

20 August 2014

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir,

**APPENDIX 4E – PRELIMINARY FINAL REPORT AND 2014 FULL-YEAR RESULTS**

In accordance with ASX Listing Rule 4.3A, the following documents are attached for release to the market:

- Appendix 4E – Preliminary Final Report; and
- 2014 Full-Year Results Announcement (including fourth quarter retail sales results).

An analyst briefing will be held at 10:00am (AWST) / 12:00pm (AEST) following the release of the announcements. The briefing will be webcast and accessible via our website at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

Yours faithfully,



L J KENYON  
COMPANY SECRETARY

Enc.

# Appendix 4E - Preliminary final report

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

ABN 28 008 984 049

<b>RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>		\$m
Revenue from continuing operations		60,181
Revenue from discontinued operations		2,167
<b>Total revenue</b>	up 4% to	<b>62,348</b>
Profit after tax attributable to members:		
From continuing operations (including goodwill impairment)		1,605
From discontinued operations (including gain on disposal of the Insurance division)		1,084
<b>Net profit for the full-year attributable to members</b>	up 19% to	<b>2,689</b>
<b>DIVIDENDS</b>		Franked amount per security
	Amount per security	security
Interim dividend	85 cents	85 cents
Final dividend	105 cents	105 cents
Special dividend	10 cents	10 cents
<b>Total FY2014 dividend</b>	<b>200 cents</b>	<b>200 cents</b>
Previous corresponding period:		
Interim dividend	77 cents	77 cents
Final dividend	103 cents	103 cents
<b>Total FY2013 dividend</b>	<b>180 cents</b>	<b>180 cents</b>
Record date for determining entitlements to the dividend	5:00pm (WST) on 2 September 2014	
Last date for receipt of election notice for Dividend Investment Plan	5:00pm (WST) on 3 September 2014	
Date the final dividend is payable	9 October 2014	
<b>CAPITAL MANAGEMENT</b>		Amount per security
Capital return (paid on 26 November 2013)		50 cents
Distribution (proposed for payment in December 2014)		100 cents

## Dividend Investment Plan

The Company operates a Dividend Investment Plan (the Plan) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares. The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers ordinary shares on each of the 15 consecutive trading days from and including the third trading day after the record date of 2 September 2014 for participation in the Plan, being 5 September 2014 to 25 September 2014.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (WST) on 3 September 2014. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be acquired on-market and transferred to participants on 9 October 2014. A broker will be engaged to assist in this process.

## Net tangible asset backing

Net tangible asset backing per ordinary share (excluding reserved shares): \$6.14 (2013: \$4.69).

## Operating cash flow per share

Operating cash flow per share: \$2.81 (2013: \$3.40). This has been calculated by dividing the net cash flow from operating activities by the weighted average number of ordinary shares (including reserved shares) on issue during the year.

## Audit

This report is based on accounts which are in the process of being audited.

## Previous corresponding period

The previous corresponding period is the year ended 30 June 2013. The 2013 income statement has been restated for the classification of the Insurance division as a discontinued operation.

## Commentary on results for the year

Commentary on the results for the year is contained in the press release dated 20 August 2014 accompanying this statement.

# Income statement

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2014	RESTATED 2013
		\$m	\$m
<b>Continuing Operations</b>			
<b>Revenue</b>	2	<b>60,181</b>	57,749
<b>Expenses</b>			
Raw materials and inventory		(41,424)	(39,617)
Employee benefits expense	2	(7,746)	(7,517)
Freight and other related expenses		(1,032)	(1,021)
Occupancy-related expenses	2	(2,502)	(2,341)
Depreciation and amortisation	2	(1,082)	(1,033)
Impairment expenses	2	(734)	(49)
Other expenses	2	(3,178)	(2,993)
<b>Total expenses</b>		<b>(57,698)</b>	(54,571)
Other income	2	342	227
Share of profits/(losses) of associates and joint ventures	11	65	48
		<b>407</b>	275
<b>Earnings before interest and income tax expense (EBIT)</b>		<b>2,890</b>	3,453
Finance costs	2	(346)	(417)
<b>Profit before income tax</b>		<b>2,544</b>	3,036
Income tax expense	3	(939)	(908)
<b>Profit from continuing operations</b>		<b>1,605</b>	2,128
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	13	1,084	133
<b>Profit attributable to members of the parent</b>		<b>2,689</b>	2,261
Earnings per share attributable to ordinary equity holders of the parent from continuing operations			
Basic earnings per share		140.1	184.4
Diluted earnings per share		139.8	184.1
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic earnings per share	8	234.6	195.9
Diluted earnings per share		234.2	195.6

# Statement of comprehensive income

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2014 \$m	2013 \$m
<b>Profit attributable to members of the parent</b>		<b>2,689</b>	<b>2,261</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
<b>Foreign currency translation reserve</b>			
Exchange differences on translation of foreign operations		86	40
Exchange differences recognised in the income statement on disposal of foreign subsidiaries		(10)	-
<b>Available-for-sale financial assets reserve</b>			
Changes in the fair value of available-for-sale financial assets		3	3
Tax effect		(1)	(1)
<b>Cash flow hedge reserve</b>			
	10		
Unrealised gains on cash flow hedges		26	193
Realised gains transferred to net profit		(1)	(120)
Realised (gain)/losses transferred to non-financial assets		(113)	25
Tax effect		26	(29)
<i>Items that will not be reclassified to profit or loss:</i>			
<b>Retained earnings</b>			
Remeasurement gain on defined benefit plan		1	2
Tax effect		-	(1)
Other comprehensive income for the year, net of tax		17	112
<b>Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:</b>			
Continuing operations		1,632	2,240
Discontinued operations		1,074	133
		<b>2,706</b>	<b>2,373</b>

# Balance sheet

as at 30 June 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2014 \$m	2013 \$m
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,067	1,333
Trade and other receivables		1,584	2,341
Inventories		5,336	5,047
Derivatives		66	187
Investments backing insurance contracts, reinsurance and other recoveries		-	1,316
Other		258	362
<b>Total current assets</b>		<b>9,311</b>	<b>10,586</b>
<b>Non-current assets</b>			
Investments in associates and joint ventures		540	420
Deferred tax assets		441	370
Property		2,419	2,947
Plant and equipment		7,533	7,217
Goodwill		14,510	16,151
Intangible assets		4,446	4,459
Derivatives		418	436
Investments backing insurance contracts, reinsurance and other recoveries		-	357
Other		109	212
<b>Total non-current assets</b>		<b>30,416</b>	<b>32,569</b>
<b>TOTAL ASSETS</b>		<b>39,727</b>	<b>43,155</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		5,417	5,999
Interest-bearing loans and borrowings		745	70
Income tax payable		269	310
Provisions		1,473	1,379
Insurance liabilities		-	1,540
Derivatives		75	52
Other		250	222
<b>Total current liabilities</b>		<b>8,229</b>	<b>9,572</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		4,320	5,709
Provisions		1,072	1,117
Insurance liabilities		-	613
Derivatives		24	66
Other		95	56
<b>Total non-current liabilities</b>		<b>5,511</b>	<b>7,561</b>
<b>TOTAL LIABILITIES</b>		<b>13,740</b>	<b>17,133</b>
<b>NET ASSETS</b>		<b>25,987</b>	<b>26,022</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	7	22,708	23,290
Reserved shares	7	(30)	(26)
Retained earnings		2,901	2,375
Reserves		408	383
<b>TOTAL EQUITY</b>		<b>25,987</b>	<b>26,022</b>

# Cash flow statement

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2014 \$m	2013 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		67,603	64,946
Payments to suppliers and employees		(63,021)	(59,768)
Dividends and distributions received from associates		50	67
Interest received		110	128
Borrowing costs		(344)	(402)
Income tax paid		(1,172)	(1,040)
<b>Net cash flows from operating activities</b>	4	<b>3,226</b>	<b>3,931</b>
<b>Cash flows from investing activities</b>			
Net acquisition of insurance deposits		(337)	(55)
Payments for property, plant and equipment and intangibles		(2,233)	(2,331)
Proceeds from sale of property, plant and equipment and intangibles		1,017	659
Net proceeds from sale of controlled entities and associates		2,641	4
Net investments in associates and joint arrangements		(100)	7
Acquisition of subsidiaries, net of cash acquired		(36)	(44)
<b>Net cash flows from/(used) in investing activities</b>		<b>952</b>	<b>(1,760)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		888	2,056
Repayment of borrowings		(1,591)	(2,040)
Proceeds from exercise of in-substance options under the employee share plan		4	4
Equity dividends paid		(2,160)	(1,985)
Capital return paid		(585)	-
<b>Net cash flows used in financing activities</b>		<b>(3,444)</b>	<b>(1,965)</b>
<i>Net increase in cash and cash equivalents</i>		<b>734</b>	<b>206</b>
<i>Cash and cash equivalents at beginning of year</i>		<b>1,333</b>	<b>1,127</b>
<b>Cash and cash equivalents at end of year</b>	4	<b>2,067</b>	<b>1,333</b>

# Statement of changes in equity

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

Consolidated	Note	Attributable to equity holders of the parent					Total equity
		Issued capital	Reserved shares	Retained earnings	Hedging reserve	Other reserves	
		\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2012</b>		23,286	(31)	2,103	160	109	25,627
Net profit for the year		-	-	2,261	-	-	2,261
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign operations		-	-	-	-	40	40
Changes in the fair value of available-for-sale assets, net of tax		-	-	-	-	2	2
Changes in the fair value of cash flow hedges, net of tax	10	-	-	-	69	-	69
Remeasurement gain on defined benefit plan, net of tax		-	-	1	-	-	1
Total other comprehensive loss for the year, net of tax		-	-	1	69	42	112
<b>Total comprehensive income for the year, net of tax</b>		-	-	2,262	69	42	2,373
Share-based payment transactions		-	-	-	-	3	3
Issue of shares	7	4	-	-	-	-	4
Own shares acquired	7	-	(3)	-	-	-	(3)
Proceeds from exercise of in-substance options	7	-	4	-	-	-	4
Equity dividends	9,7	-	4	(1,990)	-	-	(1,986)
		4	5	(1,990)	-	3	(1,978)
<b>Balance at 30 June 2013 and 1 July 2013</b>		<b>23,290</b>	<b>(26)</b>	<b>2,375</b>	<b>229</b>	<b>154</b>	<b>26,022</b>
Net profit for the year		-	-	2,689	-	-	2,689
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign operations		-	-	-	-	86	86
Exchange differences recognised in the income statement on disposal of foreign subsidiaries		-	-	-	-	(10)	(10)
Changes in the fair value of available-for-sale assets, net of tax		-	-	-	-	2	2
Changes in the fair value of cash flow hedges, net of tax	10	-	-	-	(62)	-	(62)
Remeasurement gain on defined benefit plan, net of tax		-	-	1	-	-	1
Total other comprehensive income for the year, net of tax		-	-	1	(62)	78	17
<b>Total comprehensive income for the year, net of tax</b>		-	-	2,690	(62)	78	2,706
Share-based payment transactions		-	-	-	-	9	9
Issue of shares	7	3	-	-	-	-	3
Capital return and share consolidation	9	(585)	-	-	-	-	(585)
Own shares acquired	7	-	(12)	-	-	-	(12)
Proceeds from exercise of in-substance options	7	-	4	-	-	-	4
Equity dividends	9,7	-	4	(2,164)	-	-	(2,160)
		(582)	(4)	(2,164)	-	9	(2,741)
<b>Balance at 30 June 2014</b>		<b>22,708</b>	<b>(30)</b>	<b>2,901</b>	<b>167</b>	<b>241</b>	<b>25,987</b>

# Notes to the financial statements: Key numbers

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 1. Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision makers) monitor the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment.

	CONTINUING OPERATIONS																DISCONTINUED OPERATIONS			
	COLES		HIOS		KMART		TARGET		RESOURCES <sup>1</sup>		WIS		WesCEF		OTHER		CONSOLIDATED		2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
<b>Segment revenue</b>	37,391	35,780	10,121	9,167	4,209	4,167	3,501	3,658	1,544	1,539	1,621	1,647	1,812	1,805	(18)	(14)	<b>60,181</b>	57,749	2,167	2,083
Adjusted EBITDA <sup>2</sup>	2,157	1,987	1,230	1,145	448	415	167	216	290	299	161	192	314	348	(119)	(116)	<b>4,648</b>	4,486	261	243
Depreciation and amortisation	(485)	(454)	(148)	(148)	(82)	(71)	(81)	(80)	(160)	(151)	(30)	(27)	(93)	(99)	(3)	(3)	<b>(1,082)</b>	(1,033)	(41)	(38)
<b>Segment Result</b>	<b>1,672</b>	<b>1,533</b>	<b>1,082</b>	<b>997</b>	<b>366</b>	<b>344</b>	<b>86</b>	<b>136</b>	<b>130</b>	<b>148</b>	<b>131</b>	<b>165</b>	<b>221</b>	<b>249</b>	<b>(122)</b>	<b>(119)</b>	<b>3,566</b>	3,453	<b>220</b>	205
Items not included in segment result <sup>3</sup>	(94)	-	-	-	-	-	(677)	-	-	-	-	-	95	-	-	-	<b>(676)</b>	-	1,040	-
EBIT																	<b>2,890</b>	3,453	1,260	205
Finance costs																	<b>(346)</b>	(417)	(17)	(15)
Profit before income tax expense																	<b>2,544</b>	3,036	1,243	190
Income tax expense																	<b>(939)</b>	(908)	(159)	(57)
<b>Profit attributable to members of the parent</b>																	<b>1,605</b>	2,128	1,084	133
<b>Other segment information</b>																				
Segment assets	20,532	20,367	5,706	5,888	2,131	2,145	2,963	3,561	1,904	1,920	1,349	1,292	1,746	1,675	2,415	1,077	<b>38,746</b>	37,925	-	4,440
Investments in associates and joint ventures	43	17	17	-	-	-	-	-	-	-	-	-	89	97	391	306	<b>540</b>	420	-	-
Tax assets															441	370	<b>441</b>	370	-	-
Total assets																	<b>39,727</b>	38,715	-	4,440
Segment liabilities	(3,974)	(4,145)	(1,177)	(957)	(692)	(750)	(486)	(464)	(384)	(420)	(273)	(281)	(355)	(303)	(1,065)	(1,880)	<b>(8,406)</b>	(9,200)	-	(1,844)
Tax liabilities															(269)	(310)	<b>(269)</b>	(310)	-	-
Interest bearing liabilities															(5,065)	(4,754)	<b>(5,065)</b>	(4,754)	-	(1,025)
Total liabilities																	<b>(13,740)</b>	(14,264)	-	(2,869)
Other net assets <sup>4</sup>	(564)	(183)	(3,460)	(3,826)	276	320	(480)	(422)	(1,326)	(1,363)	(474)	(503)	(847)	(819)	6,875	6,796	-	-	-	-
Net assets	16,037	16,056	1,086	1,105	1,715	1,715	1,997	2,675	194	137	602	508	633	650	3,723	1,605	<b>25,987</b>	24,451	-	1,571
Capital expenditure <sup>5</sup>	1,018	1,181	557	549	162	91	81	91	163	79	51	50	191	273	4	2	<b>2,227</b>	2,316	31	26
Share of net profit or loss of associates included in EBIT	-	-	-	-	-	-	-	-	-	-	-	-	22	27	43	21	<b>65</b>	48	-	-

1 Resources' result includes Stanwell royalty expenses of \$102 million (2013: \$154 million) and hedge gains of \$8 million (2013: \$130 million).

