A CENTURY OF PROGRESS

Delivering today.
Value tomorrow.

Wesfarmers | Shareholder Review 2014

Contents

About Wesfarmers

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

Proud history, strong future

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

About this review

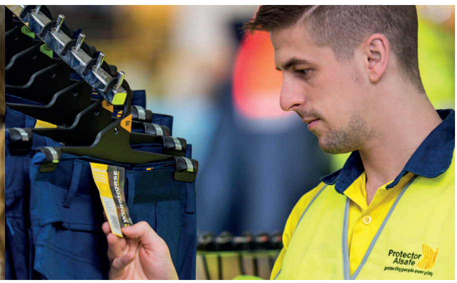
This shareholder review is a summary of Wesfarmers' and its subsidiary companies' operations, activities and financial position as at 30 June 2014. In this review references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049) unless otherwise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

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

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

Our objective

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



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

Chairman's message

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

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

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

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

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

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

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

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

Building on our rich history

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

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

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

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

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

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

Safety and sustainability

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

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

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

The Board

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

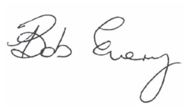
This year, two of our longest serving board members, Charles Macek and Colin Carter, will retire. Charles joined the Board in 2001 and his long career in financial services, working at a senior executive level, meant he brought considerable experience in evaluating and advising on investment opportunities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

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

Outlook

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

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



Bob Every AO, Chairman

Managing Director's report

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

4.2%

Group revenue up 4.2 per cent to $62.3 billion

Solid increase in underlying profits

Earnings per share of $2.35

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

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

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

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

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

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

Business performance

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

Year ended 30 June		2014	2013[1]
Revenue from continuing operations	$m	**60,181**	57,749
Earnings before interest, tax, depreciation and amortisation from continuing operations	$m	**3,972**	4,486
Depreciation and amortisation from continuing operations	$m	**1,082**	1,033
Earnings before interest and tax from continuing operations	$m	**2,890**	3,453
Finance costs and income tax expense from continuing operations	$m	**1,285**	1,325
Profit after tax from discontinued operations	$m	**1,084**	133
Net profit after tax	$m	**2,689**	2,261
Operating cash flows	$m	**3,226**	3,931
Net capital expenditure on property, plant and equipment and intangibles	$m	**1,216**	1,672
Free cash flows	$m	**4,178**	2,171
Dividends paid	$m	**2,160**	1,985
Total assets	$m	**39,727**	43,155
Net debt	$m	**3,401**	5,259
Shareholders' equity	$m	**25,987**	26,022
Key share data			
Earnings per share	cents	**234.6**	195.9
Operating cash flow per share	cents	**281.0**	339.7
Free cash flow per share	cents	**363.9**	187.6
Total dividends per share (declared)	cents	**200.0**	180.0
Capital return per share	cents	**50.0**	–
Key ratios			
Return on average shareholders' equity (R12)	%	**10.5**	8.9
Fixed charges cover (R12)	times	**3.2**	3.0
Interest cover (R12) (cash basis)	times	**15.9**	12.2
Gearing (net debt to equity)	%	**13.1**	20.2

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

Wealth created by Wesfarmers

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

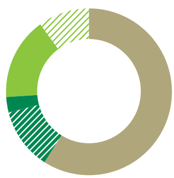
2014

13,842 $m

	%
Employees	56
Government	14
Lenders	3
Shareholders	16
Reinvested	11

2013

12,910 $m



	%
Employees	59
Government	12
Lenders	3
Shareholders	16
Reinvested	10

Managing Director's report

Retail operations

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

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

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

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

Insurance and Industrial businesses

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

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

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

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

Divisional performance

Coles

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

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

Home Improvement and Office Supplies

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

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

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

Department store retailing

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

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

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

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

Industrial

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

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

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

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

Insurance

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

Management changes

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

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

Looking ahead

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

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

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

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

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

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

Richard Goyder

Richard Goyder AO,
Managing Director

Operating and financial review

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

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

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

The review should be read in conjunction with the financial statements, which are presented on pages 103 to 146 of the 2014 annual report. These statements have been streamlined in the current year with notes reordered and grouped to make it easier for users to access information and understand its relevance. The explanation of the Group's accounting policies has been simplified and disclosed alongside relevant notes in order to enhance the understanding of the financial statements. Key estimates and judgements have also been highlighted throughout the accounts to improve transparency.

