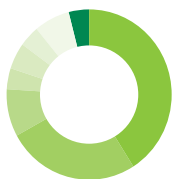
Strategies and prospects

- Ongoing focus on completion of ammonium nitrate expansion and sodium cyanide debottlenecking projects in 2014
- Chemicals business well-placed to benefit from continuing strong resources demand
- LPG content in feedstock to remain challenging
- Cost and productivity improvement programs underway in LPG
- Fertiliser outlook remains dependent on seasonal and farming conditions

Businesses



Industrial and Safety



Contribution to operating divisional EBIT
4%

Operations

Industrial and Safety provides industrial and safety products and services in Australia and New Zealand. Its value proposition is to be a trusted provider of industrial and safety solutions to enable its customers to run, maintain and grow their businesses efficiently and safely.

Industrial and Safety has:

- 222 branches
- 145 additional gas distribution points
- More than 3,500 team members

Operating results and drivers

- Revenue of \$1.6 billion, down 2.5 per cent
- EBIT of \$165 million, down 13.2 per cent
- Return on capital of 14.7 per cent, down from 16.0 per cent
- Challenging environment as customers reduced activity and focused on costs
- Realigned cost base through business restructure and announced closure of 13 locations
- Business realigned along three customer-centric streams
- Maintained strong service levels including 95 per cent delivery in full on time
- Extended home brand ranges and services
- Launched online businesses in Australia and New Zealand

Strategies and prospects

- Continued focus on supply chain and operational efficiencies and lowering the cost of doing business
- Continued focus on service and value to customers, including product and service range development
- Continue to target diversification of the customer base
- Growth into new, related markets including services
- Consideration of targeted acquisitions to complement organic growth
- Trading environment expected to remain challenging

Businesses



Other activities

- Gresham: 50.0 per cent interest in investment house Gresham Partners plus interests in Gresham Private Equity Funds
- Wespine: 50.0 per cent interest in a plantation softwood sawmill at Dardanup, Western Australia
- BWP Trust: 24.3 per cent interest in BWP Trust which mainly owns Bunnings Warehouses tenanted by Bunnings Group Limited

Operating results and drivers

- Gresham contributed a profit of \$1 million but Gresham Private Equity Funds contributed a loss of \$11 million due to downward revaluations, which compared to the loss of \$55 million last year
- Wespine contributed earnings of \$5 million, in line with last year
- BWP Trust contributed earnings of \$27 million, up from \$16 million
- BWP Trust held 74 properties at 30 June 2013, including 67 Bunnings warehouses

Strategies and prospects

- Gresham: Focus on maintaining active participation in the Australian investment banking market and on improving portfolio returns
- Wespine: Increased focus on customer service and maintaining a strong position in a market expected to remain challenging.
- 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

Businesses



Corporate

Operations

Wesfarmers Corporate provides corporate and governance infrastructure and support to the Group. This includes responsibility for Group-wide treasury, taxation, capital management and workers' compensation insurance requirements. It also provides investment evaluation and legal support, governs hedging and risk management policies across the Group, manages a consistent remuneration strategy and executive talent development process and assists with corporate reputation management.

Operating results and drivers

- Managed strong credit ratings with Moody's Investor Service upgrading Wesfarmers' issuer and senior unsecured long-term debt rating from Baa1 (positive) to A3 (stable) consistent with the Group's credit rating from Standard and Poor's of A- (stable)

- Settled all outstanding debt in the name of the Coles group
- Innovated sale and leaseback structures to provide increased diversity for capital recycling initiatives
- Developed access to diverse debt markets
- Further improved the Group's debt maturity profile
- Applied initiatives to reduce the Group's effective borrowing rate by over 100 basis points to 6.6 per cent
- Continued to neutralise the dilution that would otherwise have occurred from the Dividend Investment Plan and Employee Share plans
- Proposed a capital return of 50 cents per share

Strategies and prospects

- Support net capital investment across the Group of \$1.5 billion to \$1.9 billion in 2014
- Continue property recycling which includes the sale and leaseback transaction with BWP Trust realising approximately \$271 million and the sale and leaseback of 15 Bunnings warehouse properties via a securitised lease transaction realising approximately \$304 million (August 2013)
- Target a further reduction in the borrowing rate to 5.8 per cent in 2014
- Continue focus on capital management, where it is in the interest of shareholders, including neutralisation of shares issued under the Dividend Investment and Employee Share plans, and the proposed \$579 million capital return and proportionate share consolidation

Businesses



Chairman's message

As well as being our centenary, next year will be the 30th anniversary of our public listing in 1984. Much has changed over the three decades since we listed but one thing remains constant – our objective of providing a satisfactory return to shareholders.

It gives me great pleasure to introduce the 2013 Wesfarmers annual report. In a challenging environment, we have again delivered solid growth in revenue and earnings. This highlights once again the benefits of our conglomerate model, the portfolio of businesses we own and our long-term investment perspective. It also underlines the expertise, capability and dedication of the more than 200,000 employees working across our nine businesses and in our corporate office.

As well as being our centenary, next year will be the 30th anniversary of our public listing in 1984. Much has changed over the three decades since we listed but one thing remains constant – our objective of providing a satisfactory return to shareholders. Over the past 10 years, Wesfarmers has delivered compound annual growth in total shareholder return (TSR) of 12 per cent, 29 per cent more than the rate of TSR growth achieved by the market as represented by the ASX200 index. Creating value for our shareholders will remain the absolute focus of our efforts in the future.

The directors were pleased to declare a fully-franked final dividend of \$1.03 per share at year's end. That took the full-year dividend to \$1.80 per share, up 9.1 per cent.

Subject to shareholder approval at the 2013 Annual General Meeting, Wesfarmers also announced on 15 August 2013 that it will make a capital return of 50 cents per fully paid ordinary and partially protected share. Our earnings growth, continued strong cash flows and robust credit metrics mean we can take this step towards a more efficient capital structure without compromising our ability to grow.

Business performance

In 2013, our operating revenue grew three per cent to \$59.8 billion and our net profit after tax increased 6.3 per cent to \$2.26 billion.

This includes strong earnings from five of the nine businesses but reduced earnings from those more exposed to the slowing in the resources sector.

I take this opportunity to compliment Ian McLeod and his team on their success in transforming Coles into a strongly performing business that is driven by delivering the best customer experience. When we acquired Coles in 2007 we outlined a five year strategy to turn this business around. We cautioned shareholders that it would take time and it is very satisfying that Coles has closely met the goals set in the original investment case and now has a strong foundation for further growth. I am pleased that we have made good progress but there remains a lot more to do that will continue to create value for shareholders.

Kmart also continued its remarkable turnaround and has become the best performing department store in the country.

While Target's results were disappointing, a new leadership team has taken action to progressively improve its performance over time.

The focus on the businesses which came with the Coles acquisition often overshadows the more longstanding divisions within the Group. It is a big challenge to keep a strong business growing and the Bunnings team has continued to deliver outstanding results through improvements in range, value and service.

After several years of unprecedented catastrophe claims, our Insurance division was rewarded with a significant lift in earnings from higher premiums, growth in targeted categories and reduced claims costs.

Our industrial businesses collectively were operating in a much more difficult external environment during the year. Lower export coal prices led to a fall in earnings from the

Resources division; more positively, a strong focus on cost control and capacity expansion has positioned the business well to take advantage of any market improvement. Industrial and Safety was challenged by reduced activity and cost-cutting among its customer base and responded with a strong focus on cost control and customer service. Chemicals, Energy and Fertilisers maintained earnings in line with the previous year. The chemicals business increased earnings following good plant production performance and strong product pricing but lower earnings were recorded by Kleenheat Gas and fertilisers.

Sustainability

Our objective is sustainable success; in reality there is no other kind. We can only deliver value to our shareholders over the long-term if we make a sustained positive difference to our millions of customers, thousands of suppliers and the hundreds of communities in which we operate. That in turn is dependent on providing a rewarding and satisfying environment for our 200,000-plus employees who engage daily with all other stakeholders.

We genuinely believe there is no more important asset at Wesfarmers than our people, and there is no higher priority than their safety. We have a moral obligation to ensure our employees go home safely at the end of their working day. Safety is also good business. A safe workplace has more engaged employees and can expect regulatory, insurance, legal and reputational benefits.

Last year the leadership team took on the challenge of reinvesting in and reinvigorating our safety effort. It was an acknowledgement that, while our safety performance had improved, we still had a long way to go. A team from across the Group led by John Gillam took on the task of benchmarking our safety



performance against the best in the world. The report received by the Board this year provided the Group's diverse businesses with valuable information on where they stand and clarity on priority areas for action to improve safety performance. We still have much to do and we have already taken action to lift our safety performance by implementing some of the priority actions recommended in the report, including increased divisional collaboration and the use of more effective safety performance indicators, targets and reporting.

One of the most pleasing aspects of our Group-wide study on safety was the collaboration evident across the Group. Our divisions operate very autonomously but, in areas such as safety, collaboration can provide many benefits. I believe we have seen a step change in our safety culture; it is a long journey but we have made a good start. During the year, our safety performance as measured by lost time injury frequency rate (LTIFR) has improved by 18 per cent from 10.9 to 8.9, but there was a three per cent increase in the total recordable injury frequency rate.

We remain highly motivated to make changes which benefit the environment in which we and our stakeholders live and work. This year, our Scope 1, 2 and 3 carbon emissions across the Group decreased by 13 per cent. This change was largely driven by further improvements from the use of nitrous oxide abatement technology in our ammonium nitrate business at CSBP and energy efficiency initiatives at Coles. We also continued to reduce our carbon emissions intensity, emitting 85 tonnes of carbon dioxide equivalent per million dollars revenue this year, down from 100 last year.

Across the Group, we are finding better ways to deal with our waste, decreasing our waste to landfill by nine per cent this year.

The Board

I thank my Board colleagues for their diligence and support throughout the year. Last year, I advised we had made provision in our remuneration settings to appoint up to two additional members to the Board to strengthen our succession and renewal planning.

We welcomed Paul Bassat to the Board in November 2012. Paul co-founded SEEK in 2007 and was its chief executive officer or co-chief executive officer until 2011. He has a track record of innovative leadership and operational success and has brought invaluable knowledge and expertise in online business and e-commerce to the Board.

In April, we welcomed Jennifer Westacott to the Board. Jennifer is well known for her work as chief executive of the Business Council of Australia and has brought extensive and valuable policy experience in both the public and private sectors to the Board.

Investing for the future

Volatility and uncertainty seem to have become fixtures in the environment in which we operate. Notwithstanding that, we remain confident and excited about the future that lies ahead for Wesfarmers.

We have a solid platform for future growth as a result of the bold but disciplined capital expenditure decisions we have made over successive years. In 2013, gross capital expenditure was \$2.3 billion, representing continued strong investment in future growth.

This included the advancement of the ammonium nitrate expansion project in the chemicals, energy and fertilisers business and further growth and improvement of our retail networks. As we move further into the digital

age, we are also investing more resources than ever into our digital strategies, platforms and capability.

Next year, we will celebrate 100 years since the formation of The Westralian Farmers Ltd at a meeting of West Australian farmers back in 1914. Wesfarmers may have dramatically changed its size and operations over that time but, thankfully, it has not greatly changed its culture. When I became Chairman five years ago, I considered my greatest responsibility was to be the custodian of that culture. By that I mean being bold but disciplined, taking a long-term approach to capital and commercial management, having a focus on innovation, performance and sustainable growth and a commitment to openness, accountability and integrity.

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

Bob Every AO, Chairman

Managing Director's review

Wesfarmers' primary objective is to provide a satisfactory return to shareholders. Our portfolio of assets, the strength of our balance sheet, our strong focus on return on capital, and the calibre of our people leave us well positioned to enhance future returns.

Thanks to the efforts of more than 200,000 team members across the Group, your company achieved a pleasing improvement in performance in the 2013 financial year.

We increased turnover by three per cent to \$59.8 billion, our profit after tax was \$2,261 million, up 6.3 per cent, and our earnings before interest and tax, which is how we measure divisional performance, were more than \$3,658 million. Our earnings per share were up 6.4 per cent and we achieved solid growth in cash flows.

Once again, the benefits of our conglomerate structure were evident. Five of our nine businesses recorded strong earnings growth, however, Target's performance was disappointing and two of our three industrial divisions felt the impact of a very difficult external environment. In aggregate, it was a pleasing outcome for shareholders and reinforced that our great portfolio of businesses has the capacity to perform well in most circumstances.

Business divisions

Coles delivered earnings growth of 13.1 per cent to \$1,533 million, building on the 16.3 per cent and 21.2 per cent earnings growth in the 2012 and 2011 financial years respectively. The transformation of Coles since its acquisition in 2007 progressed, with operational efficiencies continuing to fund reinvestment in price. The continuing store renewal program, space expansion and further investment in developing Coles team members also benefited performance. The past five years have seen a sustained turnaround of the business, providing benefits for consumers, suppliers and employees and delivering a much stronger platform for future growth.

Bunnings' earnings increased 7.5 per cent to \$904 million, a very strong result with growth across all key business segments as customers responded to improved value, range and service. Earnings were further supported by cost management initiatives and the upgrade and expansion of the store network, including the opening of 23 new locations. Pleasingly, growth was achieved across consumer and commercial areas, all key trading regions and all merchandising categories.

Officeworks' earnings increased 9.4 per cent to \$93 million despite challenging market conditions and continued deflation in technology-related categories. The improved performance reflected increased customer participation, improved merchandising and disciplined cost management. The network expanded by 13 stores including, in June, the opening of the 150th Officeworks store.

Kmart delivered very strong earnings growth, up 28.4 per cent to \$344 million, building on the previous year's 31.4 per cent growth. Customers responded positively to continued improvement in range and we were able to further reinvest in lower prices on everyday items as a result of operational efficiencies and better sourcing. During the year, Kmart achieved its fourteenth consecutive quarter of growth in transactions and units sold.

Target's performance was disappointing and below expectations. Earnings fell 44.3 per cent to \$136 million following challenging trading conditions, increased costs and clearance activity needed to clear high levels of excess inventory. Under a new leadership team, Target has embarked on a significant transformation of its business. Earnings are expected to recover as it executes its transformation but improvement will take time.

Following disciplined risk selection and strong underwriting performance, the Insurance division was rewarded with strong earnings growth to \$205 million, up from \$5 million the previous year.

The Resources division's earnings fell 66.3 per cent to \$148 million as a result of lower export coal prices and the continued strong Australian dollar. A strong focus on cost control at the Curragh mine did result in improved operational performance with better than expected unit mine-cash-cost results.

The Chemicals, Energy and Fertilisers division reported earnings of \$249 million, in line with the previous year (after allowance for the termination payment of \$9 million relating to the Hls melt agreement received in the prior period). Increased product demand and good plant performance drove improved earnings in the chemicals business but fertiliser earnings were reduced due to a poor grain harvest and a dry June. Kleenheat Gas' contribution fell, mainly due to lower gas content in the Dampier to Bunbury natural gas pipeline.

The Industrial and Safety division contributed earnings of \$165 million, compared with \$190 million the previous year. It was a solid result given challenging conditions as customers reduced activity and focused on cost reduction.

Other businesses' earnings were above last year, despite lower interest revenue, as losses in the Gresham Private Equity Funds reduced to \$11 million. In addition, the investment in BWP Trust earned \$27 million, up from \$16 million on the previous year.

Management changes

In April, Stuart Machin replaced Dene Rogers as Managing Director of Target. Stuart was an important member of the turnaround team at Coles and has the outstanding leadership



and execution skills that are needed to transform Target's performance. In February, the Insurance division's Managing Director Rob Scott, was appointed Finance Director at Coles. Rob did an exceptional job during a difficult period in the insurance sector. Anthony Gianotti, the Insurance division's Finance Director stepped into the Managing Director's role on an acting basis and I was delighted to confirm Anthony's appointment on a permanent basis in July 2013.

Suppliers

There has been continued public comment this year on the relationship between Wesfarmers and its suppliers, both domestically and offshore. Coles' relationship with food and grocery suppliers in Australia has been the focus of considerable attention while several of our retail divisions have been drawn into wider scrutiny of workplace conditions in developing countries from where we import clothing, notably Bangladesh.

Our relationship with our suppliers is very important to us. We want to provide better value to our customers but in a way that is sustainable for our suppliers and their employees and helps them to grow with us.

Coles, a once iconic Australian business, was in a spiral of decline when we acquired it. Its product range was unwieldy and excessive, products were too often unavailable on shelves and the experience for customers was unfriendly and unsatisfying. We set out to rebuild trust with consumers by providing them with better value and a much improved in-store experience. Five years later, millions more Australians are choosing to shop with Coles each week, our customers collectively are saving around \$1 billion a year and we are purchasing billions of dollars a year more fresh produce from Australian farmers. Deflation in food and grocery prices has been one of the

few areas of relief for the many Australians struggling with the rising cost of living.

An essential element of the Coles turnaround has been increasing the efficiency and cost-competitiveness of our supply chain. This has been challenging for some individual suppliers but the supply chain in Australia does need to become more efficient to ensure its continued competitiveness. Coles is working closely with its suppliers to ensure we are getting fresher, better product in a more efficient way. This is not only good for consumers but a necessary transformation of the supply chain in Australia.

Ethical sourcing is also very important to us. All our retail divisions have ethical sourcing codes based on internationally accepted codes and guidelines. These cover proper working conditions, fair pay and labour standards, health and safety and business integrity and regular audits take place to verify factories are complying with code requirements.

The media coverage on the garment manufacturing industry in Bangladesh was disturbing. However, much of it overlooked the efforts Wesfarmers and its retail divisions – Kmart, Target and Coles – have made, and are continuing to make, to ensure we source our products from suppliers that operate to a standard we and our customers expect.

While there are many improvements still to be made, we are leading the way in Australia in some areas. Kmart and Target were the first Australian retailers to sign the Accord on Fire and Safety in Bangladesh. More recently, Kmart became the first Australian retailer to commit to publishing the addresses of all its clothing supplier factories in all countries.

Looking ahead

In 2014, Wesfarmers will celebrate both its centenary and the 30th anniversary of our public listing. Since 1914 we have grown

from a small farmers' cooperative to one of Australia's biggest companies. Our size and operations today would be unrecognisable to the handful of farmers who were behind the formation of The Westralian Farmers Limited so long ago. We owe much to our cooperative roots: patience, boldness, resilience, disciplined investment, our commitment to the communities where we operate and, perhaps most importantly, a willingness to take a long-term view and stare through cycles.

As we go forward, we will retain a strong focus on growth through investing in our existing businesses. Our online revenues are now around the \$1 billion mark, just one indication of how the digital age is impacting our businesses. The future holds much opportunity in this area as our businesses develop and implement digital strategies to lift efficiency and enhance the value we provide to customers. As always, we will also look to make appropriate changes to our portfolio but remain patient and disciplined in doing so.

I sincerely thank the Board, the leadership team and all of our 200,000-plus employees for their efforts and collaboration this year. I am delighted that the growth in our businesses meant we were employing an additional 4,000 people at the end of the year. Very good people at all levels are the key to our success; they are our only true competitive advantage and they are what will make the coming years even better than the past.

Richard Goyder AO, 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, AO

Managing Director, Wesfarmers Limited

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

Terry Bowen

Finance Director, Wesfarmers Limited

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

Ian McLeod

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 Walmart in Germany.

John Gillam

Managing Director, Home Improvement and Office Supplies

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

Guy Russo

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.

Stuart Machin

Managing Director, Target

Stuart was appointed Managing Director of Target in April 2013. Prior to this, Stuart was the Coles Stores Development and Operations Director with accountability for stores throughout Australia and Central Operations, including Coles IT, Coles OnLine, Human Resources, Safety, Loss Prevention, Customer Service and Retail Change. Stuart has over 24 years' experience in retail including roles at Sainsbury, Tesco and ASDA Walmart, and completed the Advanced Management Program at Harvard Business School in 2012.

Anthony Gianotti

Managing Director, Wesfarmers Insurance

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

Stewart Butel

Managing Director, Wesfarmers Resources

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



From left to right:

Guy Russo
 Stuart Machin
 Olivier Chretien
 Ian McLeod
 Ben Lawrence
 Linda Kenyon
 Alan Carpenter
 Tim Bult
 Tom O'Leary
 Terry Bowen
 Paul Meadows
 Richard Goyder AO
 Stewart Butel
 John Gillam
 Anthony Gianotti

Tom O'Leary

Managing Director, Wesfarmers Chemicals Energy and Fertilisers

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

Olivier Chretien

Managing Director, Wesfarmers Industrial and Safety

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

Tim Bult

Executive General Manager, Business Development, Wesfarmers Limited

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

Paul Meadows

Group General Counsel, Wesfarmers Limited

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

Linda Kenyon

Company Secretary, Wesfarmers Limited

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

Ben Lawrence

Chief Human Resources Officer, Wesfarmers Limited

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

Alan Carpenter

Executive General Manager, Corporate Affairs, Wesfarmers Limited

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

Finance Director's review



Results overview

Net profit after tax for the Group in the 2013 financial year increased 6.3 per cent to \$2,261 million. In line with earnings growth, earnings per share of 195.9 cents were up 6.4 per cent, while average return on equity increased to 8.9 per cent for the year.

Cash flow

Strong cash flow generation during the year was a highlight. Cash flow from operations increased by 8.0 per cent to \$3,931 million, with a cash realisation ratio of 118 per cent, driven by earnings growth and good working capital management.

Free cash flows increased to \$2,171 million for the year, up 47.5 per cent on last year, despite the prior period benefiting from \$402 million in cash proceeds associated with the sale of the Premier mine, the enGen business and other small divestments. Higher free cash flow was reflective of increased retail property sale and leaseback activity and exceeded cash dividends paid during the year, which totalled \$1,985 million, up from \$1,789 million in the previous year.

While 11.2 per cent down on last year, gross capital expenditure of \$2,331 million remained well ahead of depreciation due to ongoing investment in growth opportunities within the Group, including retail network expansion and refurbishment activity, and good progress on the 260,000 tonne expansion of ammonium nitrate capacity in the Chemicals, Energy and Fertilisers division.

Net capital expenditure of \$1,672 million was down 28.9 per cent after the inclusion of \$659 million in property disposal proceeds. Included within this result was \$400 million of proceeds from the sale and leaseback in May 2013 of 19 Coles-owned shopping centres to a newly

established joint venture, owned 75 per cent by ISPT, a leading Australian property fund manager, and 25 per cent owned by Coles.

The current outlook is for property recycling activity to remain at high levels given more of Wesfarmers' retail property portfolio is entering a stage where return on capital can be optimised from its sale and leaseback. As part of this activity, the Group has begun using more innovative structures that retain operational flexibility, alongside its more traditional sale and leaseback approach. Consistent with this, in August 2013 Bunnings announced the sale and leaseback of 10 Bunnings stores to the BWP Trust and 15 Bunnings warehouses via a securitised lease transaction.

Balance sheet

The balance sheet remains strong and all key liquidity ratios improved during the year.

Total net debt at 30 June 2013 of \$5,259 million was 7.2 per cent higher than the same time last year. Despite this increase, finance costs declined by 14.5 per cent to \$432 million. This was due to a 118 basis point reduction in average effective borrowing costs to 6.65 per cent driven by strong refinancing outcomes and the progressive expiry of pre-global financial crisis interest swap hedges.

The value of property, plant and equipment increased over the year from \$9,463 million to \$10,164 million as at 30 June 2013, due to investment in growth capital expenditure mainly in Coles, Bunnings and the Chemicals, Energy and Fertilisers division.

Further improvements in working capital management were made, with capital employed in this area reducing by \$542 million over the year. This result was driven by extracting efficiencies across the Group's

retail supply chains which more than offset the impact of increased store numbers across these businesses.

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 \$49 million were made during the year, compared to \$197 million in the prior year. The current year impairment charge largely related to retail property holdings. 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

Wesfarmers is committed to maintaining a strong investment-grade rating through prudent balance sheet management. At the end of the year the Group's credit rating from Standard & Poor's was A- (stable) while Moody's rating was upgraded during the year to A3 (stable).

The Group has continued to diversify its funding sources and extend its debt maturity profile, with an average tenor of 4.0 years at year end. Refinancing activity comprised Wesfarmers' first 10 year bond issue in August 2012, which raised €650 million (approximately \$764 million) through European debt capital markets. In March 2013, the Group issued \$350 million of seven year unsecured fixed rate medium term notes in the Australian market and, in the same month, issued US\$750 million (approximately \$728 million) of five year notes in the United States. Late in the year,

Strong cash flow generation during the year was a highlight.

the Group also achieved good outcomes through the renegotiation of approximately half of its term loan facilities. This activity collectively reflects an overall treasury strategy to proactively re-finance maturities when conditions are favourable.

As at 30 June 2013, the Group had available to it \$520 million in cash at bank and on deposit and \$3,050 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 3.0 times and cash interest cover to 12.2 times. Net debt to equity at year end was 20.2 per cent.

Capital management

As a result of continued earnings growth and cash generation, together with a stronger balance sheet, Wesfarmers directors propose, subject to shareholder approval at the 2013 Annual General Meeting, that Wesfarmers makes a capital return of 50 cents per fully-paid ordinary share and partially protected share. The capital return, which would total \$579 million if approved, will return surplus capital to shareholders and ensure that Wesfarmers maintains an efficient capital structure without adversely affecting its financial flexibility and growth objectives.

The capital return will be accompanied by an equal and proportionate share consolidation. This means Wesfarmers can provide an earnings per share outcome similar to that which would result from a share buy-back, whilst also ensuring that all shareholders receive an equal cash distribution per share and no change in their proportionate interest in Wesfarmers.

In order to properly reflect the impact of the capital return and share consolidation on Wesfarmers' partially protected shares, the floor price and conversion ratio attaching to the partially protected shares will be adjusted to \$34.32 and 1.256 respectively.

Equity management

Over the year shares on issue were stable, with 1,157 million shares on issue at 30 June 2013, 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, Wesfarmers directors declared a fully-franked, final dividend of 103 cents per share, bringing the full-year dividend to 180 cents per share, an increase of 9.1 per cent on last year. The final dividend, to be paid on 27 September 2013, 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 fixed rate debt and interest rate and cross currency interest rate swaps to manage interest rate risk. Fixed rate debt and interest rate swaps covering \$2.5 billion of debt are currently in place for the 2014 financial year.

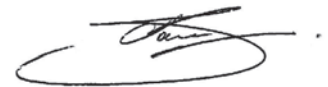
The annual corporate planning process includes an established framework for assessing broad business risk as well as considering appropriate risk mitigation strategies.

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 Audit Committee. 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

Coles

The Coles turnaround produced strong trading results in 2013 by improving quality, service and value. The business continued to out-perform the industry and successfully completed the final year of a five-year turnaround plan.

The business

Coles is a leading food, liquor and convenience retailer, with a presence in every Australian state and territory. The business operates 2,294 retail outlets across Coles, BiLo, First Choice Liquor, Liquorland, Vintage Cellars, Coles Express and Spirit Hotels.

The business employs more than 99,000 team members and handles more than 19 million customer transactions a week.

Strategy

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

In 2012/13, Coles customer-focused strategy continued to improve in efficiency and productivity, investing in lower prices, delivering better quality through its 'Australian First' sourcing policy and developing a stronger store base through new store openings and renewing existing stores.

Results

The 2013 financial year saw Coles deliver operating revenue of \$35.8 billion, up 4.9 per cent on the prior corresponding period. Earnings before interest and tax grew to \$1,533 million, up 13.1 per cent on the previous year.

Food and liquor revenue was \$27.9 billion, up 5.2 per cent on the previous year and comparable store sales growth¹ was 4.3 per cent.

The results were achieved by investing in new and bigger stores and investing in lower prices which were funded by achieving operating efficiencies across stores, supply chain and store support functions.

Coles Liquor's performance improved during the year, with profit growth supported by a better margin mix as a result of improved promotional effectiveness and increased exclusive label sales. Coles Express revenue (including fuel) rose by 3.9 per cent to \$7.8 billion, driven by strong customer response to a quality fuel offer.

Year in brief

This was the final year of Coles' five-year turnaround plan, designated to deliver a step change in Coles performance after a previous decade of underperformance.

Coles' investment in lower prices is saving Australians more than \$1 billion per year. In January 2013, Coles introduced another 100 'Down Down' price cuts, including lowering the price of milk and bread at Coles Express stores.

As a result of its Australia First sourcing policy, since 2009, Coles sells 200,00 tonnes more of Australian fresh fruit and vegetables and is looking to achieve more. For instance, 4,000 tonnes of additional fruit will be sourced from 40 Queensland-based pineapple growers for Coles brand tinned pineapple, replacing pineapples from Indonesia.

New long-term supply contracts were also awarded to farmer-owned Australian dairy processors - Devondale/Murray Goulburn and Norco - to supply Coles brand milk in New South Wales, south east Queensland and Victoria from mid-2014. Together, the contracts support 2,600 member farms with up to 10 years of tenure certainty.

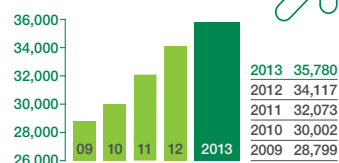
In January 2013, Coles delivered on its commitment to improve animal welfare standards in egg and pork farming. Coles was awarded the RSPCA Good Egg Award for the second time in three years for its phasing out of cage eggs. The phase-out of sow-stall produced pork was achieved a year earlier than forecast.

Coles continued to launch new and innovative own brand products, such as the Coles Simply Less and Simply Gluten-Free range. It also launched a new voluntary environment standard for vegetable growers with AUSVEG, the industry body representing the interests of Australian vegetable and potato growers.



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

Revenue
35,780 \$m



¹ For 2013 the 53 weeks from 25 June 2012 to 30 June 2013 and for 2012 the 53 weeks from 27 June 2011 to July 2012.

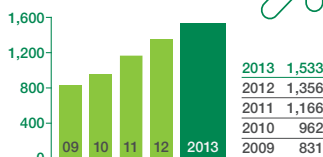


Growth strategies

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



EBIT 1,533 \$m



Key financial indicators

For the year ended 30 June	2009	2010	2011	2012	2013
Revenue (\$m)	28,799	30,002	32,073	34,117	35,780
Earnings before interest and tax (\$m)	831	962	1,166	1,356	1,533
Capital employed (R12) (\$m)	15,140	14,886	15,018	15,572	16,114
Return on capital employed (%)	5.5	6.5	7.8	8.7	9.5
Capital expenditure (\$m)	606	683	840	1,218	1,181

Coles

Coles continued to launch new and innovative own brand products, such as the Coles Simply Less and Simply Gluten-Free range. It also launched a new voluntary environment standard for vegetable growers with AUSVEG, the industry body representing the interests of Australian vegetable and potato growers.

This year, 90 renewal format supermarket stores were delivered taking the total renewal format stores to 342. This included 19 new supermarkets, 45 liquor stores and 12 convenience stores.

New and refurbished stores included a new concept store at Southland (VIC) and new supermarkets at Ipswich and Bundaberg (QLD) which opened two years after they were devastated by cyclone and flood.

During the year, Coles Express launched discounts for customers through its network of almost 600 ATMs, providing discounts for fresh produce, meat and bakery items.

Coles' loyalty program, flybuys, continued to build on its successful relaunch in 2012, adding Medibank to the range of partners and delivering personalised offers and communications to members.

Coles Insurance grew strongly during the year reaching over 200,000 policies as customers looked for greater value in car and home insurance.



A new and improved website for Coles Online was trialled during the year and will provide a better shopping experience for customers in the future. Coles Online is now available for over 90 per cent of Australia's population and operates 264 delivery vans.

Business sustainability

Coles continued to invest in energy efficiency projects to reduce energy consumption and exposure to higher energy costs. Initiatives included the ongoing introduction of voltage

Business statistics

■ Supermarkets	756
◆ Liquor stores	810
▲ Hotels	92
● Convenience stores	636

Number of team members **99,122**



optimisation technology, which reduces the amount of electricity drawn from the grid, to a further 196 supermarkets.

Coles' soft plastic packaging recycling program was expanded from 114 Victorian supermarkets to approximately 480 supermarkets nationally and 102 tonnes of soft plastic material was recycled by customers compared with 23.5 tonnes in 2012.

Coles continued to drive diversity through its 'First Steps' indigenous employment and engagement programs. In the past year, the program has provided over 200 employment opportunities for indigenous Australians in locations, such as, Cairns (QLD), Adelaide (SA), Sydney and Liverpool (NSW), taking the total number of jobs offered under this program to 405.

Our safety performance, as measured by lost time injury frequency rate (LTIFR), improved by 27 per cent, with a LTIFR of 9.5 compared to 13.0 last year. Strategies were implemented to improve behavioural safety, manual handling injury prevention, site safety and security.

During the year, Coles raised and contributed \$38.5 million to charities, community programs and disaster relief.

On Australia Day 2013, Coles announced Redkite as its charity of the year with a goal of raising over \$5 million. Redkite is a national charity that supports children, young people and families through their cancer journey.