2 Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and other items not included in the segment results outlined in footnote 3.

3 Items not included in the segment result reflect the \$94 million Coles Liquor restructuring provision, the \$677 million impairment of Target's goodwill, \$95 million gain on disposal of WesCEF's interest in Air Liquide WA Pty Ltd and the \$1,040 million gain on disposal of the Insurance division.

4 Other net assets relate predominantly to inter-company financing arrangements and segment tax balances.

5 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is \$2,233 million (2013: \$2,331 million).



# Notes to the financial statements: Key numbers

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 2. Revenue & Expenses

	CONSOLIDATED	
	2014	2013
	\$m	\$m
Sale of goods	59,881	57,466
Rendering of services	12	9
Other	288	274
<b>Revenue</b>	<b>60,181</b>	<b>57,749</b>
Gains on disposal of property, plant and equipment	27	20
Gains on disposal of controlled entities	14	3
Gain on disposal of associate	95	-
Other	206	204
<b>Other income</b>	<b>342</b>	<b>227</b>
Remuneration, bonuses and on-costs	7,111	6,923
Superannuation expense	544	508
Share based payments expense	91	86
<b>Employee benefits expense</b>	<b>7,746</b>	<b>7,517</b>
Minimum lease payments	1,927	1,769
Contingent rental payments	85	66
Other	490	506
<b>Occupancy-related expenses</b>	<b>2,502</b>	<b>2,341</b>
Depreciation	875	842
Amortisation of intangibles	76	76
Amortisation other	131	115
<b>Depreciation and amortisation</b>	<b>1,082</b>	<b>1,033</b>
Impairment of plant, equipment and other assets	11	21
Impairment of freehold property	46	28
Impairment of goodwill	677	-
<b>Impairment expenses</b>	<b>734</b>	<b>49</b>
Government mining royalties	119	108
Stanwell rebate	102	154
Repairs and maintenance	385	368
Utilities and office expenses	1,092	1,056
Insurance expenses	251	205
Other	1,229	1,102
<b>Other expenses</b>	<b>3,178</b>	<b>2,993</b>
Interest expense	297	354
Capitalised interest	(19)	(10)
Discount rate adjustment	38	42
Amortisation of debt establishment costs	7	8
Other finance related costs	23	23
<b>Finance costs</b>	<b>346</b>	<b>417</b>

## 3. Tax expense

	CONSOLIDATED	
	2014	2013
	\$m	\$m
<b>Tax reconciliation</b>		
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before tax (continuing operations)	2,544	3,036
Income tax at the statutory rate of 30%	763	911
Adjustments relating to prior years	(21)	(28)
Carried forward losses recognised	(29)	-
Non-deductible items	220	13
Share of associated companies net loss/(profit) after tax	(13)	12
Tax on undistributed associates' profit	9	3
Other	10	(3)
<b>Income tax on profit before tax</b>	<b>939</b>	<b>908</b>

A deferred tax asset associated with the Mineral Resource Rent Tax (MRRT), relating to mining assets, rebates and mining losses, has not been recognised as it is not considered probable that the deferred tax asset will be utilised based on current forecasts. Pre-existing annual royalty and rebate commitments for the Group's only wholly owned and operated mine, Curragh, are already in excess of the effective MRRT rate. For the 2014 financial year over \$221 million (2013: \$262 million) was paid to the Queensland Government and its instrumentalities by way of standard Government royalties and Stanwell rebate combined.

# Notes to the financial statements: Key numbers

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 4. Cash and cash equivalents

	CONSOLIDATED	
	2014 \$m	2013 \$m
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	403	615
Cash at bank and on deposit	1,664	520
Insurance broking trust accounts <sup>(i)</sup>	-	198
	<b>2,067</b>	<b>1,333</b>

(i) Trust cash could not be used for purposes other than the payment of underwriter and refunds to policy holders.

### Reconciliation of net profit after tax to net cash flows from operations

Net profit	2,689	2,261
<i>Non-cash items</i>		
Depreciation and amortisation	1,123	1,071
Impairment and writedowns of assets	734	49
(Gain)/loss on disposal of controlled entities	(1,054)	(3)
Gain on disposal of associate	(95)	-
Net loss/(gain) on disposal of non-current assets	41	21
Share of (profits)/losses of associates and joint ventures	(65)	(48)
Dividends and distributions received from associates	50	67
Capitalised borrowing costs	(19)	(10)
Discount adjustment in borrowing costs	38	42
Other	20	27
<i>(Increase)/decrease in assets</i>		
Trade and other receivables	54	31
Inventories	(266)	(17)
Prepayments	(28)	(24)
Reinsurance and other recoveries	198	290
Deferred tax assets	(40)	74
Other assets	34	(90)
<i>Increase/(decrease) in liabilities</i>		
Trade and other payables	(91)	552
Current tax payable	(35)	(148)
Provisions	59	(35)
Other liabilities	(121)	(179)
<b>Net cash flows from operating activities</b>	<b>3,226</b>	<b>3,931</b>
<b>Capital Expenditure</b>		
<b>Net capital expenditure</b>		
Payment for property	612	734
Payment for plant and equipment	1,499	1,455
Payment for intangibles	122	142
	<b>2,233</b>	<b>2,331</b>
Proceeds from sale of property, plant, equipment and intangibles	1,017	659
<b>Net capital expenditure</b>	<b>1,216</b>	<b>1,672</b>

## 5. Borrowing and repayment of debt

### Funding Activities

During June 2014, \$1.7 billion of revolving debt facilities were repaid using part of the proceeds from the sale of the Insurance division. Wesfarmers revolving facilities remained A\$20 million drawn as at 30 June 2014.

## 6. Capital management

### Capital return and share consolidation

On 15 November 2013, Wesfarmers undertook a capital return of 50 cents per fully-paid ordinary share and partially protected share, accompanied by a proportionate share consolidation at a rate of one for 0.9876.

### Reclassification of partially protected shares

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

# Notes to the financial statements: Capital

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 7. Equity and reserves

Movement in shares on issue	Ordinary shares		Partially protected shares		Total		Reserved shares	
	Thousands	\$m	Thousands	\$m	Thousands	\$m	Thousands	\$m
<b>At 1 July 2012</b>	1,006,509	16,969	150,563	6,317	1,157,072	23,286	(3,169)	(31)
Own shares acquired	-	-	-	-	-	-	(89)	(3)
Exercise of in-substance options	-	-	-	-	-	-	410	4
Dividends applied	-	-	-	-	-	-	-	4
Issue of ordinary shares under the Wesfarmers Annual Incentive Plan	67	2	-	-	67	2	-	-
Issue of ordinary shares under the Wesfarmers Employee Share Acquisition Plan	55	2	-	-	55	2	-	-
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	41	2	(41)	(2)	-	-	-	-
<b>At 30 June 2013 and 1 July 2013</b>	<b>1,006,672</b>	<b>16,975</b>	<b>150,522</b>	<b>6,315</b>	<b>1,157,194</b>	<b>23,290</b>	<b>(2,848)</b>	<b>(26)</b>
Own shares acquired	-	-	-	-	-	-	(265)	(12)
Exercise of in-substance options	-	-	-	-	-	-	326	4
Dividends applied	-	-	-	-	-	-	-	4
Capital return and share consolidation	(12,241)	(510)	(1,739)	(75)	(13,980)	(585)	-	-
Issue of ordinary shares under the Wesfarmers Employee Share Plan	61	3	-	-	61	3	-	-
Partially protected ordinary shares converted to ordinary shares at:								
- \$41.95 per share	20	1	(20)	(1)	-	-	-	-
- \$42.92 per share	484	21	(484)	(21)	-	-	-	-
Partially protected ordinary shares converted to ordinary shares on a one for one basis	148,279	6,218	(148,279)	(6,218)	-	-	-	-
<b>At 30 June 2014</b>	<b>1,143,275</b>	<b>22,708</b>	<b>-</b>	<b>-</b>	<b>1,143,275</b>	<b>22,708</b>	<b>(2,787)</b>	<b>(30)</b>

# Notes to the financial statements: Capital

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 8. Earnings per share

	CONSOLIDATED	
	2014 \$m	2013 \$m
Profit attributable to ordinary equity holders of the parent	2,689	2,261
WANOS <sup>1</sup> used in the calculation of basic EPS (shares, million) <sup>2,3</sup>	1,146	1,154
WANOS <sup>1</sup> used in the calculation of diluted EPS (shares, million) <sup>2,3</sup>	1,148	1,156
- Basic EPS (cents per share)	234.6	195.9
- Diluted EPS (cents per share)	234.2	195.6

1. Weighted average number of ordinary shares

2. Includes Wesfarmers partially protected shares (PPS).

3. The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to in-substance options.

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

### Calculation of earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

Diluted earnings per share amounts are calculated per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares. Dilution arises as a result of the employee reserved shares issued under the employee share plan being accounted for an in-substance options.

## 9. Dividends and distributions

	CONSOLIDATED	
	2014 \$m	2013 \$m
<b>Declared and paid during the year (fully-franked at 30 per cent)</b>		
Final franked dividend for 2013: \$1.03 (2012: \$0.95)	1,192	1,099
Interim franked dividend for 2014: \$0.85 (2013: \$0.77)	972	891
Capital return for 2014: \$0.50	585	-
	<b>2,749</b>	<b>1,990</b>
<b>Proposed and unrecognised as a liability (fully-franked at 30 per cent)</b>		
Final franked dividend for 2014: \$1.05 (2013: \$1.03)	1,200	1,192
Special dividend for 2014: \$0.10	114	-
Distribution for 2014: \$1.00	1,143	-

## 10. Cash flow hedge reserve

The change in cash flow hedge reserve for the year ended 30 June 2014 includes the after-tax net movement in market value of cash flow hedges from 30 June 2013 and comprised: \$18 million (2013: \$152 million) of interest rate swaps and \$(80) million (2013: \$(83) million) of foreign exchange rate contracts.

# Notes to the financial statements: Group structure

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 11. Associates and joint arrangements

### Investment in associates

	CONSOLIDATED	
	2014 %	2013 %
Profit/(loss) from operations of associates	64	48
Other comprehensive income of associates	-	-
Profit/(loss) from operations of joint ventures	1	-
Other comprehensive income of joint ventures	-	-
<b>Total comprehensive income</b>	<b>65</b>	<b>48</b>

### Interests in joint arrangements

The Group recognises its share of the assets, liabilities, expenses and income from the use and output of its joint operations. The Group's investment in joint ventures is accounted for using the equity method of accounting.

The Group's investments in its associates are accounted for using the equity method of accounting. The associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint arrangements.

Interests in associates and joint arrangements	Principal activity	Ownership	
		2014 %	2013 %
<i>Associates</i>			
Air Liquide WA Pty Ltd	Industrial gases	-	40.0
Albany Woolstores Pty Ltd	Wool handling	-	35.0
Bengalla Agricultural Company Pty Limited	Agriculture	40.0	40.0
Bengalla Coal Sales Company Pty Limited	Sales agent	40.0	40.0
Bengalla Mining Company Pty Limited	Management company	40.0	40.0
BWP Trust	Property investment	24.7	24.3
Gresham Partners Group Limited	Investment banking	50.0	50.0
Gresham Private Equity Funds	Private equity fund	(a)	(a)
HAL Property Trust	Property ownership	50.0	50.0
iCiX International, Inc.	Information technology	20.0	-
Queensland Nitrates Management Pty Ltd	Chemical manufacture	50.0	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	50.0	50.0
Wespine Industries Pty Ltd	Pine sawmillers	50.0	50.0
<i>Joint Operations</i>			
Sodium Cyanide	Sodium cyanide manufacture	75.0	75.0
Bengalla	Coal mining	40.0	40.0
ISPT	Property ownership	25.0	25.0
<i>Joint Ventures</i>			
Kwinana Industrial Gases	Oxygen and nitrogen manufacture	-	40.0
BPI NO 1 Pty Ltd	Property management	(b)	-

(a) Gresham Private Equity Funds: Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 and 3 (Funds) amounts to greater than 50.0 per cent, they are not controlled entities as the consolidated entity does not have the practical ability to direct their relevant activities. Such control requires a unitholders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds. Gresham Private Equity Fund No. 3 is subject to future capital calls.