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

Terry Bowen, Finance Director

The Wesfarmers Way

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

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

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

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

Our enablers

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

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

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

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

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

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

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

Operating and financial review

Core values	Growth enablers	Value creating strategies	Objective
Integrity	Outstanding people	Strengthen existing businesses through operating excellence and satisfying customer needs	Satisfactory return to shareholders
Openness	Commercial excellence	Secure growth opportunities through entrepreneurial initiative	
Accountability	Empowering culture	Renew the portfolio through value-adding transactions	
Boldness	Innovation	Ensure sustainability through responsible long-term management	
	Social responsibility		
	Robust financial capacity		

Our objective

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

Performance measures

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

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

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

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

Capital discipline focus

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

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

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

In summary, the Group seeks to:

- continue to invest in Group businesses where capital investments exceed return requirements;
- from time to time acquire or divest businesses where return requirements are met; and
- manage the Group's balance sheet to achieve an appropriate risk profile and an optimised cost of capital.

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

Our approach to sustainability

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

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

Community and environmental impact principles

Our people

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

Sourcing

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

Community

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

Environment

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

Governance

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

Each business has incorporated discussion of the key issues most relevant to its operations within their summaries included in the 2014 annual report.

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

Operating and financial review

Our strategies

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.

Our strategies	Our achievements
Strengthen existing businesses through operating excellence and satisfying customer needs	**Operational excellence** In strengthening existing businesses through operating excellence and satisfying customer needs we have: – Continued to make improvements in our customer offers, including reinvesting in value to drive business growth; – Further optimised our retail store network; – Completed production plant commissionings in our industrial businesses; and – Made further operational productivity improvements and further reduced costs across our businesses.
Secure growth opportunities through entrepreneurial initiative	**Entrepreneurial initiative** In securing growth opportunities through entrepreneurial initiative we have: – Continued to innovate our product ranges and categories across all businesses; – Further improved and extended channel and brand reach in our retail portfolio, focusing on store format innovation and the expansion of online offers; – Grown our customer programs, particularly the flybuys loyalty program and the PowerPass offer at Bunnings; – Continued to better leverage our data, particularly in our retail businesses; and – Grown new businesses including our Coles Insurance offer and our natural gas retailing business.
Renew the portfolio through value-adding transactions	**Renewing the portfolio** In renewing the portfolio through value-adding transactions we: – Completed a $579 million capital return and accompanying share consolidation in November 2013; – Completed the divestment of our 40 per cent interest in ALWA; – Sold the underwriting and broking/premium funding operations of our Insurance division; and – Acquired Mineral Development Licence 162 (MDL 162) in our Resources division.
Ensure sustainability through responsible long-term management	**Operating sustainably** In ensuring sustainability through responsible long-term management we have: – Further strengthened our balance sheet; – Achieved good improvements in our safety performance; – Maintained a very strong focus on the development and management of our teams, given the thousands of new jobs we are creating in retail; – Advanced our executive development, retention and succession programs; and – Continued to actively contribute to the communities in which we operate, where in the 2014 financial year, we made community contributions, both direct and indirect, of $95 million.

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

At a divisional level, detailed strategies are developed specific to the opportunities to improve each of the individual businesses. Divisional strategies are discussed within their respective summaries, in the 2014 annual report.

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

Our focus for the coming years

- Coles will continue to invest in value supported by a focus on simplification and cost reduction, maintain a disciplined and returns-focused approach to network expansion and capital investment, develop new channels and services and progress its liquor transformation.
- A strong focus on driving growth and strengthening its core business will continue at Bunnings, and Officeworks will further progress its strategic agenda, including its 'every channel' strategy.
- Kmart to grow through an accelerated store refurbishment program and expansion of growth categories, with improvements in efficiency across the business.
- Target has instituted a significant transformation plan, with early focus on improved product ranging and pricing architecture supported by better sourcing and inventory management. Over time, these initiatives will be further supported by store network optimisation and the development of a new store format.
- Optimise production and control costs post-plant expansions in the Chemicals, Energy and Fertilisers division, and identify growth opportunities.
- Maintain focus on cost control and productivity improvement at Resources, with low cost plant expansions to be implemented where satisfactory returns can be achieved.
- Continue to lower cost to serve through technology and operational excellence at Industrial and Safety, develop new growth platforms and continue to evaluate acquisition opportunities to complement organic growth.

- Continue to reinforce innovation and drive boldness as growth enablers.
- Continue to rigorously apply financial disciplines and financial evaluation methodologies.
- Increase and encourage collaboration across divisions, where appropriate.