Coles food donations to community groups via Foodbank and SecondBite totalled over four million kilograms, which was more than double our donations last year. In May 2013, the business was recognised for the millions of non-perishable food donated to Foodbank going back over 10 years, receiving the Patron's Award, presented by the Governor General Her Excellency Ms Quentin Bryce AC. The award is given to a company that has demonstrated leadership, innovation, creativity and impact over time in its partnership with Foodbank.

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
www.colesinsurance.com.au

Outlook

Coles has now moved into its second wave of transformation strategy execution will continue at pace, maintaining our focus on the customer with further improvements in quality, service and value. The success of the turnaround strategy over the last five years has provided a springboard for future growth taking advantage of opportunities in store renewal, supply chain transformation and continued improvements in operating efficiencies. Coles is also investing in a range of initiatives to deliver sustainable growth over the longer term, which includes continued category innovation and Coles brand development, multi-channel integration and a tailored loyalty offer. The market environment will remain both competitive and challenging but Coles is confident on maintaining our momentum on securing further growth.

Anthony and Lee-Anne Yewers of Berry Sweet, Bullsbrook (WA), Coles Fresh Produce Supplier of the Year 2013.



Home Improvement and Office Supplies - Bunnings

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

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 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 team members 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 7.0 per cent to \$7.7 billion for the year. Earnings before interest and tax grew 7.5 per cent to \$904 million.

Total store sales growth of 7.2 per cent was achieved during the year, with store-on-store sales increasing by 4.4 per cent. Commercial sales were 9.6 per cent higher than the comparable period. Sales growth for the year was achieved in both consumer and commercial areas, across all key trading regions by all merchandising categories. Trading for the year finished well, with total sales up 10.2 per cent and store-on-store growth up 6.9 per cent during the fourth quarter. The business was further strengthened during the year through the delivery of better customer experiences, continued range innovation and category expansion, and further network and property pipeline development.

Year in brief

Stock flow was improved, the team is better equipped to deliver on service objectives

and more value is being provided to customers, funded by cost and productivity improvements. During the year 23 trading locations were opened, including 10 new warehouse stores, 10 smaller format stores and three trade centres. At the end of the period there were 210 warehouses, 67 smaller format stores and 36 trade centres operating in the Bunnings network across Australia and New Zealand.

Business sustainability

We continued to work on reducing our impact on the environment by using less energy and water, lowering our levels of waste to landfill, and raising awareness of sustainable living options in the community.

Although continued growth in new stores affected the business' total carbon footprint, carbon intensity remained stable at 3.3 CO₂e tonnes per \$100,000 of revenue.

Using less water 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 1,016 megalitres, an increase of 17 per cent overall. Notwithstanding the significant expansion in the store network, the intensity of our water use has reduced 15 per cent compared to the intensity of water use five years ago.

Our ongoing focus on lowering our waste levels resulted in a waste diversion rate of 67 per cent from landfill by volume via various recycling and packaging initiatives, up three per cent from last year. Pleasingly, we maintained zero growth in our total tonnes of waste to landfill over the period.

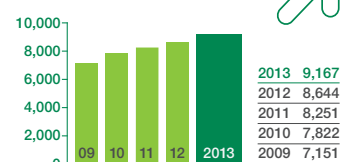
Bunnings continued to increase its community involvement in a localised, sincere and meaningful manner, with our team members supporting over 49,000 activities throughout the year. More than 104,000 team member hours supported these activities. Bunnings helped raise and contribute more than \$30 million to local, regional and national charities and community organisations across Australia and New Zealand.

Pleasing safety performance outcomes were achieved during the year with a 18 per cent reduction in the number of injuries recorded and a 20 per cent reduction in the total recordable injury frequency rate.



Bunnings provides its customers with the widest range of home improvement and outdoor living products.

Revenue 9,167 \$m





Growth strategies

More customer value: ongoing focus on creating 'breathtaking value', funded by productivity and cost actions

Better customer experiences: better consistency in service basics, higher customer centricity – in-store, online and in-home, and deeper customer engagement, with more pre-shop, post shop and services

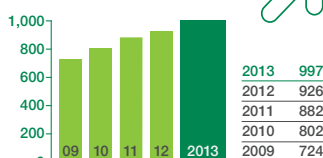
Greater brand reach: more stores, with increased format innovation and existing store re-investment, more digital, and more in-home services

Expanding commercial: leveraging strength of network and brand with total market capability – stores, trade centres, in-field and online, focusing on light and heavy commercial customers

More merchandising innovation: creating, leveraging and responding to lifestyle trends, environmental and economic changes. Also further product and project innovation with a DIY focus to expand the whole market



EBIT 997 \$m



Outlook

Work will continue in the next year to drive sales and earnings growth by creating more value for customers, providing better customer experiences, expanding brand reach, leveraging the commercial area of the business and delivering more merchandise innovation. There will also be continuing investment in the team, stock flow, productivity and community involvement, to further build on those aspects of the business.

Conversion of the property pipeline into trading locations will occur at a higher rate than historically achieved, with at least 20 new warehouse stores to open in the 2014 financial year. There will be further investment in the property pipeline and in existing stores, with an ongoing focus on the recycling of capital.

Home Improvement and Office Supplies - Officeworks

Officeworks continued to strengthen its customer offer, adding new products and services and enhancing its 'every channel' capability, expanding and renewing the store network and investing in online and business-to-business channels.

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 its business sales force, Officeworks caters to a broad range of customers, including businesses of all sizes as well as students, teachers and educational institutions.

Strategy

Officeworks aims to provide customers with the widest range of products, at the lowest price, underpinned by great service, while providing a safe, rewarding and engaging place to work for all its team members.

Officeworks has a clear strategic agenda to invest in its 'every channel' capability, including expanding its store network; enhancing the customer offer, reducing operational complexity and the cost of doing business.

Results

Officeworks' full-year operating revenue increased by 1.6 per cent to \$1.5 billion. Earnings before interest and tax of \$93 million grew 9.4 per cent on the prior year. Sales growth was constrained by deflationary headwinds in some categories and challenging market conditions across its core customer base. Increased earnings growth was achieved through better customer service, ranging new products and services, the implementation of business effectiveness initiatives and disciplined cost management.

Year in brief

Officeworks continued to expand its store network with 13 new stores opened during the year, including new CBD format stores in Melbourne and Sydney. Officeworks' 150th store opened in Bayswater, Victoria, in June 2013.

A number of initiatives were introduced to enhance the customer offer through product and category innovation and through expanding the sales team to service the business-to-business, government and education segments.

Officeworks continued to invest in its 'every channel' strategy which seeks to provide customers with a seamless shopping experience through all channels. Strong growth in transactions and unit sales was achieved across all channels.

Business sustainability

Officeworks remains committed to social responsibility and making a positive contribution to the communities in which it operates.

More than \$1.1 million was raised during the year to support a variety of local and national programs including the Australian Literacy and Numeracy Foundation, Tour de Cure and various local charities through sausage sizzle fundraising.

Officeworks was the biggest contributor to the Cartridges 4 Planet Ark program, collecting more than 850,000 cartridges for recycling. In addition, Officeworks was the first retailer to offer an end-of-life solution for the take back and recycling of computers and computer accessories. The Bring IT Back program has rolled out to over 100 stores and has collected 51 tonnes of IT equipment for recycling.

Officeworks' commitment to sustainable and ethical sourcing continues to be a priority. The Supplier Code of Conduct and Responsible Forest Products Purchasing Policy Statement have been rolled out to all suppliers and supplier audits are underway. Officeworks is also a member of Sedex, a not-for-profit organisation responsible for driving supply chain improvements in responsible and ethical business practices.

Throughout the 2013 financial year, four safety awareness campaigns were delivered. The campaigns all focused on proactive safety behaviours and specific procedures relating to higher risk activities. These campaigns encouraged stores to drive their safety culture, and has resulted in the lost time injury frequency rate dropping from 10.8 to 9.8.

Business statistics

Bunnings

■ Warehouse stores	210
◆ Smaller format stores	67
▲ Trade centres	36

Number of team members **33,639**

Officeworks

■ Officeworks stores	149
◆ Harris Technology business centre	1
▲ Fulfilment centres	4
● Call centres	2
▼ Print hub	1

Number of team members **6,186**





Growth strategies

Continually enhance the customer offer: extend reach to more customers in more places and in more ways; improve the offer in existing categories and expand into new categories; enhance and expand print and copy and grow furniture; extend price leadership; evolve store formats

Improve customer service: expand business-to-business and education teams; build specialist knowledge in-stores; streamline non-service related activities

Team development and engagement: focus on training and development; improve safety, health and wellbeing, and diversity

Reduce complexity and costs: ongoing incremental supply chain improvements; invest in stock management and back office systems and process improvements; continued focus on removing costs, duplication and complexity

Drive profitable sales growth: continue every channel investment; network expansion and renewal; category expansion; improve stock management; build stronger relationships with business and education customers

Key financial indicators

For the year ended 30 June	2009	2010	2011	2012	2013
Revenue (\$m)	7,151	7,822	8,251	8,644	9,167
Earnings before interest and tax (\$m)	724	802	882	926	997
Capital employed (R12)					
- Home Improvement (\$m)	2,219	2,400	2,863	3,250	3,492
Return on capital employed					
- Home Improvement (%)	29.7	30.3	28.0	25.9	25.9
Capital employed (R12)					
- Officeworks (\$m)	1,145	1,178	1,197	1,210	1,147
Return on capital employed					
- Officeworks (%)	5.7	6.3	6.7	7.1	8.1
Capital expenditure (\$m)	378	446	613	587	549

Bunnings websites

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

Officeworks websites

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

Outlook

Officeworks' primary focus remains on investing to further enhance the customer offer, including expanding and renewing the store network and category innovation and expansion.

We will continue to drive growth by delivering the widest range of office supplies and solutions, at the lowest prices, while providing customers with seamless service across all channels.

Underpinning these strategic initiatives will be ongoing work to develop and strengthen the Officeworks team.

The outlook for sales and margin is expected to be challenging given current market conditions.

Kmart

Kmart's sales growth for the full-year was underpinned by strong transaction and unit growth. The fourth quarter of the year represented the fourteenth consecutive quarter of growth in customer transactions and units sold.

The business

Kmart is one of Australia's largest retailers and was the most profitable discount department store in Australia in 2013, with 190 stores throughout Australia and New Zealand. Kmart has more than 31,000 team members including product sourcing offices in Hong Kong, China, Bangladesh and India.

Kmart carries a range of general merchandise and apparel products and is focused on ensuring the business offers low prices on all products every day, right across the store. Kmart offers an extensive range of home brand products which offer exceptional value to customers.

Kmart Tyre & Auto Service is one of Australia's largest retail automotive service, repair and tyre businesses, with a network of more than 260 stores.

Strategy

Kmart's strategy will remain consistent, offering families the lowest price on everyday items. Kmart is focused on growing the business through operational excellence, creating adaptable stores, driving a high performance culture and investing in the store network.

Key to Kmart's success has been the establishment of Kmart Australia Sourcing, with offices in Hong Kong, China, Bangladesh and India. The capabilities and accountabilities of the teams will continue to grow and deliver continued benefits to the business over the coming years.

Results

Earnings before interest and tax for the financial year of \$344 million, an increase of \$76 million on last year, were up 28.4 per cent. This represents the fourth consecutive year that Kmart has delivered double digit earnings

growth. Kmart's return on capital was 25.9 per cent, an increase of seven percentage points on the prior year, while comparable sales grew 2.1 per cent¹ for the year. The increase in earnings reflects increased sales, reduced markdown activity, a focus on cost efficiency and strong working capital management.

Quarter four in 2013 represented the fourteenth consecutive quarter of transaction and unit growth.

Year in brief

During the year, investment in the network continued with six new Kmart stores opened and 10 Kmart store refurbishments completed. At year end there were 190 Kmart stores and 263 Kmart Tyre & Auto Service centres.

Growth in Kmart's sales was underpinned by a strong increase in customer transactions and units sold, which more than offset price deflation as the business continued to reinvest efficiencies in lower prices. All key categories performed well during the year driven by a strong performance on everyday core ranges and improvement in on-shelf availability. Entertainment was the most challenging category, with deflation continuing to affect sales.

Progress was made on delivering a renewal store format suitable for a broader store roll out with 10 refurbishments completed during the year.

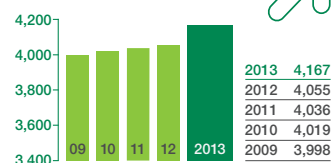
Earlier this year Kmart transitioned from communicating to customers its focus on 'Irresistible low prices everyday' to 'We make low prices irresistible' showcasing the fantastic products at amazing prices Kmart has to offer everyone.

Kmart also joined Target to be the first Australian retailer to sign the Accord on Fire and Safety in Bangladesh.



Kmart's vision is to be a business where families come first for lowest prices on everyday items.

Revenue
4,167^{\$m}



¹ For 2013 the 53 weeks from 25 June 2012 to 30 June 2013 and for 2012 the 53 weeks from 27 June 2011 to 1 July 2012.



Growth strategies

Introduce more desirable, high volume, own branded products

Introduce and expand growth categories creating new sales opportunities

Continue to focus on lowest price and volume

Integrate e-commerce to expand reach

Improve the ability to process volume across the network

Differentiation of Kmart's offer in the DDS market



EBIT
344 \$m



Key financial indicators

For the year ended 30 June	2009	2010	2011	2012	2013
Revenue (\$m)	3,998	4,019	4,036	4,055	4,167
Earnings before interest and tax (\$m) ¹	109	196	204	268	344
Capital employed (R12) (\$m)	1,486	1,335	1,337	1,416	1,329
Return on capital employed (%)	7.4	14.7	15.2	18.9	25.9
Capital expenditure (\$m)	63	79	101	136	91

¹ 2013 includes \$2 million earnings related to Coles Group Asia overseas sourcing operations (2012: \$2 million; 2011: \$3 million; 2010: \$6 million).

Kmart

Kmart has continued to identify and trial initiatives to reduce the amount of energy consumed by stores.

Business sustainability

As part of Kmart's ongoing commitment to supporting communities in which the business operates, Kmart has partnered with Room to Read in Bangladesh (which works to create a world in which all children can pursue a quality education) and the Salaam Baalak Trust in India (which works with homeless and destitute children in and around Delhi). This is in addition to the support provided to the Half the Sky Foundation in China, as well as strong local relationships with charities including The Salvation Army through the Kmart Wishing Tree Appeal (Australia and New Zealand) and Variety – the Children's Charity (Australia).



Kmart remains committed to the safety of its team members, with Kmart committing to spending over \$5 million to upgrade equipment in the back of stores to improve the working environment.



The business recorded a slight reduction in the lost time injury frequency rate from 9.3 last year to 9.2 this year however the total recordable injury frequency rate increased from 37.1 last year to 37.7 this year on the back of increased volume.

Kmart has continued to identify and trial initiatives to reduce the amount of energy consumed by stores. Initiatives currently on trial are delivering energy savings of over 30 per

Business statistics

	Kmart stores	190
	Kmart Tyre & Auto Service centres	263
Number of team members		31,266



cent of a store's air conditioning energy use and further initiatives that are being reviewed aim to increase total store energy savings a further 40.0 per cent.

Kmart has continued to focus on developing team members and has recently introduced a training program for buying assistants and planning assistants. This program supports team members in these roles by giving them structured training and coaching and provides Kmart with a pool of talent when positions become vacant.

Kmart has undertaken packaging reviews across a further four categories with opportunities being identified for over 400 products. The business is currently exploring these opportunities with factories to assess their suitability from a factory perspective before introducing them to the range.

Kmart has conducted a specific fire safety and building integrity check of all factories producing Kmart products in Bangladesh



Business websites

www.kmart.com.au

www.kmart.co.nz

www.ktas.com.au

and each factory has been given feedback on specific opportunities for improvement. Kmart has reviewed factory operations in multi-story buildings and is in the process of exiting these factories with no further orders to be placed. In addition Kmart has made a decision that any factory found to be sub-contracting without authorisation will be deregistered. The business continues to work closely with all stakeholders in Bangladesh to ensure compliance with local requirements.

Outlook

Kmart's sales and profit growth will be driven by a continued focus on everyday volume retailing and operational excellence, lowest-cost sourcing, value enhancement across all ranges and a continued focus on the basics. Team and customer safety remains a priority along with a continuing focus on ethical sourcing and continuing to build stronger relationships with all suppliers.

It is anticipated the coming year will present challenges for many retailers given the recent devaluation of the Australian dollar. Kmart has effective hedging in place and therefore remains well positioned in the market to offer value to customers every day.

Network investment will continue, with six new Kmart stores planned to open in the 2014 financial year.



Target

After a difficult year at Target, we have reset our business strategy with a focus on getting 'back to basics'. A key priority will be to strengthen our team to drive a transformation program to ensure the long-term sustainable success of the business.

The business

Target is a department store retailer, offering a range of women's, men's and children's clothing, footwear, accessories, as well as nursery items, homewares, electrical, toys and other general merchandise. We have stores located across metropolitan and regional areas nationally.

Target has more than 24,000 team members serving our customers and a growing online store with over 58,000 products available, up from 36,000 last year.

Strategy

Target's transformation plan to improve the business centres around six key strategies which will build a platform for future growth. These strategies include improving the customer experience, reviewing product ranges, providing great style and quality, improving pricing architecture, driving efficient and easy business operations with strong leadership and a great culture.

Results

Target's operating revenue decreased by 2.1 per cent to \$3.7 billion, while comparable store sales for the year declined 3.3 per cent¹. Earnings before interest and tax were \$136 million, down 44.3 per cent on the prior year.

Target's second half result included a release of the remaining balance of the supply chain provision, having utilised half of the original \$40 million reserve. Increased provisions related to stock loss and realisable value offset the otherwise positive affect of this release.

During the year, 14 stores were opened, including four replacement stores, and seven stores closed. At the end of the year there were 183 Target stores, including three Urban By Target stores and five Target Outlets, and 125 Target Country stores.

Year in brief

Target's reduced earnings reflected challenging trading conditions. Continued price deflation due to strong competition and continuing challenges in electrical and entertainment categories affected sales and trading margins.

A higher than anticipated shrinkage result, and high levels of excess inventory which led to elevated clearance activity during the fourth quarter, adversely affected earnings during the year. A late start to winter and poor product ranges also affected sales and contributed to the higher inventory and clearance activity. High levels of consulting costs were experienced in the first half, with costs incurred in June 2013 related to the restructuring of the store support centre.

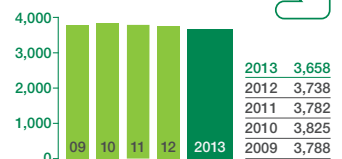
Stuart Machin was appointed managing director in April 2013, and since then the business has focused on addressing short-term performance issues, while building a plan to ensure the long-term sustainable success of the business.



Target's value proposition is to deliver style and quality every day at prices customers love.

Revenue

3,658 \$^m



¹ For 2013 the 53 weeks from 24 June 2012 to 29 June 2013 and for 2012 the 53 weeks from 26 June 2011 to 30 June 2012.



Growth strategies

Outstanding customer experience

Right product choices

Great style and quality

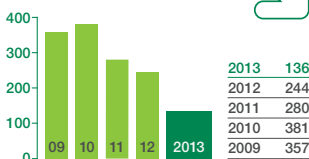
Prices customers love

Efficient and easy operations

Team with personality and pride



EBIT 136 \$m



Key financial indicators

For the year ended 30 June	2009	2010	2011	2012	2013
Revenue (\$m)	3,788	3,825	3,782	3,738	3,658
Earnings before interest and tax (\$m)	357	381	280	244	136
Capital employed (R12) (\$m)	2,939	2,813	2,871	2,896	2,930
Return on capital employed (%)	12.2	13.6	9.8	8.4	4.6
Capital expenditure (\$m)	91	91	95	67	91

Target

As the business executes its transformation, earnings are expected to progressively recover, but improvement will take time.

Business sustainability

Sustainability continued to be a key priority at Target with a focus on team member safety, reducing energy costs, supporting the community and improving our ethical sourcing audit processes.

During the year we introduced gravity conveyor rollers and plastic processing tables in all stores. We also developed training videos of five commonly used safe work practices or procedures for our team members.

We also introduced strategies to reduce energy costs, including reviewing and refining the operating schedules for lighting and air conditioning systems and using real-time measurement to automatically adjust temperature settings and air quantities.

Following our support of Kids Teaching Kids Week in 2012, this year we announced a



national community partnership with this inspiring organisation. Kids Teaching Kids allows students to switch roles with their teachers and focus on environmental issues affecting their school, their community and their country.

Through this program we will foster the creativity and enthusiasm of Australian school kids and encourage them to lead the country

Business statistics

■ Target stores	183
◆ Target Country	125

Number of team members **24,622**



to an environmentally sustainable future. This successful program has already reached 66,000 Australian children.

Target partnered with the AFL club, Geelong, to support a range of community development programs with a focus on indigenous communities and youth development. Through the football club's community program, three Target team members experienced indigenous culture first-hand in the Gove and Groote Eylandt communities of the Northern Territory.

As a Bio Cats Program sponsor, Target worked with the Geelong Cats and Deakin University to engage local schools at the football club's Community Education and Wellness Centre. The program explores the science of maths and football to encourage teamwork, career aspirations, confidence, resilience and persistence.

In 2013 financial year we continued to expand our ethical sourcing audit processes to improve suppliers' compliance with our program. Key to this, we formalised our Code of Conduct into a contractual agreement.

To build stronger links overseas, we continued to further develop direct relationships and local support in the countries in which we operate.

We conducted a risk profile of all countries to identify any issues and ensure vendors are providing safe work conditions that comply with our code. This included a fire risk assessment at all factories in Bangladesh.

In June, we were among the first Australian retailers to sign the Accord on Fire and Safety in Bangladesh.

Business websites

www.target.com.au

www.designersfortarget.com.au

www.facebook.com/targetaus

www.youtube.com/user/TargetAustralia

Outlook

Key initiatives during the next financial year include improving the customer experience and product offering, resetting pricing architecture, focusing on and benchmarking style and improving process efficiency and cost management.

The challenging trading environment experienced in the fourth quarter of the 2013 financial year is expected to continue into the coming year, due mostly to high levels of winter inventory that will require continued clearance. Trading will also be affected by a late launch of the spring/summer product transition and the non-repeat of high levels of promotional activity in the prior year.

As the business executes its transformation, earnings are expected to progressively recover, but improvement will take time.

Target expects to open 12 new stores and two replacement stores in the 2014 financial year.



Insurance

Strong underwriting performance combined with continued income and earnings growth in broking produced the division's highest ever earnings result.

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 brands include WFI, Coles Insurance, Lumley Australia and Lumley New Zealand. The insurance broking operations are represented by OAMPS Australia, OAMPS UK and Crombie Lockwood in New Zealand. The premium funding operations in Australia and New Zealand include Lumley Finance and Monument Premium Funding.

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, regional and metropolitan Australia, while the Australian and New Zealand Lumley operations focus on sales through brokers and other intermediaries with specialisation in the fleet and commercial motor, property and liability, engineering and marine sectors. Wesfarmers Insurance also 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 \$2.1 billion was 8.8 per cent higher than the previous corresponding period. Earnings before interest, tax and amortisation (EBITA) increased to \$218 million, a significant increase on the \$17 million achieved in the previous corresponding period.

Earnings were positively impacted by a significant increase in underwriting EBITA to \$136 million from a loss of \$58 million in the previous year. The previous corresponding year was impacted by an increase in reserves of \$108 million associated with the February 2011 Christchurch Earthquake.

The strong underwriting performance in the current financial year was achieved as a result of improved loss ratios through disciplined underwriting practices with a focus on portfolio remediation, higher earned premiums flowing through from rate increases in the 2012 and 2013 financial years, and a continued focus on exposure management. In addition, claims from natural perils were broadly in line with internal expectations and most portfolios had a favourable claims experience, although this was partially offset by a deterioration in the Builders' Warranty portfolio which is in run-off.

The reported combined operating ratio for the underwriting operations improved from 111.2 per cent to 95.3 per cent.

Broking operations also generated growth in revenue and earnings with reported EBITA of \$86 million, up 8.9 per cent from \$79 million the previous year. The growth in earnings reflected an increased contribution from acquisitions and strong growth in New Zealand, offset by higher costs associated with the planned investment in broking systems.

The lower interest rate environment reduced investment income to \$71 million from \$75 million in the previous year.

Year in brief

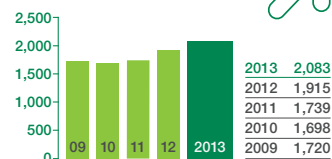
During the year, the Australian underwriting operations continued to maintain a strong focus on underwriting disciplines and exposure management. This discipline resulted in a strong improvement in the loss ratio with the business delivering average rate increases across the Australian portfolio of 6.5 per cent. Further improvements to our reinsurance arrangements also contributed to the improved result.

Strong customer interest in Coles Insurance continues to drive substantial increases in sales of motor and home products, with more than 200,000 policies in force at 30 June 2013.



Wesfarmers Insurance provides personal motor and home insurance through retailers and other intermediaries.

Revenue 2,083 \$m





Growth strategies

Improve and grow underwriting margin

Grow personal lines and direct capabilities

Sales growth in broking

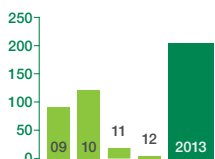
Deliver exceptional customer experiences across our businesses

Build high performing teams

Leverage scale and capabilities to deliver lean and efficient operations



EBIT 205 \$m



Key financial indicators

For the year ended 30 June	2009	2010	2011	2012	2013
Revenue (\$m)	1,720	1,698	1,739	1,915	2,083
Earnings before interest and tax and amortisation (\$m)	103	131	30	17	218
Earnings before interest and tax (\$m)	91	122	20	5	205
Capital employed (R12) (\$m)	1,289	1,340	1,240	1,277	1,396
Return on capital employed (%)	7.1	9.1	1.6	0.4	14.7
Capital expenditure (\$m)	26	26	47	47	26

Insurance

Lumley Australia launched its 'Making life easier' brand campaign to brokers. WFI continued to expand its strong rural footprint while growing its SME metropolitan portfolio, winning the Roy Morgan 'Business Insurer of the Year' award for the second year in a row.

In New Zealand, the underwriting business has returned to profitability despite dealing with the dual challenges of managing the Christchurch Earthquake repair and rebuild program along with a major migration to a new technology platform. Around 60 per cent of outstanding Earthquake claims have been settled and our reserving for the event remains broadly in line with our position at 30 June 2012.

The New Zealand business achieved average rate increases of 5.6 per cent across the portfolio.

The underwriting operations continued to invest in IT and efficiency initiatives, including the completion of the implementation of the new policy administration system in New Zealand, the launch of the full policy lifecycle

process in Lumley Australia and further expansion of our Partnered Repair Network for motor claims in Australian underwriting.

Broking revenue and earnings were higher than the previous corresponding period, however, planned expenditure on investment in broking systems resulted in a small reduction in EBITA margin. The New Zealand broking business achieved strong revenue and earnings growth, with the integration of the FMR and ACM Ahlers businesses completed and performing ahead of expectations and new business growth benefiting from increases in premium rates.

Revenue and earnings growth in OAMPS Australia have been more challenging, reflecting continued difficult trading conditions in the SME sector. The business remained focused on customer retention strategies and new business growth during the year.

Subdued economic conditions in the United Kingdom have resulted in flat earnings across the UK broking business.



Finally, the division's Premium Funding business continued to perform strongly and profitably.

Business sustainability

Key business sustainability initiatives for the year included the launch of an enhanced health and safety program with the aim of reducing the total recordable injuries frequency rate annually by 10 per cent with a stretch target of 20 per cent. Strategies for achieving the target include improved risk management

Business statistics

■	Lumley Insurance (Australia)	13
◆	Lumley General New Zealand	13
▲	WFI	89
●	OAMPS ¹	32
▼	Crombie Lockwood	23

Number of team members **3,677**

¹ OAMPS New Caledonia location not shown



activities and training as well as attention to the specific areas of motor vehicle travel, mental stress, ergonomics and building management. During the year, the total recordable injury frequency rate improved to 5.1 against a target of 6.4.

In addition, the division undertook a range of new and improved initiatives to engage our employees including implementing:

- a formal talent management strategy and development planning
- improved performance management training for leaders
- improved incentive structures for high performers
- more Women in Leadership Forums throughout the division
- systems to improve the visibility of job vacancies and career opportunities across the division
- continued investment in our leadership development curriculum
- increased focus on technical training.

Our employees in Australia, New Zealand and the UK supported their local communities during the year through a wide and diverse range of events and in addition, promoted health and wellbeing with over 970 people participating in the Global Corporate Challenge.

The division also continued its close engagement with the Insurance Council of Australia with more than 50 employees participating in 35 committees and working groups. The introduction of new APRA capital requirements, changes to the Victorian Fire Services Levy and passage of the Insurance Contracts Amendment Bill are some of the significant issues addressed by the business during the year.

Key issues addressed with the Insurance Council of New Zealand include the introduction of new RBNZ capital requirements, appetite by global reinsurers to invest in the New Zealand market and the shift from square metre to sum insured cover for domestic property insurance.

Business websites

www.wesfarmersinsurance.com.au

www.wfi.com.au

www.colesinsurance.com.au

www.lumley.com.au

www.lumley.co.nz

www.oamps.com.au

www.crombielockwood.co.nz

www.oampslondon.co.uk

www.lumleyfinance.com.au

www.monumentpf.com.au

Outlook

Further improvement in underwriting earnings is expected in the 2014 financial year, in the absence of significant catastrophe events, benefiting from a continued focus on disciplined risk selection and operational efficiencies. Rate increases are, however, likely to slow across Australia and New Zealand. Further expansion of the Coles Insurance offer is expected to provide strong growth in personal lines premiums. Continued pressure on investment yields due to the low interest rate environment is expected to continue to constrain investment earnings.

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, continued investment in the planned upgrade in broking systems will constrain margin in the short term.



Resources

Production from both the division's mines was up compared to prior year and cost control was also strong. Earnings were down compared to prior year reflecting significantly lower export coal prices.

The business

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

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 export 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
- additional mines and/or development of green-fields projects.

Results

Revenue of \$1.5 billion for the year was 27.8 per cent below the preceding year. Earnings before interest and tax of \$148 million were 66.3 per cent below last year.

The key driver of the reduced result was significantly lower export coal prices, exacerbated by a high Australian dollar for much of the year. Pleasingly, mine cash cost performance was strong at both mines, with both mines achieving reductions in unit costs of production compared to the previous year.

Curragh's Stanwell royalty (paid to the Queensland Government-owned Stanwell Corporation) was \$154 million. Additionally, the division paid ordinary government royalties in Queensland and New South Wales totalling \$108 million for the year.

Year in brief

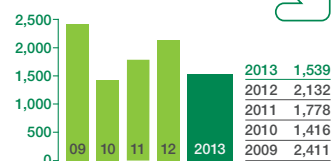
Curragh (Qld): Metallurgical coal sales volumes of 7.21 million tonnes were 0.8 per cent above the preceding year. Steaming coal sales volumes of 3.17 million tonnes were 7.5 per cent higher than the prior corresponding period reflecting contracted commitments. Metallurgical coal production for the year of 7.38 million tonnes was 2.2 per cent above the previous year and steaming coal production of 3.25 million tonnes was 12.8 per cent higher. Production was constrained by a scheduled shutdown during the Christmas period and significant wet weather, which interrupted rail and port activities, associated with Cyclone Oswald.



Wesfarmers Resources produces metallurgical coal for export to steel mills worldwide.

Revenue

1,539 \$m





Growth strategies

Business optimisation

Both mines remain focused on maintaining strong competitive positions in mine cash cost performance and production, so as to be best placed for satisfactory performance in the present lower export price environment as well as maintaining readiness to respond most effectively to all future market developments. Continuous improvement across all aspects of the business remains a focus.

Expansion options

Curragh: A feasibility study with respect to a further expansion of Curragh from its present 8.0 to 8.5 million tonnes nameplate capacity to 10 million tonnes annual export capacity is complete with port and rail capacity secured. Investment decision and timing will be dependent upon market conditions.

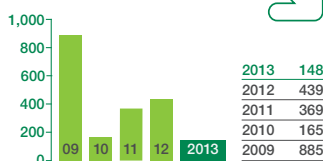
Bengalla: A feasibility study for further expansion of Bengalla from its present 9.3 million tonnes Run of Mine nameplate capacity to 10.7 million tonnes Run of Mine is also complete. Investment decision and timing will be dependent upon market conditions.

Business optimisation: Continuous improvement of operations including safety, sustainable cost control and marketing for global competitiveness.

Portfolio growth: The Division evaluates acquisitions and other 'step-out' opportunities where appropriate – as an established large-scale Australian open-cut miner, this includes coal, other carbon-steel raw materials and energy.