(b) BPI NO 1 Pty Ltd: Whilst the consolidated entity owns the only equity share in BPI NO 1 Pty Ltd, the Group's effective interest approximates 50 per cent and joint control is effected through contractual arrangements with the joint venture partner.

# Notes to the financial statements: Other items

for the year ended 30 June 2014 - Wesfarmers Limited and its controlled entities

## 12. Impairment

### Recognised impairment

During the year the carrying value of the Target CGU exceeded its recoverable amount and an impairment of \$677 million was recognised in respect of its goodwill in 'impairment expenses'. The decrease in the recoverable amount largely reflects an increase in the discount rate on account of the continuation of difficult trading conditions, a financial performance in 2014 below expectations and the risk associated with Target's turnaround strategy.

## 13. Discontinued operations

On 16 December 2013 the Group announced its decision to sell its underwriting operations, followed on the 7 April 2014 by an announcement to sell its broking and premium funding operations. The two transactions were completed in June 2014 and represent the disposal of the Group's Insurance segment. The segment was not a discontinued operation or classified as held-for-sale as at 30 June 2013 and the comparative consolidated income statement and the statement of comprehensive income have been restated to show the discontinued operation separately from continued operations.

	2014 \$m	2013 \$m
<b>Results of discontinued operation</b>		
Revenue	2,167	2,083
Expenses	(1,964)	(1,893)
<b>Profit before income tax</b>	<b>203</b>	190
Income tax expense	(58)	(57)
Gain on disposal after income tax	939	-
<b>Profit after tax from discontinued operations</b>	<b>1,084</b>	133
<b>Assets and liabilities of controlled entities at date of disposal</b>		
<b>Assets</b>		
Cash and cash equivalents	437	347
Goodwill and intangibles	1,079	1,051
Trade, reinsurance and other recoveries receivable	2,849	3,057
Other assets	309	391
Total assets disposed	4,674	4,846
<b>Liabilities</b>		
Trade payables	585	644
Insurance liabilities	2,093	2,153
Other liabilities	190	385
Total liabilities disposed	2,868	3,182
<b>Net assets disposed</b>	<b>1,806</b>	1,664

## 13. Discontinued operations (continued)

	2014 \$m	2013 \$m
<b>Cashflows of discontinued operation</b>		
Net cash from operating activities	294	222
Net cash used in investing activities	(214)	(80)
Net cash from/(used in) financing activities	10	(20)
<b>Net cash flows for the year</b>	<b>90</b>	122
<b>Gain on disposal</b>		
Total consideration received	2,865	-
Carrying amount of net assets disposed	(1,806)	-
Transaction costs and other items	(19)	-
<b>Gain on disposal before income tax</b>	<b>1,040</b>	-
Income tax expense	(101)	-
<b>Gain on disposal after income tax</b>	<b>939</b>	-
<b>Earnings per share - discontinued operations</b>		
	cents	cents
Basic earnings per share	94.6	11.5
Diluted earnings per share	94.4	11.5

## 14. Events after the balance sheet date

### Dividends

A fully-franked ordinary dividend of 105 cents per share and a special dividend of 10 cents per share resulting in a final total dividend of \$1,314 million was declared for a payment date of 9 October 2014. These dividends have not been provided for in the 30 June 2014 full-year financial statements.

### Capital management

On 20 August 2014, Wesfarmers announced the intention to make a distribution of 100 cents per share in December 2014 subject to a final ruling by 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, and is likely to comprise both a capital component and a fully-franked dividend component. This distribution of approximately \$1,143 million will be accompanied by an equal and proportionate share consolidation of its capital component. This distribution has not been provided for in the 30 June 2014 full-year financial statements.

# NEWS

20 August 2014

## 2014 FULL-YEAR RESULTS

### Financial highlights

Year ended 30 June 2014	Reported		Excluding NTIs	
Operating revenue	\$62.3bn	▲ 4.2%	\$62.3bn	▲ 4.2%
Earnings before interest and tax	\$4,150m	▲ 13.4%	\$3,786m	▲ 3.5%
Net profit after tax	\$2,689m	▲ 18.9%	\$2,398m	▲ 6.1%
Earnings per share	\$2.35	▲ 19.8%	\$2.09	▲ 6.8%
Return on equity (R12)	10.5%	▲ 160 bps	9.4%	▲ 50 bps

- Final dividend (fully-franked) of \$1.05 per share declared taking full-year ordinary dividend to \$1.90 per share, up 5.6 per cent for the full-year
- Special 'Centenary' dividend (fully-franked) of \$0.10 per share declared taking the full-year total dividend to \$2.00 per share
- Capital management comprising a distribution of \$1.00 per share, subject to final ruling by the Australian Taxation Office (ATO) and shareholder approval, returning \$1.1 billion to shareholders

Wesfarmers Limited today announced a net profit after tax (NPAT) of \$2,689 million for the full-year ended 30 June 2014, an increase of 18.9 per cent on the previous corresponding period. Return on equity (R12) increased 160 basis points to 10.5 per cent.

The Group's profit included the sale of the Insurance division and disposal of the 40 per cent interest in Air Liquide WA (ALWA) that together contributed \$1,034 million of after-tax profit and more than offset a non-cash revision to Target's carrying value and provision for future restructuring of Coles' Liquor business. Excluding these non-trading items (NTIs)<sup>1</sup>, which collectively contributed a net after-tax profit of \$291 million, NPAT increased 6.1 per cent, earnings per share rose 6.8 per cent and return on equity (R12) increased 50 basis points to 9.4 per cent.

Managing Director Richard Goyder said it was pleasing to have recorded a solid increase in underlying profit in its centenary year.

"Growth in underlying earnings during the year was largely driven by stronger performances in Coles and Bunnings and lower financing costs," Mr Goyder said.

"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 with the successful divestment of the Insurance division and the disposal of our interest in ALWA.

"It is also pleasing to record an improved safety performance in all businesses during the year, consistent with the Group's strong focus on improving the safety of its workplaces."

<sup>1</sup> 2014 includes \$291 million of post-tax non-trading items (including a \$939 million gain on disposal of the Insurance division, a \$95 million gain on disposal of WesCEF's interest in ALWA, a \$677 million impairment of Target's goodwill and a \$66 million Coles Liquor restructuring provision).

## Wesfarmers' Centenary

Mr Goyder said that from its beginnings as a small Western Australian farmers' co-operative, Wesfarmers had proudly grown over the last 100 years to be an important contributor to both the Australian and New Zealand economies.

"Over this time, the Group has grown to employ approximately 203,000 people and this year recorded sales revenue of over \$62 billion by delivering great value and service to our customers and helping thousands of our suppliers to expand their businesses," Mr Goyder said. "During the year, the Group paid \$7,787 million in wages, \$1,880 million in federal and state taxes, continued to deepen wide-ranging community involvement programs and distributed \$2,745 million to over 500,000 shareholders, a large majority of whom are Australian based.

"A century on, the Group's primary objective remains to deliver satisfactory returns to our shareholders and at year-end, \$1,000 invested in Wesfarmers shares on listing in 1984 would have been valued at approximately \$292,000, assuming the reinvestment of all dividends and capital returns, which compares to approximately \$23,000 for the All Ordinaries Index."

## Performance overview - Group

### Dividends and capital management

In addition to an increase in the final ordinary dividend to 105 cents per share fully-franked, taking the full-year ordinary dividend to 190 cents per share, the directors have declared a special 'Centenary' dividend of 10 cents per share fully-franked, taking the full-year dividend to \$2.00 per share. The directors have also recommended further capital management via a distribution to shareholders of \$1.00 per share.

"The directors are recommending the equitable return of a portion of the Group's current surplus capital to shareholders," Mr Goyder said. "This will ensure a more efficient capital structure while still maintaining balance sheet capacity to be able to take advantage of value accretive opportunities should they arise."

This recommended distribution to shareholders of \$1.00 per share is subject to a final ruling by the ATO and shareholder approval at the 2014 Annual General Meeting (AGM) in November 2014. Should all conditions be met, shareholders are expected to receive their payments in December 2014. The form of the distribution is dependent upon a ruling from the ATO, but is likely to comprise a capital component (or capital return) that is expected to represent between 65 per cent and 75 per cent of the distribution and a fully-franked dividend component, which will reflect the balance. The distribution will be accompanied by an equal and proportionate share consolidation of the capital component.

## Performance overview - Divisional

### Coles

"Coles delivered another good result, with sales growth accelerating in the final quarter," Mr Goyder said. "Increased earnings were driven by improvements in customer value, increased fresh sales, a better store experience and lower costs of doing business."

Earnings before interest and tax (earnings or EBIT) at Coles grew 9.1 per cent in the year to \$1,672 million, with return on capital increasing 76 basis points to 10.3 per cent. Increased earnings in the food and liquor segment were driven by a solid supermarket performance, with sales growth reflecting increased customer transactions, basket size and fresh participation. Coles continued to offer better value for customers, recording another year of price deflation, through reinvesting productivity gains made from supply chain efficiencies and simplifying operations. An improving store network and loyalty proposition also produced positive results.

Coles' Liquor business underperformed the supermarkets business, but remains an earnings growth opportunity with a significant restructuring program announced in July 2014.

Despite a good improvement in shop sales, reduced fuel volumes driven largely by the capping of fuel docket discounts, and increased funding of fuel docket discounts, contributed to the reduction in Convenience earnings.



## Home Improvement and Office Supplies

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

“Strong earnings growth and a further improvement in return on capital at Officeworks were also pleasing.”

Bunnings' earnings increased strongly to \$979 million, 8.3 per cent above the prior year. Store-on-store sales growth increased to 8.4 per cent during the year, with sales momentum improving through the year.

All areas of the business performed well, driven by ongoing innovation in merchandising and the delivery of better customer value supported by further productivity improvements. Bunnings' brand reach continued to improve, including a record number of warehouse openings, while return on capital increased strongly, supported by disciplined capital management.

Officeworks' earnings of \$103 million were 10.8 per cent higher than the prior year. Sound execution of Officeworks' 'every channel' strategy, category innovation and working capital improvements drove the strong performance.

## Department stores retailing

“Kmart showed solid improvement, driven by increased productivity and further growth in customer transactions and units sold,” Mr Goyder said.

Kmart delivered earnings growth of 6.4 per cent to \$366 million through enhancements to its product range and sourcing, as well as improved operational efficiency. Better productivity was again invested in lower prices, driving increased customer transactions and units sold. During the year, activity to deliver a superior store experience was accelerated with five new Kmart stores opened and 16 refurbishments completed.

“Target's result reflected lower margins from price deflation in a strongly competitive market,” Mr Goyder said. “Progress was made in building organisational capability, the costs of doing business and store standards.”

Target's earnings for the year of \$86 million were 36.8 per cent below the prior year. Activity to turnaround Target's performance included many changes made to processes and operations over the course of the year, resulting in both positive and negative impacts to earnings. Overall, reduced earnings reflected the impacts of deflation and lower selling margins, in part driven by a necessary opening price reset strategy to improve customer growth.

## Industrial

“A challenging external environment continued to affect the performance of the Group's industrial divisions,” Mr Goyder said.

“A highlight of the year was the Chemicals, Energy and Fertilisers division's successful commissioning of both the ammonium nitrate and sodium cyanide production capacity increases at Kwinana, Western Australia. I am very pleased that the plant capacity expansion projects were completed within time and budget, with no lost time injuries recorded during construction and commissioning activities.”

Earnings for the Chemicals, Energy and Fertilisers division of \$221 million were 11.2 per cent below the prior period. Earnings in the chemicals business were adversely affected by planned and unplanned outages of the nitric acid/ammonium nitrate plants, higher input gas costs in the ammonia business and lower margins in the sodium cyanide business. Fertiliser earnings increased following a record grain harvest in Western Australia, while Kleenheat Gas' earnings reduced mainly due to lower LPG content in the Dampier to Bunbury natural gas pipeline.

“In difficult market conditions, the Resources division’s performance was solid, delivering earnings of \$130 million or 12.2 per cent below the prior year, through strong cost management and lower royalties, which largely offset the impact of lower export coal prices,” Mr Goyder said.

Production and mining cost performance in the Resources division was pleasing, with record growth in production and sales volumes recorded at both the Curragh and Bengalla mines. Earnings in the Resources division were, however, negatively affected by lower export coal prices, with average US\$ metallurgical export coal prices 19.3 per cent below those recorded in the prior year. In order to extend mine life and optimise operations, the division acquired Mineral Development Licence (MDL) 162 at Curragh in January 2014, and Bengalla mine’s expansion to 10.7 million tonnes per annum (mtpa) was approved in July 2014.

“Market conditions provided headwinds to the Industrial and Safety division during the year, with customers focusing strongly on reducing costs which negatively impacted sales volumes and margins,” Mr Goyder said.

Despite strong customer retention and new contract win rates, the Industrial and Safety division recorded earnings of \$131 million, which were \$34 million below last year. Earnings were affected by lower sales volumes from reduced industrial business activity, particularly in the coal mining sector, and lower margins due to a strong focus on cost-cutting by customers. In response to difficult market conditions, the division focused on increasing market share of existing customers through product and category expansion, and growing its training and risk management businesses which included the acquisition of Greencap Limited (Greencap). Cost control and network optimisation remained a strong focus.

## **Insurance**

“The Insurance division’s good results were achieved notwithstanding the disruption to operations due to divestment activity that affected the majority of the year,” Mr Goyder said.

“This pleasing performance reflects the dedication and commitment of everyone in our Insurance division. I thank all team members within the division for their significant contributions to Wesfarmers and I wish them every future success.”