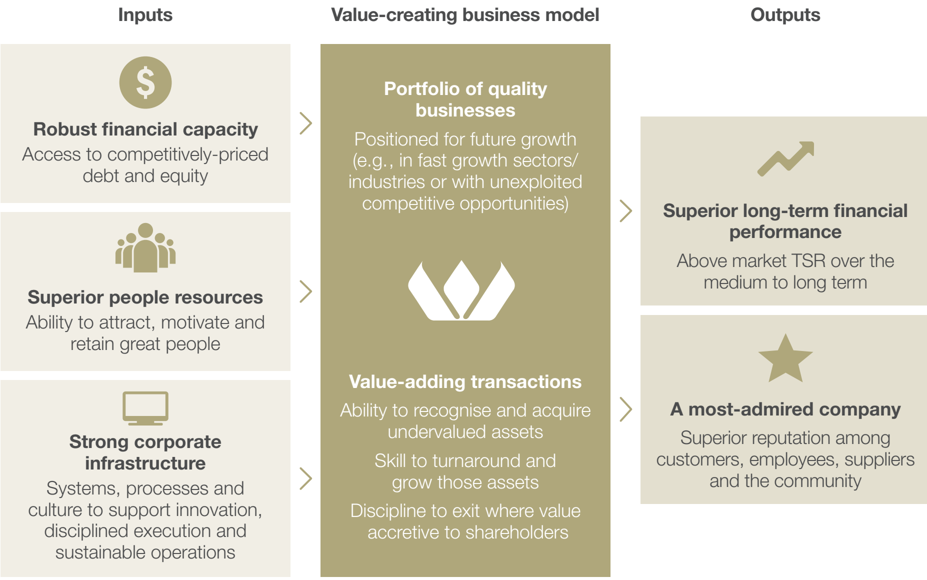
- Maintain a strong ongoing focus and capability to evaluate growth opportunities where long-term shareholder value can be created.
- Foster strong commercial evaluation capability, applying strict investment valuation methods.
- Apply rigorous due diligence and integration processes post-acquisition.
- Maintain a strong balance sheet to enable the Group to act opportunistically.
- From time to time complete divestments where shareholder returns can be maximised.

- Continue to foster a more inclusive work environment, with particular focus on gender diversity and the inclusion of Aboriginal and Torres Strait Islander peoples.
- Look after the health, safety and development of our people.
- Minimise our environmental footprint.
- Contribute positively to the communities in which we operate.
- Provide appropriate governance structures to safeguard future value creation.

Operating and financial review

Operating model

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



Inputs

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

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

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

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

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

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

Value-creating business model

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

Outputs

The two key outputs from the operating model are:

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

Risks

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

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

Further information on risk management, including policies, responsibility and certification, can be found in the corporate governance summary in this review.

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

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

Prospects

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

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

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

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

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

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

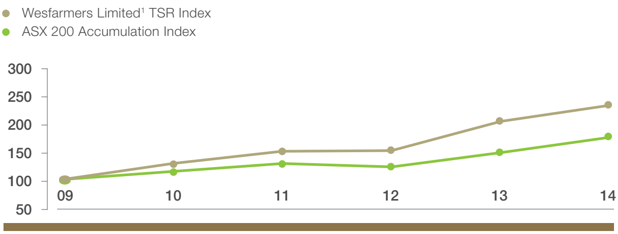
In the Industrial and Safety division, market conditions are expected to remain subdued. Within this environment, the division will continue to focus on expanding its addressable market and reducing its costs of doing business.

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

Operating and financial review

Year in review

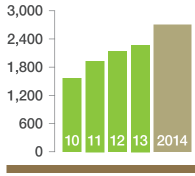
TSR: Wesfarmers and ASX200



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

Net profit after tax

2,689 $m



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

Overview

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

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

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

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

Growth in underlying earnings during the year, was largely driven by strong performances in Coles and Bunnings, as well as lower financing costs.

Operating cash flow

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

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

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

Capital expenditure and property recycling

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

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

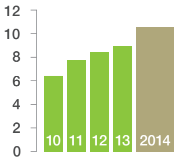
Proceeds from the sale of property, plant and equipment during the year were $358 million above the prior year, resulting in net capital expenditure being $456 million below last year. Retail property disposals accelerated during the year, in line with freehold site development, and reflect the Group's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

Cash capital expenditure ($m)

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

Return on equity

10.5%



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

Free cash flow

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

Balance sheet

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

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

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

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

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

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

Debt management and financing

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

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

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

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

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

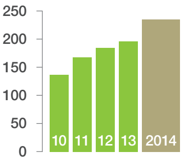
The Group's credit ratings for Standard & Poor's and Moody's Investors Services remained unchanged at A- (stable) and A3 (stable) respectively during the year.