EBIT
148 \$m



Key financial indicators

For the year ended 30 June	2009	2010	2011	2012	2013
Revenue (\$m)	2,411	1,416	1,778	2,132	1,539
Earnings before interest and tax (\$m)	885	165	369	439	148
Capital employed (R12) (\$m)	1,075	1,146	1,293	1,488	1,480
Return on capital employed (%)	82.4	14.4	28.5	29.5	10.0
Capital expenditure (\$m)	252	228	372	392	79

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

Resources

Good outcomes were achieved during the year in lowering production costs.

Good performance was achieved during the year in lowering production costs. This reflected a sustained focus on cost control, with unit mine cash costs (excluding carbon tax) achieved for the year being 12.5 per cent lower than the previous year and approximately 30.0 per cent lower than the peak in cash costs experienced in the first half of the 2012 financial year.

Bengalla (NSW): Sales volumes from the Bengalla mine, in which Wesfarmers holds a 40 per cent interest, were up 28.5 per cent on the preceding year and production volumes were also up 32.6 per cent compared to the same time last year. These increases reflected operation at expanded mine capacity of 9.3 million tonnes Run-of-Mine coal per annum (100 per cent basis) for the full-year.



Business sustainability

Throughout the 2013 financial year, action was taken at all Wesfarmers Resources locations to improve the efficiency of mining processes, to develop employee capability, to support local communities and to reduce or minimise the business' environmental footprint.

Business statistics

■	Curragh	1
◆	Bengalla	1

Number of team members **659**



The division remains committed to the safety and wellbeing of employees with the major focus being on improving the safety performance achieved in the previous year. Importantly, the total recordable injury frequency rate was reduced from 18.8 to 14.8, a decrease of 21 per cent. While this year's performance was positive, our aim remains to achieve zero workplace incidents. There was a marginal increase in the lost time injury frequency rate from 1.7 in 2012 (this includes six months of data from Premier Coal, which was sold during that year) to 1.9 this year.

During the year, the 'Women in Resources' program was further embedded in the business and continued progress was achieved with the Aboriginal and Torres Strait Islander Employment Strategy which saw the commencement of the 'Sisters in Mining' program for female indigenous

trainees at Curragh. Curragh supported the Rockhampton community following the flooding caused by Cyclone Oswald through a 'Flood Recovery Fund' which saw 12 not-for-profit community organisations receive direct financial support to aid their recovery.

A water recycling project was initiated to reduce the amount of raw water required for the newly commissioned Coal Handling Preparation Plant at Curragh. The project was implemented in the fourth quarter of 2013 financial year and the initial results indicate a reduction in raw water use from 122 to 108 litres per tonne of coal produced.

Wesfarmers Resources and 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 they operate.



Business websites

www.wesresources.com.au

Outlook

Increased export sales volumes are expected from the Curragh mine in the 2014 financial year with Bengalla expected to maintain similar performance levels to 2013. Curragh's metallurgical export sales are forecast to be in the range of 7.5 to 8.5 million tonnes, subject, as always, to mine operating performance and infrastructure constraints.

The focus on operational productivity and cost control will continue.



Chemicals, Energy and Fertilisers

The division reported earnings of \$249 million, supported by good production performances and strong product pricing in the chemicals business.

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 produces, markets and distributes liquefied petroleum gas (LPG), liquefied natural gas (LNG) and reticulated natural gas 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 1.1 per cent higher than last year, largely as a result of an improved revenue/product mix and firmer pricing in both the chemicals and LPG businesses.

Earnings before interest and tax were \$249 million, compared to earnings of \$258 million from the previous year, which included a one-off positive earnings impact of \$9 million from the termination of the Hls melt industrial gas supply agreement in February 2012 and earnings from enGen and the Bangladesh LPG joint venture up until their divestment.

Year in brief

Ammonium Nitrate Expansion: Expansion of ammonium nitrate production capacity at Kwinana, Western Australia by 260,000 tonnes per annum (tpa) to 780,000 tpa continues. Construction is well advanced with all major modules delivered to site and in place. The project remains on track to be operational on-time and within budget during the first half of the 2014 calendar year.

Chemicals: 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 solid earnings uplifts for these businesses. Earnings from the Queensland Nitrates joint venture were significantly ahead of the previous year which included a major shutdown and some plant issues. As anticipated, Australian Vinyls had another challenging year, with higher input costs relative to PVC selling prices, and a strong Australian dollar, impacting margins, and subdued construction activity dampening volumes.

Approval has been received from both Australian Gold Reagents venture partners to expand sodium cyanide production capacity at Kwinana from 64,000 tpa to 78,000 tpa and solid production capacity from 34,000 tpa to 45,000 tpa at a cost of \$22 million. The expansion is expected to be completed by the end of the 2013 calendar year.

Fertilisers: Fertiliser earnings were below the previous corresponding period, as declining fertiliser prices, a poorer harvest than the prior year, together with a very dry June, resulted in lower sales volumes and reduced margins.

Kleenheat Gas: Kleenheat Gas earnings continue to reflect declines in LPG production economics and earnings were below the previous year, but in line with expectations.

LPG production for the year was 145,700 tonnes, 2.9 per cent lower than last year due to further declines in LPG content in the Dampier to Bunbury natural gas pipeline.

In March 2013, Kleenheat Gas launched a natural gas retailing business, providing competition in the domestic retail market for the first time in the south-west of Western Australia. Early performance of the business is in line with expectations.

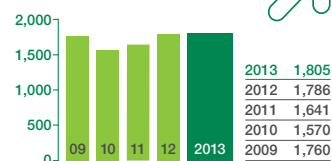
LNG business performance improved on the previous corresponding period.

Air Liquide WA (40 per cent): Earnings were below the previous year on slightly reduced margins.



The Chemicals, Energy and Fertilisers division produces and markets chemicals, fertilisers and gas products.

Revenue
1,805 \$m





Growth strategies

Continue to invest in our businesses' capacity to meet the needs of our customers, including the ammonium nitrate and sodium cyanide expansion projects

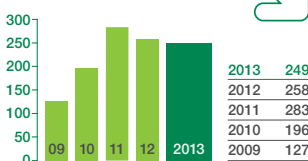
Execute opportunities for growth in existing and new markets, including the recently launched natural gas retailing business

Foster a culture that recognises that people are central to our success

Focus on sustainable operations for the benefit of our team members, customers and communities in which we operate



EBIT 249 \$m



Key financial indicators

For the year ended 30 June	2009 ¹	2010 ²	2011 ³	2012 ⁴	2013
Revenue (\$m)	1,760	1,570	1,641	1,786	1,805
Earnings before interest and tax (\$m)	127	196	283	258	249
Capital employed (\$m)	2,022	1,371	1,298	1,282	1,400
Return on capital employed (%)	6.3	14.3	21.8	20.1	17.8
Capital expenditure (\$m)	84	49	63	167 ⁵	263 ⁵

¹ 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 and Coregas (formerly part of the Energy division) was transferred to the Industrial and Safety division. The 2010 figures were restated to reflect the 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

During the year CSBP nitrous oxide abatement technology in its nitric acid plants at Kwinana resulted in an 85 per cent reduction in nitrous oxide emissions.

Business sustainability

The division is committed to the sustainable operation of its businesses for the benefit of its people, customers and the communities in which it operates. As at 30 June 2013, it employed 1,533 people, excluding contractors.

During the year, the division introduced a broad range of safety initiatives, including a targeted safety behaviour program and the launch of a new safety identity - Safe Person, Safe Process, Safe Place - and recorded a decrease in total recordable injuries from 58 last year to 48 this year, with a commensurate decrease in the total recordable injury frequency rate from 17.1 last year to 13.0 this year, the lowest level since the division was formed in 2010.



In the 2013 financial year, there were 28 reportable environmental events, an increase of six on last year. The majority of these reportable events were the result of the reintroduction of licenses at fertiliser operations in country centres, with discussions over measurement techniques and limits continuing with relevant regulators.

Business statistics¹

■	CSBP Fertilisers	10
⬠	CSBP Ammonia/ Ammonium Nitrate	1
▲	AGR	1
●	Australian Vinyls	2
▼	QNP	1
✦	ALWA	6
◆	Kleenheat Gas	48
Number of team members		1,514

¹ Restated from last year to reflect business locations.



In the 2013 financial year, CSBP's nitrous oxide abatement technology in its nitric acid plants at Kwinana, resulted in an 85 per cent reduction in nitrous oxide emissions.

Continued investment in the development of people capability and talent processes occurred in the 2013 financial year, with ongoing focus on business leadership and the safe operation of our facilities and distribution assets.

The division also continues to provide support to a range of community organisations, including key sponsorships with Youth Focus and the Clontarf Foundation, as well as supporting the Salvation Army and the Asthma Foundation of WA.



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
www.turntokleenheat.com.au

Outlook

There remains an ongoing focus on the successful completion of both the ammonium nitrate expansion and sodium cyanide debottlenecking projects which are intended to underpin growth in earnings from these businesses.

Demand for chemical inputs to the Western Australian resources sector is expected to support strong performances from the ammonia and ammonium nitrate businesses. Higher gas input costs and lower international ammonia pricing are, however, expected to partially offset this, and planned shutdowns of the nitric acid/ammonium nitrate plant and the ammonium nitrate prill plant during the 2014 financial year will also affect earnings.

Continued pressure on margins at Australian Vinyls is expected as the

business remains challenged by higher input costs relative to selling prices, which would be partly offset in the event of a sustained weakening in the Australian dollar. Sales volumes are also expected to remain under pressure as market demand remains soft.

Kleenheat Gas' LPG earnings continue to be dependent on international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline, with the latter expected to remain challenging.

In fertilisers, Western Australia had one of the driest Junes on record and this reduced yield potential in much of the state. Good rains in July and August have allowed crops to recover but the fertiliser business' earnings in the 2014 financial year remain dependent on a good seasonal break in the second half and farmers' terms of trade.



Industrial and Safety

The division delivered a solid result in challenging market conditions and is well-placed to continue to grow market share and in new segments.

The business

Wesfarmers Industrial and Safety is the leading provider of industrial and safety products and services in Australia and New Zealand. It also has a presence in Indonesia, export activities across the region and sourcing and logistics operations in China. It services customers across mining, oil and gas, construction and infrastructure, retail, manufacturing, health and government.

The division comprises three customer-focused streams: Generalists (Blackwoods, Blackwoods Protector), Safety Specialists (Protector Alsafe, NZ Safety, Safety Source) and Industrial Specialists (Coregas, Bullivants, Total Fasteners, Packaging House).

It operates from a network of 222 industrial and safety locations and 145 additional gas distribution points, supported by large distribution centres, hundreds of external and internal sales resources and 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, improving network capacity and continuously improving delivery performance. Key priorities for the division include the continued expansion into higher growth sectors and diversification of the revenue base, as well as complementing organic growth through value-creating acquisitions.

In a more challenging market environment, lowering the cost of doing business for its customers and own businesses is a key focus for the division, as is implementing better processes and use of working capital. The division is also leveraging technology to improve customer service and operational efficiency, as well as increasing the use of digital channels.

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

Results

The division delivered a solid result in challenging market conditions where reduced operating activity and increased cost control by customers affected sales and margins. Operating revenue declined by 2.5 per cent to \$1.6 billion. Earnings before interest and tax decreased by 13.2 per cent to \$165 million.

The rolling 12 month return on capital of 14.7 per cent reduced from 16.0 per cent last year.

Year in brief

In Australia, sales growth was achieved in Coregas, Bullivants and to the oil and gas sector, however, this was offset by reduced customer activity in the mining sector, especially coal mining. Good results were generally achieved in the New Zealand businesses.

The continued improved results in Coregas reflected benefits from business improvement initiatives in recent years and increasing collaboration with Blackwoods.

The division continued to strengthen customer relationships with a focus on customer service and supply solutions, and more structured key account management processes across industry sectors.

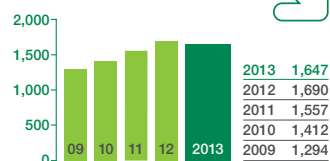
During the year, the division realigned its activities along three customer-focused streams: generalists, safety specialists and industrial specialists.



The Industrial and Safety division is a trusted provider of industrial and safety solutions to enable its customers to run, maintain and grow their businesses efficiently and safely.

Revenue

1,647 \$m





Growth strategies

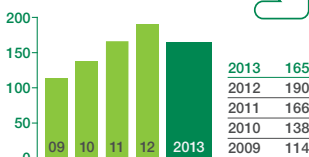
Enable growth through an efficient and customer centric organisation

Maximise share of customer spend through solutions delivering great service and value

Develop new growth platforms, including through acquisitions



EBIT 165 \$m



Key financial indicators

For the year ended 30 June	2009 ¹	2010 ²	2011	2012	2013
Revenue (\$m)	1,294	1,412	1,557	1,690	1,647
Earnings before interest and tax (\$m)	114	138	166	190	165
Capital employed (R12) (\$m)	808	1,312	1,272	1,187	1,119
Return on capital employed (%)	14.1	10.5	13.1	16.0	14.7
Capital expenditure (\$m)	25	29	32	49	50

¹ 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

The division continued to enhance key supplier relationships and build its portfolio of leading proprietary and home brands.

Blackwoods Protector and Total Fasteners were restructured during the last quarter. Total Fasteners was repositioned to increase distribution and sales efficiencies with Blackwoods, while keeping a focused specialist team. The closure of 13 branches across the division's network was also announced and will take effect between June and October 2013.

The division continued to enhance key supplier relationships and build its portfolio of leading proprietary and home brands. New growth also included on-site services expansion, gas distribution through Blackwoods, the acquisition of a small gas and welding distributor, and the launch of online businesses in Australia and New Zealand.

Distribution capability improvements included relocations to new branches (Karratha, Gladstone) and new distribution centres under construction (Sydney, Adelaide, Mackay). A new distribution centre was also opened in Shanghai.



Technology was a key focus, including significant improvement in electronic data interchange processes, better IT infrastructure, including data centre outsourcing, automation for future distribution centres to improve productivity, new scanning and vending solutions, and the issue of a request for quote for a new enterprise resource planning system.

Capital management remained a key focus and included the sale and lease back of the Blackwoods Brisbane and Sydney distribution centres in the second half.



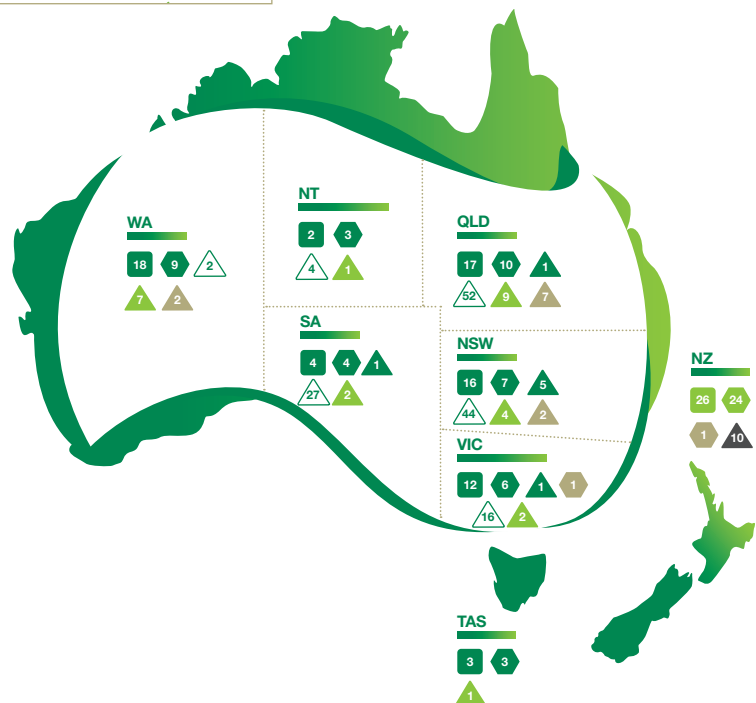
Business statistics

Generalists	99
Blackwoods ¹	73
Blackwoods Protector	26
Safety Specialists	68
Protector Alsafe	42
NZ Safety	24
Safety Source	2
Industrial Specialists	55
Coregas ²	8
Coregas ²	145
Bullivants	26
Total Fasteners	11
Packaging House	10

Number of team members **3,572**

¹ Blackwoods includes Bakers, Migomag and Blacksmith Jacks

² Coregas includes eight owned branches and 145 distribution points



Business sustainability

Ongoing improvement in safety performance was achieved across the business as a result of strong investment in training, warehouse facilities and technology. The division recorded a lost time injury frequency rate of 2.3 and a total recordable injury frequency rate of 18.0.

Sustainability initiatives focused on: ethical sourcing and packaging reviews in the supply chain; reducing the impact of waste, water, energy and related greenhouse gas emissions in the operations; increasing the range of sustainable products offered to customers; and continued support of local communities and indigenous programs.

The division also maintained a strong focus on building a sustainable workforce by



concentrating on leadership and development programs and using targeted recruitment practices to attract and build a diverse talent pool.

Business websites

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

Outlook

In a challenging environment the division is well-placed to continue to grow market share and respond to any recovery. The division will continue to focus on supply chain and operational efficiencies, lowering cost of doing business and product range development.

The division will continue to target new growth initiatives to deliver increased diversification of the customer base and growth into new related markets, including services. The division will also target acquisition opportunities to complement organic growth, where it believes satisfactory returns can be achieved.



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 house operations. Gresham is a leading independent financial services business focused primarily on the provision of financial advisory services, structured finance, and property and private equity funds management, which contributed a profit of \$1 million for the year.

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 two established funds with total capital commitments of some \$225 million, continued to support a range of projects primarily in New South Wales, Victoria and Queensland.

Wesfarmers is a participant in the Gresham Private Equity wholesale investment funds with underlying investments in mining services, logistics and other specialist sectors. During the 2013 financial year, Wesfarmers' investment in those funds recorded a loss of \$11 million due to downward realised and unrealised revaluations.

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, in line with last year.

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. A continuation of the challenging market conditions is expected.

BWP Trust

Wesfarmers' investment in BWP Trust contributed earnings of \$27 million, compared to \$16 million last year.

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

Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly owned subsidiary, 24.3 per cent of the total units issued by the Trust as at 30 June 2013.

During the 2013 financial year, the Trust completed the acquisition of a Bunnings warehouse with bulky goods showrooms, a new development site, and land adjoining a Bunnings warehouse.

The Trust's portfolio as at 30 June 2013 consists of a total of 74 properties: 62 established Bunnings warehouses; five Bunnings warehouses with other showrooms; one Bunnings distribution centre; two development sites for a Bunnings warehouse; three industrial properties; and one bulky goods showrooms complex.

Sustainability

Each of our divisions identifies the sustainability issues that are most relevant to our stakeholders.

Wesfarmers' sustainability approach

The creation of long-term value is only possible through considering the interests of all our stakeholders; our shareholders, employees, customers, suppliers, and the communities in which we operate.

Our reputation

Our reputation is based on our core values of integrity, openness, accountability and boldness. In order to protect this precious asset, we consult with our stakeholders regularly, and take their views into account in our business decisions. By understanding and addressing the needs of our employees, customers, suppliers and the communities in which we operate, we protect our reputation, ensuring we will be able to create value in the years to come.

Our people

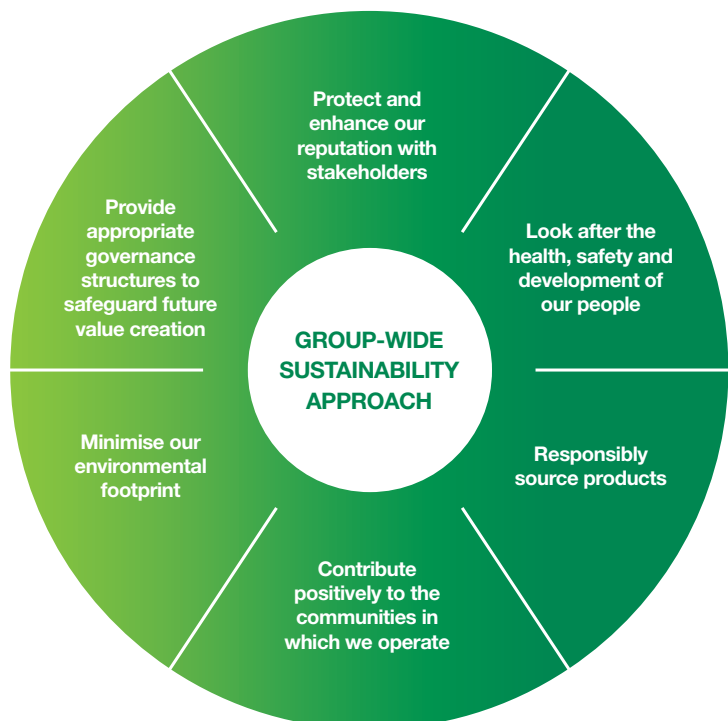
As one of Australia's largest private employers, with diverse domestic and international businesses, we consider our team members to be central to our success. Employing outstanding people and providing opportunities for them to apply their talents is critical to our sustainability. While strong assets and strategies are important, it is our people who deliver results.

This year, we invested 2.5 million hours in training and developing our workforce of more than 200,000 people. This year, the Group's lost time injury frequency rate decreased by 18 per cent, to 8.9, but there was a three per cent increase in the total recordable injury frequency rate from 42.7 to 43.9. This measure includes lost time injuries and medical treatment injuries. Details of our approach to gender diversity are set out on page 70 of this annual report.

Responsible sourcing

Long-term performance depends on Wesfarmers continuing to have access to responsibly sourced and competitively-priced products to deliver to our customers. The ongoing sustainability of supply is important for both local and international suppliers. At a local level, Coles increased its sourcing of fresh produce from Australia and continued to enter into longer-term contracts with preferred suppliers giving them greater certainty to support future investment. Internationally, our retail businesses all continued to implement their ethical sourcing policies, enforcing their required standards through risk-based factory audit processes. This year, we engaged 2,185 international direct suppliers in our ethical sourcing program.

Our sustainability approach covers six key areas



Sustainability

We strive to build the resilience of our business by protecting our reputation, looking after our people, responsibly sourcing products, contributing to our communities, minimising our environmental footprint and providing governance structures to safeguard future value creation.

Our community

Given the breadth of our businesses, we have an interest in supporting strong and vibrant communities. We do this through the products we sell and the jobs we provide, as well as through our direct and indirect contributions to the community.

This year, our direct and indirect community partnerships and contributions were \$94.9 million. Our direct community contributions of \$51.1 million equated to 1.4 per cent of earnings before interest and tax and 2.3 per cent of net profit after tax. Our total direct community contributions this year increased by 61 per cent from 2012, due to Coles' increased contributions to SecondBite, its new partnership with Redkite and the establishment of the Wesfarmers Chair in Australian History at the University of Western Australia.

Our environment

The scale and diversity of our businesses means we have a responsibility to the next generation to do what we can to minimise our impact on the environment. Focusing on resource efficiency is a win-win: making our business more resilient and reducing the impact of our business on the environment.

Our Scope 1, 2 and 3 greenhouse gas emissions, decreased by 13 per cent this year, largely due to further improvements from the use of nitrous oxide abatement technology in our ammonium nitrate business at CSBP and energy efficiency at Coles. Our energy use was in line with the previous year despite our growth.

Our waste to landfill decreased by nine per cent largely driven by an organics recycling program and the expansion of SecondBite at Coles. Our recorded water use this year was 17,682 megalitres, considerably higher than previous years due to reclaimed water use being captured for the first time at our Curragh coal mine.

Governance for value creation

Our 500,000 shareholders and more than 200,000 employees have an interest in the ongoing financial resilience of Wesfarmers. Approximately 70 per cent of our shareholders and 95 per cent of our revenue comes from Australia, so we have a significant economic impact on the Australian economy, as well as contributing to the economies of New Zealand and the countries from which we source products. We contributed \$1,591 million to governments in the form of taxes, levies and royalties. This year, we provided \$7,556 million in salaries, wages and other benefits to our employees and \$2,083 million in dividends to our shareholders. For more detail on our governance, see pages 60 to 71 of this annual report.

Sustainability report

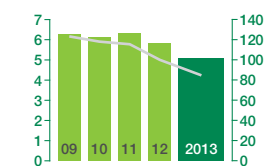
The Wesfarmers 2013 sustainability report will be published in November 2013, and contains much more detail and more specific data on all of the above areas.

Sustainability performance

Greenhouse gas emissions

5.066 Tonnes CO₂e '000,000

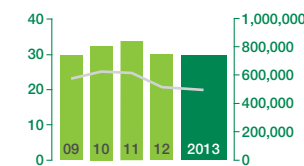
■ Million tonnes CO₂e (LHS)
— Tonnes CO₂e per \$m of revenue (RHS)



Energy use

29.8 Petajoules

■ Petajoules (LHS)
— Megajoules per \$m of revenue (RHS)



Water use

17,682 Megalitres

■ Megalitres (LHS)
■ Megalitres newly reported reclaimed water (LHS)
— Megalitres per \$m of revenue (RHS)



Energy efficiency initiatives across the Group aim to reduce the environmental footprint

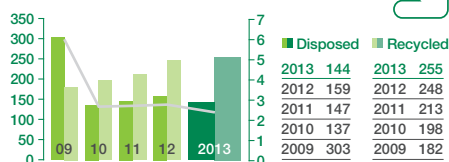
Kon Valomandras, Project Manager, Store Development, with an energy saving LED ceiling light at Officeworks, Bayswater, Victoria.



Waste

399 Tonnes '000

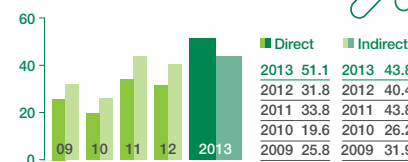
■ Thousand tonnes (LHS)
— Tonnes disposed per \$m of revenue (RHS)



Community contributions

94.9 \$m

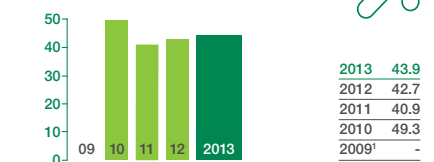
■ Million dollars



Safety incidents

43.9 Total recordable injury frequency rate

■ Lost time and medical treatment injuries divided by hours worked multiplied by 1,000,000



¹ Prior to 2010, we reported lost time injury frequency rate.

Board of directors

Wesfarmers has a talented, hard-working and increasingly diverse board committed to providing satisfactory returns to shareholders whilst adhering to the highest ethical standards.



Bob Every AO, age 68

Chairman
BSc, PhD, FTSE, FAICD, FIE Aust

Term: Chairman since November 2008, director since 2006.

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

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

- Chairman of Boral Limited (since May 2010)
- Chairman of Iluka Resources Limited (resigned May 2010)
- Director of Western Australian Institute of Medical Research Incorporated
- Director of UNSW Foundation Limited

Richard Goyder AO, age 53

Managing Director
BCom, FAICD

Term: Director since 2002.

Skills and experience: Richard joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited.

He was Managing Director of Wesfarmers Landmark Limited in 1999 until he became Finance Director of Wesfarmers Limited in 2002 and then Deputy Managing Director and Chief Financial Officer in 2004. Richard assumed the role of Managing Director and Chief Executive Officer in July 2005.

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

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

Terry Bowen, age 46

Finance Director
BACct, FCPA

Term: Director since 2009.

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

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

- Director of Gresham Partners Holdings Ltd
- President of the National Executive of the Group of 100 Inc
- Deputy Chairman of the Western Australian Opera Company Incorporated

Paul Bassat, age 45

B.Comm, LL.B. (Melb)

Term: Director since November 2012.

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

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

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

Colin Carter AM, age 70

B.Comm (Melb), MBA (Harvard)

Term: Director since 2002.

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

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

- SEEK Limited (since 2005)
- Lend Lease Corporation Limited (since 2012)
- Director of World Vision Australia and the Ladder Project
- President of the Geelong Football Club Limited
- Ambassador to the federal government's Indigenous Employment Initiative

James Graham AM, age 65

BE (Chem)(Hons)(Syd), MBA (UNSW)

Term: Director since 1998.

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

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

- Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research
- Director of Wesfarmers General Insurance Limited



From left to right:
 Tony Howarth AO
 Jennifer Westacott
 Charles Macek
 Colin Carter AM
 Diane Smith-Gander
 James Graham AM
 Richard Goyder AO
 Terry Bowen
 Bob Every AO
 Vanessa Wallace
 Paul Bassat
 Wayne Osborn

Tony Howarth AO, age 61

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

Term: Director since 2007.

Skills and experience: 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.

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

- Chairman of Mermaid Marine Australia Limited
- Chairman of Home Building Society Limited (resigned July 2010)
- Deputy Chairman of Bank of Queensland Limited (resigned July 2010)
- AWB Limited (resigned December 2010)
- Chairman of International Chamber of Commerce, Australia Limited
- Director of Alinta Holdings

Charles Macek, age 66

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

Term: Director since 2001.

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

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

- Federation Centres Limited
- Chairman of Racing Information Services Australia Pty Ltd
- Member of the AICD Corporate Governance Committee

Wayne Osborn, age 62

Dip Elect Eng, MBA, FAICD, FTSE

Term: Director since 2010.

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

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

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

Diane Smith-Gander, age 55

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

Term: Director since 2009.

Skills and experience: 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 also a Partner with McKinsey & Company in the USA.

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

- Transfield Services Limited (director since 2010 and will commence in the role of Chairman on 26 October 2013)
- Director of Co-operative Bulk Handling Limited and CBH Grain Limited

- Deputy Chairman of the NBN Co Limited (National Broadband Network) (resigned in September 2013)
- Commissioner of the Western Australian Tourism Commission

Vanessa Wallace, age 50

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

Term: Director since 2010.

Skills and experience: Vanessa is an experienced management consultant who has been with Booz & Company for more than 20 years. She currently leads the firm's financial services practice in Global Markets and previously held multiple governance roles at the highest level.

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

- Director of Booz & Company entities in Australia, New Zealand, Thailand and Indonesia (resigned February/March 2013)
- Executive Chairman of Booz & Company (Japan) Inc (since February 2013)
- Chairman's Council of the Australian Chamber Orchestra Pty Ltd

Jennifer Westacott, age 53

BA (Honours), FAICD, FIPAA

Term: Director since April 2013.

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

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

- Director of Urban Renewal Authority South Australia (retired 31 July 2013)
- Adjunct Professor at the City Research Futures Centre of the University of NSW

Corporate governance statement

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

Role and responsibilities of the Board and management

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 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 delegated responsibilities.

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 leadership team (which comprises the direct reports to the Wesfarmers Managing Director, divisional managing directors, the Executive General Manager, Business Development and the Company Secretary). The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

Key responsibilities

The key responsibilities of the Board and the Wesfarmers Managing Director are set out in the table below.

Functions	Board responsibilities	Wesfarmers Managing Director responsibilities
Corporate strategy, reporting and operations	<ul style="list-style-type: none"> Oversee and approve strategies to maintain a strong balance sheet and sound credit rating over time Approve and monitor implementation and progress of: <ul style="list-style-type: none"> the Group's strategy, business plans and policies major capital expenditure, capital management and capital raising initiatives, and acquisitions and divestments Approve the annual report and financial statements, and other published reporting 	<ul style="list-style-type: none"> Develop strategies for the Group to maintain a strong balance sheet and sound credit rating over time, and make recommendations to the Board Recommend to the Board significant operational changes, major capital expenditure, and acquisition and divestments above delegated thresholds Develop the Group's annual budget Manage and administer day-to-day operations of the Group within the Board-approved strategies and budget Exercise additional powers as delegated by the Board
People	<ul style="list-style-type: none"> Appoint, remove and oversee the performance of the Wesfarmers Managing Director Approve the overall remuneration policy, including director and senior executive remuneration and incentives 	<ul style="list-style-type: none"> Assign responsibilities clearly to the Wesfarmers leadership team Supervise and report to the Board on the performance of the Wesfarmers leadership team
Risk and compliance	<ul style="list-style-type: none"> Review, approve and monitor the Group's risk management systems Approve and monitor the effectiveness of: <ul style="list-style-type: none"> the Group's system of corporate governance, including the formation of board committees and their charters Group level policies, including the Code of Conduct, Anti-bribery and Market Disclosure policies Appoint or remove the Group's external auditors and approve remuneration of the auditor 	<ul style="list-style-type: none"> Develop and maintain the Group's risk management systems, including internal compliance and control mechanisms Provide assurance to the Board that the risk management systems are working effectively
Stakeholder communication	<ul style="list-style-type: none"> Oversee the management of the Group's interactions and communications with shareholders and the broader community Monitor and oversee continuous disclosure compliance 	<ul style="list-style-type: none"> Ensure compliance with the Group's continuous disclosure obligations in accordance with the Market Disclosure Policy Regularly report to the Board with timely and quality information, such that the Board is fully informed to discharge its responsibilities

Key focus areas of the Board

Key focus areas of the Board during the 2013 financial year included:

- Approving policies to improve the Group's system of corporate governance, including approving amendments to the Board Charter, Audit Committee Charter, Market Disclosure Policy, Share Trading Policy and Whistleblower Policy, all of which have Group-wide application, and adopted a specific Conflicts of Interest Policy for directors
- Focusing on strategies aligned to the Company's responsibilities to employees and the communities in which it operates, including overseeing management's initiatives to improve in the areas of safety, ethical sourcing, diversity and reconciliation with the Aboriginal and Torres Strait Islander people
- Monitoring the implementation of risk management plans to address identified operational, financial and reputational risks for Group businesses
- Considering the Group's digital strategy, with a particular focus on opportunities to enhance online retailing

Structure and composition of the Board

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

The Board is currently comprised of 12 directors, including 10 non-executive directors. The Board has determined that it benefits from a variety of perspectives and skills and remains of a size which facilitates effective decision making. In terms of composition, 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 as required. Mr Norman has had a major role in helping guide the turnaround of the former Coles group businesses.