The Insurance division recorded earnings of \$220 million, up 7.3 per cent on the prior year, despite only an 11 month contribution from the broking and premium funding businesses. This result included reserve increases of \$45 million relating to the 22 February 2011 Christchurch earthquake (EQ2) and lower than expected natural perils claims. The improved financial performance was due to further improvement in underlying loss ratios and favourable claims experiences across the Australian underwriting business.

## **Other business, NTIs and cash flows**

Other businesses and corporate overheads reported an expense of \$122 million for the year, excluding NTIs, compared to an expense of \$119 million in the previous corresponding period.

Non-trading items of \$364 million (pre-tax) were recorded in the year, which comprised a \$1,040 million gain on disposal of the Insurance division, a \$95 million gain on disposal of the 40 per cent interest in ALWA, a \$677 million non-cash impairment of Target’s goodwill and a \$94 million Coles Liquor restructuring provision.

Operating cash flows for the year of \$3,226 million were \$705 million below last year, largely as a result of reduced working capital cash flows. Year-end timing differences, resulting in an additional creditor payment run for Coles, and increased retail inventory as a result of store network growth negatively affected working capital cash flows.

Gross capital expenditure of \$2,233 million was \$98 million or 4.2 per cent below the prior corresponding period. Net capital expenditure was 27.3 per cent or \$456 million below the prior year as a result of proceeds from the sale of property, plant and equipment that were \$358 million above the prior year. Retail property disposals accelerated during the year in line with freehold site development.

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

## Outlook

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 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.

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## Group results summary

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>Key financials</b>			
Revenue	62,348	59,832	4.2
EBITDA	5,273	4,729	11.5
EBIT	4,150	3,658	13.4
EBIT (excluding NTIs) <sup>a</sup>	3,786	3,658	3.5
EBIT from continuing operations (excluding NTIs) <sup>a</sup>	3,566	3,453	3.3
NPAT	2,689	2,261	18.9
NPAT (excluding NTIs) <sup>a</sup>	2,398	2,261	6.1
Return on equity (R12, %)	10.5	8.9	18.0
Return on equity (R12, %) (excluding NTIs) <sup>a</sup>	9.4	8.9	5.6
<b>Cash flow</b>			
Operating cash flow	3,226	3,931	(17.9)
Net capital expenditure	1,216	1,672	(27.3)
Free cash flow	4,178	2,171	92.4
<b>Share data (cents)</b>			
Earnings per share	234.6	195.9	19.8
Earnings per share (excluding NTIs) <sup>a</sup>	209.2	195.9	6.8
Operating cash flow per share (wanos, incl. res shares)	281.0	339.7	(17.3)
Full-year ordinary dividend per share	190	180	5.6
Special 'Centenary' dividend per share	10	-	n.m.
Total dividend per share	200	180	11.1
Capital return (paid) per share	50	-	n.m.
<b>Balance sheet and gearing</b>			
Net debt	3,401	5,259	(35.3)
Interest cover (cash basis) (R12, times)	15.9	12.2	30.3
Fixed charges cover (R12, times)	3.2	3.0	6.7

<sup>a</sup> Excludes \$364 million of pre-tax NTIs (\$291 million on a post-tax basis) in 2014.

## Divisional earnings summary

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>EBIT</b>			
Coles	1,672	1,533	9.1
Home Improvement	979	904	8.3
Office Supplies	103	93	10.8
Kmart	366	344	6.4
Target	86	136	(36.8)
Chemicals, Energy and Fertilisers	221	249	(11.2)
Resources	130	148	(12.2)
Industrial and Safety	131	165	(20.6)
Insurance <sup>a</sup>	220	205	7.3
<b>Divisional EBIT</b>	3,908	3,777	3.5
Other (excluding NTIs)	(122)	(119)	(2.5)
Non-trading items <sup>b</sup>	364	-	n.m.
<b>Group EBIT</b>	4,150	3,658	13.4

<sup>a</sup> Earnings for 2014 include an increase in reserve estimates for EQ2 of \$45 million.

<sup>b</sup> 2014 includes \$364 million of pre-tax NTIs including a \$1,040 million gain on disposal of the Insurance division, a \$95 million gain on disposal of WesCEF's interest in ALWA, a \$677 million impairment of Target's goodwill and a \$94 million Coles Liquor restructuring provision.



## **DIVISIONAL PERFORMANCE REVIEW AND OUTLOOK**

## **CASH FLOW, FINANCING, DIVIDENDS AND CAPITAL MANAGEMENT**

## **APPENDICES**

## DIVISIONAL PERFORMANCE REVIEW & OUTLOOK

### Coles

Full-year ended 30 June (\$m)		2014	2013	Variance %
Revenue		37,391	35,780	4.5
EBIT <sup>a</sup>		1,672	1,533	9.1
ROC (R12, %)		10.3	9.5	
Safety (R12, LTIFR)		8.0	9.5	
<b>Food &amp; Liquor</b>	Revenue <sup>b</sup>	29,220	27,933	4.6
	Headline sales growth (%) <sup>c,d</sup>	4.7	5.5	
	Comparable sales growth (%) <sup>c,d</sup>	3.7	4.3	
	Trading EBIT <sup>a,e</sup>	1,536	1,368	12.3
	EBIT margin (%)	5.3	4.9	
<b>Convenience</b>	Revenue	8,171	7,847	4.1
	Total store sales growth (%) <sup>c</sup>	6.0	1.5	
	Comparable fuel volume growth (%) <sup>c</sup>	(3.9)	2.3	
	Trading EBIT	136	165	(17.6)

<sup>a</sup> 2014 excludes a \$94 million provision relating to future restructuring activities within the Coles Liquor business (reported as a NTI).

<sup>b</sup> Includes property revenue for 2014 of \$26 million and for 2013 of \$28 million.

<sup>c</sup> 2014 growth reflects the 52 week period 1 July 2013 to 29 June 2014 and the 52 week period 2 July 2012 to 30 June 2013. 2013 growth reflects the 53 week period 25 June 2012 to 30 June 2013, and the 53 week period 27 June 2011 to 1 July 2012.

<sup>d</sup> Includes hotels, excludes gaming revenue and property.

<sup>e</sup> Includes property EBIT for 2014 of \$20 million and for 2013 of \$16 million.

### Performance review

Coles' operating revenue for the year increased \$1.6 billion to \$37.4 billion. EBIT of \$1,672 million increased at double the rate of revenue. Return on capital (R12) increased 76 basis points to 10.3 per cent.

#### Food and Liquor

All key performance metrics in food and liquor improved during the year, with revenue growing by \$1.3 billion to \$29.2 billion and EBIT increasing 12.3 per cent to \$1,536 million. The reinvestment of operational efficiencies into lower prices continued to drive increased customer transactions and higher average basket sizes, further supporting store productivity.

Headline food and liquor sales for the 2014 financial year<sup>2</sup> were 4.7 per cent above the prior corresponding period. Comparable food and liquor store sales increased 3.7 per cent, with comparable food store sales increasing 4.2 per cent, reflecting continued positive customer response to Coles' initiatives to improve quality, service and value.

For the fourth quarter<sup>3</sup>, headline food and liquor sales increased 5.1 per cent to \$7.2 billion. Coles recorded comparable food and liquor store sales growth of 4.1 per cent and comparable food store sales growth of 4.5 per cent.

Food and liquor price deflation was 1.0 per cent in the fourth quarter resulting in total food and liquor price deflation for the financial year of 1.3 per cent. Deflation across the year was supported by Coles' ongoing commitment to lowering prices for customers through 'Down Down' and Coles brand, strong promotions and targeted flybuys offers.

<sup>2</sup> Financial Year 2014 for the 52 week period 1 July 2013 to 29 June 2014 and Financial Year 2013 for the 52 week period 2 July 2012 to 30 June 2013.

<sup>3</sup> Financial Year 2014 for the 13 week period 31 March 2014 to 29 June 2014 and Financial Year 2013 for the 13 week period 25 March 2013 to 23 June 2013.

Improving fresh food quality was a key focus throughout the year and led to increased sales, participation and volume in fresh produce. Coles continued to support Australian suppliers through its Australia-first sourcing policy for Coles brand, resulting in 100 per cent of Coles brand and Smartbuy frozen vegetables, 100 per cent of fresh meat and around 96 per cent of fresh fruit and vegetables sold by Coles being grown in Australia.

Coles' investment in customer value was funded by savings achieved through simplifying operations and improving efficiency. Productivity improved during the year as Coles started to roll out 'Easy Ordering' in meat and bakery. Supply chain efficiency also improved as a result of better processes across distribution centres combined with greater focus on transport planning and route optimisation.

Coles expanded into new channels and services with a number of initiatives across multi-channel, flybuys and financial services. This included increased use of flybuys data, providing instant offer activation and personalised offers to customers. Coles has also signed in August 2014 an agreement to form a financial services joint venture with GE Capital Australia. Since its launch in 2010, Coles financial services has grown to include more than 350,000 insurance policies and 400,000 credit card accounts at 30 June 2014.

Coles continued to improve the quality of its supermarket network during the year, opening 19 larger supermarkets in network gap areas, closing 13 smaller stores and recording net space growth of 2.2 per cent for the year. The renewal program continued at pace, rolling out to 61 further stores during the year. At the end of the financial year there were 418 stores in the renewal format, comprising 55 per cent of the store network.

The Liquor business underperformed during the year. Progress was made in targeting offers for customers and more effective management of costs. A focus on reshaping the store network and range rationalisation resulted in the closure of a number of underperforming liquor stores and increased clearance of inactive stock during the year. In the 2014 financial year, Coles opened 41 liquor stores and closed 20 liquor stores.

Prior to period end, Coles announced a significant restructuring program to support the transformation of its Liquor business. The key priorities of the announced transformation will include the early exit from a number of loss-making stores and further reshaping of the store network, significant changes to ranged product and initiatives to increase operational efficiency and improve customer value.

At 30 June 2014, Coles had a total of 762 supermarkets, 831 liquor stores and 90 hotels.

### *Convenience*

Coles Express recorded revenue of \$8.2 billion for the year, up 4.1 per cent on the previous year. Convenience EBIT declined 17.6 per cent to \$136 million on lower fuel volumes. An undertaking made by Coles to the Australian Competition and Consumer Commission (ACCC), which was effective from 1 January 2014, included capping supermarket docket discounts on fuel and the full allocation of these discounts to the Convenience business. Second-half earnings were \$32 million lower than the prior corresponding period, driven mainly by reduced fuel volumes and the increased funding of docket discounts, which each had similar negative impacts on earnings.

Total Coles Express sales increased 4.1 per cent for the year<sup>4</sup>. Total sales for the fourth quarter<sup>5</sup> increased 3.4 per cent to \$2.0 billion.

For the year<sup>4</sup>, total fuel volumes declined by 3.5 per cent, with comparable volumes down 3.9 per cent. For the fourth quarter<sup>5</sup>, total fuel volumes declined by 6.2 per cent, with comparable volumes down 7.1 per cent, driven by higher fuel prices and reduced fuel discounts. The undertaking to the ACCC, which capped supermarket docket discounts to a maximum of four cents per litre, contributed to the reduced fuel volumes recorded.

Total convenience store sales increased 6.0 per cent for the year<sup>4</sup>, an increase of 5.5 per cent on a comparable store basis. For the fourth quarter<sup>5</sup>, convenience store sales increased 9.1 per cent with comparable sales growth of 7.5 per cent. The improvement in convenience store sales reflected a positive customer response to Coles Express' improved value proposition, the rollout of new 'Expresso To Go' and frozen carbonated beverage offerings and the effect of tobacco excise increases.

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<sup>4</sup> Financial Year 2014 for the 52 week period 1 July 2013 to 29 June 2014 and Financial Year 2013 for the 52 week period 2 July 2012 to 30 June 2013.

<sup>5</sup> Financial Year 2014 for the 13 week period 31 March 2014 to 29 June 2014 and Financial Year 2013 for the 13 week period 25 March 2013 to 23 June 2013.

During the year, Coles Express opened 11 sites and closed five sites. As at 30 June 2014 there were 642 Coles Express sites.

### **Outlook**

Facing a rising cost of living, consumers remain cautious and value conscious. In addition, Coles operates in a highly competitive environment with competitors opening new stores at pace.

Value and quality will remain crucial and Coles will continue to offer more value for customers and improve its fresh food offer. Coles' investment in value and quality will be funded from savings generated through simplified operations and further reductions in the costs of doing business. Coles will also invest in a range of new technologies to drive longer-term operating efficiencies and extend into innovative new channels and services, such as multi-channel integration and financial services to deliver sustainable long-term growth.

Coles will continue to improve its store network through opening new stores as well as renewing its existing fleet, guided by a disciplined and returns-focused approach.

The transformation of the Liquor business will be a strong focus in the 2015 financial year with the initial phase of priorities to include accelerating the reshaping of the store network and work to overhaul the product range and business efficiency to begin to support an improved customer offer.



## Home Improvement & Office Supplies

### Home Improvement

Full-year ended 30 June (\$m)	2014	2013	Variance %
Revenue	8,546	7,661	11.6
EBIT	979	904	8.3
EBIT margin (%)	11.5	11.8	
ROC (R12, %)	29.3	25.9	
Safety (R12, AIFR)	28.8	31.7	

#### Performance review

Operating revenue from the Bunnings business increased by 11.6 per cent to \$8.5 billion for the year. EBIT of \$979 million was 8.3 per cent higher than the prior corresponding period.

Total store sales growth of 11.7 per cent was achieved during the year, with store-on-store sales increasing 8.4 per cent. The all-round breadth of the trading performance was pleasing, with sales uplifts achieved in consumer and commercial areas, across all merchandising categories and within all trading regions. The momentum of the trading performance lifted across the year, with total sales in the fourth quarter up 13.3 per cent and total store sales up 13.5 per cent. Store-on-store sales increased 10.3 per cent in the fourth quarter.