Operating and financial review

Year in review (continued)

Earnings per share

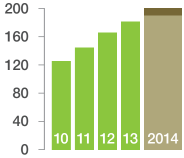
234.6 cents



2014	**234.6**
2013	195.9
2012	184.2
2011	166.7
2010	135.7

Dividends per share

200 cents



2014	**200**
2013	180
2012	165
2011	150
2010	125

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

Group capital employed

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

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

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

3 Net debt, net of interest rate swap liabilities.

Capital management

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

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

In November 2013, Wesfarmers made a capital return of 50 cents per fully-paid ordinary share and partially protected share. This capital return, which totalled $579 million, returned surplus capital to shareholders to ensure the Group maintained an efficient capital structure without adversely affecting its financial flexibility and growth objectives. The capital return was accompanied by an equal and proportionate share consolidation, allowing Wesfarmers to provide an earnings per share outcome similar to that which

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

would result from a share buy-back, whilst also ensuring that all shareholders received an equal cash distribution per share and no change in their proportionate interest in Wesfarmers.

A similar distribution of $1.00 per fully-paid ordinary share is proposed to be paid in December 2014, subject to a final ruling of the Australian Taxation Office (ATO) on the taxation treatment of the payment and approval by Wesfarmers shareholders at the Annual General Meeting in November 2014. The form of the distribution is dependent upon the final ruling from the ATO but is expected to encompass a dividend and a capital component, with an accompanying proportionate share consolidation of the capital component.

Equity

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

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

Dividends

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

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

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

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

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

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

Given a preference by many shareholders to receive dividends in the form of shares, the directors decided to continue the operation of the Dividend Investment Plan (the Plan). No discount applies to shares allocated under the Plan and in recognition of the Group's capital structure and strong balance sheet, all shares issued under the Plan will be acquired on-market by a broker and transferred to participants.

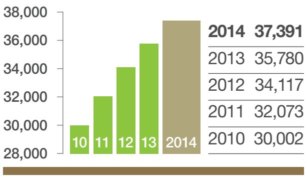
Operating and financial review

Coles

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

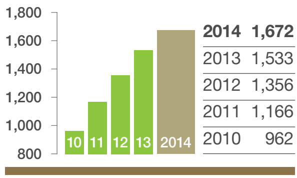
Revenue

37,391 $m



EBIT

1,672 $m



Our business

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

Our market

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

Sustainability

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

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

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

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

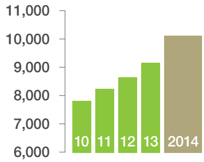
Home Improvement and Office Supplies

Bunnings

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

Revenue

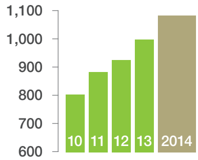
10,121 $m



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

EBIT

1,082 $m



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

Our business

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

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

Our market

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

Sustainability

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

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

Community involvement

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

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

Team member safety

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

Operating and financial review

Home Improvement and Office Supplies

Officeworks

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

Our business

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

Our market

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

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

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

Sustainability

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

The Smith Family 'Back to School' Appeal

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

Safety at Customer Fulfilment Centres (CFCs)

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

Global Forest and Trade Network (GFTN) participation

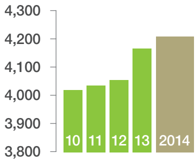
Officeworks has signed up as a participant in the GFTN in order to increase transparency and traceability in its supply chain, eliminate illegal pulp and timber in its products, and progressively shift towards certified sustainable sources.

Kmart

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

Revenue

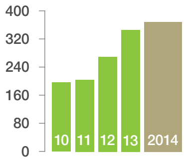
4,209 $m



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

EBIT

366 $m



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

Our business

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

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

Our market

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

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

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

Sustainability

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

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

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

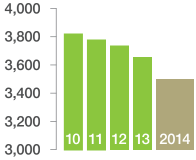
Operating and financial review

Target

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

Revenue

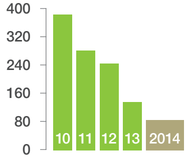
3,501 $m



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

EBIT

86 $m



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

Our business

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

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

Our market

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

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

Sustainability

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

Ethical sourcing

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

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

Team member safety

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

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

Energy efficiency

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

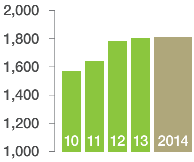
More than 130 sites have been audited and improvement plans have been put in place for those with the highest energy use. These plans include LED lighting upgrades and improvements to building management systems.