The non-executive and executive directors of Wesfarmers are listed below, together with details of the period they have been in office as a director.

The skills, experience and year of appointment of the Company's directors are detailed on pages 58 and 59 of this annual report.

Non-executive directors

Non-executive director	Period of office*	Non-executive director	Period of office*
Bob Every, Chairman	7 years and 7 months	Charles Macek	11 years and 11 months
Paul Bassat	10 months	Wayne Osborn	3 years and 6 months
Colin Carter	10 years and 11 months	Diane Smith-Gander	4 years and 1 month
James Graham	15 years and 4 months	Vanessa Wallace	3 years and 2 months
Tony Howarth	6 years and 2 months	Jennifer Westacott	5 months

Executive directors

Executive director	Period of office*
Richard Goyder, Managing Director	11 years and 1 month
Terry Bowen, Finance Director	4 years and 4 months

* Period of office as a director of Wesfarmers Limited as at September 2013

Corporate governance statement

Independence of the Chairman

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

- 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 the Company; 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. Further information about Dr Every is set out on page 58 of this annual report.

Director independence

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

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

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

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

The Board regularly 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 may be involved with other companies or professional firms which may from time to time have dealings with Wesfarmers. Details of some of the offices held by directors with other organisations are set out on pages 58 and 59 of this annual report and on the Group's website.

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

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

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

- nine of the 10 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 (Gresham), which acts as an investment adviser to the Company.

Details of Mr Graham's association with Gresham is set out in note 32 on page 169 of this annual report. The Board has determined that Mr Graham's appointment continues to be in the best interests of Wesfarmers because of the substantial knowledge, technical competencies and expertise that he brings to the Board. There are a number of policies and protocols in place, including Wesfarmers' Conflicts of Interest Policy, the Gresham Mandate Review Committee, Wesfarmers' Code of Conduct, Wesfarmers' Board Charter and Directors' Standing Notices, to ensure that any conflicts of interest which may arise are managed in accordance with the ASX Principles and all applicable laws.

The Board has also considered the independence of Ms Vanessa Wallace, given her role as a partner of Booz & Company. The Board considers that Ms Wallace is an independent director. Since her appointment, the quantum of fees paid on a year-on-year basis by Wesfarmers to Booz & Company for consultancy services have not been material in nature and could not reasonably be perceived to materially interfere with Ms Wallace's exercise of objective or independent judgement in relation to the Company's affairs. Further, since her appointment as a director, Ms Wallace has not been involved in any retainer by Wesfarmers of Booz & Company, and the consultancy services performed in that period have been provided at a divisional level of Wesfarmers.

Directors' rights and obligations

A number of the key rights and obligations of the directors are set out below.

Retirement and re-election	Conflicts of interest	Access to information and independent advice	Related party transactions
<ul style="list-style-type: none"> – One third of directors (other than the Managing Director) must retire at each annual general meeting – Directors filling casual or additional vacancies must have their appointment confirmed at the next annual general meeting – The Nomination Committee makes recommendations on the re-appointment of directors – The Chairman must retire from this position at the expiration of 10 years unless the Board decides otherwise – The Chairman's appointment is formally reviewed at the end of each three-year period 	<ul style="list-style-type: none"> – Directors have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board – Directors have an ongoing obligation to disclose to the Board immediately any real or substantial possibility of conflict of interest or duty – Directors are required to declare material personal interests or other conflicts requiring disclosure by formal standing notices – The Conflicts of Interest Policy sets out disclosure obligations and procedures to be followed by directors in the event of a conflict or potential conflict or interest or duty 	<ul style="list-style-type: none"> – Directors are entitled to the following: <ul style="list-style-type: none"> – Unrestricted access to employees and records, subject to law – Independent professional advice at Wesfarmers' expense, where reasonable and necessary to fulfil their duties, and subject to prior consultation with the Chairman, and for the Chairman, with the Chairman of the Audit Committee 	<ul style="list-style-type: none"> – Related party transactions are included in note 32 of the financial statements as required under the relevant Accounting Standards

Committees of the Board

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

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

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

Details of the membership, composition and responsibilities of each committee are set out below and on the following page. Details of meeting attendance for members of each committee are set out in the directors' report on page 73 of this annual report.

	Members	Key responsibilities	Composition
Audit Committee	<ul style="list-style-type: none"> – Tony Howarth (Chairman) – Paul Bassat (since Dec 2012) – Bob Every – Charles Macek – Diane Smith-Gander – Vanessa Wallace (until Jan 2013) – Jennifer Westacott (since May 2013) 	Review and assess: <ul style="list-style-type: none"> – financial statements and disclosures – material changes in accounting or reporting – external audit engagements – non-audit and assurance services – the Group's risk management framework including internal controls, policies and programs – the Group's compliance reporting program 	In accordance with the ASX Principles: <ul style="list-style-type: none"> – Three or more non-executive directors who are sufficiently financially literate to understand financial statements and general accounting principles, for the purpose of assessing and questioning information presented in committee meetings – Majority of independent non-executive directors – At least one member with relevant financial qualifications and experience

Corporate governance statement

Committees of the Board (continued)

	Members	Key responsibilities	Composition
Nomination Committee	<ul style="list-style-type: none"> – Bob Every (Chairman) – All other non-executive directors 	<ul style="list-style-type: none"> – Review and make recommendations to the Board in relation to the Board structure, size, composition, competencies and diversity, including a review of the skill set required for the effective operation of the Board – Develop and review Board succession plans, director induction programs and continuing development – Ensure that there is a robust and effective process for evaluating the performance and effectiveness of the Board, its committees, and individual directors – Review and make recommendations in relation to Board appointments, re-elections and terminations 	<ul style="list-style-type: none"> – All non-executive directors
Remuneration Committee	<ul style="list-style-type: none"> – Wayne Osborn (Chairman since Feb 2013) – Bob Every (Chairman until Dec 2012) – Colin Carter – James Graham – Charles Macek – Vanessa Wallace (from Jan 2013) 	<ul style="list-style-type: none"> – Review and make recommendations on remuneration for directors and senior executives, and executive incentive plans – Determine the level of remuneration for other senior executives on the recommendation of the Managing Director – Ensure remuneration packages including remuneration by gender across the Group are equitable and reward talent and performance, and make recommendations to the Board as appropriate – Assist the Chairman of the Board in the annual performance review of the Wesfarmers Managing Director – Approve new employee incentive plans and amendments to existing plans – Oversee preparation of the annual remuneration report and recommend the report to the Board for approval 	<ul style="list-style-type: none"> – Three or more non-executive directors
Gresham Mandate Review Committee	<ul style="list-style-type: none"> Any two of: – Charles Macek (Chairman) – Colin Carter – Diane Smith-Gander 	<ul style="list-style-type: none"> – Consider and approve the mandate agreement terms and all fees payable to Gresham Partners Limited group of companies where they are to be appointed as advisers to the Group – Report on the approved mandate terms and fees to the Board 	<ul style="list-style-type: none"> – Such members as the Board determines from time to time

Board succession planning

Appointment of new directors

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

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

During the year, the Board made two appointments.

Mr Paul Bassat was appointed on 14 November 2012, and has a track record of innovative leadership and achieving operational success at CEO level. Mr Bassat provides the Board with invaluable knowledge and expertise in online business and e-commerce.

Ms Jennifer Westacott was appointed on 3 April 2013, and brings extensive policy experience in both the public and private sectors. She has demonstrated outstanding leadership in refocusing and engaging the Business Council of Australia on the major economic challenges facing Australia, and brings particular knowledge and expertise in areas of importance to Wesfarmers' businesses, including economic policy, infrastructure, sustainability, and public sector policy and reform.

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

Induction of new directors and ongoing director development

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

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

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

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

Evaluation of the Board and its committees

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

A Board performance review was conducted in July/August 2013, and the performance review of the Board committees was conducted in December 2012. Both were facilitated by an external consultant. Following the receipt by each director of a report with feedback on the Board's performance based on the survey results, the Board meets to discuss areas for improvement and identify actions to be taken for improvement. With respect to the Nomination Committee, the Board is responsible for periodically assessing its effectiveness, with a view to ensuring that its performance accords with best practice.

Evaluation of non-executive directors

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

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

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

Key focus areas of Nomination Committee

Key focus areas of the Nomination Committee during the 2013 financial year included:

- Seeking shareholder approval to increase the maximum number of directors (board limit) to allow for board renewal through succession planning and continuity
- Identifying and nominating two new directors for election to the Board bringing skills, experience and expertise to augment those of current directors, culminating in the appointment of Mr Paul Bassat and Ms Jennifer Westacott
- Scheduling a formal performance review of the Board and each non-executive director

Remuneration and evaluation of senior executives

Remuneration

Full details of the remuneration paid to non-executive and executive directors, and senior executives, are set out in the remuneration report on pages 77 to 94 of this annual report.

Evaluation of the performance of senior executives

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

Corporate governance statement

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

The Share Trading Policy reflects the statutory prohibition under the *Corporations Act 2001* on directors, certain senior executives and their closely related parties entering into arrangements that have the effect of limiting exposure to risk in relation to an element of their remuneration, and includes restrictions on certain other senior executives. In addition, directors and senior executives must advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting Wesfarmers shares in which they have traded.

As part of the annual performance and development review process, the potential future development of an executive is discussed, along with any training required to enhance the prospects of both the development objectives being achieved and overall progression within Wesfarmers. Annual performance reviews for the 2013 financial year have been undertaken in accordance with the process described above.

The Wesfarmers Long Term Incentive Plan (WLTIP) for the 2013 financial year comprised an allocation of performance rights, subject to a four-year performance period, with performance hurdles based on growth in return on equity and relative total shareholder return. Shareholder approval will be sought at the annual general meeting for WLTIP allocations to executive directors. The Board tests the WLTIP performance conditions following finalisation of the annual accounts at the end of the four-year performance period.

The remuneration report, which details Wesfarmers' policy on the remuneration of senior executives, is set out on pages 77 to 94 of this annual report.

Key focus areas for Remuneration Committee

Key focus areas of the Remuneration Committee during the 2013 financial year included a review, and recommendation to the Board of:

- Fixed, annual and long-term incentive awards for the Group Managing Director and his direct reports
- Senior executive remuneration framework and policies
- The Long Term Incentive Plan, in particular the performance metrics
- Non-executive director fees and enhancements to their minimum shareholding requirements

A summary of the key changes to remuneration-related matters approved for the 2013 financial year is set out in the remuneration report on page 77 of this annual report.

Governance policies

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2013 follow the recommendations contained in the ASX Principles. Wesfarmers compliance with the policy requirements of the ASX Principles, and details of the associated corporate governance documents are summarised in the following table. The Audit Committee considers reports from the divisions on their compliance with each of these policies.

ASX Principle	Corporate Governance document	Aim of corporate governance document	Other comments	Compliant with ASX Principles	On Company website*
Principle 1	Board Charter (Feb 2013)	Sets out the role and responsibilities of the Board, and describes the separate functions of management and delegated responsibilities.	See page 60 for a summary of the responsibilities	○	○
Principle 2	Nomination Committee Charter (Sept 2011)	Sets out the role and responsibilities of the Nomination Committee.	See page 64 for a summary of the responsibilities	○	○
	Conflicts of Interest Policy (Sept 2012)	Sets out the disclosure obligations of each director with respect to conflicts of interest and the procedures to be followed where: <ul style="list-style-type: none"> – a director has disclosed a conflict of interest in accordance with the policy; or – the Board has identified a matter which is, or is likely to be brought before the Board which may place a particular director in a position of conflict. 	Complements the Board's ongoing use of formal standing notice registers to notify the Board of the nature and extent of any material personal interests or other conflicts	○	○
Principle 3	Code of Conduct (April 2012)	Details Wesfarmers' policies, procedures and guidelines aimed at ensuring anyone who is employed by or works in the Wesfarmers Group acts in a manner consistent with the principle of honesty, integrity, fairness and respect, including ethical behaviour.	Compliance reporting to Audit Committee	○	○
	Group Whistleblower Policy (Feb 2013)	Promotes and supports a culture of honest and ethical behaviour. The policy encourages employees, contractors and suppliers to raise any concerns and report instances of unethical, illegal, fraudulent or undesirable conduct, either with management within his or her division (as applicable) or with a Protected Disclosure Officer.	Oversight by Audit Committee	○	○
	Anti-bribery Policy (April 2012)	Sets out the prohibition on all individuals who are employed by, act for, or represent Wesfarmers or its Group companies from engaging in activity that constitutes bribery or corruption, and provides guidelines as to what constitutes bribery or corruption.	Compliance reporting to Audit Committee	○	○
	Diversity Policy (Sept 2011)	Designed to promote and facilitate diversity at all levels within the Group.	See page 70 on diversity disclosures	○	○
Principle 4	Audit Committee Charter (Sept 2012)	Sets out the role and responsibilities of the Audit Committee.	See page 63 for a summary of the responsibilities	○	○
Principle 5	Market Disclosure Policy (Aug 2013)	Requires timely disclosure of market sensitive information. Appoints a disclosure officer to administer the Market Disclosure Policy, and a disclosure sub-committee to manage and make determinations with respect to the Group's continuous disclosure obligations.	Regular training and compliance reporting to Audit Committee	○	○
Principle 6	Communications Policy (Aug 2013)	Establishes Wesfarmers' strategy for engaging and communicating with shareholders.	High level summary document to complement Market Disclosure Policy	○	○
Principle 7	Risk Management Policy (Sept 2013)	Details the overarching risk management controls that are embedded in the Group's risk management framework and reporting systems.	As referred to on page 69	○	○
Principle 8	Remuneration Committee Charter (May 2011)	Sets out the role and responsibilities of the Remuneration Committee.	See page 64 for a summary of the responsibilities	○	○
	Share Trading Policy (Sept 2013)	Sets out the prohibition on all employees and directors of the Group from trading in Wesfarmers' securities, securities in other entities in which Wesfarmers has an interest, or any other securities, if they are in possession of 'inside information', and includes: <ul style="list-style-type: none"> – a prohibition on directors and certain senior executives trading without approval from the Chairman during blackout periods, and from the Company Secretary at other times; – prohibitions on directors and senior executives limiting risk exposure to remuneration; and – a requirement for directors and senior executives to give notice of margin lending or other security arrangements. 	Regular training and compliance reporting to Audit Committee	○	○
	ASX Principles Checklist	Cross-references the ASX Principles to the relevant sections of this statement and elsewhere in this annual report.		N/A	○

* Published in the Corporate Governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Corporate governance statement

Integrity in financial reporting

Role of the Audit Committee

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

The membership, responsibilities and composition of the Audit Committee are set out on page 63 of this annual report.

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

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

Key focus areas of Audit Committee

Key focus areas of the Audit Committee during the 2013 financial year included:

- Monitoring how the divisions ethically source products for resale from globally dispersed geographical locations, and ensuring that there are appropriate safeguards, processes and cross-Group education in place so that these activities are conducted in accordance with Wesfarmers' core principles of honesty, integrity, fairness and respect
- A broad risk review for all divisions and the corporate office of Wesfarmers to ensure that all significant risks across the Group, at a macro and micro level, are being identified, rated and managed appropriately
- A specific information technology risk review at a divisional and Group level, given the importance of this infrastructure to the Group's operations
- Review of regular reports from the Group General Counsel on significant litigation or regulatory matters involving Group businesses
- Monitoring the Group's implementation of the Anti-bribery Policy
- Overseeing the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements

Role of the external auditor

Appointment and rotation of auditor

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

Mr Greg Meyerowitz was appointed as the lead audit partner for Ernst & Young on 3 June 2009, and retired on 30 June 2013 in accordance with the requirement under the *Corporations Act 2001* to rotate the lead audit partner after five years. Mr Darren Lewsen (Assurance and Advisory Business Services Partner, Ernst & Young) was appointed as the new lead audit partner from 1 July 2013. The 2013 financial year annual review of the effectiveness, performance and independence of the external auditor focused on Ernst & Young's ability to transition to a new lead audit partner.

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 2013.

The independence declaration forms part of the directors' report and is provided on page 76 of this annual report.

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

The Board has considered the nature of the non-audit and assurance-related services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of fees paid (or payable) to Ernst & Young for non-audit and assurance-related services provided to the Group in the year ended 30 June 2013 are set out in the directors' report on page 75 of this annual report.

Attendance of external auditors at annual general meetings

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

Risk management

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

Risk Management Policy

The Risk Management Policy of Wesfarmers is approved by the Board. 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.

Risk management oversight and responsibility

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

	Function
Board	<ul style="list-style-type: none"> – Review, approve and monitor the Group's risk management systems, including internal compliance and control mechanisms – Approve and monitor the systems and policies to ensure integrity of budgets, financial statements and other reporting
Wesfarmers Managing Director and Finance Director	<ul style="list-style-type: none"> – Provide a declaration to the Board regarding the financial statements – Assess and provide assurance to the Board that the Group's risk management and internal control systems are operating effectively in all material respects
Audit Committee	<ul style="list-style-type: none"> – Review and assess the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including Accounting Standards – Review the qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors – Oversee the internal controls, assurance, policies and procedures which the Group uses to identify and manage business risks
Management	<ul style="list-style-type: none"> – Implement and maintain risk management and internal control systems – Prepare divisional Risk Compliance Reports (approved by each divisional board) – Prepare a consolidated Group Risk Compliance Report setting out key risks and the controls and processes implemented to mitigate these risks (approved by the Wesfarmers leadership team) – Report to the Board on the adequacy of the systems and processes in place to manage material business risks
Group assurance and risk	<ul style="list-style-type: none"> – Monitor the effectiveness of risk management systems through a single outsourced audit provider – Prepare internal audit reports and reporting to the Audit Committee on the adequacy of risk management and the internal control environment – Maintain direct and unfettered access to the Audit Committee for the General Manager Group Assurance and Risk – Facilitate the annual risk compliance reporting and preparing the Group Risk Compliance report for review by the Audit Committee

Corporate governance statement

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 Group Reporting Manager, Group Accounting.

Non-financial risk

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

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

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

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

Diversity Policy

Diversity

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

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

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

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

Aboriginal affairs - Reconciliation Action Plan

Wesfarmers' diversity strategy includes a commitment by every division to make its businesses a place where Aboriginal and Torres Strait Islander people feel welcome and valued, as employees, customers and suppliers. To do this, Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP) in 2009, which outlines specific measurable actions to be undertaken across the Group, targeting Aboriginal employment, Aboriginal business engagement and community partnerships. Wesfarmers' long-term objective is to have a workforce that reflects the representation of Aboriginal people in the broader community. More details about the Wesfarmers RAP can be found on the community and sustainability section of the Company's website at <http://www.wesfarmers.com.au/community-a-sustainability/working-towards-reconciliation.html>. The 2013 RAP Review and 2014 Plan will be available in November 2013.

Gender diversity

Overall, the Group has a gender balanced workforce, made up of 57 per cent (116,714) women and 43 per cent (89,223) men. The Group's key opportunity is to increase the number of women in leadership positions. The Wesfarmers Diversity Policy outlines four core objectives which are used to measure performance in this area. Those objectives are intended to remain relevant to the Group over a number of years and are not revised annually. Specific targets are linked to senior executive key performance objectives under the annual incentive plan. With a diverse portfolio of businesses and industries, Wesfarmers divisions have developed specific gender diversity plans in line with the Group policy which are tailored to take account of the specific circumstances of their division.

Details of these objectives and the progress achieved during the 2013 financial year are outlined in the table below:

Objective	Progress
Foster an inclusive culture – this objective seeks to leverage each individual's unique skills, background and perspectives.	<p>Examples of initiatives and practices designed to increase the number of women in leadership positions include flexible work practices at senior levels, paid parental leave, keep-in-touch programs whilst on parental leave and on-site vacation childcare. To ensure a consistent and continuous focus on gender diversity, Wesfarmers businesses are required to report quarterly on key gender statistics such as the percentage of women at senior levels, recruitment, promotion and exit rates.</p> <p>As a Group, Wesfarmers contributes to diversity in the community through memberships of the Diversity Council of Australia, Catalyst and sponsorship of Chief Executive Women.</p>
Improve talent management – this objective acknowledges that, with a workforce of more than 200,000 people, employees are critical to Wesfarmers' success. We are committed to embedding diversity initiatives into our broader talent management processes in order to support the development of all talent, and to increase the representation of women in management roles.	<p>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. This is in addition to detailed talent reviews conducted with employees by individual businesses within the Wesfarmers Group. A key part of this process is to review women in leadership roles as well as divisional progress towards increasing this representation.</p> <p>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.</p>
Enhance recruitment practices – this objective is a commitment to hiring the best person for the job, which requires the consideration of a broad and diverse pool of talent.	<p>In the 2013 financial year, 37 per cent of externally recruited positions and 32 per cent of internal promotions (all manager level and above roles) were filled by women.</p>
Ensure pay equity – this objective aims to ensure equal pay for equal work across our workforce.	<p>A review of gender pay equity is conducted annually on a Group basis and results are reviewed by the Board and divisional Managing Directors. The 2013 review did not indicate any observable discrepancies in pay across each level, after taking into account performance, experience, location and job nature.</p>

There are many opportunities to improve gender diversity at senior levels in line with these objectives. In the 2014 financial year, all divisions will work to improve gender diversity through a variety of initiatives, including continued improvement of diversity in pipelines to leadership positions, identification of internal talent and retention of senior women.

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

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

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

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 2 to 71 forms part of the directors' report for the financial year ended 30 June 2013 and is to be read in conjunction with the following information:

Results and dividends

YEAR ENDED 30 JUNE	2013 \$m	2012 \$m
Profit		
Profit attributable to members of the parent entity	2,261	2,126
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 2013:		
(a) out of the profits for the year ended 30 June 2012 on the fully paid ordinary shares and partially protected shares:		
(i) fully-franked final dividend of 95 cents (2011: 85 cents) per share paid on 28 September 2012 (as disclosed in last year's directors' report)	1,099	983
(b) out of the profits for the year ended 30 June 2013 and retained earnings on the fully paid ordinary shares and partially protected shares:		
(i) fully-franked interim dividend of 77 cents (2012: 70 cents) per share paid on 28 March 2013	891	810
(ii) fully-franked final dividend of 103 cents (2012: 95 cents) per share to be paid on 27 September 2013	1,192	1,099

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)
- P M Bassat (Director from 14 November 2012)
- C B Carter
- J P Graham
- A J Howarth
- C Macek
- W G Osborn
- D L Smith-Gander
- V M Wallace
- J A Westacott (Director from 3 April 2013)

All directors served on the Board for the period from 1 July 2012 to 30 June 2013, except for P M Bassat who was appointed on 14 November 2012 and J A Westacott who was appointed on 3 April 2013.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 58 and 59 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	Wesfarmers Limited			Shares
	BWP Trust (units)	Performance Rights		
P M Bassat	–	–		20,000
T J Bowen*	23,237	50,000		457,189
C B Carter	–	–		30,025
R L Every	–	–		28,373
R J B Goyder*	–	100,000		1,018,095
J P Graham	15,120	–		807,317
A J Howarth	–	–		14,280
C Macek	–	–		20,571
W G Osborn	–	–		5,700
D L Smith-Gander	–	–		12,410
V M Wallace	–	–		7,430
J A Westacott	–	–		1,040

* R J B Goyder holds 100,00 performance rights and T J Bowen hold 50,000 performance rights, allocated under the 2012 Wesfarmers Long Term Incentive Plan (WLTIP). The 2012 WLTIP performance rights are subject to a four-year performance period, being 1 July 2012 to 30 June 2016. In general, if the relative total shareholder return and compound annual growth rate in return on equity performance conditions are met, executives will be allocated Wesfarmers fully paid ordinary shares at the end of the performance period. For further details, please see the remuneration report on pages 77 to 94 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 2013 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										
P M Bassat ³	4	3	4	3			2	1		
T J Bowen	9	9								
C B Carter	9	8			5	4	3	3	1	1
R L Every	9	9	6	6	5	5	3	3		
R J B Goyder	9	9								
J P Graham	9	9			5	4	3	3		
A J Howarth	9	8	6	6			3	3		
C Macek	9	9	6	6	5	5	3	3	1	1
W G Osborn	9	8			5	5	3	3		
D L Smith-Gander	9	9	6	6			3	3	1	1
V M Wallace	9	9	3	3	2	2	3	2		
J A Westacott ⁴	2	2	1	1			1	1		

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

² (B) = number of meetings attended.

³ P M Bassat was appointed as a director on 14 November 2012.

⁴ J A Westacott was appointed as a director on 3 April 2013.

Directors' report

Wesfarmers Limited and its controlled entities

Insurance and indemnification of directors and officers

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

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

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

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

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

Indemnification of auditors

The Company's auditor is Ernst & Young.

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

During the financial year:

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

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and Company performance are contained in the remuneration report on pages 77 to 94 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 BWP Management Limited (formerly Bunnings Property Management Limited), the responsible entity for the listed BWP Trust (formerly Bunnings Warehouse Property Trust). Linda is also Company Secretary of a number of Wesfarmers Group subsidiaries, and a member of the Wesfarmers leadership team.

Review of results and operations

The operations, financial position, business strategies and prospects for future financial years of the consolidated entity are detailed in the operating and financial review on pages 2 to 13 of this report.

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 \$58,080 million to \$59,832 million
- profit for the year up from \$2,126 million to \$2,261 million
- dividends per share up from \$1.65 to \$1.80
- total assets up from \$42,312 million to \$43,155 million

Directors' report

Wesfarmers Limited and its controlled entities

- shareholders' equity up from \$25,627 million to \$26,022 million
- net borrowings up from \$4,904 million to \$5,259 million
- net cash flows from operating activities up from \$3,641 million to \$3,931 million

Significant events after the balance date

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

Dividend

On 15 August 2013, a fully-franked final dividend of 103 cents per share resulting in a dividend of \$1,192 million was declared for payment on 27 September 2013.

Sale and leaseback

On 8 August 2013, Wesfarmers announced the sale and leaseback of a portfolio of 10 Bunnings stores to the BWP Trust which, when completed, will release approximately \$271 million of capital employed in Bunnings.

Capital return

On 15 August 2013, Wesfarmers announced the intention to make a capital return of 50 cents per fully-paid ordinary share and partially protected share by early December 2013, accompanied by a proportionate share consolidation, subject to approval of Wesfarmers shareholders at the Annual General Meeting in November 2013.

Securitised lease transaction

On 29 August 2013, Wesfarmers announced the sale and leaseback of a portfolio of 15 Bunnings warehouse properties via a securitised lease transaction which, when completed, will release approximately \$287 million of capital employed in Bunnings.

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2013 and received, or is due to receive, the following amounts for the provision of these services:

	\$'000
Tax compliance	840
Assurance related	1,819
Other	363
TOTAL	3,022

The total non-audit services fees of \$3,022,000 represents 31.9 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2013.

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

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

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

Directors' report

Wesfarmers Limited and its controlled entities

The directors received the following declaration from Ernst & Young:



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

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

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2013, 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
17 September 2013

G H Meyerowitz
Partner

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

Environmental regulation and performance

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

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

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

Proceedings on behalf of the Company

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

Corporate governance

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's corporate governance statement is on pages 60 to 71 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 2013 (audited)

Wesfarmers Limited and its controlled entities

Contents

Introduction:	2013 overview (page 77)
Section 1:	Executive remuneration outcomes for 2013 (page 79)
Section 2:	Executive remuneration policy and framework (page 81)
Section 3:	Executive remuneration components (page 83)
Section 4:	Service agreements (page 91)
Section 5:	Non-executive director remuneration (page 92)
Section 6:	Other information (page 94)

Introduction: 2013 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 2013 financial year has driven remuneration outcomes for senior executives.

Key changes

A summary of the key changes to remuneration-related matters approved for the 2013 financial year is set out below:

Executive directors and senior executives

Fixed remuneration

- The Board determined that no increase would be made to the fixed remuneration for the Group Managing Director for the 2013 financial year and 2014 financial year, as the current level of remuneration is considered appropriate.
- Senior executive fixed remuneration increased during the 2013 financial year, based on business and individual performance. The average fixed remuneration increase for key management personnel for the 2013 financial year was less than two per cent.

Variable remuneration

- A comprehensive review of the senior executive remuneration framework and policies was undertaken during the year, with the Board confirming that the current arrangements continue to be appropriate.
- As part of this broad review, the transitional arrangements for participants in the Coles Long Term Incentive Plan (CLTIP) were also considered, given 2013 was the final year of the plan, with the Board determining that participants would transition to the Wesfarmers Long Term Incentive Plan (WLTIP) for the 2014 financial year to align with the incentive plan offered to other senior executives.
- The Board continued to review the WLTIP during 2013, in particular the long-term incentive performance metrics. For the 2013 WLTIP (to be granted during the 2014 financial year), the Board reaffirmed that growth in return on equity remains a key financial metric to measure Wesfarmers' long-term success as it contains clear links to shareholder value creation, and the use of total shareholder returns ensures alignment between shareholder return and reward for executives.

Non-executive directors

- The Board determined that no increase would be made to non-executive director fees for the 2013 financial year.
- The Board approved enhancements to the shareholding requirements for non-executive directors. In addition to the requirement for directors to hold a minimum of 1,000 Wesfarmers shares within two months of appointment, directors are expected to increase their holdings in Wesfarmers shares to a number which is equivalent in approximate value to the gross annual base fee paid at the relevant time within a five-year period of appointment.
- Remuneration Committee membership changed during the year, with W G Osborn taking over the role of committee chairman from R L Every, and V M Wallace joining the committee as an additional member.
- Two new non-executive directors, P M Bassat and J A Westacott, were appointed to the Board during the year, which is reflected in the overall increase in non-executive director remuneration from the 2012 to 2013 financial year.

Directors' report Remuneration report 2013 (audited)

Wesfarmers Limited and its controlled entities

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	P M Bassat	Director (non-executive) – appointed 14 November 2012
		C B Carter	Director (non-executive)
		J P Graham	Director (non-executive)
		A J Howarth	Director (non-executive)
		C Macek	Director (non-executive)
		W G Osborn	Director (non-executive)
		D L Smith-Gander	Director (non-executive)
		V M Wallace	Director (non-executive)
		J A Westacott	Director (non-executive) – appointed 3 April 2013

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 J Rogers	Managing Director, Target division – cessation date 31 May 2013
G A Russo	Managing Director, Kmart division

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 83	Page 83	Page 83
	Fees			Page 92
Annual incentive	Page 84	Page 84	Page 84	
Long-term incentive	WLTIP - Page 86	WLTIP - Page 86	CLTIP - Page 89	
Post-employment arrangements	Superannuation	Page 83	Page 83	Page 93

Link to 2013 financial performance

Annual incentive plan

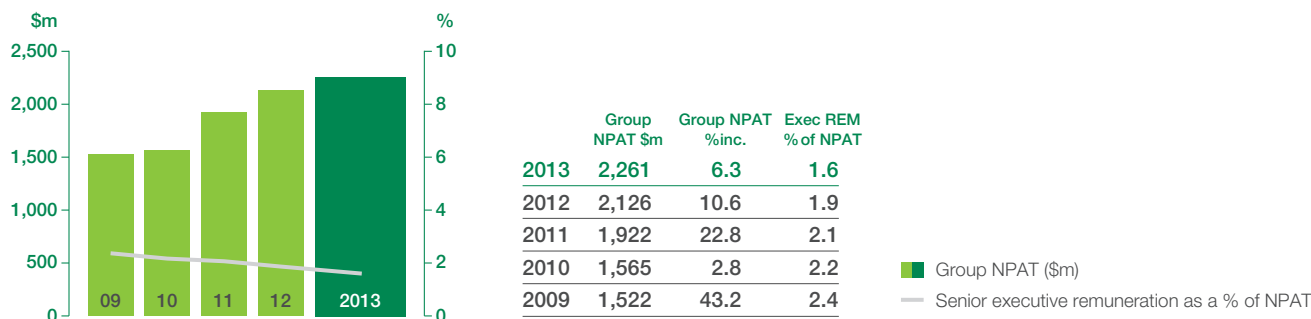
The Wesfarmers Group had a solid performance for the 2013 financial year, which resulted in overall positive growth on the prior year. The financial performance for the Coles, Home Improvement and Office Supplies, Kmart, Insurance, Resources and Chemicals, Energy and Fertilisers divisions met or exceeded the annual financial targets set by the Board for 2013, resulting in the annual incentive plan delivering at or above target awards for the executive directors and for senior executives in those divisions. For executives in the other divisions, annual incentive awards reflect performance against threshold financial and non-financial targets. Further detail on the annual incentive plan and actual performance for the 2013 financial year can be found on page 84 of this report.