Underpinning the trading performance were good outcomes from actions to strengthen the business. Work to deliver more value, improve merchandising and enhance customer experiences all achieved positive responses with commercial and consumer customers. Brand reach accelerated with strong digital enhancements and a record number of new Bunnings Warehouses opened. Investments to build the strength and depth of the Bunnings team continued.

The increase in EBIT was driven by the growth agenda and supported by productivity enhancements that improved both stock flow and core processes. The EBIT result absorbed the impact of creating more value for customers and higher network development costs.

A good uplift in return on capital was achieved across the year, supported by strong execution and a disciplined approach to capital management which featured several significant property divestment transactions.

During the year 25 trading locations were opened, including 20 new Bunnings Warehouse stores, four smaller format Bunnings stores and one trade centre. Network consistency was enhanced and the property pipeline for future growth maintained. At the end of the period there were 223 warehouses, 64 smaller format stores and 33 trade centres operating in the Bunnings network across Australia and New Zealand.

#### Outlook

Bunnings will continue to drive sales and earnings growth through five key work areas: more customer value, better customer experiences, greater brand reach, expanding commercial, and more merchandise innovation. To support this growth, there are four work areas aimed at strengthening the Bunnings business, with actions and investments to build a stronger team, achieve better stock flow, lift productivity and deepen community involvement. Bunnings is watchful for potential impacts on margins due to an increasingly volatile competitive landscape.

Conversion of the property pipeline into trading locations will remain higher than historically achieved with another 20 new Bunnings Warehouse stores expected to open in the 2015 financial year. There will be further investment in the property pipeline and in existing stores, with an ongoing focus on the recycling of capital.

## Office Supplies

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>Revenue</b>	1,575	1,506	4.6
EBITDA	124	117	6.0
Depreciation and amortisation	(21)	(24)	12.5
<b>EBIT</b>	103	93	10.8
EBIT margin (%)	6.5	6.2	
ROC (R12, %)	9.4	8.1	
Safety (R12, AIFR)	21.9	33.9	

### Performance review

Officeworks' operating revenue increased 4.6 per cent to \$1.6 billion. EBIT of \$103 million was 10.8 per cent higher than the prior corresponding period.

Across the year, customers continued to respond favourably to the Officeworks 'every channel' strategy, with sales growth achieved online and in the store network. New merchandising categories and in-store layouts helped deliver good uplifts in sales and margin. During the fourth quarter, sales rose 2.7 per cent on the prior corresponding period.

An enhanced online platform was launched during the second half of the financial year and annualised sales through the online channel were approximately \$190 million at the end of the year. Investment in the business-to-business offer also continued to produce positive results.

For the first time, Officeworks delivered earnings exceeding \$100 million as a result of the growth in sales and margin as well as an ongoing focus on reducing the costs of doing business and lifting productivity.

The combination of earnings growth, business productivity and disciplined capital management lifted return on capital to 9.4 per cent, 128 basis points higher than at the same time last year.

Six new stores were opened during the year and at year end there were 152 stores operating across Australia.

### Outlook

Officeworks will continue to drive growth and productivity by executing its proven and well-established strategy, the central focus of which is to provide customers with a unique experience in 'every channel' – anywhere, anyhow, anytime. Key focus areas in the 2015 financial year will include continued merchandising innovation, further enhancement of the physical and online store experiences, and ongoing investment in the team to ensure the business is delivering great service and remains a great place to work and shop.

By providing customers with all their requirements at the lowest prices, Officeworks aspires to be a one stop shop for its student, small-to-medium business and household customers.

Tight market conditions and a competitive environment during the 2015 financial year are expected to result in modest sales growth and continued margin pressure.

## Kmart

Full-year ended 30 June (\$m)	2014	2013	Variance %
Revenue	4,209	4,167	1.0
EBIT	366	344	6.4
EBIT margin (%)	8.7	8.3	
ROC (R12, %)	26.9	25.9	
Safety (R12, LTIFR)	7.0	9.2	
Total sales growth (%) <sup>a</sup>	0.9	2.7	
Comparable store sales growth (%) <sup>a</sup>	0.5	2.1	

<sup>a</sup> 2014 growth reflects the 52 week period 1 July 2013 to 29 June 2014 and the 52 week period 2 July 2012 to 30 June 2013. 2013 growth reflects the 53 week period 25 June 2012 to 30 June 2013 and the 53 week period 27 June 2011 to 1 July 2012.

### Performance review

Kmart delivered revenue for the year of \$4.2 billion and EBIT of \$366 million, up 6.4 per cent on the prior year. EBIT margin also improved, increasing 44 basis points on the prior corresponding period to 8.7 per cent.

Kmart achieved total store sales growth of 0.9 per cent for the year<sup>6</sup> with comparable store sales increasing 0.5 per cent. Excluding the effect of the removal of Christmas lay-by and the Toy Sale event in July 2013, comparable store sales increased 1.0 per cent. For the fourth quarter<sup>7</sup>, total sales increased 2.2 per cent to \$1.0 billion, with comparable store sales increasing 1.5 per cent.

Kmart's sales growth was underpinned by a strong increase in customer transactions and units sold, which more than offset price deflation as the business continued to invest efficiencies in lower prices. The fourth quarter represented the eighteenth consecutive quarter of growth in customer transactions and units sold.

Earnings growth was achieved through improvements in range assortment, sourcing, inventory management and costs of doing business. Initiatives in these areas more than offset the impact of the depreciation of the Australian dollar over the year.

Earnings growth drove an improvement in return on capital, which increased by 101 basis points to 26.9 per cent.

Investment in the store network increased with five new Kmart stores opened, including one replacement store, and the completion of 16 Kmart store refurbishments. Three Kmart stores were temporarily closed during the year to enable the future opening of improved replacement stores.

At 30 June 2014 there were 192 Kmart stores and 243 Kmart Tyre & Auto Service centres.

### Outlook

Kmart's focus will remain on delivering growth through its key strategies: volume retailing, operational excellence, adaptable stores and a high performance culture.

The safety of all team members, customers and suppliers remains a key priority and Kmart will continue its focus on ethical sourcing standards.

Kmart will continue to invest in the store network and in the 2015 financial year expects to complete 33 store refurbishments and open 11 new Kmart stores.

<sup>6</sup> Financial Year 2014 for the 52 week period 1 July 2013 to 29 June 2014 and Financial Year 2013 for the 52 week period 2 July 2012 to 30 June 2013.

<sup>7</sup> Financial Year 2014 for the 13 week period 31 March 2014 to 29 June 2014 and Financial Year 2013 for the 13 week period 25 March 2013 to 23 June 2013.

## Target

Full-year ended 30 June (\$m)	2014	2013	Variance %
Revenue	3,501	3,658	(4.3)
EBIT <sup>a</sup>	86	136	(36.8)
EBIT margin (%)	2.5	3.7	
ROC (R12, %)	2.9	4.6	
Safety (R12, LTIFR)	5.7	8.4	
Total sales growth (%) <sup>b</sup>	(4.2)	(1.7)	
Comparable store sales growth (%) <sup>b</sup>	(5.3)	(3.3)	

<sup>a</sup> 2014 excludes a \$677 million impairment of Target's goodwill (reported as a NTI).

<sup>b</sup> 2014 growth reflects the 52 week period 30 June 2013 to 28 June 2014 and the 52 week period 1 July 2012 to 29 June 2013. 2013 growth reflects the 53 week period 24 June 2012 to 29 June 2013 and the 53 week period 26 June 2011 to 30 June 2012.

### Performance review

Target's revenue for the year declined 4.3 per cent to \$3.5 billion, with EBIT of \$86 million recorded. Total sales declined 4.2 per cent for the year<sup>8</sup>, with comparable store sales declining 5.3 per cent. For the fourth quarter<sup>9</sup>, total sales were 2.4 per cent below last year, with comparable store sales declining 4.2 per cent.

Target's results for the 2014 financial year reflected a challenging and competitive environment. The progressive introduction of a 'first price right price' strategy resulted in price deflation being made ahead of sourcing benefits.

The business also implemented many changes as part of its focus on fixing the basics. This included high levels of clearance activity to manage excess aged and seasonal stock and the non-repeat of heavy promotional sales. The adverse earnings impact from these activities was offset by a number of benefits, which are not expected to be repeated, from changes to inventory processes, a return to historical stock loss levels and lower costs of doing business mainly due to reduced consulting costs.

Progress was made in a number of areas with organisational capability significantly improved, and product rationalisation progressed with a stock keeping unit (SKU) reduction of 22 per cent. Operational improvements were also made in store standards, queue reduction, stock availability and the online experience, although much work remains to be done. Encouragingly, customers responded positively when improved fashion, style and quality were delivered at lower prices.

During the year, 11 stores were opened, including three replacement stores, and 11 stores were closed. There were 308 Target stores at the end of the year.

### Outlook

Target will continue to implement significant change during the second year of its transformation, with the focus remaining on fixing the basics. Earnings in the first half of the 2015 financial year will be dependent upon management of winter clearance activity and Christmas trading.

Improved ranges will be delivered for spring/summer 2015, supported by better sourcing, and SKU rationalisation will continue. Further improvements in customer experience are expected to be delivered through investments in service and improved stock availability from enhanced replenishment capability.

Target will maintain a strong focus on cost control, with initiatives during the 2015 financial year focused on delivering improvements in store productivity and rationalising the supply chain network. Initiatives to improve the store format will continue to be trialled.

<sup>8</sup> Financial Year 2014 for the 52 week period 30 June 2013 to 28 June 2014 and Financial Year 2013 for the 52 week period 1 July 2012 to 29 June 2013.

<sup>9</sup> Financial Year 2014 for the 13 week period 30 March 2014 to 28 June 2014 and Financial Year 2013 for the 13 week period 24 March 2013 to 22 June 2013.

## Chemicals, Energy and Fertilisers

Full-year ended 30 June (\$m)		2014	2013	Variance %
<b>Revenue</b>	Chemicals	730	731	(0.1)
	Energy <sup>a</sup>	592	577	2.6
	Fertilisers	490	497	(1.4)
	<b>Total</b>	1,812	1,805	0.4
EBITDA <sup>b</sup>		314	348	(9.8)
Depreciation and amortisation		(93)	(99)	(6.1)
<b>EBIT<sup>b</sup></b>		221	249	(11.2)
Sales volume ('000t)	Chemicals	807	819	(1.5)
	LPG	243	265	(8.3)
	Fertilisers	939	933	0.6
ROC (R12, %) <sup>b</sup>		14.4	17.8	
Safety (R12, LTIFR)		3.1	5.1	

<sup>a</sup> Includes Kleenheat Gas and ALWA (prior to the sale of the 40 per cent interest in ALWA in December 2013).

<sup>b</sup> Includes ALWA earnings for the period prior to divestment in December 2013 (excludes a \$95 million gain on sale of 40 per cent interest in ALWA, reported as a NTI).

### Performance review

During the year safety performance improved significantly.

Operating revenue of \$1.8 billion was in line with last year, with volume declines in the LPG and chemicals businesses offset by firmer pricing. EBIT was \$221 million, down 11.2 per cent on the prior year due to lower earnings in the chemicals and Kleenheat Gas businesses, which were partially offset by improved fertiliser earnings.

In December 2013, Wesfarmers announced the sale of its 40 per cent interest in ALWA, which resulted in a \$95 million gain on sale. As a result, no earnings were recorded from ALWA in the second half. In April 2014, Kleenheat Gas also announced that it had agreed to sell its east coast LPG distribution business to Elgas Limited, subject to a number of conditions precedent, including clearance by the ACCC.

#### *Ammonium nitrate expansion*

The expansion of ammonium nitrate production capacity at Kwinana, Western Australia, by 260,000 tonnes per annum (tpa) to 780,000 tpa was successfully completed during the year within its budgeted cost of \$550 million (plus capitalised interest) and time frames. Pleasingly, the project recorded no lost time injuries over the two million hours spent on construction and commissioning activities.

#### *Chemicals*

As previously foreshadowed, second-half earnings from the chemicals businesses were below last year, largely due to reduced ammonium nitrate production volumes resulting from planned and unplanned plant shutdowns. The unscheduled outage of the nitric acid/ammonium nitrate number two plant (NA/AN2) at Kwinana from 11 December 2013 to early March 2014 adversely affected earnings as a result of reduced production and repair costs. This remains the subject of an insurance claim. Equity accounted earnings from the 50 per cent interest in Queensland Nitrates were also below the previous year due to reduced sales volumes.

The ammonia business achieved good production performance which reduced the extent of imports that would have been otherwise required. Ammonia sales volumes were slightly below last year, with the unplanned NA/AN2 outage offsetting increased demand for ammonia following the ammonium nitrate production capacity expansion. Overall, earnings from the ammonia business were slightly below last year, in part due to the introduction of new gas supply arrangements for a portion of gas requirements following the expiry of a historical, long-term contract.

Earnings from the sodium cyanide business were below last year as a result of reduced margins from less favourable market conditions due to lower gold prices. Good production outcomes helped fractionalise costs following the completion of the expansion of sodium cyanide production capacity at Kwinana. The expansion was delivered within budgeted cost and time frames.

Australian Vinyls' performance was significantly improved on recent years, with increased sales tonnes recorded due to stronger construction activity in the second half. High input costs relative to PVC selling prices and a strong Australian dollar continued to affect margins.

### *Energy*

Kleenheat Gas earnings continued to reflect a decline in LPG production economics and were, as expected, below the prior year. LPG production for the year was 25.1 per cent below the prior year due to further declines in LPG content in the Dampier to Bunbury natural gas pipeline. Kleenheat Gas' natural gas retailing business continued to build its market position during the year and recorded an improvement in earnings. LNG business performance was below the previous corresponding period as lower pricing offset higher production and sales volumes.