Chemicals, Energy and Fertilisers

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

Revenue

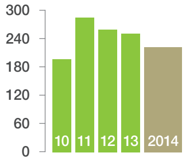
1,812 $m



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

EBIT

221 $m



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

Our business

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

Our market

Chemicals includes:

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

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

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

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

Sustainability

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

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

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

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

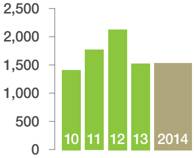
Operating and financial review

Resources

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

Revenue

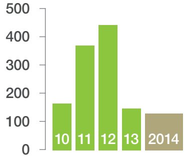
1,544 $m



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

EBIT

130 $m



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

Our business

Curragh (100 per cent)

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

Bengalla (40 per cent)

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

Our market

Curragh

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

Bengalla

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

Sustainability

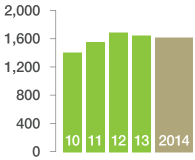
Wesfarmers Resources strives to be a highly ethical business that puts the welfare of its people first. It takes its environmental responsibilities seriously and seeks to make a positive and lasting contribution to the communities in which it operates and to the nation as a whole through its economic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

Industrial and Safety

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

Revenue

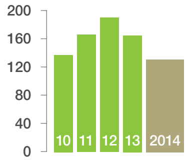
1,621 $m



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

EBIT

131 $m



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

Our business

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

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

Our market

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

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

Sustainability

Sourcing and products

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

People and operations

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

Customers

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

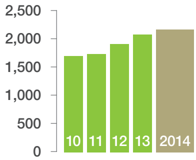
Operating and financial review

Insurance

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

Revenue

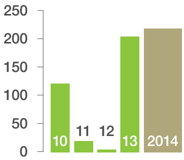
2,167 $m



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

EBIT

220 $m



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

Our business

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

Our market

The Insurance division comprised both underwriting and insurance broking operations.

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

Sustainability

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

Health and safety

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

Women in Leadership

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

Other activities

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

BWP Trust

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

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

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

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

Gresham Partners

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

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

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

Wespine Industries

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

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

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

Board of directors

Bob Every AO, age 69

Chairman

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

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

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

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

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

Richard Goyder AO, age 54

Managing Director

BCom, FAICD

Term: Director since July 2002.

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

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

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

Terry Bowen, age 47

Finance Director

BAcct, FCPA

Term: Director since May 2009.

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

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

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

Paul Bassat, age 46

B.Comm, LL.B. (Melb)

Term: Director since November 2012.

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

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

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

Colin Carter AM, age 71

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

Term: Director since October 2002.

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

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

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

James Graham AM, age 66

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

Term: Director since May 1998.

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

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

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

Board of directors

Tony Howarth AO, age 62

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

Term: Director since July 2007.

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

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

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

Charles Macek, age 67

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

Term: Director since October 2001.

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

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

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

Wayne Osborn, age 63

Dip Elect Eng, MBA, FAICD, FTSE

Term: Director since March 2010.

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

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

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

Diane Smith-Gander, age 56

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

Term: Director since August 2009.

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

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

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

Vanessa Wallace, age 51

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

Term: Director since July 2010.

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

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

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

Jennifer Westacott, age 54

BA (Honours), FAICD, FIPAA

Term: Director since April 2013.

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

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

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

Corporate governance summary

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

Role and responsibilities of the Board and management

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

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

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

The Wesfarmers Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers Leadership Team. The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

Structure and composition of the Board

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

The Board currently comprises 12 directors, including 10 non-executive directors. The Board has determined that it benefits from a variety of perspectives and skills and remains of a size which facilitates effective decision-making. As a large company with diverse business operations, the Board is of the view that its current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's corporate objectives.

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

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

Independence of the Chairman

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

Dr Bob Every is the present serving Chairman.

Director independence

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

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

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

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

The Board regularly assesses the independence of each non-executive director in light of the information which each director is required to disclose in relation to any material contract or other relationship with Wesfarmers in accordance with the director's terms of appointment, the Corporations Act 2001, the Board Charter and Wesfarmers' Conflicts of Interest Policy. Each non-executive director may be involved with other companies or professional firms which may from time to time have dealings with Wesfarmers.

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

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

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

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.

The role of the Company Secretary

Linda Kenyon is the Company Secretary of Wesfarmers and a member of the Leadership Team.

