

Half-year Report

For the six months ended 31 December 2014

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Wesfarmers Limited as at 30 June 2014 together with any public announcements made by Wesfarmers Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Wesfarmers Limited and its controlled entities

Half-year Report for the six months ended 31 December 2014

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DIRECTORS' REPORT

The directors of Wesfarmers Limited submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of the directors in office during the half-year and until the date of this report are shown below:

R L Every, AO (Non-Executive Chairman)
P M Bassat
T J Bowen (Finance Director)
C B Carter, AM (Non-Executive Director – retired 20 November 2014)
R J B Goyder, AO (Managing Director)
J P Graham, AM (Non-Executive Director)
A J Howarth, AO (Non-Executive Director)
C Macek (Non-Executive Director – retired 20 November 2014)
W G Osborn (Non-Executive Director)
D L Smith-Gander (Non-Executive Director)
V M Wallace (Non-Executive Director)
J A Westacott (Non-Executive Director)

Directors were in office for the entire period unless otherwise stated.

REVIEW OF RESULTS AND OPERATIONS

Wesfarmers Limited today reported a net profit after tax (NPAT) from continuing operations¹ of \$1,376 million for the half-year ended 31 December 2014, an increase of 8.3 per cent on the prior corresponding period. Earnings per share from continuing operations rose 9.6 per cent, and return on equity (R12)^{1,2} from continuing operations and excluding non-trading items (NTIs) increased 77 basis points to 9.7 per cent.

Reported NPAT, which includes the results from discontinued operations¹ in the prior corresponding period, decreased 3.7 per cent, while return on equity (R12) increased 100 basis points to 10.4 per cent.

It was pleasing for the Group to have recorded a solid increase in underlying profit for the first half.

Despite variability in the domestic economy and volatility in global markets, the Group delivered a pleasing increase in underlying earnings in the half which demonstrated the benefits of its conglomerate structure.

Continued strong performances in the Group's retail portfolio supported good growth in retail earnings. The trading momentum of the retail businesses improved through the half, culminating in a strong performance in the important Christmas period.

Lower earnings were recorded from the Group's industrial businesses, where lower commodity prices resulted in challenging trading conditions.

The increase of four cents per share in interim dividend, to 89 cents per share, reflects the underlying earnings growth recorded and the continued strong cash generation of the businesses. During the half, the capital management distribution of \$1.00 per share was also completed following the successful sale of the Group's Insurance division.

¹ The Insurance division (classified as a discontinued operation) contributed \$99 million and \$63 million of pre-tax and post-tax earnings respectively in the first half of the 2014 financial year, and \$121 million and \$82 million of pre-tax and post-tax earnings respectively in the second half of the 2014 financial year. Discontinued operations for the 2014 half-year also includes the \$95 million gain (pre and post-tax) on disposal of WesCEF's interest in Air Liquide WA (ALWA).

² NTIs for the 12 month period to 31 December 2014 include \$196 million of post-tax earnings (which include a \$939 million gain on disposal of the Insurance division, a \$677 million non-cash impairment of Target's goodwill and a \$66 million Coles Liquor restructuring provision).

PERFORMANCE OVERVIEW - DIVISIONAL

Coles

Earnings before interest and tax (earnings or EBIT) at Coles increased 7.1 per cent to \$895 million for the period on overall sales growth of 2.8 per cent. Food and liquor sales grew 5.3 per cent.

Coles' performance was driven by another good result from supermarkets. Sales momentum continued during the half as ongoing productivity improvements and efficiencies funded greater investment in lower prices. Further improvement in the quality and availability of fresh food also supported growth in customer transactions, basket size and sales density. Coles is actively working with its suppliers to strengthen long-term relationships to deliver quality and value in an increasingly competitive market.

Early initiatives of the Coles Liquor turnaround program focused on price investment, inventory management, range rationalisation and store network optimisation. Convenience earnings were lower, driven largely by reduced fuel volumes which were partially offset by improved store sales as the business continued to improve its customer offer.