The graph on page 79 shows the link between company performance and reward, and measures Wesfarmers' net profit after tax (NPAT) against the total remuneration for the executive directors and senior executives who are considered to be key management personnel of the Group, as reported in the 2009 to 2013 annual reports.

Directors' report Remuneration report 2013 (audited)

Wesfarmers Limited and its controlled entities

Group NPAT against senior executive total remuneration



Wesfarmers Long Term Incentive Plan

A number of senior executives received an allocation of performance rights during the year under the 2012 WLTIP, which is subject to Wesfarmers achieving strong growth in return on equity (ROE) and relative total shareholder return (TSR).

In accordance with the shareholder approval received at the 2012 Annual General Meeting, the Group Managing Director (Group MD) received an allocation of 100,000 performance rights under the 2012 WLTIP award. These performance rights are subject to a four-year forward-looking performance period and judged against two relative performance hurdles. As performance rights represent a right to be allocated a share in the future, the Group MD is not entitled to dividends or voting rights during the performance period. The Group MD's total reported remuneration for the 2013 financial year was \$8,593,954, which includes an accounting expense of \$1.8 million in relation to his participation in the 2011 WLTIP and 2012 WLTIP, and \$1.0 million in relation to the deferred share component of his 2011, 2012 and 2013 annual incentive. Mr Goyder's actual 'take home pay' for the 2013 financial year was \$5,764,180, which comprises fixed remuneration, non-monetary benefits, post-employment benefits (including superannuation) and an annual cash incentive payment. Further detail is shown in the table on page 80.

During the 2013 financial year, shares vested under the 2010 WLTIP for participating senior executives, with Wesfarmers' compound average growth rate (CAGR) in ROE over the three-year performance period to 30 June 2013 at the 82nd percentile of the S&P/ASX 50 Index. The number of shares that vested is shown in the table on page 88.

Coles Long Term Incentive Plan

This was the final year of the special purpose Coles Long Term Incentive Plan (CLTIP) which was originally established at the time Wesfarmers acquired Coles. Over the five years of the plan, significant returns have been generated from the Coles business for Wesfarmers including an 84 per cent increase in earnings before interest and tax (EBIT) and a 73 per cent increase in return on capital (ROC), as shown in the graphs on pages 89 and 90. Over the five years of the CLTIP annual awards were made to a 'pool' for key Coles executives. The amount of the award was determined by reference to annual targets aligned to the turnaround strategies that were designed to generate significant returns to Wesfarmers and its shareholders.

Coles delivered strong results in the 2013 financial year, with a 13.1 per cent increase in divisional EBIT and 9.2 per cent increase in ROC, compared to the 2012 financial year. Accordingly, \$1.92 million has been contributed to the award pool under the CLTIP for the Managing Director, Coles division, with a final year accounting expense of \$6.63 million in relation to current and past year contributions to the award pool. Further detail in relation to the CLTIP is shown on page 89.

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	2009	2010	2011	2012	2013
Net profit after tax (NPAT) (\$m)	1,522 ¹	1,565	1,922	2,126	2,261
Dividends per share (cents)	110	125	150	165	180
Earnings per share (cents)	158.5 ¹	135.7	166.7	184.2	195.9
Return on equity (rolling 12) (%)	7.3 ¹	6.4	7.7	8.4	8.9

¹ Restated due to a change in accounting policy for coal rebates payable and rights to mine.

Section 1: Executive remuneration outcomes for 2013

The remuneration table on page 80 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.

Directors' report Remuneration report 2013 (audited)

Wesfarmers Limited and its controlled entities

Executive director and senior executive remuneration for 2013

	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	Super-annuation	Other ⁴	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)											
2013	3,349,587	2,103,600	220,450	23,146	8,964	58,433	1,013,237	1,816,537	-	8,593,954	57.4
2012	3,284,899	2,103,600	171,490	48,199	10,347	58,433	1,184,790	1,148,287	-	8,010,045	55.4
T J Bowen (Finance Director)											
2013	1,714,354	700,000	38,842	23,146	8,964	66,666	754,471	1,144,308	-	4,450,751	58.4
2012	1,651,801	1,020,000	55,083	23,199	10,347	103,333	366,899	1,178,183	-	4,408,845	58.2
Senior executives											
S A Butel (Managing Director, Resources division)											
2013	951,532	525,300	49,676	23,146	8,964	39,667	-	751,765	-	2,350,050	54.3
2012	895,217	264,000	49,565	48,199	10,347	42,917	202,400	556,218	-	2,068,863	49.4
J C Gillam (Managing Director, Home Improvement and Office Supplies division)											
2013	1,414,354	870,000	1,854	23,146	8,964	61,666	176,279	1,089,782	-	3,646,045	58.6
2012	1,349,301	840,000	1,731	23,199	10,347	105,833	200,093	1,183,533	-	3,714,037	59.9
I J W McLeod (Managing Director, Coles division)											
2013	1,964,259	1,716,934	201,432	16,470	34,500	34,500	-	6,630,000	-	10,737,746	77.7
2012	1,912,454	1,667,233	167,323	15,775	110,347	33,333	-	10,900,000	-	14,806,465	84.9
G A Russo (Managing Director, Kmart division)											
2013	1,206,854	744,000	1,854	23,146	8,964	50,667	529,212	992,686	-	3,557,363	63.7
2012	1,126,801	720,000	1,731	48,199	10,347	95,000	946,522	1,011,083	-	3,959,883	67.6
Former senior executives											
L K Inman (Managing Director, Target division – resigned 30 March 2012)											
2012	933,246	-	13,454	22,631	7,767	-	765,417	282,920	-	2,025,435	51.8
D L Rogers (Managing Director, Target division – cessation 31 May 2013) ⁶											
2013	1,011,899	-	85,175	15,098	76,977	-	78,818	333,779	1,025,000	2,626,746	15.7
2012	808,045	720,000	33,278	11,831	51,064	20,000	67,532	506,362	-	2,218,112	58.3
Total											
2013	11,612,839	6,659,834	599,283	147,298	295,948	311,599	2,552,017	12,758,857	1,025,000	35,962,675	
2012	11,961,764	7,334,833	493,655	241,232	220,913	458,849	3,733,653	16,766,586	-	41,211,485	

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¹ Share-based payments: Refer to page 84 for detailed disclosures under the annual incentive plan and pages 86 to 91 for the various long-term incentive plans.

The amounts included for the 'Value of short-term incentive shares' includes the portion of the 2013 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 84 for additional information. For accounting purposes, the 2011 and 2012 short-term incentive shares continue to be expensed in the 2013 financial year as these shares are subject to performance and forfeiture conditions.

The amount for I J W McLeod relates to the cash settled award made for the period under the CLTIP, refer to page 89 for additional information.

The amount for G A Russo includes shares allocated under the retention incentive plan, now closed, which are subject to future service periods. As at 30 June 2013, a total of 44,163 shares have vested, with 18,119 shares vesting during the year. These shares remain restricted until the end of Mr Russo's first five years of service with the Group (being 1 October 2013). The remaining 18,119 unvested shares are scheduled to vest on 1 October 2013. The shares are recognised for accounting purposes over the remaining service period.

The amounts included for the 'Value of long-term incentive equity' for the 2012 WLTIP are detailed on page 88. For accounting purposes, the 2010 WLTIP and 2011 WLTIP continue to be expensed in the 2013 financial year as these shares are subject to performance and forfeiture conditions, together referred to as the service period.

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 83.

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, overseas health insurance, life insurance and travel. Short-term benefits, other, includes the cost of directors 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.

⁶ Termination payments made to D L Rogers were in accordance with his contract terms.

Section 2: Executive remuneration policy and framework

Responsibility for setting remuneration

The following diagram represents Wesfarmers' remuneration governance framework.



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Detail of the composition of the Remuneration Committee is set out on page 92 of this report. Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, which is available on the Corporate Governance section of the Company's website at www.wesfarmers.com.au

During the 2013 financial year, PricewaterhouseCoopers (PwC) provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$12,000 (2012: \$62,000) for these services. For each of the remuneration recommendations provided, the Board is satisfied that the recommendations were made free from any undue influence. In addition to the Board-approved protocols that have been adhered to, in each case PwC provided a formal declaration confirming that the recommendation was made free from 'undue influence' by the members of the KMP to whom the recommendation related.

In addition to providing remuneration recommendations, PwC provided advice on other aspects of the remuneration of the Group's employees and various non-audit services (including advice in relation to taxation, accounting, operations, technology and people matters across all Wesfarmers' divisions), and was paid a total of approximately \$12.03 million (2012: \$12.57 million) for services to the Wesfarmers Group for the 2013 financial year.

Remuneration policy and principles

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 Committee reviewed these principles during the 2013 financial year and agreed that they remained relevant and appropriate.

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

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

- **ownership aligned** – remuneration arrangements generally encourage Wesfarmers' senior executives to behave like long-term 'owners' through performance-based equity plans to increase shareholdings. The mix of remuneration components and the measures used in the performance incentive plans were chosen to ensure there is a strong link between remuneration earned and the achievement of sustainable performance that leads to satisfactory returns for shareholders;
- **performance focused** – generally remuneration arrangements reward strategic, operational and financial performance of the business. A significant proportion of each executive's remuneration is dependent upon Wesfarmers' success and individual performance;
- **consistency and market competitiveness** – a common set of remuneration practices will generally apply to all senior executive roles. Wesfarmers positions remuneration to be competitive, with an opportunity for highly competitive total remuneration for superior performance; 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	
	Short-term incentives (STI)	Long-term incentives (LTI)
Fixed Annual Remuneration (FAR)	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.	
In setting FAR, consideration is given to: <ul style="list-style-type: none"> • business and individual performance as well as the ability to retain key talent • internal and external relativities, with remuneration set at competitive levels 	<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 (mandatory deferred) share component – subject to forfeiture in the 12 months following allocation and restricted for a minimum of three years – the opportunity to elect upfront to voluntarily defer a portion of the cash award into shares (i.e. in addition to the mandatory deferral arrangement) restricted for a minimum of three years 	<ul style="list-style-type: none"> • based on achievement of performance conditions over a four-year period • performance rights plan • performance conditions comprise growth in ROE and relative TSR, in order to ensure a strong link with the creation of shareholder value • the opportunity of requesting upfront that an additional one or three year trading restriction apply to any shares allocated • one-off specific plan operated for select Coles executives, the performance conditions for which are linked to the turnaround of the Coles division

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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 2013 financial year, is as follows:

Group Managing Director

Managing Director Coles

Other Senior Executives



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

Senior executive share ownership

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

Wesfarmers' share trading policy prohibits executive directors and senior executives from entering into 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, however there is no guarantee of an increase. The Board and Remuneration Committee obtain independent advice from external consultants as part of this review process. Senior executive FAR was reviewed effective 1 October 2012, based on business and individual performance. The average fixed remuneration increase for key management personnel was less than two per cent. The Board determined that no increase would be made to the fixed remuneration for the Group MD for the 2013 financial year and the 2014 financial year, as the current level of remuneration is considered appropriate.

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Annual incentive plan

Summary of plan

What is the annual incentive and who participates?	All senior executives participate in the annual incentive plan which provides, upon satisfaction of applicable performance conditions, a cash award up to 60 per cent of FAR, with any amount awarded above that generally provided in the form of restricted (mandatory deferred) shares. Participants are also provided with the opportunity to elect upfront to voluntarily defer an additional portion of any cash award into shares (i.e. in addition to the mandatory deferral arrangement).	
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 2013 financial year?	Above target or well above expectations (i.e. \geq 105% or 110% of target, depending on the division)	
	Up to 120%	
What were the performance conditions for the 2013 financial year?	The performance conditions for the annual incentive are a mix between financial and non-financial measures. The specific performance conditions for the 2013 financial year, and achievement against these measures, is shown in the table on page 85.	
Why were the performance conditions chosen?	<p>The financial performance measures were chosen principally because of their impact on ROE, which is a significant contributor to achievement of satisfactory returns to shareholders of the Wesfarmers Group.</p> <p>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, succession planning and talent management.</p> <p>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.</p>	
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 are made and deferred restricted shares are allocated in late August.</p>	
Is there any clawback provision?	Yes. The terms of the plan contain a mechanism for the Board to clawback or adjust any incentive awards which vest (or may vest) as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. The Board also has discretion to adjust any conditions applicable to an award, if considered appropriate. The Board may, up to the value of the overpaid remuneration, reduce or defer or otherwise require the repayment of any amount paid or payable to the executive to ensure no unfair benefit is derived.	
What are the key terms of the restricted shares?	<p>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> <p>A forfeiture condition applies on the mandatory deferred shares, such that the Board may determine to forfeit these shares if an executive resigns or is terminated for cause within one year of the share allocation.</p>	

Summary of actual performance – 2013 financial year

The table on page 85 sets out the performance conditions for the 2013 annual incentive, and the weighting between these measures for each of the executive directors and senior executives. Also indicated in the table is whether the threshold or target performance level for each of the financial measures was met or exceeded.

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Name	Weighting of financial measures				Weighting of non-financial measures		Link to Group or divisional performance outcomes
	Group NPAT and ROE, Balance Sheet ¹	Divisional EBIT	Divisional ROC	Store sales growth, coal sales and mine cash costs	Agreed objectives include diversity, talent management and safety		
R J B Goyder	30%	10%	10%	10%	40%		Group – pages 2 to 3
		on Coles turnaround					
T J Bowen ²	30% 10%	5% 5%	N/A	N/A	50%		Group – pages 2 to 3
S A Butel	N/A	10%	10%	25% 25%	20% 10% ³		Resources – page 42
J C Gillam	N/A	35%	35%	N/A	20% 10% ³		Home Improvement and Office Supplies – page 26
I J W McLeod	N/A	40%	20%	20%	10% 10% ³		Coles – page 22
G A Russo	N/A	40%	10%	20%	20% 10% ³		Kmart – page 30

Threshold performance level not met

Threshold performance level met or exceeded

Target performance level met or exceeded

¹ Group NPAT and ROE applies to both R J B Goyder and T J Bowen (with a 30 per cent weighting), and Balance Sheet Management (with a 10 per cent weighting) only applies to T J Bowen.

² Divisional EBIT for T J Bowen reflects performance of the Industrial and Safety division and Chemicals, Energy and Fertilisers division respectively.

³ Safety targets are based on an improvement on last year's result. The safety performance for the Coles and Home Improvement divisions exceeded target performance. The safety targets for Resources, Kmart and the Office Supplies divisions were not met in the 2013 financial year, however the safety results were generally the same or a small improvement on last year.

Summary of annual incentive awards – 2013 financial year

Specific information relating to the actual annual incentive awards for the 2013 financial year, including the breakdown between cash and restricted shares (where applicable), is set out in the table below.

Name ¹	Total annual incentive award ²	Amount of award in cash ²	Amount of award in shares ³	Number of restricted shares - mandatory deferred ⁴	Number of restricted shares - voluntary deferred ⁴	Allocation share price	Percentage of maximum STI awarded ⁵
R J B Goyder	\$3,347,648	\$2,103,600	\$1,244,048	30,700	-	\$40.52	79.6%
T J Bowen	\$1,501,796	\$700,000	\$801,796	11,149	8,637	\$40.52	71.5%
S A Butel	\$525,300	\$525,300	-	-	-	-	42.5%
J C Gillam	\$1,184,213	\$870,000	\$314,213	7,754	-	\$40.52	68.1%
I J W McLeod ⁶	\$1,716,934	\$1,716,934	-	-	-	-	69.1%
G A Russo	\$1,102,647	\$744,000	\$358,647	8,850	-	\$40.52	74.1%

¹ D L Rogers did not receive an annual incentive award for the 2013 financial year as his employment ceased before the end of the financial year (and therefore 100 per cent of maximum STI was forfeited).

² Annual incentive awards for the 2013 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 80 (under the column titled 'short-term benefits, short-term incentive').

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Summary of annual incentive awards – 2013 financial year (continued)

- ³ For the annual incentive deferred into shares, 46.1 per cent of the value is shown in the table on page 80 (under the column titled 'share-based payments, value of short-term incentive shares') as the 2013 annual incentive mandatory deferral into shares commenced vesting from 1 July 2012 and may be subject to forfeiture if the executive resigns prior to 30 August 2014. The shares are subject to a three-year trading restriction to 1 September 2016 while the executive remains an employee of Wesfarmers. R J B Goyder, T J Bowen, J C Gillam and G A Russo requested upfront that an additional trading restriction (to 28 February 2019) apply to any shares allocated.
- ⁴ The number of shares is determined based upon the allocation share price on 30 August 2013. For accounting purposes, the service period for the 2013 annual incentive plan commenced on 1 July 2012 and the grant date is September 2012. In addition to the mandatory deferral arrangement, participants were provided with the opportunity to elect upfront to voluntarily defer a portion of the FY13 STI cash award into shares (these shares are not subject to forfeiture, but are subject to restrictions on dealings).
- ⁵ The maximum annual incentive payment a KMP can earn for the 2013 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.
- ⁶ 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 2013 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

The primary long-term incentive plan operated for senior executives of the Wesfarmers Group is the Wesfarmers Long Term Incentive Plan (WLTIP) (see below). In addition, a special purpose five-year incentive plan has operated for selected key Coles Group executives. The 2013 financial year was the final year of operation of the Coles Long Term Incentive Plan (see page 89). In addition, the performance rights granted under the Group Managing Director Rights Plan in 2008 lapsed following testing of the applicable performance conditions as at 30 June 2013 (see page 88).

2012 Wesfarmers Long Term Incentive Plan (WLTIP)

The 2012 WLTIP (granted during the 2013 financial year) comprised an allocation of performance rights to eligible executives. 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.

Summary of plan

	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.
What is the WLTIP and who participates?	For the 2012 WLTIP award, participants were allocated performance rights (each representing a right to be allocated a share). 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. All senior executives (including the Group MD), other than the Coles division executives, participate in the 2012 WLTIP grant.
How is the WLTIP allocation determined?	The WLTIP awards are based on a percentage of fixed remuneration as at 30 June 2012. The 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. The number of performance rights allocated is determined based upon the 10 day volume weighted average price of Wesfarmers shares over the period immediately following the 2012 results announced in August (i.e. 17 to 30 August 2012).
What is the performance period?	The performance rights are subject to a four-year performance period, being 1 July 2012 to 30 June 2016. Any rights which do not vest following testing of the performance hurdles at the end of the performance period will lapse.

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<p>What are the performance conditions?</p>	<p>The 2012 WLTIP is subject to two performance hurdles:</p> <ul style="list-style-type: none"> – 75 per cent of the performance rights will be tested based on Wesfarmers' compound average growth rate (CAGR) in Return on Equity (ROE); and – 25 per cent of the performance rights will be tested based on Wesfarmers' Total Shareholder Return (TSR), <p>relative to the CAGR in ROE and TSR of the ASX50 Index over the four-year performance period.</p> <p>The following vesting schedule applies to both performance hurdles:</p>										
	<table border="1"> <thead> <tr> <th data-bbox="347 521 824 585">Percentile ranking</th> <th data-bbox="824 521 1424 585">Percentage of awards vesting</th> </tr> </thead> <tbody> <tr> <td data-bbox="347 585 824 627">Below the 50th percentile</td> <td data-bbox="824 585 1424 627">0% vesting</td> </tr> <tr> <td data-bbox="347 627 824 670">Equal to the 50th percentile</td> <td data-bbox="824 627 1424 670">50% vesting</td> </tr> <tr> <td data-bbox="347 670 824 712">Between the 50th and 75th percentile</td> <td data-bbox="824 670 1424 712">An additional 2% of awards vest for each percentile increase</td> </tr> <tr> <td data-bbox="347 712 824 755">Equal to the 75th percentile or above</td> <td data-bbox="824 712 1424 755">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										
<p>Why were these performance conditions chosen and when are they tested?</p>	<p>For the 2012 WLTIP, the Board considers that CAGR in ROE is an appropriate performance hurdle as 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 considers that 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' ASX 50 peers. <p>The Board tests the performance conditions following finalisation of the annual accounts at the end of the performance period.</p>										
<p>Are there any restrictions on shares allocating on vesting?</p>	<p>Shares allocated on vesting of the rights after the four-year performance period will not be subject to any additional trading restrictions on dealing. Senior executives have the opportunity of requesting upfront that an additional one or three year trading restriction will apply to any shares allocated to them.</p> <p>No amount is payable in respect of the allocation, or on the vesting, of the rights.</p>										
<p>Is there any clawback provision?</p>	<p>Yes. The terms of the plan contain a mechanism for the Board to clawback or adjust any incentive awards which vest (or may vest) as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. The Board also has discretion to adjust any conditions applicable to an award, if considered appropriate. The Board may, up to the value of the overpaid remuneration, reduce or defer or otherwise require the repayment of any amount paid or payable to the executive to ensure no unfair benefit is derived.</p>										
<p>What happens in the event of a change of control?</p>	<p>The Board has discretion to determine the treatment of awards under the WLTIP in the event of a change of control.</p>										
<p>What happens if the executive ceases employment during the performance period?</p>	<p>If an executive ceases employment with Wesfarmers before the end of the performance period, their entitlement to the rights (if any) will depend on the circumstances of cessation.</p> <p>All rights will lapse in the event of resignation or termination for cause.</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 rights based on achievement of the ROE and TSR hurdles over the performance period up to ceasing employment and to the extent the performance hurdles have been satisfied at the time of cessation.</p>										
<p>What WLTIP awards vested in the 2012 financial year?</p>	<p>Shares allocated under the 2010 WLTIP award were subject to a three-year performance period to 30 June 2013, 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 82nd percentile. The number of shares that vested under the 2010 WLTIP is shown in the table on page 88.</p>										

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Group Managing Director Rights Plan – 2008 grant - legacy plan

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 that vested subject to satisfying an ROE based vesting condition. As the vesting condition was not met on 30 June 2013, the applicable performance hurdles can no longer be satisfied and all rights held by the Group MD lapse (as shown in the table below). No expense was recognised in respect of these rights in the 2013 financial year. The Board has, subsequent to year end, closed the GMD Rights Plan.

Summary of awards under Wesfarmers' long term incentive arrangements

The table below sets out details of performance rights granted to senior executives under the 2012 WLTIP allocation (i.e. during the 2013 financial year), as well as details of shares granted under prior year WLTIP awards and the performance rights granted to the Group Managing Director in 2008 under the Group MD Rights Plan which lapsed at year end.

Name		Held at 1 July 2012 ¹	Granted during year ²	Value at grant ³	Vested ⁴	Lapsed / forfeited	Held at 30 June 2013 ⁵
	GMD Rights	100,000	-	-	-	100,000	-
R J B Goyder	Rights	-	100,000	\$2,673,000	-	-	100,000
	Shares	206,480	-	-	-	-	206,480
T J Bowen	Rights	-	50,000	\$1,336,500	-	-	50,000
	Shares	118,730	-	-	-	-	118,730
S A Butel	Rights	-	29,102	\$784,950	-	-	29,102
	Shares	68,457	-	-	20,718	-	47,739
J C Gillam	Rights	-	40,743	\$1,098,939	-	-	40,743
	Shares	110,319	-	-	14,593	-	95,726
D L Rogers ⁶	Rights	-	34,922	\$941,930	3,730	31,192	-
	Shares	74,206	-	-	26,464	47,742	-
G A Russo	Rights	-	34,922	\$941,930	-	-	34,922
	Shares	94,445	-	-	26,423	-	68,022

¹ Held at 1 July 2012 (shares) reflects prior year WLTIP allocations which are subject to performance conditions at that time (i.e. under the 2010 WLTIP and 2011 WLTIP allocations). As the 2012 WLTIP grant was the first allocation of performance rights under the WLTIP, no amount is shown for held at 1 July 2012 (rights).

² The performance rights under the 2012 WLTIP were allocated to participants on 15 November 2012, and the number of rights awarded is determined based upon the 10 day volume weighted average price of Wesfarmers shares immediately following the 2012 results announcement. For accounting purposes, the service period for the 2012 WLTIP commenced on 1 July 2012 and the grant date is 14 November 2012 for executive directors and 14 September 2012 for all other participants. The 2012 WLTIP is subject to a four-year performance period. Shares allocated on vesting of the rights after the four-year performance period are not subject to any additional trading restrictions on deals. R J B Goyder, J C Gillam and G A Russo requested upfront that an additional trading restriction (to 15 November 2017 or 15 November 2019) apply to the shares allocated.

³ For accounting purposes, the fair value at grant date is shown above, in accordance with AASB 2: Share Based Payment. The rights subject to market conditions (TSR hurdle) have been independently valued using Monte Carlo simulation (using the Black-Scholes framework). The rights subject to non-market conditions (CAGR in ROE hurdle) have been valued using the Black-Scholes option pricing model. The value per right for executive directors for the TSR performance hurdle and ROE hurdle is \$20.34 and \$28.86 respectively. The value for right for all other participants was \$21.04 and \$28.95 respectively.

⁴ Vested during the year reflects the shares that were granted under the 2010 WLTIP. 100 per cent of that grant vested based on meeting the three-year ROE hurdle to 30 June 2013. The share price at the date of vesting on 30 June 2013 was \$39.60. The shares remain subject to a trading restriction to 19 November 2013 and 19 November 2014 for S A Butel.

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

⁶ In accordance with the terms of the WLTIP, D L Rogers was entitled to a number of the 2011 WLTIP and 2012 WLTIP shares earned at the end of the period based on testing of the ROE and TSR performance conditions up to cessation. A nil balance is shown as held at 30 June 2013, as D L Rogers ceased employment on 31 May 2013.

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Summary of dividends paid on WLTIP shares

The table below sets out details of dividends paid on unvested shares allocated under WLTIP awards made prior to the 2012 financial year to participating senior executives. Unvested shares are those shares that remain subject to performance conditions during the 2013 financial year. The total of the 2012 final dividend (paid 28 September 2012 of 95 cents) and the 2013 interim dividend (paid 28 March 2013 of 77 cents) paid during the year on these unvested shares is set out below. No dividends are paid on WLTIP allocations which are made in the form of performance rights for 2012 and later years.

Name	Total value of dividend payments ¹
R J B Goyder ²	\$0
T J Bowen	\$204,216
S A Butel	\$117,746
J C Gillam	\$189,749
D L Rogers	\$127,634
G A Russo	\$162,445

¹ Total value of dividend payments reflects the shares that were subject to performance conditions during the 2013 financial year and are considered 'unvested' shares (i.e. 2010 and 2011 WLTIP share award allocations). The 2010 and 2011 WLTIP are subject to performance and forfeiture conditions to 30 June 2013 and 30 June 2015 respectively.

² 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.

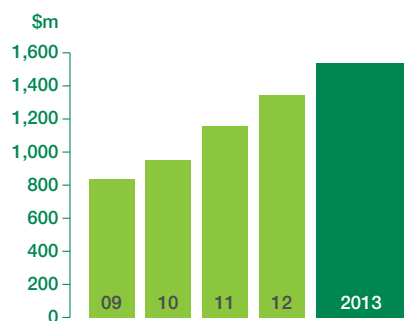
Coles Long Term Incentive Plan (CLTIP)

The 2013 financial year was the final year of the special purpose CLTIP. From the 2014 financial year onwards, senior executive participants in the CLTIP will be invited to participate in the Wesfarmers Long Term Incentive Plan (WLTIP) to align with the incentive plan offered to other senior executives.

The CLTIP was established to provide above average rewards for a select number of Coles executives in return for successfully implementing the turnaround strategies designed for the first five years of Wesfarmers' ownership of Coles. These strategies have been designed not only to deliver strong improvement in Coles' financial performance, but also to transform the way in which Coles operates – including enhancing on-shelf availability of product and revamping Coles' fresh food offering, the introduction of bright new store formats and improving Coles' supply chain to deliver significantly lower prices – all to enhance the customer experience.

While the awards made to executives under the CLTIP are significant, the transformation they have overseen has, as illustrated below, generated much more significant returns to Wesfarmers and its shareholders. The transformation has also raised Coles to an operating platform from which its business is now not only sustainable but poised for further growth.

Coles EBIT



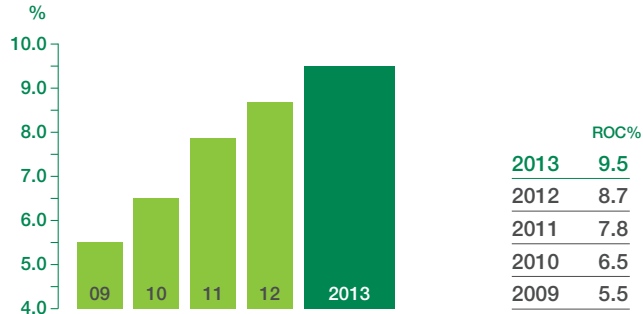
	EBIT \$m	%inc.
2013	1,533	+13.1
2012	1,356	+16.3
2011	1,166	+21.2
2010	962	+15.8
2009	831	-

84% increase
over 5 years

Directors' report Remuneration report 2013 (audited)

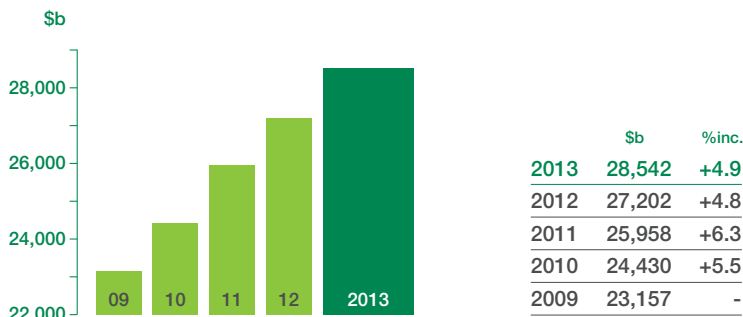
Wesfarmers Limited and its controlled entities

Coles ROC



73% increase
over 5 years

Coles Revenue (excluding fuel sales)



\$5.4b increase
over 5 years

Summary of CLTIP

What is the performance period?	The plan operated from 1 July 2008 to 30 June 2013, which was aligned to Wesfarmers' five-year period for the Coles turnaround. Annual performance awards were made over the period based on performance and were accumulated in an award pool for each participant that was progressively paid out from 2011 through to 2013.					
How was the annual award pool contribution determined?	Contributions were made to the award pool each year once the Coles division's EBIT reached the threshold level approved by the Board (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 increased as the Coles division's EBIT increased. In order to encourage exceptional performance, no upper limit was placed on the size of the award pool.					
What was the final year contribution to the award pool for Mr McLeod?	The 2013 contribution to the award pool in respect of Mr McLeod was \$1.92 million for exceeding threshold performance of the business plan for Coles. The total contribution to the award pool in respect of Mr McLeod for the five years of the plan has been \$34.52 million.					
What were the performance conditions?	<p>The actual entitlement of each participant out of the award pool each year was determined by performance against the following performance conditions:</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, safety, diversity and succession planning and talent management. </td> </tr> </tbody> </table>	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, safety, diversity and succession planning and talent management. 	<p>In 2012 and 2013, there was an additional performance condition relating to key management succession planning. If the Board does not approve the succession plan in either year, no award accrues for that year.</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, safety, diversity and succession planning and talent management. 					

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Why were these performance conditions chosen?	<p>The performance conditions were selected as, in addition to growing EBIT, they were important indicators of the long-term structural turnaround in the Coles business. 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; – focussing upon profitable revenue growth was important to inform the business decisions being made throughout the transformation; 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.
Are awards payable in cash or shares?	<p>Participants had the option to elect earlier in the year, to take up to 50 per cent of any award in relation to the 2013 financial year in the form of Wesfarmers shares.</p> <p>Mr McLeod elected to take his awards under the CLTIP in cash. However, as at the date of this report, Mr McLeod holds 66,250 Wesfarmers shares.</p>
When do awards become payable?	<p>While contributions to the award pool were made annually, payment of part of the accumulated award pool did not commence until 30 June 2011. Mr McLeod became entitled on 1 July 2011 to a payment of \$10.08m, being 40 per cent of the cumulative award pool.</p> <p>A further payment was made out of the accumulated pool at the time following 30 June 2012. Mr McLeod became entitled on 1 July 2012 to a payment of \$9.48m, being 60 per cent of the cumulative cash award pool, less the first interim payment.</p> <p>The payment of the balance of the award pool is to be made around the time of this report following the final testing of the 2013 performance conditions.</p>
What was the final amount paid to Mr McLeod in the 2013 financial year?	<p>Mr McLeod is entitled to a payment of \$14.96 million, being the 2013 contribution together with the accrued (but unpaid) balance of the award pool as at 30 June 2013.</p> <p>The total contribution to the award pool in respect of Mr McLeod for the five years of the plan has been \$34.52 million.</p>
What amount is shown in the statutory reports as remuneration for Mr McLeod in relation to the 2013 financial year?	<p>The accounting accrual for the 2013 financial year in relation to Mr McLeod's awards earned over the five years of the CLTIP (as shown in the table on page 80) was \$6.63 million. This amount reflects the amortisation of annual contributions to the award pool as required under accounting standards.</p>

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.