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

Board succession planning

Appointment of new directors

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

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

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

Evaluation of the Board and its committees

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

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

Evaluation of non-executive directors

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

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

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

Governance policies

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

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

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

Compliance with ASX Principles

ASX Principle	Corporate governance document	Aim of corporate governance document
Principle 1	Board Charter (Feb 2013)	Sets out the role and responsibilities of the Board and describes the separate functions of management and delegated responsibilities.
Principle 2	Nomination Committee Charter (Sept 2011)	Sets out the role and responsibilities of the Nomination Committee.
	Conflicts of Interest Policy (Sept 2012)	Sets out the disclosure obligations of each director with respect to conflicts of interest and the procedures to be followed where: – a director has disclosed a conflict of interest in accordance with the policy; or – the Board has identified a matter which is, or is likely to be, brought before the Board which may place a particular director in a position of conflict.
Principle 3	Code of Conduct (April 2012)	Details Wesfarmers' policies, procedures and guidelines aimed at ensuring anyone who is employed by or works in the Wesfarmers Group acts in a manner consistent with the principles of honesty, integrity, fairness and respect, including ethical behaviour.
	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.
	Anti-bribery Policy (June 2014)	Sets out the prohibition on all individuals who are employed by, act for, or represent Wesfarmers or its Group companies from engaging in activity that constitutes bribery or corruption, and provides guidelines as to what constitutes bribery or corruption.
	Diversity Policy (Sept 2011)	Designed to promote and facilitate diversity at all levels within the Group.
Principle 4	Audit Committee Charter (Sept 2012)	Sets out the role and responsibilities of the Audit Committee.
Principle 5	Market Disclosure Policy (Aug 2013)	Requires timely disclosure of market sensitive information. Appoints a disclosure officer to administer the Market Disclosure Policy, and a disclosure sub-committee to manage and make determinations with respect to the Group's continuous disclosure obligations.

Corporate governance summary

ASX Principle	Corporate governance document	Aim of corporate governance document
Principle 6	Communications Policy (Aug 2013)	Establishes Wesfarmers' strategy for engaging and communicating with shareholders, including at the company's annual general meetings and regular investment briefings and strategy days.
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.
Principle 8	Remuneration Committee Charter (May 2011)	Sets out the role and responsibilities of the Remuneration Committee.
	Share Trading Policy (Sept 2013)	Sets out the prohibition: – on all employees and directors of the Group from trading in Wesfarmers' securities, securities in other entities in which Wesfarmers has an interest, or any other securities, if they are in possession of 'inside information'; and – on members of the Wesfarmers Leadership Team from entering into arrangements limiting risk exposure to an element of their remuneration.
	ASX Principles Checklist	Cross-references the ASX Principles to the relevant sections of this statement and elsewhere in the 2014 annual report.

Shareholder engagement

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

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

The company's investor relations team is responsible for the company's investor relations program, which is designed to promote understanding amongst institutional and retail shareholders and other stakeholders, of the Group's businesses, governance framework, financial and operational performance, and outlook.

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 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.

Role of the external auditor

Appointment and rotation of auditor

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

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

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

Independence declaration

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2014.

Risk Management Policy

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

Diversity Policy

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

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

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

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

Key focus areas of the Board

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

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

Key focus areas of Nomination Committee

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

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

Key focus areas for Remuneration Committee

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

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

Key focus areas of Audit Committee

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

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

The complete corporate governance statement is included on pages 68 to 78 of the 2014 annual report.

Remuneration overview

This summary provides an overview of Wesfarmers' executive remuneration framework and how Wesfarmers' performance for the 2014 financial year has driven remuneration outcomes.

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.

The remuneration report, which can be found on pages 84 to 102 of the 2014 annual report, explains how Wesfarmers' performance for the 2014 financial year has driven remuneration outcomes for senior executives. The audited remuneration table can be found on page 91 of the annual report.

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

Key changes

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

Executive directors and senior executives

Fixed remuneration

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

Annual incentive

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

Long-term incentive

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

Group Managing Director

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

Non-executive directors

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

Executive remuneration framework

Executive key management personnel

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

The key management personnel of the Group also includes the non-executive directors. Details of their remuneration can be found on pages 97 to 99 of the 2014 annual report.