### *Fertilisers*

Fertiliser earnings recovered during the second half, offsetting the impact of lower nitrogen sales in the first half as a result of dry conditions in June 2013. The performance of the fertilisers business was assisted by a record grain harvest in Western Australia, better financial outcomes for the majority of growers and an improvement in margins on the previous year.

### **Outlook**

The ammonium nitrate business is expected to benefit from a full-year of expanded production from the third ammonium nitrate train at Kwinana. This will be partially offset by the loss of carbon abatement income (approximately \$20 million in the 2015 financial year). Ammonia earnings are expected to be negatively affected by higher gas input costs (approximately \$30 million in the 2015 financial year) and a planned shutdown in the first half of the 2015 financial year. Both businesses will be subject to international commodity pricing and exchange rates.

Demand for sodium cyanide is expected to be influenced by gold pricing, while Australian Vinyls' performance is expected to continue to experience challenging production economics.

Kleenheat Gas earnings continue to be dependent upon international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline, which is expected to remain at current low levels.

Fertiliser earnings, as always, remain dependent upon a good seasonal break in the second half of the financial year when the majority of sales occur. A strong 2013 harvest and therefore an improvement in the financial position of many Western Australian farmers leading into the 2014 growing season supports a positive outlook for the fertilisers business.

## Resources

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>Revenue</b>	1,544	1,539	0.3
Royalties <sup>a</sup>	(221)	(262)	15.6
Mining and other costs	(1,033)	(978)	(5.6)
<b>EBITDA</b>	290	299	(3.0)
Depreciation and amortisation	(160)	(151)	(6.0)
<b>EBIT</b>	130	148	(12.2)
ROC (R12, %)	8.9	10.0	
Coal production ('000 tonnes)	15,759	13,730	14.8
Safety (R12, LTIFR)	0.6	1.9	

<sup>a</sup> Includes Stanwell royalty expense for 2014 of \$102 million and for 2013 of \$154 million.

### Performance review

Revenue of \$1.5 billion for the year was in line with the prior year, with record production volumes offsetting a significant decline in export metallurgical and steaming coal prices compared to the previous year.

EBIT of \$130 million was 12.2 per cent below last year, with export coal price declines partly mitigated by lower royalty payments and further reductions in unit mine cash costs. Royalties were 15.6 per cent lower than last year due to a reduction in Stanwell rebate payments following lower export metallurgical coal prices, while state government royalties of \$119 million (for both Curragh and Bengalla combined) were up 10.2 per cent due to stronger volumes and sales. Mining and other costs increased during the year as a result of higher production and sales activity.

#### *Curragh (QLD)*

Metallurgical coal sales volumes of 8.78 million tonnes were 21.7 per cent above the prior year. Steaming coal sales volumes of 3.57 million tonnes were 12.8 per cent higher than the prior corresponding period and reflected contract commitments. Metallurgical coal production for the year of 8.81 million tonnes was 19.4 per cent above the previous year and steaming coal production of 3.50 million tonnes was 7.5 per cent higher. Operating efficiency improved during the year through a continued focus on cost control and productivity. This resulted in unit mine cash costs (excluding carbon tax) being 11.1 per cent lower than the previous year. Through strong cost control and a favourable geological sequence, Curragh recorded average unit mine cash costs in the second half 37 per cent below the peak recorded in the first half of the 2012 financial year.

In January 2014, the Resources division acquired MDL 162 for \$70 million. MDL 162 is located between and adjacent to Wesfarmers Resources' Curragh and Curragh North mining leases, with the acquisition to augment the total base of coal reserves potentially available for mining and processing at Curragh's coal handling and preparation plants. The additional coal reserves are expected to extend Curragh's mine life and provide future options to optimise mine operations, with further work required to convert MDL 162 to a mining lease.

#### *Bengalla (NSW)*

Sales volumes from the Bengalla mine, in which Wesfarmers holds a 40 per cent interest, were up 13.8 per cent on the preceding year with production volumes up 11.5 per cent. Cost control at Bengalla was strongly managed, with unit mine cash costs (excluding carbon tax) 12.4 per cent below the prior year.

Bengalla's 'capital light' expansion to 10.7 mtpa Run of Mine was approved in July 2014 for ramp-up in the 2016 financial year.

### Outlook

For the 2015 financial year, Curragh's metallurgical coal sales volume is forecast to be in the range of 7.5 to 8.5 million tonnes, subject to mine operating performance, weather and key infrastructure availability. The strong focus on operational productivity and cost control will continue.

## Industrial and Safety

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>Revenue</b>	1,621	1,647	(1.6)
EBITDA	161	192	(16.1)
Depreciation and amortisation	(30)	(27)	(11.1)
<b>EBIT</b>	131	165	(20.6)
EBIT margin (%)	8.1	10.0	
ROC (R12, %)	11.6	14.7	
Safety (R12, TRIFR)	11.6	14.3	

### Performance review

Financial performance for the division in the period was affected by reduced demand from most industrial market sectors, especially mining and manufacturing, and margin pressures due to customers' continued focus on cost reduction. Revenue declined 1.6 per cent to \$1.6 billion and EBIT of \$131 million was \$34 million lower than the prior year.

In Australia, revenues at Blackwoods, Protector Alsafe and Bullivants were affected by reduced mining activity, especially in the coal industry. Pleasingly, sales growth was achieved by Coregas, benefiting from better value, increased collaboration with Blackwoods and advanced trials to distribute industrial gas to a number of Bunnings stores. New Zealand operations recorded increased sales.

During the year, the division acquired Greencap, a safety, property and environmental risk management and compliance services business, strengthening the division's safety services capabilities. The inclusion of Greencap assisted Australian-based revenues and earnings, albeit contributing only in the second half of the financial year.

The division continued to focus on developing stronger and deeper relationships with key customers, while providing improved customer service and innovative supply solutions, including the development of integrated supply offers for large customers. eBusiness continued to be a priority with the division seeking to deliver sales growth through its online businesses as well as an improved Blackwoods offer to the small to medium enterprise (SME) sector.

Throughout the year, the division's supply chain and distribution capabilities were enhanced by the completion of new distribution centres in Sydney, Adelaide and Mackay. The recently completed Blackwoods Sydney facility introduced leading edge automated warehouse technology, which is expected to provide efficiency and performance benefits.

To strengthen the overall network, and in response to challenging market conditions, 25 underperforming branches were closed during the year and 13 locations were added to the network mainly through acquisition. The Coregas network also saw a net increase of 13 gas distribution points, as a result of 29 openings and 16 closures.

### Outlook

Market conditions are expected to remain subdued with limited volume recovery and strong margin pressure likely to continue. In response to the challenging conditions, the division will focus on growing market share through being more efficient and customer centric and maximising its share of customer spend.

Following the strengthening in recent years of information technology infrastructure, the division will commence the implementation of a new enterprise resource planning system over coming years, which is expected to improve productivity and service capabilities and better position the division for future growth.

The division will also actively target acquisition opportunities to complement organic growth, where it believes satisfactory returns can be achieved.



## Insurance

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>Revenue</b>	2,167	2,083	4.0
EBITA Underwriting	168	136	23.5
EBITA Broking <sup>a</sup>	65	86	(24.4)
EBITA Other	-	(4)	<i>n.m.</i>
<b>EBITA Insurance Division</b>	233	218	6.9
<b>EBITA Insurance Division (excluding EQ2)<sup>b</sup></b>	278	218	27.5
<b>EBIT Insurance Division</b>	220	205	7.3
ROC (R12%) <sup>c</sup>	14.7	14.7	
Safety (R12, LTIFR)	1.7	2.0	
Combined operating ratio (%) (excluding EQ2) <sup>b</sup>	90.4	95.3	
EBITA margin (Broking) (%)	23.3	29.3	

<sup>a</sup> Reflects earnings for 11 months ending 31 May 2014 prior to the sale of the broking and premium funding businesses.

<sup>b</sup> Excludes a \$45 million impact on underwriting earnings from reserve increases in relation to EQ2.

<sup>c</sup> ROC would be 17.7 per cent excluding the EQ2 reserve increase.

### Performance review

Operating revenue of \$2.2 billion was 4.0 per cent higher than the previous corresponding period. Gross earned premium from underwriting increased 9.0 per cent, partially offset by a decrease in broking revenue of 5.1 per cent due to the part-year contribution from the broking business<sup>10</sup>.

EBIT for the year was \$220 million, 7.3 per cent above the prior year, largely driven by improved loss ratios and favourable claims experiences within the Australian underwriting business, offset by lower broking earnings due to the part-year contribution. Excluding an unfavourable \$45 million impact from reserve increases in the first half in relation to the 22 February 2011 Christchurch Earthquake (EQ2), EBIT increased 29.3 per cent to \$265 million. The earnings result for the division was pleasing given the disruption to normal business operations as a result of the divestment processes.

Solid growth in gross written premium during the year reflected growth in volumes in Coles Insurance personal lines, the rural portfolio in Australia and across most portfolios in New Zealand. Premium rate increases slowed through the year with some softening of rates in a number of commercial lines. Strong growth in sales of Coles motor and home products resulted in more than 350,000 policies in force at 30 June 2014, up from approximately 200,000 at 30 June 2013.

During the year, the underwriting operations continued to invest in information technology and efficiency initiatives, including the completion of enhanced pricing functionality within personal lines, and further product improvements within the Coles Insurance business. The underlying combined operating ratio (excluding the impact of EQ2) for the underwriting business was 90.4 per cent, with natural perils claims below internal allowances and most portfolios across Australia and New Zealand recording an improvement in claims experiences.

Actuarial reserving for the Christchurch Earthquake remained stable in the second half and the New Zealand operations continued to support customers through the claims process. Approximately 75 per cent of outstanding claims resulting from this event had been settled at 30 June 2014.

Broking earnings were lower than the previous corresponding period, reflecting 11 months of earnings prior to the sale of the business to Arthur J Gallagher. On a comparable basis revenue and earnings were above the prior period. During the year, the New Zealand broking business experienced strong revenue and earnings growth, which offset challenging conditions for OAMPS Australia, due to difficult trading conditions in the SME sector and softening in premium rates during the year.

<sup>10</sup> Reflects earnings for 11 months ending 31 May 2014 prior to the sale of the broking and premium funding businesses.

## Other

Full-year ended 30 June (\$m)	Holding %	2014	2013	Variance %
<b>Share of profit/loss of associates:</b>				
Gresham	Various	1	(10)	<i>n.m.</i>
Wespine	50	7	5	40.0
BWP Trust	24	37	27	37.0
<b>Sub-total</b>		45	22	104.5
Interest revenue		10	13	(23.1)
Other		(64)	(46)	(39.1)
Corporate overheads		(113)	(108)	(4.6)
<b>Total Other (excluding NTIs)</b>		(122)	(119)	(2.5)
Non-trading items <sup>a</sup>		364	-	<i>n.m.</i>
<b>Total Other (including NTIs)</b>		242	(119)	<i>n.m.</i>

<sup>a</sup> 2014 includes a \$1,040 million gain on disposal of the Insurance division, a \$95 million gain on disposal of WesCEF's interest in ALWA, a \$677 million impairment of Target's goodwill and a \$94 million Coles Liquor restructuring provision.

Other businesses and corporate overheads reported an expense of \$122 million for the year excluding NTIs, compared to an expense of \$119 million in the previous corresponding period.

Earnings from the Group's share of profit from associates were \$45 million compared to \$22 million last year. During the period, the Group's investment in the BWP Trust generated earnings of \$37 million, up from \$27 million recorded last year. Wesfarmers' share of earnings recorded by the Gresham Private Equity Funds and Gresham Partners increased to \$1 million from a loss of \$10 million recorded in the prior year.

Interest revenue declined to \$10 million from \$13 million last year and corporate overheads increased by \$5 million to \$113 million. Other expenses increased \$18 million to \$64 million due to an increase in self-insurance provisioning following the Insurance division sale.

Non-trading items of \$364 million (pre-tax) were recorded during the year, which comprised a \$1,040 million gain on disposal of the Insurance division, a \$95 million gain on disposal of the 40 per cent interest in ALWA, a \$677 million impairment of Target's goodwill and a \$94 million Coles Liquor restructuring provision.

The impairment charge to Target's goodwill was non-cash in nature and largely reflected an increase in the risk-adjusted discount rate applied to Target's expected future cash flows. The impairment charge to goodwill represented 4.5 per cent of the Group's carrying amount of goodwill at 30 June 2013 (excluding goodwill associated with the Insurance division).

Wesfarmers has created substantial value across other Group divisions and notably across the portfolio of other acquired Coles Group businesses (Coles, Kmart and Officeworks) where overall the value created since the acquisition in 2007 significantly exceeds this impairment charge. The applicable accounting standards, under which Target's impairment charge has been made, do not allow Wesfarmers to recognise these increases in value in its accounts.

The Coles Liquor provision relates to future activities to be implemented during financial year 2015 largely associated with store network restructuring, which is intended to enable the Liquor business to improve the customer experience, increase store network productivity and establish a solid base for future growth.

## CASH FLOW, FINANCING, DIVIDENDS AND CAPITAL MANAGEMENT

Full-year ended 30 June (\$m)	2014	2013	Variance %
<b>Cash flow</b>			
Operating cash flows	3,226	3,931	(17.9)
Gross capital expenditure	2,233	2,331	(4.2)
Net capital expenditure	1,216	1,672	(27.3)
Free cash flow	4,178	2,171	92.4
<b>Balance sheet and credit metrics</b>			
Net debt	3,401	5,259	(35.3)
Finance costs	363	432	(16.0)
Effective cost of debt (%)	5.43	6.65	(18.3)
Interest cover (cash basis) (R12, times)	15.9	12.2	30.3
Fixed charges cover (R12, times)	3.2	3.0	6.7
Net debt to equity (%)	13.1	20.2	(35.1)
<b>Dividends per share (cents per share)</b>			
Full-year ordinary dividend	190	180	5.6
Special 'Centenary' dividend	10	-	n.m.
Total dividend	200	180	11.1

### Cash flow

Operating cash flows for the year of \$3,226 million were \$705 million below last year, with a cash realisation ratio<sup>11</sup> of 92 per cent recorded.