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

Name	Notice periods / Termination payment
R J B Goyder	<p>12 months notice (or payment in lieu)</p> <p>May be terminated immediately for serious misconduct</p>
I J W McLeod	<p>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)</p> <p>May be terminated immediately for serious misconduct</p>
T J Bowen ¹	<p>Three months notice by either party (or payment in lieu)</p> <p>May be terminated immediately for serious misconduct</p>
S A Butel, J C Gillam, G A Russo ¹	<p>Three months notice by either party and six months notice in the case of redundancy (or payment in lieu)</p> <p>May be terminated immediately for serious misconduct</p>

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).

Directors' report Remuneration report 2013 (audited)

Wesfarmers Limited and its controlled entities

Section 5: 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 \$3,300,000 was approved by shareholders at the 2012 Annual General Meeting.</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>
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 2012 financial year with the assistance of PwC.</p> <p>The Board determined that no increase would be made to non-executive director fees during the 2013 financial year.</p>
Non-executive director shareholdings	<p>During the 2013 financial year, the Board approved enhancements to the shareholding requirements for non-executive directors. In addition to the requirement for directors to hold a minimum of 1,000 Wesfarmers shares within two months of appointment, directors are expected to increase their holdings in Wesfarmers shares to a number which is equivalent in approximate value to the gross annual base fee paid at the relevant time within a five year period of appointment.</p>
Share acquisition plan	<p>Non-executive directors have the facility to acquire shares out of their fees under the Wesfarmers Employee Share Acquisition Plan (WESAP). Participation in the plan is voluntary and enables non-executive directors to use their after-tax fees to acquire Wesfarmers shares. Shares are purchased on behalf of the directors on a monthly basis (except during blackout periods) and are subject to a 12 month trading restriction, during which time the shares are held by the plan trustee. The shares are acquired on-market at the prevailing market price.</p> <p>For the 2013 financial year, Ms Wallace voluntarily elected to participate in the WESAP using after-tax fees to acquire Wesfarmers shares. A total of 2,627 shares were allocated to Ms Wallace (with a total value of \$99,979.04) at share prices ranging between \$34.31 and \$42.50.</p> <p>The number of Wesfarmers Limited shares held by non-executive directors as at the date of this report is shown on page 73.</p>

Non-executive director fees and other benefits

The table below provides details of current Board and committee fees (inclusive of superannuation) and current committee membership. No increases have been made to non-executive director fees since 1 January 2012. Members of the Nomination Committee and Gresham Mandate Review Committee do not receive any additional fees.

Fees/benefits	Description	\$	Included in shareholder approved cap?
Main Board			
Board fees	Chairman – R L Every	592,800	Yes
	Members – all non-executive directors	197,600	
Audit Committee			
Committee fees	Chairman – A J Howarth	80,000	Yes
	Members – P M Bassat (appointed 14 November 2012), R L Every, C Macek, D L Smith-Gander, V M Wallace (until 1 February 2013), J A Westacott (appointed 3 April 2013)	40,000	
	Remuneration Committee		
	Chairman – W G Osborn (from 1 February 2013)	50,000	
	Members – C B Carter, R L Every (Chairman until 1 February 2013), J P Graham, C Macek, V M Wallace (from 1 February 2013)	25,000	

Directors' report Remuneration report 2013 (audited)

Wesfarmers Limited and its controlled entities

Superannuation	Superannuation contributions are made on behalf of the non-executive directors to the Wesfarmers Group Superannuation Plan or another regulated superannuation fund. An amount is deducted from gross fees equal to the applicable superannuation guarantee percentage, which satisfies the Company's statutory superannuation obligations.	Yes
Other Group fees	Non-executive directors are paid additional fees for participation on Wesfarmers' divisional boards, where applicable. These amounts are disclosed separately in the table below.	No
Other benefits	Non-executive directors are entitled to be reimbursed for business-related expenses, including travel expenses, and also receive the benefit of coverage under a directors and officer insurance policy.	No

Non-executive director remuneration for 2013

The fees paid or payable to the non-executive directors in relation to the 2013 financial year are set out below:

Non-executive director		Fees - Wesfarmers Limited \$	Superannuation ¹ \$	Fees - Wesfarmers Group \$	Other benefits ² \$	Total \$
P M Bassat ³	2013	139,320	10,980	-	5,624	155,924
C B Carter	2013	206,130	16,470	-	8,964	231,564
	2012	203,025	15,775	-	10,347	229,147
R L Every	2013	655,913	16,470	-	8,964	681,347
	2012	655,625	15,775	-	10,347	681,747
J P Graham ⁴	2013	222,600	-	106,120	8,964	337,684
	2012	218,800	-	108,060	10,347	337,207
A J Howarth ⁵	2013	261,130	16,470	70,125	8,964	356,689
	2012	225,622	38,178	-	10,347	274,147
C Macek	2013	242,590	20,010	-	8,964	271,564
	2012	229,485	29,315	-	10,347	269,147
W G Osborn	2013	216,547	16,470	-	8,964	241,981
	2012	203,025	15,775	-	10,347	229,147
D L Smith-Gander	2013	221,130	16,470	-	8,964	246,564
	2012	218,025	15,775	-	10,347	244,147
V M Wallace	2013	214,880	16,470	-	8,964	240,314
	2012	218,025	15,775	-	10,347	244,147
J A Westacott ⁶	2013	53,482	4,118	-	2,186	59,786
Total	2013	2,433,722	133,928	176,245	79,522	2,823,417
	2012	2,171,632	146,368	108,060	82,776	2,508,836

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

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

³ P M Bassat was appointed as a director on 14 November 2012.

⁴ 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.

⁵ A J Howarth receives fees for participation on the board of BWP Management Limited.

⁶ J A Westacott was appointed as a director on 3 April 2013.

Directors' report Remuneration report 2013 (audited)

Wesfarmers Limited and its controlled entities

Section 6: Other information

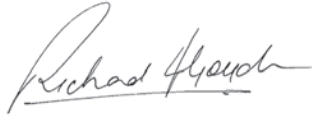
Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 177 of this annual report for Ernst & Young's report on the remuneration report.

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



R L Every AO
Chairman



R J B Goyder AO
Managing Director

Melbourne
17 September 2013

Financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

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Income statement

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2013 \$m	2012 \$m
Revenue			
Sale of goods		57,467	55,897
Rendering of services		1,955	1,788
Interest – other		128	144
Other		282	251
Total revenue		59,832	58,080
Expenses			
Raw materials and inventory		(39,617)	(38,406)
Employee benefits expense	4	(7,912)	(7,496)
Net insurance claims, reinsurance and commissions		(1,375)	(1,465)
Freight and other related expenses		(1,021)	(946)
Occupancy-related expenses	4	(2,368)	(2,232)
Depreciation and amortisation	4	(1,071)	(995)
Impairment expenses	4	(49)	(197)
Other expenses	4	(3,036)	(3,161)
Total expenses		(56,449)	(54,898)
Other income	4	227	383
Share of profits/(losses) of associates	12	48	(16)
		275	367
Earnings before interest and income tax expense			
		3,658	3,549
Finance costs	4	(432)	(505)
Profit before income tax		3,226	3,044
Income tax expense	5	(965)	(918)
Profit attributable to members of the parent		2,261	2,126
Earnings per share attributable to ordinary equity holders of the parent			
– basic earnings per share	6	cents	cents
– diluted earnings per share		195.9	184.2
		195.6	183.9

Statement of comprehensive income

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2013 \$m	2012 \$m
Profit attributable to members of the parent		2,261	2,126
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		40	(7)
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		3	(7)
Tax effect	5	(1)	2
Cash flow hedge reserve			
Unrealised gains on cash flow hedges		193	55
Realised gains transferred to net profit		(120)	(125)
Realised losses transferred to non-financial assets		25	33
Share of associates reserve		-	(3)
Tax effect	5	(29)	11
<i>Items that will not be reclassified to profit or loss:</i>			
Retained earnings			
Actuarial gain/(loss) on defined benefit plan	22	2	(6)
Tax effect	5	(1)	2
Other comprehensive income/(loss) for the year, net of tax		112	(45)
Total comprehensive income for the year, net of tax, attributable to members of the parent		2,373	2,081

Balance sheet

as at 30 June 2013 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2013 \$m	2012 \$m
ASSETS			
Current assets			
Cash and cash equivalents	8	1,333	1,127
Trade and other receivables	9	2,341	2,384
Inventories	10	5,047	5,006
Derivatives	25	187	164
Investments backing insurance contracts, reinsurance and other recoveries	11	1,316	1,690
Other	15	362	540
Total current assets		10,586	10,911
Non-current assets			
Receivables	9	58	33
Available-for-sale investments		6	15
Investments in associates	12	420	429
Deferred tax assets	5	370	475
Property	13	2,947	2,631
Plant and equipment	13	7,217	6,832
Goodwill	14	16,151	16,097
Intangible assets	14	4,459	4,393
Derivatives	25	436	233
Investments backing insurance contracts, reinsurance and other recoveries	11	357	193
Other	15	148	70
Total non-current assets		32,569	31,401
Total assets		43,155	42,312
LIABILITIES			
Current liabilities			
Trade and other payables	16	5,999	5,420
Interest-bearing loans and borrowings	17	70	1,621
Income tax payable		310	455
Provisions	18	1,379	1,289
Insurance liabilities	19	1,540	1,635
Derivatives	25	52	126
Other	20	222	201
Total current liabilities		9,572	10,747
Non-current liabilities			
Payables	16	8	20
Interest-bearing loans and borrowings	17	5,709	3,881
Provisions	18	1,117	1,206
Insurance liabilities	19	613	682
Derivatives	25	66	116
Other	20	48	33
Total non-current liabilities		7,561	5,938
Total liabilities		17,133	16,685
Net assets		26,022	25,627
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	21(a)	23,290	23,286
Reserved shares	21(b)	(26)	(31)
Retained earnings	22	2,375	2,103
Reserves	23	383	269
Total equity		26,022	25,627

Cash flow statement

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2013 \$m	2012 \$m
Cash flows from operating activities			
Receipts from customers		64,946	62,620
Payments to suppliers and employees		(59,768)	(57,865)
Dividends and distributions received from associates		67	22
Interest received		128	144
Borrowing costs		(402)	(445)
Income tax paid		(1,040)	(835)
Net cash flows from operating activities	8	3,931	3,641
Cash flows from investing activities			
Net acquisition of insurance deposits		(55)	(164)
Payments for property, plant and equipment and intangibles	8	(2,331)	(2,626)
Proceeds from sale of property, plant and equipment and intangibles	8	659	275
Proceeds from sale of controlled entities		4	402
Net investments in associates and joint ventures		7	(4)
Acquisition of subsidiaries, net of cash acquired		(44)	(52)
Net cash flows used in investing activities		(1,760)	(2,169)
Cash flows from financing activities			
Proceeds from borrowings		2,056	1,443
Repayment of borrowings		(2,040)	(901)
Proceeds from exercise of in-substance options under the employee share plan	21	4	5
Equity dividends paid		(1,985)	(1,789)
Net cash flows used in financing activities		(1,965)	(1,242)
Net increase in cash and cash equivalents		206	230
Cash and cash equivalents at beginning of year		1,127	897
Cash and cash equivalents at end of year	8	1,333	1,127

Statement of changes in equity

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

CONSOLIDATED	Note	Attributable to equity holders of the parent					Total equity \$m
		Issued capital \$m	Reserved shares \$m	Retained earnings \$m	Hedging reserve \$m	Other reserves \$m	
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	23	-	-	-	-	(7)	(7)
Changes in the fair value of available-for-sale assets, net of tax	23	-	-	-	-	(5)	(5)
Changes in the fair value of cash flow hedges, net of tax	23	-	-	-	(29)	-	(29)
Actuarial loss on defined benefit plan, net of tax	22	-	-	(4)	-	-	(4)
Total other comprehensive loss 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
Proceeds from exercise of in-substance options	21	-	5	-	-	-	5
Equity dividends	21, 22	-	5	(1,793)	-	-	(1,788)
		-	10	(1,793)	-	-	(1,783)
Balance at 30 June 2012		23,286	(31)	2,103	160	109	25,627
Balance at 1 July 2012		23,286	(31)	2,103	160	109	25,627
Net profit for the year		-	-	2,261	-	-	2,261
Other comprehensive income							
Exchange differences on translation of foreign operations	23	-	-	-	-	40	40
Changes in the fair value of available-for-sale assets, net of tax	23	-	-	-	-	2	2
Changes in the fair value of cash flow hedges, net of tax	23	-	-	-	69	-	69
Actuarial gain on defined benefit plan, net of tax	22	-	-	1	-	-	1
Total other comprehensive income for the year, net of tax		-	-	1	69	42	112
Total comprehensive income for the year, net of tax		-	-	2,262	69	42	2,373
Share-based payment transactions	23	-	-	-	-	3	3
Issue of shares	21	4	-	-	-	-	4
Own shares acquired	21	-	(3)	-	-	-	(3)
Proceeds from exercise of in-substance options	21	-	4	-	-	-	4
Equity dividends	21, 22	-	4	(1,990)	-	-	(1,986)
		4	5	(1,990)	-	3	(1,978)
Balance at 30 June 2013		23,290	(26)	2,375	229	154	26,022

Notes to the financial statements

for the year ended 30 June 2013 – 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 2013 was authorised for issue in accordance with a resolution of the directors on 17 September 2013. 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 AASB). 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 (IASB).

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2012. The adoption of these standards did not give rise to new policies being adopted and 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 2013. 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 30.

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 have had a significant effect on the amounts recognised in the financial statements:

Income tax

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

Mineral Resource Rent Tax (MRRT)

The Group has unrecognised benefits relating to mining assets, rebates and mining losses, which can only be offset against future mining profits. These benefits are detailed in note 5. The Group has exercised its judgement that at this stage it has not identified sufficient probable future eligible mining profits 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 projected cash flows covering a five-year period.

Notes to the financial statements

for the year ended 30 June 2013 – 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 14.

On 19 March 2012, the MRRT and Petroleum 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 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 19 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 Group may not receive amounts due to it and these amounts can be reliably measured.

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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

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

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 a 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 customers 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.

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) 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 6.25 per cent (2012: 7.32 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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(h) Leases (continued)

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 Group, in these accounts and investments outstanding at balance sheet date are included in cash and cash equivalents.

(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. 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 profit or loss.

(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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedging (continued)

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.

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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(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 30.

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.

(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) Taxation

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 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(r) Taxation (continued)

Minerals Resource Rent Tax

Royalties and resource rent taxes are accounted for under AASB 112 *Income Taxes* when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as provisions and included in expenses.

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.

(s) Carbon Tax

The Australian carbon pricing scheme (the scheme), incorporating a Carbon Pricing Mechanism, commenced on 1 July 2012. From this date, entities with facilities whose emissions exceed 25,000 tonnes of CO₂-e in a compliance period are required to surrender one Carbon Unit per tonne of CO₂-e emitted.

Under the scheme, emissions-intensive trade-exposed industries receive free Carbon Units from the Australian Government. Free Carbon Units can be sold or held and subsequently surrendered in settlement of the emissions obligation arising under the scheme within a particular compliance year.

Carbon Units received for free are initially recognised at fair value at grant date with a corresponding entry to deferred income. Income is recognised based on the sale of production output from the relevant facility. Free Carbon Units on hand are classified as financial assets and are subsequently measured at amortised cost.

The emissions liability is recognised as a provision and measured at the best estimate of the amount required to settle the present obligation at the reporting date.

When Carbon Units are surrendered to the Government, the asset along with the corresponding emissions liability is derecognised from the balance sheet.

(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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(v) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* 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.

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 14.

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 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(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

(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 value 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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(y) Impairment (continued)

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 value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

(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 financial year end 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.

(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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(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 reserved shares and deducted from equity.

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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ag) Insurance activities (continued)

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.

(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 2012 to the Group have been adopted, including:

- Amendments to AASB 1048 *Interpretation of Standards*

The Standard identifies the Australian interpretations and classifies them into two groups: those that correspond to an IASB interpretation and those that do not. Entities are required to apply each relevant Australian interpretation in preparing financial statements that are within the scope of the standard.

- Amendments to 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.

- 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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(aj) Australian Accounting Standards and Interpretations issued not yet adopted

A package of six Standards on consolidation, joint arrangements, associates and disclosures was issued in August 2011. It is anticipated that these Standards will be adopted by the Group for the financial reporting period ending 30 June 2014. Key requirements of these Standards are as follows:

– 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 of 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.

– 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.

The application of these Standards will change the accounting for the Group's 40 per cent investment in the Kwinana Industrial Gases joint venture, which is currently proportionately consolidated but which will be equity accounted under the new Standards. The financial effect of this change is not expected to be material.

Other new and amended Accounting Standards and Interpretations 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 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.

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.

The effect of this Standard is not anticipated to be material.

– 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 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.

The effect of this Standard is not anticipated to be material.

– 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.

The effect of this Interpretation is not anticipated to be material.

– AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The Standard principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The effect of this Interpretation is not anticipated to be material.

– 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.

The effect of this Interpretation is not anticipated to be material.

Notes to the financial statements

for the year ended 30 June 2013 – 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 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039*

AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

The effect of this Interpretation is not anticipated to be material.

- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*

The Standard amends AASB 10 *Consolidated Financial Statements* and related standards by clarifying transitional guidance. Various editorial amendments to a range of Australian Accounting Standards and to Interpretation 12 *Service Concession Arrangements*, were made to reflect changes made to the text of IFRSs by the International Accounting Standards Board.

The effect of this Interpretation is not anticipated to be material.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

This amendment deletes from AASB 124 *Related Party Disclosures* individual Key Management Personnel (KMP) disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The application of this Standard is anticipated to change the KMP disclosures of the Group.

Effective for annual reporting periods beginning on or after 1 January 2014 and expected to be initially applied by the Group in the financial year ending 30 June 2015:

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

The potential effects of the above Standard has not yet been fully determined.

- Interpretation 21 *Levies*

This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.

The potential effects of the above Interpretation has not yet been fully determined.

Effective for annual reporting periods beginning on or after 1 January 2015 and expected to be initially applied by the Group in the financial year ending 30 June 2016:

- 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:

1. 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.
2. 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.
3. 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.
4. 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.

The potential effects of the above Standard has not yet been fully determined.

Notes to the financial statements

for the year ended 30 June 2013 – 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.

Kmart

- Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables; and
- Provision of automotive service, repairs and tyre service.

Target

- Retailer of apparel, homewares and general merchandise, including accessories, electricals and toys.

Insurance

- Supplier of specialist rural and small business regional insurance;
- 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.

Industrial and Safety

- Supplier and distributor of maintenance, repair and operating products;
- Manufacture and marketing of industrial gases and equipment; and
- Specialised supplier and distributor of industrial safety products and services.

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.

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, 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 2013 – Wesfarmers Limited and its controlled entities

3: Segment information (continued)

	COLES ¹		HOME IMPROVEMENT AND OFFICE SUPPLIES		KMART	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
Segment revenue	35,780	34,117	9,167	8,644	4,167	4,055
Segment result						
Earnings before interest, tax, depreciation, amortisation (EBITDA)	1,987	1,785	1,145	1,065	415	332
Depreciation and amortisation	(454)	(429)	(148)	(139)	(71)	(64)
Earnings before interest, tax (EBIT)	1,533	1,356	997	926	344	268
Finance costs						
Profit before income tax expense						
Income tax expense						
Profit attributable to members of the parent						
Assets and liabilities						
Segment assets	20,367	19,940	5,888	5,647	2,145	2,057
Investments in associates	17	16	-	-	-	-
Tax assets						
Total assets						
Segment liabilities	4,145	3,676	957	810	750	604
Tax liabilities						
Interest-bearing liabilities						
Total liabilities						
Other segment information						
Capital expenditure ⁶	1,181	1,218	549	587	91	136
Share of net profit or loss of associates included in EBIT	-	-	-	-	-	-
Non-cash expenses other than depreciation and amortisation	75	67	76	78	12	10

1. Coles division includes the food, liquor, convenience and Coles property businesses.

2. The Insurance division's 2012 result was 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.

3. Resources' result includes Stanwell royalty expenses of \$154 million (2012: \$219 million) and hedge gains of \$130 million (2012: \$143 million).

4. The Chemicals, Energy and Fertiliser division's 2012 result included profit on the termination of its Hls melt agreement of \$9 million.

5. The 2013 Other result includes:

- interest revenue of \$13 million (2012: \$22 million);
- share of profit/(loss) from associates of \$21 million (2012: \$(34) million); and
- corporate overheads of \$108 million (2012: \$101 million).

2012 included:

- 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; and
- depreciation and amortisation credit of \$11 million arising from depreciation of Premier being discontinued upon its classification as held for sale.

6. Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is \$2,331 million (2012: \$2,626 million).

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

TARGET		INSURANCE ²		RESOURCES ³		INDUSTRIAL AND SAFETY		CHEMICALS, ENERGY AND FERTILISERS ⁴		OTHER ⁵		CONSOLIDATED	
2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
3,658	3,738	2,083	1,915	1,539	2,132	1,647	1,690	1,805	1,786	(14)	3	59,832	58,080
216	317	243	36	299	589	192	217	348	348	(116)	(145)	4,729	4,544
(80)	(73)	(38)	(31)	(151)	(150)	(27)	(27)	(99)	(90)	(3)	8	(1,071)	(995)
136	244	205	5	148	439	165	190	249	258	(119)	(137)	3,658	3,549
												(432)	(505)
												3,226	3,044
												(965)	(918)
												2,261	2,126
3,561	3,538	4,440	4,423	1,920	2,051	1,292	1,309	1,675	1,485	1,077	958	42,365	41,408
-	-	-	-	-	-	-	-	97	93	306	320	420	429
												370	475
												43,155	42,312
464	575	2,869	2,988	420	496	281	270	303	310	855	999	11,044	10,728
												310	455
												5,779	5,502
												17,133	16,685
91	67	26	47	79	392	50	49	273	169	2	4	2,342	2,669
-	-	-	-	-	-	-	-	27	18	21	(34)	48	(16)
39	59	29	22	60	99	26	34	12	16	13	183	342	568

Geographical locations

Revenue by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

Australia	58,348	56,758
New Zealand	1,457	1,283
Other foreign countries	27	39
Total revenue	59,832	58,080

The analysis of the location of non-current assets other than financial instruments, deferred tax assets and pension assets is as follows:

Australia	30,321	29,471
New Zealand	921	895
Other foreign countries	103	85
Total non-current assets	31,345	30,451

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

4: Income and expenses

	Note	CONSOLIDATED	
		2013 \$m	2012 \$m
Employee benefits expense			
Remuneration, bonuses and on-costs		7,295	6,888
Amounts provided for employee entitlements		524	497
Share-based payments expense		93	111
		7,912	7,496
Occupancy-related expenses			
Minimum lease payments		1,794	1,673
Contingent rental payments		66	63
Other		508	496
		2,368	2,232
Depreciation and amortisation			
Depreciation		866	807
Amortisation of intangibles		89	89
Amortisation other		116	99
		1,071	995
Impairment expenses			
Impairment of freehold property	13	28	11
Impairment of plant, equipment and other assets		21	14
Impairment of goodwill	14	-	172
		49	197
Other expenses			
Government mining royalties		108	149
Stanwell rebate		154	219
Repairs and maintenance		370	395
Utilities and office expenses		1,104	979
Insurance expenses		209	219
Other		1,091	1,200
		3,036	3,161
Other income			
Gains on disposal of property, plant and equipment		20	23
Gains on disposal of controlled entities		3	150
Other income		204	210
		227	383
Finance costs			
Interest expense		369	418
Capitalised interest		(10)	(5)
Discount rate adjustment		42	57
Amortisation of debt establishment costs		8	7
Other including bank facility and settlement fees		23	28
		432	505
Insurance underwriting result			
Premium revenue		1,679	1,527
Outwards reinsurance premium expense		(210)	(277)
Net premium revenue		1,469	1,250
Claims expense – undiscounted		(1,058)	(1,159)
Reinsurance and other recoveries revenue – undiscounted		139	239
Discount effect		(1)	(10)
Net claims incurred		(920)	(930)
Acquisition costs		(303)	(247)
Other underwriting expenses		(86)	(144)
Net underwriting expenses		(389)	(391)
Underwriting result		160	(71)

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

5: Income tax

The major components of income tax expense are:

	CONSOLIDATED	
	2013 \$m	2012 \$m
Income statement		
<i>Current income tax</i>		
Current income tax charge	946	943
Adjustments in respect of current income tax of previous years	(42)	(13)
Adjustments in respect of deferred tax of previous years	14	(6)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	47	(6)
Income tax expense reported in the income statement	965	918
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	29	(11)
Changes in the fair value of available-for-sale financial assets	1	(2)
Actuarial gain/(loss) on defined benefit plan	1	(2)
Income tax expense/(benefit) reported in equity	31	(15)

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	3,226	3,044
At the statutory income tax rate of 30 per cent (2012: 30 per cent):	968	913
Adjustments in respect of current income tax and deferred tax of previous years	(28)	(19)
Carried forward losses now recognised	-	(44)
Non-deductible writedowns	13	52
Share of associated companies net loss/(profit) after tax	12	5
Tax on undistributed associates' profit	3	3
Other	(3)	8
Income tax expense reported in the income statement	965	918

Deferred income tax

Deferred income tax at 30 June relates to the following:

Balance sheet

Deferred tax assets		
Provisions	214	242
Employee benefits	341	314
Accrued and other payables	72	38
Borrowings	50	19
Insurance liabilities	21	23
Doubtful debts	17	17
Derivatives	35	73
Deferred income	23	29
Trading stock	83	97
Fixed assets	162	174
Share issue costs	-	1
Gross deferred income tax assets	1,018	1,027
Amount netted against deferred tax liabilities	(648)	(552)
Net deferred tax assets	370	475

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

5: Income tax (continued)

	CONSOLIDATED	
	2013 \$m	2012 \$m
Deferred income tax (continued)		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	202	194
Mining assets recognised for accounting purposes	60	52
Derivatives	187	144
Unremitted earnings of associates	23	16
Accrued income and other	57	31
Warehouse stock	22	19
Intangible assets	80	90
Deferred acquisition costs	17	6
Gross deferred income tax liabilities	648	552
Amount netted against deferred tax assets	(648)	(552)
Net deferred tax liabilities	-	-
<i>Income statement</i>		
Provisions	47	(8)
Employee benefits	(18)	(24)
Doubtful debts	-	1
Depreciation and amortisation	-	(16)
Derivatives	-	3
Insurance liabilities	3	(2)
Intangible assets	(10)	1
Stock	17	17
Mining assets recognised for accounting purposes	(2)	20
Accruals and other	10	2
Deferred tax expense	47	(6)
Unrecognised deferred tax assets		
Capital losses in Australia – available indefinitely subject to meeting relevant statutory tests	284	272
Mineral Resources Rent Tax – mining assets, rebates and mining losses	151	148

A deferred tax asset of \$151 million (2012: \$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 2013, the Resources division paid in excess of \$262 million (2012: \$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 2013 – 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. Dilution arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options.

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 dilutive earnings per share calculations are as follows:

	CONSOLIDATED	
	2013 \$m	2012 \$m
Profit attributable to members of the parent	2,261	2,126
	shares (m)	shares (m)
Weighted average number of ordinary shares (including partially protected shares) for basic earnings per share	1,154	1,154
Effect of dilution – reserved shares	2	2
Weighted average number of ordinary shares (including partially protected shares) adjusted for the effect of dilution	1,156	1,156
	cents	cents
Earnings per share (cents per share) attributable to ordinary equity holders of the parent		
– basic earnings per share	195.9	184.2
– diluted earnings per share	195.6	183.9

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	
	2013 \$m	2012 \$m
Declared and paid during the period (fully-franked at 30 per cent)		
Final franked dividend for 2012: \$0.95 (2011: \$0.85)	1,099	983
Interim franked dividend for 2013: \$0.77 (2012: \$0.70)	891	810
	1,990	1,793
Proposed and not recognised as a liability (fully-franked at 30 per cent)		
Final franked dividend for 2013: \$1.03 (2012: \$0.95)	1,192	1,099
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	243	54
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	(511)	(471)

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 2013 – Wesfarmers Limited and its controlled entities

8: Cash and cash equivalents

	CONSOLIDATED	
	2013 \$m	2012 \$m
Cash on hand and in transit	615	417
Cash at bank and on deposit	520	598
Insurance broking trust accounts ¹	198	112
	1,333	1,127

1. Trust cash cannot be used to meet business obligations or operating expenses other than to the extent of payments to underwriters and refunds to policy holders.

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	2,261	2,126
<i>Adjustments</i>		
Depreciation and amortisation	1,071	995
Impairment and writedowns of assets	49	197
Net loss/(gain) on disposal of non-current assets	21	(133)
Share of associates' net (profits)/losses	(48)	16
Dividends and distributions received from associates	67	22
Capitalised borrowing costs	(10)	(5)
Discount adjustment in borrowing costs	42	57
Amortisation of debt establishment costs, net of amounts paid	8	7
Ineffective interest rate swap losses, net of amounts paid	1	2
Non-cash issue of shares recognised in earnings	4	-
Other	11	(2)
<i>(Increase)/decrease in assets</i>		
Trade and other receivables	31	(318)
Inventories	(17)	(16)
Prepayments	(24)	(44)
Reinsurance and other recoveries	290	298
Deferred tax assets	74	(25)
Other assets	(90)	(59)
<i>Increase/(decrease) in liabilities</i>		
Trade and other payables	552	274
Current tax payable	(148)	107
Provisions	(35)	138
Other liabilities	(179)	4
Net cash flows from operating activities	3,931	3,641
Net capital expenditure		
Payment for property	734	849
Payment for plant and equipment	1,455	1,660
Payment for intangibles	142	117
Payments for property, plant, equipment and intangibles	2,331	2,626
Proceeds from sale of property, plant, equipment and intangibles	659	275
Net capital expenditure	1,672	2,351

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

9: Trade and other receivables

	CONSOLIDATED	
	2013 \$m	2012 \$m
Current		
Trade receivables	1,736	1,781
Allowance for credit losses	(49)	(48)
Finance advances and loans	307	264
Other debtors	347	387
	2,341	2,384
Non-current		
Finance advances and loans	27	28
Other debtors	31	5
	58	33

Refer to note 24 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 2013, current trade receivables of the Group with a nominal value of \$49 million (2012: \$48 million) were impaired. The amount of the allowance account was \$49 million (2012: \$48 million).

Movements in the allowance account for credit losses were as follows:

Carrying value at beginning of year	48	54
Allowance for credit losses recognised during the year	9	9
Receivables written off during the year as uncollectable	(8)	(14)
Unused amount reversed	-	(1)
Carrying value at end of year	49	48

Trade receivables past due but not impaired

As at 30 June 2013, trade receivables of \$291 million (2012: \$275 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	243	202
Three to six months	33	51
Over six months	15	22
	291	275

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 2013.

Related party receivables

For terms and conditions of related party receivables, refer to note 32.

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 2013 – Wesfarmers Limited and its controlled entities

10: Inventories

	CONSOLIDATED	
	2013 \$m	2012 \$m
Raw materials	103	92
Work in progress	27	39
Finished goods	4,917	4,875
Total inventories at the lower of cost and net realisable value	5,047	5,006

Inventories recognised as an expense for the year ended 30 June 2013 totalled \$42,218 million (2012: \$40,987 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	
	2013 \$m	2012 \$m
Current		
Investments backing insurance contracts – corporate bonds	15	-
Investments backing insurance contracts – term deposits	1,018	1,152
Reinsurance and other recoveries	283	538
	1,316	1,690
Non-current		
Investments backing insurance contracts - corporate bonds	182	-
Reinsurance and other recoveries	175	193
	357	193

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.