The executive key management personnel detailed in this report are:

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

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

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

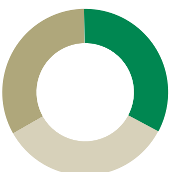
Remuneration framework

Our executive remuneration framework comprises three principal elements:

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

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

Group Managing Director



	%
FAR	34
STI	33
LTI	33

Other senior executives

	%
FAR	42
STI	25
LTI	33

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

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

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

Company performance and remuneration outcomes

Overview of company performance

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

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

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

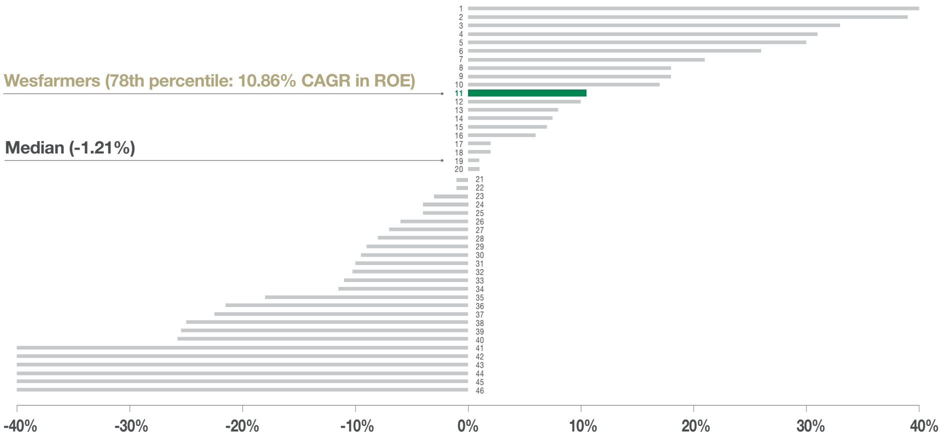
Long term incentive plan performance

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

As a result of the change in performance period for WLTIP from three years to four years in 2011, no WLTIP award was eligible to vest this year. The 2011 WLTIP award is the next award that is due to vest and will be tested against these two measures over the four-year period from 1 July 2011 to 30 June 2015. As we are three years into the performance period, the graphs below show our performance against both relative TSR and relative ROE over the past three years to 30 June 2014. These graphs reflect the strong performance of Wesfarmers relative to the ASX 50 Accumulation Index over this period.

TSR: Wesfarmers and ASX 50

CAGR in ROE ranking ASX 50

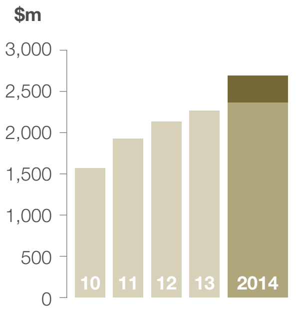


The initial peer group comprises all companies within the Standard and Poor's (S&P) ASX 50 determined as at the beginning of the performance period. However, at the testing date some companies are excluded from the calculation, for example, if a company in the comparator group is taken over, merged with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

Annual incentives plan performance

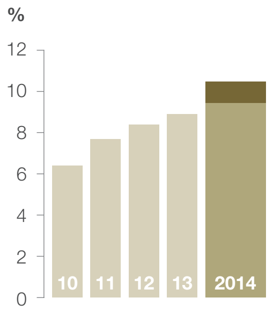
Wesfarmers' annual incentive plan is designed to reward performance against measures developed for each of the key management personnel based upon their areas of responsibility (refer divisional performance graph on page 46). For the Group Managing Director and Finance Director, these include measures of group performance – specifically Group NPAT and Group ROE. The graph below illustrates the strong growth in both over the past five years.

Wesfarmers: Group NPAT



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

Wesfarmers: Group ROE



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

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

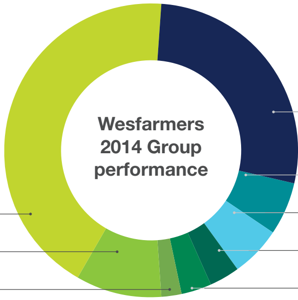
Remuneration overview

Wesfarmers: Divisional performance by 2014 EBIT and ROC

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

Group ROE
10.5 %
2013: 8.9%

	EBIT $m	ROC %
Coles	1,672	10.3
Kmart	366	26.9
Target	86	2.9



	EBIT $m	ROC %
Home Improvement and Office Supplies		
– Bunnings	979	29.3
– Officeworks	103	9.4
Chemicals, Energy and Fertilisers	221	14.4
Insurance	220	14.7
Industrial and Safety	131	11.6
Resources	130	8.9

Annual incentives outcomes

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

The table on page 89 of the annual report sets out the performance conditions for the 2014 annual incentive, and the weighting between these measures for each of the executive directors and senior executives. Also indicated in the table is whether the threshold or target performance level for each of the financial measures was met or exceeded.

Remuneration policy and principles

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

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

These guiding principles also reaffirm the Board's commitment to communicating key management personnel (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.
- **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.