As compared to last year, cash realisation was adversely affected by lower working capital cash flows from the retail portfolio. Reduced working capital cash flows reflect increased retail inventory as a result of store network growth, year-end timing differences that resulted in an additional creditor payment run for Coles, 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 affecting creditor payments in Coles, a cash realisation ratio of 101 per cent was recorded.

Gross capital expenditure of \$2,233 million was \$98 million or 4.2 per cent below the prior corresponding period. 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 ammonium nitrate and sodium cyanide capacities at Kwinana and the acquisition of MDL 162.

Proceeds from the sale of property, plant and equipment during the year were \$358 million above the prior year, resulting in net capital expenditure \$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.

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

<sup>11</sup> Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant and non-trading items.

## Financing

Finance costs decreased to \$363 million for the year, compared with \$432 million last year, with the Group's effective borrowing cost decreasing 122 basis points to 5.43 per cent as compared to the prior corresponding period. The reduction in borrowing costs was as a result of successful refinancing initiatives completed in recent financial years and more efficient use of intra-month cash receipts towards debt reduction.

Net debt, comprising interest bearing liabilities less cash at bank and on deposit, was \$3,401 million, 35.3 per cent below the net debt position at 30 June 2013 with the proceeds from the sale of the Insurance division at the end of the period contributing to the decrease in net debt. Gearing remains at a comfortable level.

Business growth and balance sheet management resulted in further improvement in liquidity metrics, with cash interest cover<sup>12</sup> increasing to 15.9 times from 12.2 times at 30 June 2013, and fixed charges cover increasing to 3.2 times from 3.0 times.

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 half year.

## Dividends

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 lower rate of growth in the final dividend as compared to the interim dividend reflects a partial rebalancing of these payments to better align to the Group's earnings profile.

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 dividends 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 dividends.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the Plan), with the Plan available to all dividends. The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 15 consecutive trading days from 5 September 2014 to 25 September 2014 inclusive.

No discount will apply to the allocation price and the Plan will not be underwritten. In consideration of Wesfarmers' current capital structure and strong balance sheet, any shares to be issued under the Plan will be acquired on-market and transferred to participants on 9 October 2014.

## Capital management

In November 2013, the Group returned \$579 million to shareholders via a capital return of 50 cents per fully-paid ordinary share and partially protected share, which was accompanied by a proportionate share consolidation through the conversion of one share into 0.9876 shares.

As announced to the Australian Securities Exchange (ASX) today, Wesfarmers directors intend to seek shareholder approval to undertake further capital management, in addition to the 10 cents per share special 'Centenary' dividend, via a distribution to shareholders of \$1.00 per fully-paid ordinary share. This will represent an additional distribution to shareholders of approximately \$1.1 billion.

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<sup>12</sup> Calculated on a rolling 12 month basis.

This capital management is being made to equitably return a portion of the Group's current surplus capital to shareholders. This is expected to ensure a more efficient capital structure while maintaining sufficient balance sheet and financing flexibility for the Group to be able to take advantage of value accretive opportunities should they arise.

The form of the distribution is dependent upon a ruling from the ATO, but is likely to comprise both a capital component and a fully-franked dividend component. The capital component is expected to represent between 65 per cent and 75 per cent of the distribution, and a fully-franked dividend component will make up the balance. It is intended that the Dividend Investment Plan will apply to the dividend component of the distribution.

This distribution will be accompanied by an equal and proportionate share consolidation of the capital component that will enable Wesfarmers to provide an earnings per share outcome on this amount similar to that which would result from a share buy-back, whilst also ensuring that all shareholders receive an equal cash distribution per share. The share consolidation will be implemented in a manner which ensures that each shareholder's proportionate interest in Wesfarmers remains unchanged post the distribution, subject to the rounding up of fractional entitlements.

The distribution will also be dependent upon approval by Wesfarmers shareholders at the AGM on 20 November 2014. The ATO ruling is expected before the AGM, with a detailed explanation of the proposal and confirmation of the timetable to be included with the AGM notice of meeting. Should all conditions be met, shareholders are expected to receive their payments in early December 2014.

### Partially protected shares

During the year, the trigger for early reclassification of Wesfarmers partially protected shares into Wesfarmers ordinary shares occurred. As a result, partially protected shares were reclassified into ordinary shares on 9 December 2013 on a one for one basis.

## APPENDIX ONE

### 2014 FOURTH QUARTER AND FULL-YEAR RETAIL SALES RESULTS

#### HEADLINE RETAIL SALES RESULTS

Full-Year Sales (\$m)	2014	2013	Variance (%)
Food & Liquor <sup>1,2</sup>	28,896	27,593	4.7
Convenience <sup>1,3</sup>	8,137	7,820	4.1
<b>Total Coles</b>	<b>37,033</b>	<b>35,413</b>	<b>4.6</b>
Home Improvement <sup>4,5</sup>	8,537	7,652	11.6
Office Supplies <sup>4</sup>	1,574	1,504	4.7
<b>Total Home Improvement and Office Supplies</b>	<b>10,111</b>	<b>9,156</b>	<b>10.4</b>
<b>Kmart<sup>1</sup></b>	<b>4,194</b>	<b>4,156</b>	<b>0.9</b>
<b>Target<sup>6</sup></b>	<b>3,496</b>	<b>3,648</b>	<b>(4.2)</b>

Fourth Quarter Sales (\$m)	2014	2013	Variance (%)
Food & Liquor <sup>2,8</sup>	7,167	6,816	5.1
Convenience <sup>3,8</sup>	1,966	1,901	3.4
<b>Total Coles</b>	<b>9,133</b>	<b>8,717</b>	<b>4.8</b>
Home Improvement <sup>5,9</sup>	2,021	1,784	13.3
Office Supplies <sup>9</sup>	385	375	2.7
<b>Total Home Improvement and Office Supplies</b>	<b>2,406</b>	<b>2,159</b>	<b>11.4</b>
<b>Kmart<sup>8</sup></b>	<b>984</b>	<b>963</b>	<b>2.2</b>
<b>Target<sup>10</sup></b>	<b>809</b>	<b>829</b>	<b>(2.4)</b>

<sup>1</sup> Financial Year 2014 for the 52 week period 1 July 2013 to 29 June 2014. Financial Year 2013 for the 52 week period 2 July 2012 to 30 June 2013.

<sup>2</sup> Includes hotels, excludes gaming revenue and property income.

<sup>3</sup> Includes fuel sales.

<sup>4</sup> Financial Year 2014 and Financial Year 2013 for the 12 month period 1 July to 30 June.

<sup>5</sup> Includes cash and trade sales, excludes property income.

<sup>6</sup> Financial Year 2014 for the 52 week period 30 June 2013 to 28 June 2014. Financial Year 2013 for the 52 week period 1 July 2012 to 29 June 2013.

<sup>8</sup> Financial Year 2014 for the 13 week period 31 March 2014 to 29 June 2014. Financial Year 2013 for the 13 week period 25 March 2013 to 23 June 2013.

<sup>9</sup> Financial Year 2014 and Financial Year 2013 for the three month period 1 April to 30 June.

<sup>10</sup> Financial Year 2014 for the 13 week period 30 March 2014 to 28 June 2014. Financial Year 2013 for the 13 week period 24 March 2013 to 22 June 2013.

## APPENDIX TWO

### 2014 FOURTH QUARTER AND FULL-YEAR RETAIL SALES RESULTS

#### KEY METRICS

Key Metrics (%)	Fourth Quarter 2014 <sup>1</sup>	Full-Year 2014 <sup>2</sup>
<b>COLES</b>		
<b>Food &amp; Liquor<sup>3</sup></b>		
Comparable store sales growth (Food)	4.5	4.2
Comparable store sales growth (Food & Liquor)	4.1	3.7
Price inflation/(deflation)	(1.0)	(1.3)
<b>Convenience</b>		
Total fuel volume growth	(6.2)	(3.5)
Comparable fuel volume growth	(7.1)	(3.9)
Total convenience store sales growth (excl. fuel sales)	9.1	6.0
Comparable convenience store sales growth (excl. fuel sales)	7.5	5.5
<b>HOME IMPROVEMENT<sup>4</sup></b>		
Total store sales growth	13.5	11.7
Store-on-store sales growth	10.3	8.4
<b>OFFICE SUPPLIES</b>		
Total sales growth	2.7	4.7
<b>KMART</b>		
Comparable store sales growth <sup>5</sup>	1.5	0.5
<b>TARGET</b>		
Comparable store sales growth <sup>5</sup>	(4.2)	(5.3)

<sup>1</sup> 2014 growth for Coles and Kmart reflects the 13 week period 31 March 2014 to 29 June 2014 and the 13 week period 25 March 2013 to 23 June 2013; for Home Improvement represents the three month period 1 April 2014 to 30 June 2014 and 1 April 2013 to 30 June 2013; and for Target represents the 13 week period 30 March 2014 to 28 June 2014 and the 13 week period 24 March 2014 to 22 June 2013.

<sup>2</sup> 2014 growth for Coles and Kmart reflects the 52 week period 1 July 2013 to 29 June 2014 and the 52 week period 2 July 2012 to 30 June 2013; for Home Improvement represents the 12 month period 1 July 2013 to 30 June 2014 and 1 July 2012 to 30 June 2013; and for Target represents the 52 week period 30 June 2013 to 28 June 2014 and the 52 week period 1 July 2012 to 29 June 2013.

<sup>3</sup> Includes hotels, excludes gaming revenue and property income.

<sup>4</sup> Includes cash and trade sales, excludes property income.

<sup>5</sup> Comparable store sales include lay by sales. Lay by sales are excluded from total sales under Australian Accounting Standards.

## APPENDIX THREE

## WESFARMERS RETAIL OPERATIONS – STORE NETWORK

	Open at 1 Jul 2013	Opened	Closed	Re-branded	Open at 30 Jun 2014
<b>COLES</b>					
<b>Supermarkets</b>					
Coles	722	19	(9)	13	745
Bi-Lo	34	-	(4)	(13)	17
<b>Total Supermarkets</b>	<b>756</b>	<b>19</b>	<b>(13)</b>	<b>-</b>	<b>762</b>
<b>Liquor</b>					
1st Choice	92	8	(2)	-	98
Vintage Cellars	79	-	(2)	-	77
Liquorland	639	33	(16)	-	656
Hotels	92	-	(2)	-	90
<b>Total Liquor</b>	<b>902</b>	<b>41</b>	<b>(22)</b>	<b>-</b>	<b>921</b>
<b>Convenience</b>	<b>636</b>	<b>11</b>	<b>(5)</b>	<b>-</b>	<b>642</b>
<b>Selling Area (m<sup>2</sup>)</b>					
Supermarkets	1,656,520	n.a.	n.a.	n.a.	1,692,642
Liquor (excluding hotels)	199,178	n.a.	n.a.	n.a.	205,179
<b>HOME IMPROVEMENT</b>					
Bunnings Warehouse	210	20	(7)	-	223
Bunnings smaller formats	67	4	(7)	-	64
Bunnings Trade Centres	36	1	(4)	-	33
<b>OFFICE SUPPLIES</b>					
Officeworks	149	6	(4)	-	151
Harris Technology	1	-	-	-	1
<b>KMART</b>					
Kmart	190	5	(3)	-	192
Kmart Tyre & Auto	263	3	(23)	-	243
<b>TARGET</b>					
Large	178	6	(4)	-	180
Small	130	5	(7)	-	128



## APPENDIX FOUR

## FIVE-YEAR HISTORY – FINANCIAL PERFORMANCE AND KEY METRICS

## GROUP FINANCIAL PERFORMANCE

Full-year ended 30 June (\$m) <sup>1</sup>	2014	2013	2012	2011	2010
<b>Summarised income statement</b>					
Revenue	62,348	59,832	58,080	54,875	51,827
EBITDA	5,273	4,729	4,544	4,155	3,786
Depreciation and amortisation	(1,123)	(1,071)	(995)	(923)	(917)
EBIT	4,150	3,658	3,549	3,232	2,869
Finance costs	(363)	(432)	(505)	(526)	(654)
Income tax expense	(1,098)	(965)	(918)	(784)	(650)
NPAT	2,689	2,261	2,126	1,922	1,565
Profit from continuing operations <sup>2</sup>	1,605	2,128	n.a.	n.a.	n.a.
Profit from discontinued operations <sup>2</sup>	1,084	133	n.a.	n.a.	n.a.
<b>Summarised balance sheet</b>					
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 debt	3,401	5,259	4,904	4,343	4,035
<b>Summarised cash flow statement</b>					
Operating cash flows	3,226	3,931	3,641	2,917	3,327
Net capital expenditure	(1,216)	(1,672)	(2,351)	(1,846)	(1,626)
Investing cash flows	952	(1,760)	(2,169)	(1,876)	(1,696)
Financing cash flows	(3,444)	(1,965)	(1,242)	(1,784)	(2,115)
Free cash flow	4,178	2,171	1,472	1,041	1,631
<b>Distributions to shareholders (cents per share)</b>					
Interim ordinary dividend per share	85	77	70	65	55
Final ordinary dividend per share	105	103	95	85	70
Full-year ordinary dividend per share	190	180	165	150	125
Special dividend per share	10	-	-	-	-
Total dividend per share	200	180	165	150	125
Capital return paid per share	50	-	-	-	-
<b>Key performance metrics</b>					
Earnings per share (cents per share)	234.6	195.9	184.2	166.7	135.7
Operating cash flow per share (cents per share) <sup>3</sup>	281.0	339.7	314.6	252.1	287.5
Cash realisation ratio (%) <sup>4</sup>	92	118	117	103	129
Return on equity (R12, %)	10.5	8.9	8.4	7.7	6.4
Net tangible asset backing per share (\$ per share)	6.14	4.69	4.45	4.12	3.61
Interest cover (cash basis) (R12, times)	15.9	12.2	10.8	9.5	6.8
Fixed charges cover (R12, times)	3.2	3.0	2.9	2.7	2.4

<sup>1</sup> All figures are presented as last reported.