	CREDIT RATING				Total \$m
	AA \$m	A \$m	BBB \$m	Not rated \$m	
YEAR ENDED 30 JUNE 2013					
Reinsurance recoveries on outstanding claims	192	118	13	3	326
Amounts due from reinsurers on paid claims	15	13	1	-	29
	207	131	14	3	355
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

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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

12: Investments in associates

	CONSOLIDATED	
	2013 \$m	2012 \$m
Investments in associates		
Shares and units in associates – listed	236	214
Shares in associates – unlisted	184	207
Loans to associates at cost	-	8
	420	429
Group's share of profits/(losses) of associates	48	(16)
Fair value of listed investments in associates		
BWP Trust	294	230
Share of associates' commitments		
Capital commitments	51	41
Lease commitments	4	4
Other commitments	178	16
Summarised financial information in respect of the Group's associates as set out below:		
Financial position of associates		
Total assets	3,708	3,705
Total liabilities	1,016	1,113
Net assets	2,692	2,592
Financial performance of associates		
Total revenue	669	598
Total profit for the year	162	37

ASSOCIATE	PRINCIPAL ACTIVITY	OWNERSHIP	
		2013 %	2012 %
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	Property investment	24.3	23.5
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 (Funds) 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 2013 – Wesfarmers Limited and its controlled entities

13: Property, plant and equipment

	CONSOLIDATED	
	2013 \$m	2012 \$m
Freehold land		
Cost	1,924	1,714
Net carrying amount	1,924	1,714
Net carrying amount at beginning of year	1,714	1,370
Additions	359	497
Transfers	-	9
Assets classified as held for sale	(4)	(76)
Disposals	(126)	(77)
Impairment charge	(28)	(11)
Exchange differences	9	2
Net carrying amount at end of year	1,924	1,714
Buildings		
Cost	1,141	1,032
Accumulated depreciation and impairment	(118)	(115)
Net carrying amount	1,023	917
Net carrying amount at beginning of year	917	778
Additions	387	357
Transfers	-	(2)
Assets classified as held for sale	-	(122)
Disposals	(264)	(75)
Depreciation expense	(19)	(21)
Exchange differences	2	2
Net carrying amount at end of year	1,023	917
Assets in course of construction included above	398	284
Leasehold improvements		
Cost	1,214	1,073
Accumulated depreciation and impairment	(409)	(336)
Net carrying amount	805	737
Net carrying amount at beginning of year	737	624
Additions	168	155
Transfers	-	23
Rehabilitation provision asset increment	-	4
Disposals	(20)	(2)
Impairment reversal	-	1
Amortisation expense	(82)	(68)
Exchange differences	2	-
Net carrying amount at end of year	805	737
Assets in course of construction included above	121	196

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

13: Property, plant and equipment (continued)

	CONSOLIDATED	
	2013 \$m	2012 \$m
Plant, vehicles and equipment		
Cost	10,821	9,806
Accumulated depreciation and impairment	(4,834)	(4,165)
Net carrying amount	5,987	5,641
Net carrying amount at beginning of year	5,641	5,106
Additions	1,265	1,492
Transfers	-	(16)
Rehabilitation provision asset increment	-	1
Disposals	(82)	(89)
Acquisitions of controlled entities	3	1
Sale of business	-	(55)
Impairment reversal/(charge)	2	(11)
Depreciation expense	(846)	(786)
Exchange differences	4	(2)
Net carrying amount at end of year	5,987	5,641
Assets in course of construction included above	970	666
Mineral lease and development costs		
Cost	628	623
Accumulated depreciation and impairment	(203)	(169)
Net carrying amount	425	454
Net carrying amount at beginning of year	454	424
Additions	14	40
Transfers	-	(14)
Rehabilitation provision asset adjustment	(7)	35
Amortisation expense	(34)	(31)
Exchange differences	(2)	-
Net carrying amount at end of year	425	454
Total property		
Cost	3,065	2,746
Accumulated depreciation and impairment	(118)	(115)
Net carrying amount	2,947	2,631
Total plant and equipment		
Cost	12,663	11,502
Accumulated depreciation and impairment	(5,446)	(4,670)
Net carrying amount	7,217	6,832

Refer to note 17 for assets pledged as security.

Property, plant and equipment impairments recognised

During the year a \$28 million (2012: \$11 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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

14: 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 2013						
Cost	16,374	3,808	175	800	158	21,315
Accumulated amortisation and impairment	(223)	(13)	(74)	(395)	-	(705)
Net carrying amount	16,151	3,795	101	405	158	20,610
Net carrying amount at beginning of year	16,097	3,798	110	331	154	20,490
Additions	-	-	-	148	1	149
Acquisitions of controlled entities	32	-	1	-	-	33
Amortisation for the year	-	(3)	(14)	(73)	-	(90)
Impairment (charge)/reversal	-	-	-	(1)	3	2
Exchange differences	22	-	4	-	-	26
Net carrying amount at end of year	16,151	3,795	101	405	158	20,610
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

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 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 amount of the Coregas business has been determined through a value in use model using a discounted cash flow valuation technique.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

14: Intangible assets and goodwill (continued)

	CONSOLIDATED	
	2013 \$m	2012 \$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	35
Coles	2,980	2,978
Kmart	268	268
Target	535	535
	3,979	3,977

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	13
Home Improvement and Office Supplies		
– Bunnings	861	850
– Officeworks	799	799
Industrial and Safety		
– Blackwoods Australia	308	308
– Coregas	81	81
– Other	156	156
Insurance		
– Lumley Australia	434	434
– Other	554	529
Coles	10,253	10,235
Kmart	759	759
Target	1,933	1,933
	16,151	16,097

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

14: Intangible assets and goodwill (continued)

Key assumptions used in impairment calculations

The recoverable amounts of the cash generating units have been determined based on either fair value less costs to sell or value in use using discounted cash flow projections.

The impairment calculations have been performed to determine whether the carrying value of the cash generating unit exceeds its estimated recoverable amount.

Where a value in use model has been used, the cash flow projections are based on Wesfarmers' corporate plans and business forecasts approved by management. The corporate plans are developed annually with a five-year outlook. For the purposes of the value in use calculation, corporate plans have been adjusted to exclude the costs and benefits of expansion capital and have been prepared on the understanding that actual outcomes may differ from the assumptions used.

In determining fair value less costs to sell, the model incorporates cash flows projected over five years. In this regard, the cash flow projections are based on assumptions that would be available to or would be considered by a typical market participant.

For both the value in use and fair value less costs to sell models applied, cash flows beyond the five-year period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the 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 variables such as terminal cash flow multiples.

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

The key assumptions used for assessing the recoverable amounts of the Coles and Target cash generating units are set out below, being the two cash generating units for which the carrying value of goodwill and intangible assets with indefinite useful lives are significant in comparison with the total carrying value of Wesfarmers' goodwill and intangible assets with indefinite useful lives. With respect to Target, as outlined below, a reasonably possible change in the discount rate and trading conditions could result in the carrying value of the division exceeding its recoverable amount. The Group considers that for other cash generating units, any reasonably possible change in key assumptions would not cause the carrying value of the cash generating unit to exceed its recoverable amount and result in a material impairment.

Key assumptions used in fair value less costs to sell calculations

	Coles		Target	
	2013	2012	2013	2012
Discount rate (post-tax)	9.3%	8.0%	10.0%	9.2%
Growth rate beyond five-year financial plan	2.9%	3.0%	2.9%	3.0%
Perpetuity factor for calculation of terminal value (1/(discount rate – growth rate))	15.6	20.0	14.1	16.1
Headroom as a percentage of the cash generating unit's net carrying value	55.1%	59.2%	4.4%	57.3%

Other key assumptions include retail sales, EBITDA margins (which are based on past experience and external sources of information) and a program of business improvement strategies, in particular for Target which is undergoing a turnaround program under new leadership.

The recoverable amount of the Target cash generating unit currently exceeds its carrying value. Sensitivity analysis was performed to determine the changes in the key assumptions that would lead to an impairment loss being recognised:

- i. Trading conditions – The valuation of Target is based on an improvement in the operating and financial performance under its new leadership. 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 long-term improvement trends in the business (i.e. increasing sales, profitability and cash flows) and the inherent value of the network. Notwithstanding this, should EBITDA margin or sales growth be more than five per cent lower than forecast or the growth rate beyond the five-year financial plan be more than 14 per cent lower than forecast, 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 Target 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 its cash flows. Consequently, should these rates increase, the discount rate would also increase. An increase in the discount rate of more than 0.3 per cent (2012: 3.8 per cent) for Target could result in a reduction of the recoverable amount to below the carrying value.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

15: Other assets

	CONSOLIDATED	
	2013 \$m	2012 \$m
Current		
Deferred acquisition costs	190	172
Prepayments	168	133
Assets classified as held for sale	4	211
Other financial assets	-	24
	362	540
Movements in deferred acquisition costs:		
Carrying value at beginning of year	172	124
Acquisition costs deferred during the year	330	303
Costs charged to profit or loss	(336)	(287)
Other movements	24	32
Carrying value at end of year	190	172
Non-current		
Deferred acquisition costs	12	4
Defined benefit asset	2	-
Other financial assets	110	34
Investment property	6	6
Prepaid rent	4	12
Other	14	14
	148	70
Movements in deferred acquisition costs:		
Carrying value at beginning of year	4	3
Acquisition costs deferred during the year	8	1
Carrying value at end of year	12	4

16: Trade and other payables

	CONSOLIDATED	
	2013 \$m	2012 \$m
Current		
Trade payables	5,999	5,420
	5,999	5,420
Non-current		
Other creditors and accruals	8	20
	8	20

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

17: Interest-bearing loans and borrowings

	CONSOLIDATED	
	2013 \$m	2012 \$m
Current		
Unsecured		
Commercial paper	32	97
Bank bills	-	400
Bank overdrafts	4	3
Corporate bonds (c)	-	1,051
Other bank loans	34	70
	70	1,621
Non-current		
Unsecured		
Term loans (a), (b)	767	1,066
Other bank loans	100	-
Corporate bonds (c)	4,842	2,815
	5,709	3,881
Total interest-bearing loans and borrowings	5,779	5,502
Financing facilities available		
Total facilities		
Term loans (a), (b)	1,472	2,722
Commercial paper	160	340
Bank bills	-	450
Other bank loans	2,356	425
	3,988	3,937
Facilities used at balance date		
Term loans (a), (b) ¹	772	1,072
Commercial paper	32	97
Bank bills	-	400
Other bank loans	134	70
	938	1,639
Facilities unused at balance date		
Term loans (a), (b)	700	1,650
Commercial paper	128	243
Bank bills	-	50
Other bank loans	2,222	355
	3,050	2,298
Total facilities	3,988	3,937
Facilities used at balance date	938	1,639
Facilities unused at balance date	3,050	2,298

1. Facilities used at balance date include debt establishment costs.

Repayment obligations in respect of the amount of the facilities utilised are included in maturities of financial liabilities tables in note 24.

Funding activities

In the year ended 30 June 2013, total interest-bearing loans and borrowings increased to \$5,779 million from \$5,502 million as at 30 June 2012. During the year ended 30 June 2013 Wesfarmers issued \$1,842 million (2012: \$1,000 million) in new corporate bonds into the Australian, European and United States corporate bond markets. These bond issues were carried out in order to further improve Wesfarmers liquidity and diversity of funding sources as well as 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 2013 can be found on the following page.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

17: Interest-bearing loans and borrowings (continued)

Funding activities (continued)

(a) Term loan – bilateral facility

As at 30 June 2013, 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. On 26 April 2013, the Tranche A syndicated facility refinancing of \$1,250 million was completed. The syndicated facility, that was due to mature in December 2013, was cancelled and replaced with bilateral facilities with 15 primary relationship banks totalling \$1,250 million. The new facilities are spread across one and three year maturities. As at 30 June 2013, the limit on the original facility maturing in December 2014 was \$1,250 million and \$550 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 2013, 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 20 March 2013, Wesfarmers issued US\$750 million (approximately A\$728 million) fixed rate medium-term notes maturing in March 2018. The notes were priced at 100 basis points over the five-year US Treasuries rate, resulting in a coupon of 1.87 per cent. The issue was fully swapped back in Australian dollars at a margin of 1.24 per cent over the bank bill swap rate.

On 12 March 2013, Wesfarmers issued of \$350 million unsecured fixed rate medium term notes maturing in March 2020. These notes were priced at 115 basis points over the seven-year swap rate, resulting in a yield of 4.79 per cent per annum.

On 2 August 2012, Wesfarmers issued €650 million (approximately A\$764 million) 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, resulting in a coupon of 2.75 per cent. The issue was fully swapped back in Australian dollars, resulting in a total fixed interest cost of 5.86 per cent per annum payable semi-annually in arrears.

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 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), which matured on 10 April 2013. After the effect of hedging, Wesfarmers paid interest on these bonds at a rate of 398 basis points over the six month Australian bank bill swap rate. The bonds were repaid from existing facilities during the year ended 30 June 2013. There is no further debt outstanding in the name of the Coles group.

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 25 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 2013 – Wesfarmers Limited and its controlled entities

18: Provisions

	CONSOLIDATED	
	2013 \$m	2012 \$m
Current		
Employee benefits	1,025	943
Self-insured risks	157	144
Restructuring and make good	25	58
Surplus leased space	14	10
Off-market contracts	75	67
Other	83	67
	1,379	1,289
Non-current		
Employee benefits	177	165
Self-insured risks	388	446
Mine and plant rehabilitation	214	223
Restructuring and make good	7	9
Surplus leased space	28	35
Off-market contracts	105	194
Other	198	134
	1,117	1,206
Total provisions	2,496	2,495

Provisions have been calculated using discount rates between two per cent and four per cent (2012: between two per cent and four per cent).

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, long service leave entitlements and incentives accrued by employees.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

18: 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 four years (2012: five years). Actual lease payments may vary from the amounts provided where alternate uses are found for these premises, including attraction of new tenants.

Off-market contracts

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 released to earnings over the period of the contract.

CONSOLIDATED	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 2013							
Carrying amount at beginning of year	590	223	67	45	261	201	1,387
Arising during year	120	7	27	6	16	164	340
Utilised	(165)	-	(62)	(9)	(89)	(84)	(409)
Adjustment	-	(16)	-	-	(8)	-	(24)
Carrying amount at end of year	545	214	32	42	180	281	1,294
YEAR ENDED 30 JUNE 2012							
Carrying amount at beginning of year	505	167	60	36	321	167	1,256
Arising during year	221	63	78	16	19	80	477
Utilised	(136)	(1)	(71)	(7)	(79)	(46)	(340)
Sale of business	-	(6)	-	-	-	-	(6)
Carrying amount at end of year	590	223	67	45	261	201	1,387

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

19: Insurance liabilities

The following disclosures relate to the general insurance companies that comprise the Wesfarmers Insurance division:

	CONSOLIDATED	
	2013 \$m	2012 \$m
Unearned insurance premiums		
Current	877	811
Non-current	73	85
	950	896
Carrying amount at beginning of year	896	861
Deferral of premium on contracts written during year	862	826
Earning of premiums deferred in prior years	(815)	(792)
Other	7	1
Carrying amount at end of year	950	896
Outstanding insurance claims		
Current	663	824
Non-current	540	597
	1,203	1,421
Outstanding insurance claims		
Gross central estimate of outstanding claims liabilities	1,115	1,328
Discount to present value	(43)	(45)
Claim handling expenses	50	54
Risk margin	81	84
	1,203	1,421
Total insurance liabilities		
Current	1,540	1,635
Non-current	613	682
	2,153	2,317

	CONSOLIDATED			
	Gross \$m	Reinsurance and other recoveries \$m	2013 Net \$m	2012 Net \$m
Movement in outstanding insurance claims				
Carrying amount at beginning of year	1,421	(693)	728	556
Incurred claims recognised in profit or loss	1,021	(151)	870	948
Net claim payments	(1,241)	404	(837)	(770)
Other	2	-	2	(6)
Carrying amount at end of year	1,203	(440)	763	728

There is no deficit from the liability adequacy test (LAT) as at 30 June 2013 (2012: \$23 million).

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

19: Insurance liabilities (continued)

Actuarial assumptions and methods

The following are the key assumptions used in determining outstanding insurance claims:

	AUSTRALIA		NEW ZEALAND	
	2013	2012	2013	2012
Weighted average term to settlement (years)	1.7	1.8	0.9	0.9
Inflation	3.7% - 6.0%	4.0% - 6.0%	2.8%	2.5%
Superimposed inflation rate	2.0% - 5.0%	2.0% - 5.0%	-	-
Discount rate	2.9%	2.7%	2.8%	2.5%
Discounted mean term (years)	1.6	1.6	0.9	0.9
Risk margin	14.4%	14.3%	20.9%	28.7%

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 24.

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 2013 – Wesfarmers Limited and its controlled entities

19: 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 its 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 2013 – Wesfarmers Limited and its controlled entities

19: 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:

	<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
CONSOLIDATED										
YEAR ENDED 30 JUNE 2013										
Gross outstanding claims	274	184	205	277	113	63	38	49	1,203	1,203
Reinsurance and other recoveries	(91)	(73)	(102)	(102)	(30)	(17)	(6)	(19)	(440)	(440)
Net outstanding claims provision	183	111	103	175	83	46	32	30	763	763
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

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								Total \$m
	Prior \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m	
At end of accident year	-	69	88	93	92	127	115	113	697
One year later	-	60	91	91	86	221	110	-	659
Two years later	-	61	82	91	75	240	-	-	549
Three years later	-	57	83	93	71	-	-	-	304
Four years later	-	60	83	89	-	-	-	-	232
Five years later	-	58	79	-	-	-	-	-	137
Six years later	-	59	-	-	-	-	-	-	59
Current estimate of ultimate claims cost	-	59	79	89	71	240	110	113	761
Cumulative payments	-	(52)	(67)	(65)	(46)	(69)	(36)	(15)	(350)
Undiscounted central estimate	5	7	12	24	25	171	74	98	416
Discount to present value	-	(1)	(1)	(1)	(2)	(7)	(4)	(9)	(25)
Discounted central estimate	5	6	11	23	23	164	70	89	391
Claims handling expense	-	1	1	1	1	3	4	5	16
Risk margin	1	3	2	4	4	37	13	16	80
Net outstanding claims liabilities	6	10	14	28	28	204	87	110	487
Reinsurance and other recoveries	4	14	5	12	6	196	9	8	254
Gross outstanding claims liabilities	10	24	19	40	34	400	96	118	741

New Zealand claims included within the ultimate claims cost estimates for years prior to 30 June 2013 have been converted at the 30 June 2013 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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

20: Other liabilities

	CONSOLIDATED	
	2013 \$m	2012 \$m
Deferred coal revenue		
Current	1	2
Non-current	2	3
	3	5
Other		
Current	221	199
Non-current	46	30
	267	229
Total		
Current	222	201
Non-current	48	33
	270	234

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

21: Contributed equity

	CONSOLIDATED	
	2013 \$m	2012 \$m
Issued capital – ordinary shares (a)	23,290	23,286
Reserved shares (b)	(26)	(31)
	23,264	23,255

(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 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
Issue of ordinary shares under the Wesfarmers Long Term Incentive Plan	67	2	-	-	67	2
Issue of ordinary shares under the Wesfarmers Employee Share Acquisition Plan	55	2	-	-	55	2
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	41	2	(41)	(2)	-	-
At 30 June 2013	1,006,672	16,975	150,522	6,315	1,157,194	23,290

(b) Reserved shares

Movement in reserved shares	Thousands	\$m
At 1 July 2011	3,780	41
Exercise of in-substance options	(611)	(5)
Dividends applied	-	(5)
At 30 June 2012	3,169	31
Own shares acquired	89	3
Exercise of in-substance options	(410)	(4)
Dividends applied	-	(4)
At 30 June 2013	2,848	26

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

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

21: 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 when managing capital is to safeguard its ability to continue as a going concern whilst meeting its objectives with various stakeholders through the optimisation of the debt and equity balances. 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. Standard & Poor's credit rating remained unchanged from last year at A- (stable) with Moody's granting an upgrade from Baa1 (positive) to A3 (stable) during the year. 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, and minimum lease payments by finance costs (net of discount adjustment), and 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	
	2013 \$m	2012 \$m
Cash interest cover		
Profit before income tax	3,226	3,044
Finance costs	432	505
Depreciation and amortisation	1,071	995
EBITDA	4,729	4,544
Net cash interest paid (excluding interest revenue earned in any Insurance business)	389	423
Cash interest cover	12.2	10.8
Debt cover		
Total interest-bearing debt	5,779	5,502
Less: cash and cash equivalents	1,333	1,127
Net financial debt	4,446	4,375
EBITDA	4,729	4,544
Debt cover	0.9	1.0
Fixed charges cover		
EBITDA	4,729	4,544
Minimum lease payments	1,794	1,673
EBITDA plus minimum lease payments	6,523	6,217
Finance costs (net of discount adjustment), and minimum lease payments	2,184	2,121
Fixed charges cover	3.0	2.9

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

22: Retained earnings

	CONSOLIDATED	
	2013 \$m	2012 \$m
Balance as at 1 July	2,103	1,774
Net profit	2,261	2,126
Dividends	(1,990)	(1,793)
Actuarial gain/(loss) on defined benefit plan, net of tax	1	(4)
Balance as at 30 June	2,375	2,103

23: Reserves

CONSOLIDATED	Restructure tax reserve \$m	Capital reserve \$m	Foreign currency translation reserve \$m	Hedging reserve \$m	Available- for-sale reserve \$m	Share- based payments reserve	Total \$m
Balance at 1 July 2011	150	24	(59)	189	6	-	310
Gains/(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' reserves	-	-	-	(3)	-	-	(3)
Tax effect of transfers	-	-	-	28	-	-	28
Currency translation differences	-	-	(7)	-	-	-	(7)
Balance at 30 June 2012	150	24	(66)	160	1	-	269
Gains on financial instruments recognised in equity	-	-	-	193	3	-	196
Tax effect of revaluation	-	-	-	(58)	(1)	-	(59)
Realised gains transferred to balance sheet/net profit	-	-	-	(95)	-	-	(95)
Tax effect of transfers	-	-	-	29	-	-	29
Currency translation differences	-	-	40	-	-	-	40
Share-based payment transactions	-	-	-	-	-	3	3
Balance at 30 June 2013	150	24	(26)	229	3	3	383

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.

Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 34 for further details of these plans.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: 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 2013, the Group had unutilised committed debt facilities of \$3,050 million (2012: \$2,298 million). Unutilised committed debt facilities includes backup liquidity for the Group's commercial paper programs through committed commercial paper standby facilities, of which \$128 million was available at 30 June 2013 (2012: \$243 million). Refer to note 17 for the financing facilities used and unused. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets with highly rated counterparties.

Liquidity risk disclosures for insurance liabilities are included in note 19.

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 26 for further details on contingent liabilities.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: 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 2013										
Non-derivatives										
Trade and other payables	5,929	39	31	8	-	-	-	-	6,007	6,007
Loans and borrowings before swaps	35	35	-	1,271	1,601	500	907	2,050	6,399	5,779
Expected future interest payments on loans and borrowings	31	32	97	216	175	105	93	219	968	-
Total non-derivatives	5,995	106	128	1,495	1,776	605	1,000	2,269	13,374	11,786
Derivatives										
Hedge interest rate swaps (net settled)	(3)	1	(6)	(7)	(1)	-	-	-	(16)	(15)
Non-hedge interest rate swaps (net settled)	1	-	-	-	-	-	-	-	1	1
Cross currency interest rate swaps (gross settled)										
– (inflow)	(6)	(8)	(18)	(92)	(1,595)	(44)	(952)	(1,356)	(4,071)	(342)
– outflow	15	23	66	140	1,481	82	807	966	3,580	-
Net cross currency interest rate swaps	9	15	48	48	(114)	38	(145)	(390)	(491)	(342)
Hedge foreign exchange contracts (gross settled)										
– (inflow)	(1,047)	(741)	(916)	(848)	(463)	(228)	-	-	(4,243)	(149)
– outflow	985	702	879	820	479	237	-	-	4,102	-
Net foreign exchange contracts	(62)	(39)	(37)	(28)	16	9	-	-	(141)	(149)
Total derivatives	(55)	(23)	5	13	(99)	47	(145)	(390)	(647)	(505)
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)	-
– outflow	7	31	771	68	71	1,401	-	-	2,349	102
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)

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: 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 October 2014. Such foreign currency purchases arise predominantly in the retail, Chemicals, Energy and Fertilisers, and Industrial and Safety divisions.

The Wesfarmers' Audit Committee can approve temporary amendments to this policy, such as the hedging time horizon and hedge levels, with such amendments reviewed on a regular basis.

Refer to note 25 for details of outstanding foreign exchange derivative contracts used by the Group to manage exposure to foreign exchange risk as at 30 June 2013.

The Group's exposure to the US dollar, EURO and NZ dollar (prior to hedging contracts) at the reporting date were as follows:

CONSOLIDATED	2013			2012		
	USD A\$m	EUR A\$m	NZD A\$m	USD A\$m	EUR A\$m	NZD A\$m
Financial assets						
Cash and cash equivalents	71	1	169	70	2	113
Trade and other receivables	148	3	242	191	2	208
Reinsurance and other recoveries	-	-	214	1	-	383
Finance advances and loans	-	-	122	-	-	97
Cross currency interest rate swap	195	176	-	70	-	-
Hedge foreign exchange derivative assets	146	3	-	271	-	-
Financial liabilities						
Trade and other payables	413	10	333	249	9	264
Interest-bearing loans and borrowings	1,512	1,490	70	1,315	648	163
Cross currency interest rate swap	-	29	-	63	109	-
Insurance liabilities	-	-	604	-	-	729
Hedge foreign exchange derivative liabilities	-	-	-	-	3	-

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: 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:

	2013			2012		
	Actual	+10%	-10%	Actual	+10%	-10%
US dollar	0.92	1.01	0.83	1.00	1.10	0.90
EURO	0.71	0.78	0.64	0.81	0.89	0.73

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 sensitivity 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 2013, 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 2013										
Financial assets										
Cash and cash equivalents	71	(5)	-	5	-	1	-	-	-	-
Trade and other receivables	148	(10)	-	10	-	3	-	-	-	-
Cross currency interest rate swap	195	(96)	(4)	118	5	147	(48)	(66)	58	80
Hedge foreign exchange derivative assets	146	-	44	-	(55)	3	-	(4)	-	5
Financial liabilities										
Trade and other payables	413	29	-	(29)	-	10	1	-	(1)	-
Interest-bearing loans and borrowings	1,512	96	-	(118)	-	1,490	48	-	(58)	-
Net impact		14	40	(14)	(50)		1	(70)	(1)	85

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: 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 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 assets	-	-	-	-	-	3	-	3	-	(3)
Net impact		(1)	93	1	(115)		1	1	(1)	-

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 2013, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 33 per cent of the Group's core borrowings are exposed to movements in variable rates (2012: approximately 42 per cent). Refer to note 25 for details of outstanding interest rate swap derivative contracts used to manage the Group's interest rate risk as at 30 June 2013.

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. The classification between fixed and floating interest takes into account applicable hedge instruments. Other financial instruments of the Group that are not included in the following table are non-interest-bearing and are therefore not subject to interest rate risk.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

	CONSOLIDATED			
	2013		2012	
	Balance \$m	Weighted average interest rate %	Balance \$m	Weighted average interest rate %
Financial assets				
<i>Fixed rate</i>				
Finance advances and loans	334	17.89	292	18.17
Loans to associates	-	-	8	7.00
Weighted average effective interest rate on fixed rate assets		17.89		17.87
<i>Floating rate</i>				
Investments backing insurance contracts - corporate bonds	197	4.96	-	-
Investments backing insurance contracts - term deposits	1,018	4.80	1,152	5.59
Cash assets	718	2.54	710	3.35
Weighted average effective interest rate on floating rate assets		3.98		4.74
Total weighted average effective interest rate on financial assets at balance date		6.03		6.56
Financial liabilities				
<i>Fixed rate</i>				
Term loans	545	7.44	994	9.41
Other bank loans	100	7.60	-	-
Bank bills	-	-	400	8.56
Corporate bonds	2,092	5.98	1,484	6.41
Weighted average effective interest rate on fixed rate liabilities		6.33		7.74
<i>Floating rate</i>				
Bank overdraft	4	8.45	3	7.07
Term loans	222	6.12	72	6.74
Other unsecured bank loan	34	3.45	70	3.35
Commercial paper	32	3.05	97	3.32
Corporate bonds	2,750	4.75	2,382	6.19
Weighted average effective interest rate on floating rate liabilities		4.82		6.02
Total weighted average effective interest rate on financial liabilities:				
at balance date		5.54		6.92
during the year		6.25		7.32
during the year, including bank and liquidity charges		6.65		7.83

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 2013 – Wesfarmers Limited and its controlled entities

24: 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	2013		2012	
	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 (2012: + 100bps)	(12)	2	(3)	9
Australian variable interest rate - 100bps (2012: - 100bps)	12	(2)	2	(9)

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:

	2013	2012
Coles	12.3%	11.6%
Home Improvement and Office Supplies	8.7%	7.8%
Kmart	1.1%	1.2%
Target	0.4%	0.6%
Insurance	49.9%	52.1%
Resources	6.8%	8.0%
Industrial and Safety	9.7%	9.4%
Chemicals, Energy and Fertilisers	8.8%	7.6%
Corporate	2.3%	1.7%
	100.0%	100.0%

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.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

24: Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

Credit risk from corporate bonds is managed by an external investment adviser as appointed in accordance with the Wesfarmers General Insurance Limited's Investment Policy. Investments in diversified fixed interest investments are limited to counterparties with a credit rating between BBB+ and AAA by Standard & Poor's.