Home Improvement and Office Supplies

Bunnings' earnings increased 10.0 per cent to \$618 million on sales growth of 11.9 per cent.

Sales and earnings growth accelerated during the period reflecting ongoing improvements in price, range and service. Bunnings executed its strategic agenda well, continuing to effectively manage costs, expand its commercial offer and drive merchandise innovation. Disciplined capital management, including the effects of active property cycling, assisted a strong improvement in return on capital.

Officeworks' earnings of \$50 million were 19.0 per cent higher for the period, with sales growth of 7.7 per cent recorded.

Positive trading momentum continued at Officeworks, with merchandise category expansion, improved store layouts and further improvement in the business-to-business segment supporting sales growth and margin expansion.

Department stores retailing

Kmart's earnings grew 11.2 per cent to \$289 million for the period on sales growth of 5.3 per cent.

Kmart's strong result, which included accelerated sales growth in the second quarter, reflected its continued focus on investing business efficiencies in lower prices and improving its product range. The sales growth also reflected a higher contribution from new store openings and store refurbishment activity.

Target's earnings of \$70 million were in line with the prior year, while sales were 1.8 per cent lower.

Target's earnings performance was impacted by a challenging September quarter, where there was a need for high levels of winter clearance activity. Sales performance improved during the second quarter and earnings increased as the implementation of Target's transformation plan gathered pace.

Industrial

The Group's industrial divisions continued to operate in difficult external environments, with commodity price declines reducing business activity in many industrial sectors. In this environment, the Group's industrial divisions focused hard on controllable factors, achieving strong production plant performances and further cost efficiencies.

Earnings for the Chemicals, Energy and Fertilisers division of \$95 million were down 13.6 per cent.

An improved contribution from the fertilisers business was more than offset by a significant decline in Kleenheat Gas' performance as a result of lower international benchmark LPG pricing and lower LPG content in the Dampier to Bunbury natural gas pipeline. Earnings from the chemicals business were slightly below the prior year, affected by gas input cost increases and the loss of carbon abatement income, which offset increased ammonium nitrate earnings following the recent plant capacity expansion at Kwinana.

The Resources division delivered earnings of \$35 million, 40.7 per cent below the prior corresponding period. Export coal prices were lower than the prior corresponding period and more than offset higher sales volumes and further effective control of mining costs.

The Industrial and Safety division recorded earnings of \$50 million, \$23 million below the prior period. Focus by key customers on ongoing cost reduction and reducing business activity led to a very difficult sales market and pressure on margins.

Other businesses and cash flows

Other businesses and corporate overheads reported an expense from continuing operations of \$26 million for the period, compared to an expense of \$52 million in the previous corresponding period.

Free cash flows were \$1,269 million, \$253 million above the prior corresponding period, with higher operating cash flows more than offsetting higher net capital expenditure.

Operating cash flows of \$2,281 million were \$524 million or 29.8 per cent above the prior corresponding period, largely as a result of increased working capital cash flows. Period-end timing differences with regards to creditors, and a strong focus on stock management, contributed to the increased working capital cash flows.

Gross capital expenditure of \$1,207 million was \$47 million or 4.1 per cent above the prior corresponding period. Net capital expenditure was 61.4 per cent or \$342 million above the prior corresponding period as a result of lower proceeds from the sale of property, plant and equipment due to the non-repeat of strong retail property disposal activity in the prior period.

OUTLOOK

As the domestic economy transitions from a period of reliance on high levels of resource investment, the Group is generally optimistic in its outlook. The Group's portfolio of retail businesses is positioned well in an environment where, notwithstanding low interest rates and recent declines in fuel prices, consumers continue to manage household budgets carefully.

The Group's retail businesses will continue to improve customer offers through innovation in merchandising and better service for customers. Focus will also remain on driving productivity gains, supply chain efficiencies and cost savings, and reinvestment into more value for customers. Customer reach is expected to further improve through continued growth and optimisation of store networks and advancement of online offers.