<sup>2</sup> 2014 and 2013 income statement balances have been restated for the classification of the Insurance division as a discontinued operation.

<sup>3</sup> Calculated by dividing operating cash flows by the weighted average number of ordinary shares (including reserved shares) on issue during the year.

<sup>4</sup> Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant and non-trading items.

## DIVISIONAL KEY PERFORMANCE METRICS

Full-year ended 30 June (\$m) <sup>1</sup>	2014	2013	2012	2011	2010
<b>COLES</b>					
<b>Divisional performance</b>					
Revenue	37,391	35,780	34,117	32,073	30,002
EBITDA	2,157	1,987	1,785	1,567	1,364
Depreciation and amortisation	(485)	(454)	(429)	(401)	(402)
EBIT	1,672	1,533	1,356	1,166	962
ROC (R12, %)	10.3	9.5	8.7	7.8	6.5
Capital expenditure (cash basis)	1,016	1,187	1,193	761	719
<b>Food &amp; Liquor</b>					
Revenue <sup>2</sup>	29,220	27,933	26,561	25,282	23,731
Trading EBIT <sup>2</sup>	1,536	1,368	1,232	1,071	867
EBIT margin (%)	5.3	4.9	4.6	4.2	3.7
Headline sales growth (%) <sup>3,4</sup>	4.7	5.5	4.6	6.3	5.6
Comparable store sales growth (%) <sup>3,4</sup>	3.7	4.3	3.7	6.3	5.0
<b>Convenience</b>					
Revenue	8,171	7,847	7,556	6,791	6,247
Trading EBIT	136	165	124	95	77
Headline sales growth (%) <sup>3,5</sup>	4.1	4.0	11.5	8.5	(0.4)
Total fuel volume growth (%) <sup>3</sup>	(3.5)	5.4	3.5	2.1	1.9
Comparable fuel volume growth (%) <sup>3</sup>	(3.9)	2.3	2.8	2.3	0.7
Total convenience store sales growth (%) <sup>3</sup>	6.0	1.5	0.2	2.0	5.5
Comparable convenience store sales growth (%) <sup>3</sup>	5.5	(0.8)	(1.5)	0.9	3.3
<b>HOME IMPROVEMENT &amp; OFFICE SUPPLIES</b>					
<b>Divisional performance</b>					
Revenue	10,121	9,167	8,644	8,251	7,822
EBITDA	1,230	1,145	1,065	1,004	916
Depreciation and amortisation	(148)	(148)	(139)	(122)	(114)
EBIT	1,082	997	926	882	802
Capital expenditure (cash basis)	557	549	587	613	445
<b>Home Improvement</b>					
Revenue	8,546	7,661	7,162	6,780	6,413
EBITDA	1,106	1,028	957	903	822
Depreciation and amortisation	(127)	(124)	(116)	(101)	(94)
EBIT <sup>6</sup>	979	904	841	802	728
Trading EBIT margin (%)	11.3	11.7	11.6	11.8	11.4
ROC (R12, %)	29.3	25.9	25.9	28.0	30.4
Headline sales growth (%)	11.6	7.0	5.6	5.7	10.4
Store sales growth (%)	11.7	7.2	5.9	5.6	9.4
Store-on-store sales growth (%)	8.4	4.4	3.9	3.0	6.9

<sup>1</sup> All figures are presented as last reported.

<sup>2</sup> Includes property for 2011 to 2014. Coles property includes surplus lease provision for 2011 of \$18 million.

<sup>3</sup> Based on retail period (rather than Gregorian reporting). Refer to respective full-year retail sales results announcements for applicable retail period.

<sup>4</sup> Includes hotels, excludes gaming revenue and property income.

<sup>5</sup> Includes fuel sales.

<sup>6</sup> Includes net property contribution for 2014 of \$13 million; 2013 of \$8 million; for 2012 of \$9 million; for 2011 of \$6 million; and for 2010 of \$0 million.

**DIVISIONAL KEY PERFORMANCE METRICS (CONT'D)**

Full-year ended 30 June (\$m) <sup>1</sup>	2014	2013	2012	2011	2010
<b>HOME IMPROVEMENT &amp; OFFICE SUPPLIES</b>					
<b>Office Supplies</b>					
Revenue	1,575	1,506	1,482	1,471	1,409
EBITDA	124	117	108	101	94
Depreciation and amortisation	(21)	(24)	(23)	(21)	(20)
EBIT	103	93	85	80	74
EBIT margin (%)	6.5	6.2	5.7	5.4	5.3
ROC (R12, %)	9.4	8.1	7.1	6.7	6.3
Headline sales growth (%)	4.7	1.6	0.7	4.4	8.0
<b>KMART</b>					
Revenue	4,209	4,167	4,055	4,036	4,019
EBITDA	448	415	332	268	254
Depreciation and amortisation	(82)	(71)	(64)	(64)	(58)
EBIT	366	344	268	204	196
EBIT margin (%) <sup>2</sup>	8.7	8.3	6.6	5.0	4.7
ROC (R12, %) <sup>3</sup>	26.9	25.9	18.9	15.0	21.8
Capital expenditure (cash basis)	162	95	134	105	73
Headline sales growth (%) <sup>4</sup>	0.9	2.7	0.0	0.4	0.4
Comparable store sales growth (%) <sup>4</sup>	0.5	2.1	0.0	0.3	(0.1)
<b>TARGET</b>					
Revenue	3,501	3,658	3,738	3,782	3,825
EBITDA	167	216	317	348	449
Depreciation and amortisation	(81)	(80)	(73)	(68)	(68)
EBIT <sup>5</sup>	86	136	244	280	381
EBIT margin (%)	2.5	3.7	6.5	7.4	10.0
ROC (R12, %) <sup>3</sup>	2.9	4.6	8.4	9.7	11.7
Capital expenditure (cash basis)	78	81	65	87	88
Headline sales growth (%) <sup>4</sup>	(4.2)	(1.7)	(1.8)	(1.2)	0.9
Comparable store sales growth (%) <sup>4</sup>	(5.3)	(3.3)	(2.1)	(1.2)	(0.9)

<sup>1</sup> All figures are presented as last reported.

<sup>2</sup> Excludes earnings relating to Coles Group Asia overseas sourcing for 2011 of \$3 million and for 2010 of \$6 million.

<sup>3</sup> 2010 ROC reported prior to the reallocation of \$486 million of goodwill from Target to Kmart.

<sup>4</sup> Based on retail period (rather than Gregorian reporting). Refer to respective full-year retail sales results announcements for applicable retail period.

<sup>5</sup> 2012 includes a \$40 million restructuring provision.

## DIVISIONAL KEY PERFORMANCE METRICS (CONT'D)

Full-year ended 30 June (\$m) <sup>1</sup>	2014	2013	2012	2011	2010
<b>CHEMICALS, ENERGY &amp; FERTILISERS<sup>2</sup></b>					
<b>Divisional performance</b>					
Chemicals revenue	729	731	698	647	606
Energy revenue <sup>3</sup>	592	577	561	541	510
Fertilisers revenue	491	497	527	453	454
Total revenue	1,812	1,805	1,786	1,641	1,570
EBITDA <sup>3,4</sup>	314	348	348	379	293
Depreciation and amortisation	(93)	(99)	(90)	(96)	(97)
EBIT <sup>3,4</sup>	221	249	258	283	196
ROC (R12, %)	14.4	17.8	20.1	21.8	14.3
Capital expenditure (cash basis)	172	262	167	63	45
<b>Sales volumes ('000 t)</b>					
Chemicals	807	819	843	806	778
LPG <sup>3</sup>	243	265	283	301	311
Fertilisers	939	933	941	854	913
<b>RESOURCES</b>					
<b>Divisional performance<sup>5</sup></b>					
Revenue	1,544	1,539	2,132	1,778	1,416
Royalties <sup>6</sup>	(221)	(262)	(368)	(229)	(252)
Mining and other costs <sup>7</sup>	(1,033)	(978)	(1,175)	(1,061)	(879)
EBITDA	290	299	589	488	285
Depreciation and amortisation	(160)	(151)	(150)	(119)	(120)
EBIT	130	148	439	369	165
ROC (R12, %)	8.9	10.0	29.5	28.5	14.4
Capital expenditure (cash basis)	163	79	392	372	228
<b>Curragh export metallurgical sales mix (%)</b>					
Hard	38	40	38	41	47
Semi	31	31	22	23	21
PCI	31	29	40	36	32
<b>Mine performance – Curragh (Qld) (mt)</b>					
Metallurgical coal production volumes	8,810	7,380	7,217	5,383	6,613
Steaming coal production volumes	3,498	3,254	2,884	2,470	2,470
Metallurgical coal sales volumes <sup>8</sup>	8,779	7,212	7,151	5,334	6,633
Steaming coal sales volumes	3,570	3,166	2,946	2,568	2,463
<b>Mine performance – Bengalla (NSW) (mt)<sup>9</sup></b>					
Steaming coal production volumes	3,451	3,096	2,335	2,243	2,243
Steaming coal sales volumes	3,446	3,028	2,356	2,410	2,111

<sup>1</sup> All figures are presented as last reported.<sup>2</sup> 2010 restated to reflect divisional restructure.<sup>3</sup> Includes Kleenheat Gas, ALWA prior to December 2013 divestment, Bangladesh LPG joint venture prior to January 2012 divestment and enGen prior to August 2011 divestment.<sup>4</sup> Includes \$9 million earnings from Hismelt air separation unit agreement termination payment in 2012 and includes \$42 million and \$5 million in 2011 and 2010 respectively in relation to insurance proceeds.<sup>5</sup> Includes Premier Coal results for the period until divestment on 30 December 2011. Gain on disposal of Premium Coal was excluded and reported as part of Other earnings.<sup>6</sup> Includes Stanwell royalty expense for 2014 of \$102 million; 2013 of \$154 million; for 2012 of \$219 million; for 2011 of \$113 million; and for 2010 of \$156 million.<sup>7</sup> 2012 includes one-off costs at Curragh of \$55 million associated with final flood recovery and mine ramp-up ahead of expansion.<sup>8</sup> Excludes traded coal.<sup>9</sup> Wesfarmers' attributable volumes.

**DIVISIONAL KEY PERFORMANCE METRICS (CONT'D)**

Full-year ended 30 June (\$m) <sup>1</sup>	2014	2013	2012	2011	2010
<b>INDUSTRIAL &amp; SAFETY<sup>2</sup></b>					
Revenue	1,621	1,647	1,690	1,557	1,412
EBITDA	161	192	217	192	168
Depreciation and amortisation	(30)	(27)	(27)	(26)	(30)
EBIT	131	165	190	166	138
EBIT margin (%)	8.1	10.0	11.2	10.7	9.8
ROC (R12, %)	11.6	14.7	16.0	13.1	10.5
Capital expenditure (cash basis)	51	50	49	32	30
<b>INSURANCE</b>					
Revenue	2,167	2,083	1,915	1,739	1,698
EBITDA	261	243	36	47	146
Depreciation	(28)	(25)	(19)	(17)	(15)
EBITA	233	218	17	30	131
EBIT <sup>3</sup>	220	205	5	20	122
ROC (R12 %)	14.7	14.7	0.4	1.6	9.1
Capital expenditure (cash basis)	31	25	34	24	26

<sup>1</sup> All figures are presented as last reported.

<sup>2</sup> 2010 restated to reflect divisional restructure.

<sup>3</sup> 2014 and 2012 include a \$45 million and \$108 million impact respectively on underwriting earnings from reserve increases in relation to EQ2.

**RETAIL OPERATIONS – STORE NETWORK**

Open at 30 June	2014	2013	2012	2011	2010
<b>COLES</b>					
<b>Supermarkets</b>					
Coles	745	722	710	696	691
Bi-Lo	17	34	39	45	51
<b>Total Supermarkets</b>	<b>762</b>	<b>756</b>	<b>749</b>	<b>741</b>	<b>742</b>
<b>Liquor</b>					
1st Choice	98	92	84	76	73
Vintage Cellars	77	79	80	83	78
Liquorland	656	639	628	626	615
Hotels	90	92	92	93	96
<b>Total Liquor</b>	<b>921</b>	<b>902</b>	<b>884</b>	<b>878</b>	<b>862</b>
<b>Convenience</b>	<b>642</b>	<b>636</b>	<b>627</b>	<b>620</b>	<b>619</b>
<b>Selling Area (m<sup>2</sup>)</b>					
Supermarkets	1,692,642	1,656,520	1,630,168	1,599,271	1,586,494
Liquor (excluding hotels)	205,179	199,178	190,247	184,442	181,011
<b>HOME IMPROVEMENT</b>					
Bunnings Warehouse	223	210	206	194	184
Bunnings smaller formats	64	67	58	59	58
Bunnings Trade Centres	33	36	36	36	29
<b>OFFICE SUPPLIES</b>					
Officeworks	151	149	139	135	128
Harris Technology	1	1	2	4	5
<b>KMART</b>					
Kmart	192	190	185	187	186
Kmart Tyre & Auto	243	263	260	251	251
<b>TARGET<sup>1</sup></b>					
Large	180	178	179	172	171
Small	128	130	122	119	119

<sup>1</sup> 2010 to 2012 Large stores refer to Target stores and Small stores refer to Target Country stores.