The limits outlined above are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when the Group provides a guarantee to another party. Details of contingent liabilities are disclosed in note 26. 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	
		2013 \$m	2012 \$m	2013 \$m	2012 \$m
Financial assets					
Cash and cash equivalents	8	1,333	1,127	1,333	1,127
Trade receivables	9	1,687	1,733	1,687	1,733
Finance advances and loans	9	334	292	334	292
Other debtors	9	378	392	378	392
Investments backing insurance contracts					
Corporate bonds	11	197	-	197	-
Term deposits	11	1,018	1,152	1,018	1,152
Reinsurance and other recoveries	11	458	731	458	731
Available-for-sale investments		6	15	6	15
Loans to associates	12	-	8	-	8
Forward currency contracts	25	230	294	230	294
Interest rate swaps	25	22	33	22	33
Cross currency interest rate swaps	25	371	70	371	70
Financial liabilities					
Trade payables	16	5,999	5,420	5,999	5,420
Other creditors and accruals	16	8	20	8	20
Interest-bearing loans and borrowings					
Syndicated bank loans	17	767	1,066	767	1,066
Unsecured bank loans	17	134	70	134	70
Commercial paper	17	32	97	32	97
Bank bills	17	-	400	-	400
Bank overdraft	17	4	3	4	3
Corporate bonds	17	4,842	3,866	5,309	4,004
Forward currency contracts	25	81	26	81	26
Interest rate swaps	25	8	44	8	44
Cross currency interest rate swaps	25	29	172	29	172

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 and corporate bonds 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 2013 – Wesfarmers Limited and its controlled entities

24: 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 and carried at fair value, the Group uses the following to categorise the method used:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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 2013				
Financial assets measured at fair value				
Available-for-sale investments				
Shares in unlisted companies at fair value	-	-	6	6
Investments backing insurance contracts				
Corporate bonds	-	197	-	197
Term deposits	-	1,018	-	1,018
Derivative instruments				
Forward currency contracts	-	230	-	230
Interest rate swaps	-	22	-	22
Cross currency interest rate swaps	-	371	-	371
Total financial assets measured at fair value	-	1,838	6	1,844
Financial liabilities measured at fair value				
Derivative instruments				
Forward currency contracts	-	81	-	81
Interest rate swaps	-	8	-	8
Cross currency interest rate swaps	-	29	-	29
Total financial liabilities measured at fair value	-	118	-	118

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 2013 – Wesfarmers Limited and its controlled entities

24: 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 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 2013 – Wesfarmers Limited and its controlled entities

25: 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	
					2013 \$m	2012 \$m
Foreign exchange forwards	2013: US\$2,168.6 million (2012: US\$2,482.7 million)	AUD/USD = 0.9027 (2012: AUD/USD = 0.8891)	July 2012 to June 2017	Cash flow hedge – forward sales contracts relating mainly to USD coal and LPG sales and have maturities out to June 2017	4	277
	2013: US\$1,566.8 million (2012: US\$1,084.5 million)	AUD/USD = 1.0013 (2012: AUD/USD = 1.0053)	July 2012 to October 2014	Cash flow hedge – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to October 2014	139	(5)
	2013: €40.7 million (2012: €34.3 million)	AUD/EUR = 0.7514 (2012: AUD/EUR = 0.7518)	July 2012 to May 2014		3	(3)
	2013: NZ\$61 million (2012: NZ\$40.7 million)	NZD/USD = 0.8109 (2012: NZD/USD = 0.7842)	July 2012 to October 2014		3	(1)
Total foreign exchange contracts					149	268

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	
					2013 \$m	2012 \$m
Interest rate swaps	AUD 2013: \$650 million (2012: \$1,500 million)	Receive BBSW or BBSY floating Pay 5.7% fixed (2012: 7.1%)	October 2010 to July 2014	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	(7)	(32)
	AUD 2013: nil (2012: \$300 million)	Receive BBSW or BBSY floating (2012: pay 4.51% fixed)	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 floating rate bank bill, term loans or commercial paper debt	-	(7)
	AUD 2013: \$400 million (2012: \$400 million)	Receive 8.25% fixed (2012: 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	13	20
	AUD 2013: \$712 million (2012: \$601 million)	Receive 5.2% fixed (2012: 5.6%) 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	9	13
Total interest rate swap contracts					15	(6)

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

25: Hedging activities (continued)

Cross currency interest rate swap contracts

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE	
					2013 \$m	2012 \$m
Fixed for floating cross currency interest rate swap	USD 2013: settled during the year (2012: US\$650 million)	Receive nil (2012: 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)
		Pay nil (2012: BBSW plus 3.979% floating)		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)
					-	(63)
Fixed for floating cross currency interest rate swap	EUR 2013: €500 million (2012: €500 million)	Receive 3.875% fixed (2012: 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 CCIRS	(5)	(2)
		Pay BBSW plus 2.295% floating (2012: 2.295%)		Fair value hedge – to eliminate variability in the changes in the fair value of the portion of the coupon based on the Euribor benchmark curve due to changes in spot foreign exchange rates and interest rates	(24)	(107)
					(29)	(109)
Fixed for fixed cross currency interest rate swap	EUR 2013: €650 million (2012: nil)	Receive 2.750% fixed (2012: nil) Pay 5.865% fixed (2012: nil)	August 2022	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the interest coupon on the debt for the term of the hedge bond and CCIRS	176	-
					176	-
Fixed for floating cross currency interest rate swap	USD 2013: US\$650 million (2012: US\$650 million)	Receive 2.983% fixed (2012: 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	7	8
		Pay BBSW plus 1.265% floating (2012: 1.265%)		Fair value hedge – to eliminate variability in the changes in the fair value of the remaining portion of the coupon and principal cash flows of the US dollar bond, due to changes in spot foreign exchange rates and CCIRS	119	62
					126	70

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

25: Hedging activities (continued)

Cross currency interest rate swap contracts (continued)

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE	
					2013 \$m	2012 \$m
Fixed for floating cross currency interest rate swap	USD 2013: US\$750 million (2012: nil)	Receive 1.874% fixed (2012: nil)	March 2018	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	-
		Pay BBSW plus 1.243% floating (2012: nil)		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	61	-
					69	-
Total cross currency interest rate swap contracts					342	(102)
Total derivatives in effective hedge relationships					506	160
Total derivatives in ineffective hedge relationships					(1)	(5)
Total derivatives in hedge relationships					505	155

	FAIR VALUE	
	2013 \$m	2012 \$m
Total derivatives comprise:		
Current assets		
Forward currency contracts – cash flow hedges	182	151
Interest rate swaps – fair value hedges	5	13
Total current assets	187	164
Non-current assets		
Forward currency contracts – cash flow hedges	48	143
Cross currency interest rate swap – cash flow hedge	191	8
Cross currency interest rate swap – fair value hedge	180	62
Interest rate swaps – fair value hedges	17	20
Total non-current assets	436	233
Current liabilities		
Forward currency contracts – cash flow hedges	(44)	(25)
Cross currency interest rate swap – cash flow hedge	-	(5)
Cross currency interest rate swap – fair value hedge	-	(58)
Interest rate swaps – cash flow hedges	(7)	(34)
Interest rate swaps classified as held for trading*	(1)	(4)
Total current liabilities	(52)	(126)
Non-current liabilities		
Forward currency contracts – cash flow hedges	(37)	(1)
Cross currency interest rate swap – cash flow hedge	(5)	(2)
Cross currency interest rate swap – fair value hedge	(24)	(107)
Interest rate swaps – cash flow hedges	-	(5)
Interest rate swaps classified as held for trading*	-	(1)
Total non-current liabilities	(66)	(116)
Total derivatives	505	155

* Derivative instruments classified as held for trading primarily consist of derivatives previously in effective hedge relationships that 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 2013 – Wesfarmers Limited and its controlled entities

26: Commitments and contingencies

	CONSOLIDATED	
	2013 \$m	2012 \$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 undiscounted minimum rentals payable under non-cancellable operating leases not included within this financial report were as follows:		
Within one year	1,794	1,720
Greater than one year but not more than five years	5,613	5,267
More than five years	6,433	5,532
	13,840	12,519
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	22	28
Greater than one year but not more than five years	39	56
More than five years	6	12
	67	96
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	334	458
Greater than one year but not more than five years	25	41
	359	499
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	67	70
Other expenditure commitments		
Contracted other expenditure commitments not included in this financial report were as follows:		
Within one year	105	123
Greater than one year but not more than five years	206	292
More than five years	44	73
	355	488
Commitments relating to jointly controlled assets		
At 30 June 2013, the Group's share of the Bengalla Joint Venture commitments was \$2 million (2012: \$13 million), principally relating to operating leases, all of which is payable within one year. The Group's share of the Kwinana Sodium Cyanide Joint Venture capital commitments was \$4 million (2012: \$5 million), relating to the acquisition of plant and equipment, all of which is payable within one year.		
Share of capital commitments of joint ventures:		
Due within one year	6	18

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

26: Commitments and contingencies (continued)

	CONSOLIDATED	
	2013 \$m	2012 \$m
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	1,349	1,198

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 (2012: \$19 million). The fair value of these guarantees is not considered to be material and has not been recognised in this financial report.

Other

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

27: Events after the balance sheet date

Dividend

A fully-franked dividend of 103 cents per share resulting in a dividend of \$1,192 million was declared for a payment date of 27 September 2013. The dividend has not been provided for in the 30 June 2013 full-year financial statements.

Sale and leaseback

On 8 August 2013, Wesfarmers announced the sale and leaseback of a portfolio of 10 Bunnings stores to BWP Trust which, when completed, will release approximately \$271 million of capital employed in Bunnings.

Capital return

On 15 August 2013, Wesfarmers announced the intention to make a capital return of 50 cents per fully-paid ordinary share and partially protected share by early December 2013, accompanied by a proportionate share consolidation, subject to approval of Wesfarmers shareholders at the Annual General Meeting in November 2013.

Securitised lease transaction

On 29 August 2013, Wesfarmers announced the sale and leaseback of a portfolio of 15 Bunnings warehouse properties via a securitised lease transaction which, when completed, will release approximately \$287 million of capital employed in Bunnings.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

28: Interest in jointly controlled assets

The Group has the following interests in joint ventures in Australia:

Joint venture	Principal activity	INTEREST	
		2013 %	2012 %
Sodium Cyanide JV	Sodium cyanide manufacture	75	75
Bengalla JV	Coal mining	40	40
Kwinana Industrial Gases JV	Oxygen and nitrogen manufacture	40	40
ISPT JV	Property ownership	25	-

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	
	2013 \$m	2012 \$m
Current assets		
Cash and cash equivalents	1	1
Inventories	17	15
Other	6	7
Total current assets	24	23
Non-current assets		
Property, plant and equipment	440	340
Other	23	-
Total non-current assets	463	340
Total assets	487	363
Revenue	413	413
Costs of sales	(276)	(252)
Administrative expenses	(17)	(26)
Profit before income tax	120	135
Income tax expense	(36)	(41)
Net profit	84	94

Refer to note 26 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 2013 – Wesfarmers Limited and its controlled entities

29: Parent disclosures

	PARENT	
	2013 \$m	2012 \$m
ASSETS		
Current assets	8,710	7,949
Non-current assets	23,166	23,000
Total assets	31,876	30,949
LIABILITIES		
Current interest-bearing loans and borrowings	-	1,051
Other current liabilities	718	689
Total current liabilities	718	1,740
Non-current interest-bearing loans and borrowings	5,709	3,881
Non-current other liabilities	531	737
Total non-current liabilities	6,240	4,618
Total liabilities	6,958	6,358
Net assets	24,918	24,591
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	23,284	23,280
Employee reserved shares	(19)	(28)
Retained earnings	1,373	1,211
Restructure tax reserve	150	150
Hedging reserve	130	(22)
Total equity	24,918	24,591
Profit attributable to members of the parent	2,152	1,860
Total comprehensive income for the year, net of tax, attributable to members of the parent	2,303	1,880
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	880	452

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 31 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 (2012: nil).

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

30: Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2013 %	2012 %
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. 081 459 878 Pty Ltd	Australia	AUD	100	100
A.C.N. 082 931 486 Pty Ltd	Australia	AUD	100	100
A.C.N. 112 719 918 Pty Ltd	Australia	AUD	100	100
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
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
Blacksmith Jacks Pty Ltd @	Australia	AUD	100	-
BPI Management Pty Ltd @	Australia	AUD	100	-
BPI No 1 Pty Ltd @	Australia	AUD	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	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
Chef Fresh Pty Ltd @	Australia	AUD	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

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

30: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2013 %	2012 %
CMTI Pty Ltd	Australia	AUD	100	100
Colac Food Processors Pty Ltd ~	Australia	AUD	-	100
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 Direct Sourcing Private Limited #	India	INR	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 Property Management Pty Ltd @	Australia	AUD	100	-
Coles Retail Group Pty Ltd	Australia	AUD	100	100
Coles Retail Services Pty Ltd	Australia	AUD	100	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	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
Eskdale Holdings Pty Ltd	Australia	AUD	100	100
Eureka Operations Pty Ltd +	Australia	AUD	100	100
Expresspak Pty Ltd	Australia	AUD	100	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

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

30 Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2013 %	2012 %
Fosseys (Australia) Pty Ltd	Australia	AUD	100	100
Fraser MacAndrew Ryan Limited	New Zealand	NZD	100	100
Fulthom 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
GotStock Pty Ltd @	Australia	AUD	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
Hill's Environmental Limited @	United Kingdom	GBP	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
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 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

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30: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2013 %	2012 %
Masters Home Improvement Limited	New Zealand	NZD	100	100
Mawhinney Insurance Brokers Pty Ltd	Australia	AUD	100	100
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
OAMPS Credit Pty Ltd	Australia	AUD	100	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	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	IDR	100	100
Q.R.L. Insurance Finance Agency Pty Ltd	Australia	AUD	50	50

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for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

30: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2013 %	2012 %
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	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
Target Australia Pty Ltd +	Australia	AUD	100	100
TGT Business Consulting Services (Shanghai) Co Ltd #	China	CNY	100	100
TGT Procurement Asia Limited #	Hong Kong	HKD	100	100
TGT Sourcing Asia Limited #	Hong Kong	HKD	100	100
TGT Sourcing India Private Limited #	India	INR	100	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
W4K.World 4 Kids Pty Ltd	Australia	AUD	100	100
Waratah Cove Pty Ltd @	Australia	AUD	100	-
Wesfarmers Agribusiness Limited +	Australia	AUD	100	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 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 Emerging Ventures 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 Gas Limited +	Australia	AUD	100	100
Wesfarmers General Insurance Limited	Australia	AUD	100	100
Wesfarmers Holdings Pty Ltd	Australia	AUD	100	100
Wesfarmers Industrial & Safety Holdings NZ Limited #	New Zealand	NZD	100	100
Wesfarmers Industrial & Safety NZ Limited #	New Zealand	NZD	100	100

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

30: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2013 %	2012 %
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 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 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 Australia Pty Ltd @	Australia	AUD	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 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.

~ Entity dissolved/deregistered during the year.

Audited by firms of Ernst & Young International.

< Audited by other firms of accountants.

+ An ASIC approved Deed of Cross Guarantee has been entered into by Wesfarmers Limited and these entities. Refer note 31 for further details.

Wesfarmers Limited, incorporated in Australia, is the ultimate Australian parent entity and the ultimate parent of the Group.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

31: 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 30 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 30 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. No entities have left the Closed Group by way of disposal in the current year.

The consolidated income statement of the entities that are members of the Closed Group is as follows:

	2013 Deed \$m	2012 Deed \$m
Consolidated income statement		
Profit from continuing operations before income tax	2,939	2,862
Income tax expense	(872)	(923)
Net profit for the year	2,067	1,939
Retained earnings at beginning of year	1,665	953
Adjustment for companies transferred into/out of the Closed Group	-	566
Total available for appropriation	3,732	3,458
Dividends provided for or paid	(1,990)	(1,793)
Retained earnings at end of year	1,742	1,665

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

31: Deed of Cross Guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

	2013 Deed \$m	2012 Deed \$m
Consolidated balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	1,025	1,072
Trade and other receivables	1,599	1,590
Inventories	4,821	4,801
Derivatives	182	151
Other	290	445
Total current assets	7,917	8,059
Non-current assets		
Receivables	727	1,212
Investment in controlled entities	5,051	5,058
Available-for-sale investments	1	1
Investments in associates	193	187
Deferred tax assets	402	481
Property	2,760	2,430
Plant and equipment	7,022	6,652
Goodwill	15,228	15,813
Intangible assets	4,379	4,302
Derivatives	432	233
Other	27	33
Total non-current assets	36,222	36,402
Total assets	44,139	44,461
LIABILITIES		
Current liabilities		
Trade and other payables	5,896	5,485
Interest-bearing loans and borrowings	1,029	1,452
Income tax payable	283	478
Provisions	1,190	1,140
Derivatives	52	126
Other	330	220
Total current liabilities	8,780	8,901
Non-current liabilities		
Payables	3,000	5,119
Interest-bearing loans and borrowings	5,709	3,881
Provisions	1,206	1,240
Derivatives	66	116
Other	17	32
Total non-current liabilities	9,998	10,388
Total liabilities	18,778	19,289
Net assets	25,361	25,172
EQUITY		
Issued capital	23,290	23,286
Reserved shares	(26)	(31)
Retained earnings	1,742	1,665
Reserves	355	252
Total equity	25,361	25,172

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

32: Related party transactions

	CONSOLIDATED	
	2013 \$m	2012 \$m
Associates		
Management fees received	10	9
Profit on sale of rental properties	-	4
Operating lease rent paid	104	98
Financial advisory fees paid	1	3
Loans receivable	-	8

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd and BWP Trust, to the consolidated entity on normal commercial terms and conditions for staff and other services provided to the associates.

Rent for retail 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 \$1,024,279 in 2013 (2012: \$1,988,644).

Ms Wallace, a director of Wesfarmers, is a partner of Booz & Company. Booz & Company has previously provided consultancy services to Wesfarmers and was paid fees of \$230,893 in 2012. No consultancy services have been provided, and no fees have been paid in 2013.

Loans have previously 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. These loans were settled during the year.

33: Auditor's remuneration

	CONSOLIDATED	
	2013 \$'000	2012 \$'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	5,832	6,491
– other services in relation to the entity and any other entity in the consolidated group		
– tax compliance	618	760
– assurance related	1,812	779
– other	363	615
	8,625	8,645
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
– an audit or review of the financial report of subsidiaries	606	605
– other services in relation to the entity and any other entity in the consolidated group		
– tax compliance	222	123
– assurance related	7	2
	835	730
Amounts received or due and receivable by non Ernst & Young audit firms for:		
– assurance related services	30	29
	9,490	9,404

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

34: 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:

	2013		2012	
	Number Thousands	WAEP	Number Thousands	WAEP
Outstanding and exercisable at the beginning of the year	3,169	\$9.87	3,780	\$10.83
Exercised during the year	(410)	\$9.71	(611)	\$8.80
Outstanding and exercisable at the end of the year	2,759	\$8.42	3,169	\$9.87
Weighted average share price for Wesfarmers Limited		\$37.21		\$30.31

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	\$4.87	\$6.15
2002	\$6.40	\$8.12
2003	\$8.77	\$10.41
2004	\$22.00	\$23.56

Wesfarmers Long Term Incentive Plan (WLTIP)

The WLTIP was introduced in September 2005. Under the plan in 2013, eligible senior executives were invited to receive performance rights 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. If the performance hurdles of the performance rights are met, senior executives will be allocated Wesfarmers Limited shares at the end of the four year performance period.

Shares may be either acquired on-market, issued by the parent or forfeited shares reissued. During the current financial year, 34,905 shares were acquired on-market and 66,648 shares were issued by the parent and treated as reserved shares. The fair value of the award is expensed over the vesting period from 1 July 2012 to 30 June 2016. 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.

Additionally, as required under the annual incentive plan, certain eligible senior executives received a restricted (mandatorily deferred) share award under the WLTIP. 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 a further four years. A forfeiture condition applies on the mandatory deferred shares, such that the Board may determine to forfeit these shares if an executive resigns or is terminated for cause within one year of the share allocation.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2013	2012
Shares and rights granted during the year under the plan	607,405	1,147,793
Fair value per performance right (2012: per share)	\$26.90	\$26.28

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

34: Share-based payment plans (continued)

Wesfarmers Long Term Incentive Plan (WLTIP) (continued)

The fair value per performance right on grant date was determined as follows:

	14 Nov 2012	14 Sep 2012
Grant date		
Grant date share price	\$33.94	\$34.55
Volatility (per cent)	17.64	18.15
Dividend yield (per cent)	4.57	4.77
Risk free rate (per cent)	2.56	2.71

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, 2,752,109 award shares were acquired on-market by the parent, 54,788 shares were issued by the parent and 160,148 forfeited shares were reissued. The fair value of the equity instruments granted is expensed over the vesting period from 1 July 2012 to 30 November 2015 as services are rendered.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2013	2012
Shares granted during the year	2,967,045	2,823,278
Fair value per share	\$37.16	\$32.00

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.

The impact on the profit or loss is set out in note 4.

	CONSOLIDATED	
	2013	2012
Shares acquired under the plan	8,570	12,367
Fair value per share	\$34.54	\$32.34

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

35: 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 of the Pension Plan 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	
	2013 \$m	2012 \$m
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	46	37
Interest cost	2	2
Benefits paid	(3)	(3)
Actuarial (gains)/losses	(5)	10
Closing defined benefit obligation	40	46
Changes in the fair value of the defined benefits portion of plan assets are as follows:		
Opening fair value of plan assets	45	42
Expected return	2	2
Benefits paid	(3)	(3)
Actuarial (losses)/gains	(2)	4
Closing fair value of plan assets	42	45
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	(40)	(46)
Fair value of plan assets	42	45
Net benefit asset/(liability)	2	(1)

The principal actuarial assumptions used in determining pension benefit obligations are:

	2013 %	2012 %
Discount rate	3.80	3.00
Expected rate of return on plan assets	4.50	4.50
Expected pension increase rate	2.50	2.50

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

36: Director and executive disclosures

Details of key management personnel during the year ended 30 June 2013

Non-executive directors

P M Bassat (appointed 14 November 2012)

C B Carter

R L Every

J P Graham

A J Howarth

C Macek

W G Osborn

D L Smith-Gander

V M Wallace

J A Westacott (appointed 3 April 2013)

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

G A Russo, Managing Director, Kmart division

Former key management personnel

D L Rogers (resigned as Managing Director, Target division, 31 May 2013)

Compensation of key management personnel

The remuneration disclosures are provided in sections one to six of the remuneration report on pages 77 to 94 of this annual report designated as audited and forming part of the directors' report.

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Short-term benefits	21,857	22,374
Post-employment benefits	593	846
Termination benefits	1,025	-
Share-based payments	15,311	20,500
	38,786	43,720

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

36: 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 2013	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Non-executive directors				
P M Bassat ¹	10,000	-	10,000	20,000
C B Carter	29,031	-	994	30,025
R L Every	28,373	-	-	28,373
J P Graham	817,957	-	-	817,957
A J Howarth	13,781	-	499	14,280
C Macek	21,367	-	(396)	20,971
W G Osborn	5,552	-	1,700	7,252
D L Smith-Gander	12,410	-	-	12,410
V M Wallace	4,320	-	2,627	6,947
J A Westacott	-	-	1,000	1,000
Executive directors				
R J B Goyder	1,023,396	19,833	-	1,043,229
T J Bowen	452,648	11,342	-	463,990
Senior executives				
S A Butel	180,393	-	(19,203)	161,190
J C Gillam	482,980	592	-	483,572
I J W McLeod	65,276	-	974	66,250
G A Russo	370,533	9,015	-	379,548
Former key management personnel				
D L Rogers ²	74,206	4,372	(78,578)	-
	3,592,223	45,154	(80,383)	3,556,994

1. Shares were acquired prior to appointment as non-executive director.

2. Ceased to be non-executive director, executive director or key management personnel during the 2013 financial year.

Wesfarmers Limited performance rights

Rights – 30 June 2013	Held at 1 July 2012	Granted during the year ³	Vested	Lapsed / forfeited	Held at 30 June 2013
Executive directors					
R J B Goyder ¹	100,000	100,000	-	(100,000)	100,000
T J Bowen	-	50,000	-	-	50,000
Senior executives					
S A Butel	-	29,102	-	-	29,102
J C Gillam	-	40,743	-	-	40,743
G A Russo	-	34,922	-	-	34,922
Former key management personnel					
D L Rogers ²	-	34,922	(3,730)	(31,192)	-
	100,000	289,689	(3,730)	(131,192)	254,767

1. The 100,000 performance rights held by R J B Goyder under the Group Managing Director Rights Plan lapsed at year end.

2. Ceased to be non-executive director, executive director or key management personnel during the 2013 financial year.

3. Refer to page 88 of the 2013 remuneration report.

Notes to the financial statements

for the year ended 30 June 2013 – Wesfarmers Limited and its controlled entities

36: Director and executive disclosures (continued)

Holdings of equity instruments in Wesfarmers Limited of key management personnel (continued)

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	-	74,206	-	74,206
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	672,003	(340,114)	3,705,401

1. R J B Goyder also held 100,000 performance rights under the Group Managing Director Rights Plan. Refer to page 88 of the 2013 remuneration report for performance conditions.

2. Ceased to be non-executive director, executive director or key management personnel during the 2012 financial year.

Other transactions and balances with key management personnel

Refer to note 32 in relation to transactions with Gresham Partners Group Limited, of which J P Graham is a director.

Refer to note 32 in relation to transactions with Booz & Company, of which V M Wallace is a partner.

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.

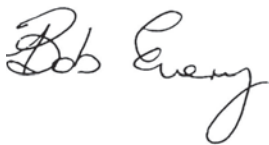
Directors' declaration

Wesfarmers Limited and its controlled entities

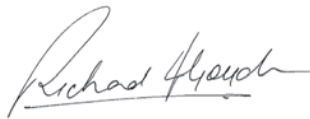
In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

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 for the full-year ended 30 June 2013 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 2013 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 2013.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group comprising the Company and the controlled entities marked '+' as identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 31.

On behalf of the Board:



R L Every AO
Chairman



R J B Goyder AO
Managing Director

Melbourne
17 September 2013

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 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In 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 2013 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 77 to 94 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



G H Meyerowitz

Partner
Perth, 17 September 2013

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

Annual statement of coal resources and reserves

as at 30 June 2013

Coal resources

The table below details the coal resources for the Wesfarmers Group as at 30 June 2013:

Mine	Ownership	Beneficial Interest	Location of tenements	Likely mining method	Coal type	Coal resources tonnes (millions)				Resources quality (in situ)			
						Measured	Indicated	Inferred	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)	VM (%)
Curragh	Wesfarmers Curragh Pty Ltd	100% equity (Note 5)	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	397	156	147	700	18.0	28.2	0.5	18.6
Bengalla	Wesfarmers Bengalla Limited	40% (Note 6)	Hunter Valley, New South Wales	Open cut and underground	Metallurgical and steaming	68	112	66	246	19.2	25.8	0.6	-

Resource notes:

- Curragh's coal resources are reported as being **inclusive** of coal reserves.
- Bengalla's coal resources are reported as being **in addition** to coal reserves.
- Curragh's in situ resource quality parameters are quoted on an air-dried basis.
- Bengalla's in situ resources quality parameters are quoted on an air-dried basis.
- Curragh's resources as stated incorporate all resources in the Curragh and Curragh North mining lease areas (the 'Project') with both Wesfarmers Curragh Pty Ltd and Stanwell Corporation sharing value generated from the Project pursuant to contract.
 - Wesfarmers Curragh Pty Ltd has ownership of the relevant mining leases and, with the exception noted in (b) below, has present entitlement to extract coal from the Project.
 - An estimated 316 million tonnes of the resources reported for Curragh, while within the Curragh North Mining Lease, require further agreement with Stanwell Corporation in order for Wesfarmers Curragh Pty Ltd to access. This component of the resource is known as the 'Stanwell Reserved Area'.
- Bengalla's resources as stated are 100 per cent of the site resources, with Wesfarmers Bengalla Limited's beneficial interest in the Bengalla joint venture being 40 per cent.
- Bengalla's resources include recently delineated coal in an additional tenement, Assessment Lease 13. New drilling together with economic ranking has allowed new resources to be declared.

Coal reserves

The table below details the coal reserves for the Wesfarmers Group, as at 30 June 2013:

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% equity (Note 3)	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	220	11	232	20.7	24.8	-	16.3
Bengalla	Wesfarmers Bengalla Limited	40% (Note 4)	Hunter Valley, New South Wales	Open cut	Steaming	156	10	166	28.8	22.3	0.6	-

Reserve notes:

- Curragh's reserve quality parameters are quoted at a Run-of-Mine moisture basis.
- Bengalla's reserve quality parameters are quoted on an air-dried basis.
- Curragh's reserves as stated incorporate all reserves in the Curragh and Curragh North mining lease areas (the 'Project') with both Wesfarmers Curragh Pty Ltd and Stanwell Corporation sharing value generated from the Project pursuant to contract. Wesfarmers Curragh Pty Ltd has ownership of the relevant mining leases and has present entitlement to extract all stated reserves from the Project. Stanwell's value share includes 'rebate' payments which are variable dependent upon export prices and volumes; Wesfarmers Limited reports twice annually to the Australian Stock Exchange with respect to rebate payments made to Stanwell.
- Bengalla's reserves as stated are 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 2013

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 Iron 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.

Competent Persons

Curragh

Mr Barry Saunders, Director of QGESS Pty Ltd
Member AusIMM(CP), Member AIG

Mr Johan Ballot, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd
Member AusIMM

Bengalla

Mr Jonathon Buddee, a full-time employee of Rio Tinto Coal Australia Pty Limited
Member AusIMM

Mr Richard Ruddock, a full-time employee of Rio Tinto Coal Australia Pty Limited
Member AusIMM

Shareholder information

Wesfarmers Limited and its controlled entities

Substantial shareholders

As at the date of this report there were no persons with a substantial shareholding in the Company for the purposes of Part 6C.1 of the *Corporations Act 2001*.

Voting rights

Wesfarmers fully-paid ordinary shares carry voting rights of one vote per share.

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	394,195	261,587
1,001 – 5,000	79,956	9,431
5,001 – 10,000	8,827	620
10,001 – 100,000	4,779	254
100,001 – and over	187	43

There were 13,682 holders holding less than a marketable parcel of Wesfarmers fully-paid ordinary shares.

There were 4,659 holders holding less than a marketable parcel of Wesfarmers partially protected shares.

There were 1.24 per cent of shareholders with 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 17 September 2013 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	162,470,628	16.14
J P Morgan Nominees Australia Limited	115,979,842	11.52
National Nominees Limited	78,697,961	7.82
Citicorp Nominees Pty Limited	50,918,265	5.06
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	23,444,451	2.33
BNP Paribas Noms Pty Ltd (DRP)	22,014,156	2.19
J P Morgan Nominees Australia Limited (Cash Income A/C)	13,434,033	1.33
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	7,654,567	0.76
AMP Life Limited	7,076,929	0.70
Australian Foundation Investment Company Limited	6,247,951	0.62
Argo Investments Limited	5,213,277	0.52
CPU Share Plans Pty Limited (WES WLTI Control A/C)	4,426,396	0.44
CPU Share Plans Pty Limited (WESAP DFE Control A/C)	4,262,355	0.42

Shareholder information

Wesfarmers Limited and its controlled entities

Twenty largest shareholders

Fully-paid ordinary shares (continued)

Name	Number of shares	% of issued capital
UBS Wealth Management Australia Nominees Pty Ltd	2,924,034	0.29
Belike Nominees Pty Limited (Div Reinvestment Plan A/C)	2,611,000	0.26
Milton Corporation Limited	2,606,937	0.26
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	2,555,432	0.25
CPU Share Plans Pty Limited (WES Exu Control A/C)	2,197,732	0.22
Navigator Australia Ltd (MLC Investment Sett A/C)	2,125,592	0.21
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett A/C)	1,739,531	0.17

The percentage holding of the 20 largest shareholders of Wesfarmers fully-paid ordinary shares was 51.52.

Partially protected shares

The 20 largest shareholders of partially protected shares on the Company's register as at 17 September 2013 were:

Name	Number of shares	% of issued capital
National Nominees Limited	22,480,452	14.94
J P Morgan Nominees Australia Limited	13,321,616	8.85
HSBC Custody Nominees (Australia) Limited	6,911,011	4.59
J P Morgan Nominees Australia Limited (Cash Income A/C)	5,853,202	3.89
Citicorp Nominees Pty Limited	4,994,169	3.32
CS Fourth Nominees Pty Ltd	4,679,608	3.11
HSBC Custody Nominees (Australia) Limited – A/C 3	3,710,188	2.46
AMP Life Limited	2,782,042	1.85
Ecapital Nominees Pty Limited (Settlement A/C)	2,362,354	1.57
RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	1,927,529	1.28
BNP Paribas Noms Pty Ltd (DRP)	1,675,288	1.11
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	1,465,500	0.97
Australian Foundation Investment Company Limited	1,400,120	0.93
BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	1,200,000	0.80
UBS Nominees Pty Ltd	1,069,150	0.71
UBS Wealth Management Australia Nominees Pty Ltd	744,661	0.49
Mr Peter Alexander Brown	684,454	0.45
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	476,253	0.32
Australian Executor Trustees Limited (No 1 Account)	474,706	0.32
Argo Investments Limited	392,024	0.26

The percentage holding of the 20 largest shareholders of Wesfarmers partially protected shares was 52.22.

Five year financial history

Wesfarmers Limited and its controlled entities

All figures in \$m unless shown otherwise	2013	2012	2011	2010	2009
SUMMARISED INCOME STATEMENT					
Sales revenue	59,422	57,685	54,513	51,485	50,641
Other operating revenue	410	395	362	342	341
Operating revenue	59,832	58,080	54,875	51,827	50,982
Operating profit before depreciation and amortisation, finance costs and income tax	4,729	4,544	4,155	3,786	3,803
Depreciation and amortisation	(1,071)	(995)	(923)	(917)	(856)
EBIT	3,658	3,549	3,232	2,869	2,947
Finance costs	(432)	(505)	(526)	(654)	(951)
Income tax expense	(965)	(918)	(784)	(650)	(474)
Operating profit after income tax attributable to members of Wesfarmers Limited	2,261	2,126	1,922	1,565	1,522
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) '000s as at 30 June	1,157,194	1,157,072	1,157,072	1,157,072	1,157,072
Paid up ordinary capital as at 30 June	23,290	23,286	23,286	23,286	23,286
Fully-franked dividend per ordinary share (declared) (cents)	180	165	150	125	110
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	195.9	184.2	166.7	135.7	158.5
Earnings per share growth	6.4%	10.5%	22.8%	(14.4%)	(9.0%)
Return on average ordinary shareholders' equity (R12)	8.9%	8.4%	7.7%	6.4%	7.3%
Fixed charges cover (R12) (times)	3.0	2.9	2.8	2.5	2.2
Net interest cover - cash basis (R12) (times)	12.2	10.8	9.5	6.8	5.0
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	43,155	42,312	40,814	39,236	39,062
Total liabilities	17,133	16,685	15,485	14,542	14,814
Net assets	26,022	25,627	25,329	24,694	24,248
Net tangible asset backing per ordinary share	\$4.69	\$4.45	\$4.12	\$3.61	\$3.13
Net debt to equity	20.2%	19.1%	17.1%	16.3%	18.3%
Total liabilities/total assets	39.7%	39.4%	37.9%	37.1%	37.9%
STOCK MARKET CAPITALISATION AS AT 30 JUNE	45,936	34,846	36,913	33,171	26,337

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 the 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 AO
Group Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

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

Company Secretary

Linda Kenyon

Share registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria 3067

Telephone
Australia: 1300 558 062
International: (+61 3) 9415 4631

Facsimile
Australia: (03) 9473 2500
International: (+61 3) 9473 2500

Website: www.investorcentre.com/contact

Financial calendar*

Record date for final dividend	26 August 2013
Final dividend paid	27 September 2013
Annual general meeting	7 November 2013
Half-year end	31 December 2013
Half-year profit announcement	February 2014
Record date for interim dividend	February 2014
Interim dividend payable	March 2014
Year end	30 June 2014

*Timing of events is subject to change.

Annual general meeting

The 32nd Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Thursday 7 November 2013 at 1:00 pm (Perth time).

Website

To view the 2013 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit the Wesfarmers website at www.wesfarmers.com.au

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**.



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www.wesfarmers.com.au



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