Remuneration governance

Detail of the composition of the Remuneration Committee is set out on page 71 of the annual report. 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**

Five-year financial history

Wesfarmers Limited and its controlled entities

All figures in $m unless shown otherwise	2014	2013 Restated	2012	2011	2010
SUMMARISED INCOME STATEMENT[1]					
Sales revenue	**59,881**	57,466	57,685	54,513	51,485
Other operating revenue	**300**	283	395	362	342
Operating revenue	**60,181**	57,749	58,080	54,875	51,827
Operating profit before depreciation and amortisation, finance costs and income tax	**3,972**	4,486	4,544	4,155	3,786
Depreciation and amortisation	**(1,082)**	(1,033)	(995)	(923)	(917)
EBIT	**2,890**	3,453	3,549	3,232	2,869
Finance costs	**(346)**	(417)	(505)	(526)	(654)
Income tax expense	**(939)**	(908)	(918)	(784)	(650)
Profit after tax from discontinued operations	**1,084**	133	n/a	n/a	n/a
Operating profit after income tax attributable to members of Wesfarmers Limited	**2,689**	2,261	2,126	1,922	1,565
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) '000s as at 30 June	**1,143,275**	1,157,194	1,157,072	1,157,072	1,157,072
Paid up ordinary capital as at 30 June	**22,708**	23,290	23,286	23,286	23,286
Fully-franked dividend per ordinary share declared (cents)	**190**	180	165	150	125
Special dividend (fully-franked) per ordinary share declared (cents)	**10**	–	–	–	–
Capital return paid per share (cents)	**50**	–	–	–	–
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	**234.6**	195.9	184.2	166.7	135.7
Earnings per share growth	**19.8%**	6.4%	10.5%	22.8%	(14.4%)
Return on average ordinary shareholders' funds (R12)	**10.5%**	8.9%	8.4%	7.7%	6.4%
Fixed charges cover (R12, times)	**3.2**	3.0	2.9	2.7	2.4
Net interest cover (cash basis) (R12, times)	**15.9**	12.2	10.8	9.5	6.8
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	**39,727**	43,155	42,312	40,814	39,236
Total liabilities	**13,740**	17,133	16,685	15,485	14,542
Net assets	**25,987**	26,022	25,627	25,329	24,694
Net tangible asset backing per ordinary share	**$6.14**	$4.69	$4.45	$4.12	$3.61
Net debt to equity	**13.1%**	20.2%	19.1%	17.1%	16.3%
Total liabilities/total assets	**34.6%**	39.7%	39.4%	37.9%	37.1%
STOCK MARKET CAPITALISATION AS AT 30 JUNE	**47,835**	45,936	34,846	36,913	33,171

[1] The financial years 2010 to 2012 income statement balances have not been restated for classification of the Insurance division as a discontinued operation.

Group structure

Wesfarmers

Retail operations	
Coles	coles, coles.com.au, coles express, Vintage Cellars, first choice liquor, BI-LO, Liquorland, spirit hotels
Home Improvement and Office Supplies	Bunnings, Bunnings Trade, Bunnings warehouse, Officeworks
Kmart	Kmart, Kmart Tyre & Auto Service
Target	Target
Industrial and other businesses	
Resources	Wesfarmers Resources, Curragh, Bengalla
Chemicals, Energy and Fertilisers	Wesfarmers Chemicals, Energy & Fertilisers, CSBP, Australian Vinyls, AGA, QNP, EVOL LNG, Kleenheat Gas, Modwood, Premier Power Sales
Industrial and Safety	Wesfarmers Industrial and Safety, Blackwoods, Blackwoods Protector, Protector Alsafe, NZ Safety, Safety Source, Greencap, coregas, Bullivants, Total Fasteners, Packaging House
Other activities	bwp TRUST, Gresham, Wespine

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

Level 11, Wesfarmers House

40 The Esplanade, Perth, Western Australia 6000

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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

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Website: **www.investorcentre.com/wes**

Financial calendar+

Final and special dividends paid	9 October 2014
Record date for final and special dividends	2 September 2014
Annual general meeting	20 November 2014
Half-year end	31 December 2014
Half-year profit announcement	February 2015
Record date for interim dividend	February 2015
Interim dividend payable	April 2015
Year end	30 June 2015

+Timing of events is subject to change.

Annual general meeting

The 33rd Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Thursday, 20 November 2014 at 1:00pm (Perth time).

Website

To view the 2014 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit the Wesfarmers website at **www.wesfarmers.com.au** www.wesfarmers.com.au