The Group's industrial businesses will continue their strong focus on operational productivity to maintain and, where possible, lower cost positions. At current commodity prices the external trading environment is expected to remain challenging. The Group's low cost operations provide earnings leverage should market conditions improve.

Wesfarmers will continue to actively develop and manage its portfolio of businesses, maintaining a strong balance sheet in order to take advantage of opportunities, should they arise, to support the delivery of satisfactory long-term shareholder returns.

GROUP RESULTS SUMMARY

Half-year ended 31 December (\$m)	2014	2013	Variance %
Key financials			
Revenue	31,970	31,853	0.4
EBITDA	2,657	2,710	(2.0)
EBIT	2,076	2,154	(3.6)
EBIT (from continuing operations) ^a	2,076	1,960	5.9
NPAT	1,376	1,429	(3.7)
NPAT (from continuing operations) ^a	1,376	1,271	8.3
Return on equity (R12, %)	10.4	9.4	100 bps
Return on equity (R12, %) (from continuing operations and excluding NTIs) ^{a,b}	9.7	9.0	77 bps
Cash flow			
Operating cash flow	2,281	1,757	29.8
Net capital expenditure	(899)	(557)	(61.4)
Free cash flow	1,269	1,016	24.9
Share data (cents per share)			
Earnings	121.0	124.2	(2.6)
Earnings (from continuing operations) ^a	121.0	110.4	9.6
Operating cash flow (wanos, incl. res shares)	200.1	152.2	31.5
Interim ordinary dividend	89	85	4.7
Balance sheet and gearing			
Net debt	5,139	6,039	(14.9)
Interest cover (cash basis) (R12, times)	18.1	13.8	31.2
Fixed charges cover (R12, times)	3.1	3.0	3.3
Debt to EBITDA (R12, times)	1.0	1.1	(9.1)
Free funds from operations to Debt (R12, %)	27.5	28.0	(1.8)

DIVISIONAL EARNINGS SUMMARY

Half-year ended 31 December (\$m)	2014	2013	Variance %
EBIT			
Coles	895	836	7.1
Home Improvement	618	562	10.0
Office Supplies	50	42	19.0
Kmart	289	260	11.2
Target	70	70	-
Chemicals, Energy and Fertilisers ^c	95	110	(13.6)
Resources	35	59	(40.7)
Industrial and Safety	50	73	(31.5)
Divisional EBIT (from continuing operations)	2,102	2,012	4.5
Other	(26)	(52)	50.0
Group EBIT (from continuing operations)	2,076	1,960	5.9
Discontinued operations	-	194	n.c.
Group EBIT	2,076	2,154	(3.6)

^a The Insurance division (classified as a discontinued operation) contributed \$99 million and \$63 million of pre-tax and post-tax earnings respectively in the first half of the 2014 financial year, and \$121 million and \$82 million of pre-tax and post-tax earnings respectively in the second half of the 2014 financial year. Discontinued operations for the 2014 half-year also includes the \$95 million gain (pre and post-tax) on disposal of WesCEF's interest in Air Liquide WA (ALWA).

^b NTIs for the 12 month period to 31 December 2014 include \$196 million of post-tax earnings (which include a \$939 million gain on disposal of the Insurance division, a \$677 million non-cash impairment of Target's goodwill and a \$66 million Coles Liquor restructuring provision).

^c Earnings for the 2014 half-year exclude the \$95 million gain on sale of the 40 per cent interest in ALWA, reported as a discontinued operation.

DIVISIONAL PERFORMANCE REVIEW & OUTLOOK

Coles

Half-year ended 31 December (\$m)		2014	2013	Variance %
Revenue		19,483	18,946	2.8
EBITDA		1,171	1,076	8.8
Depreciation and amortisation		(276)	(240)	(15.0)
EBIT		895	836	7.1
ROC (R12, %)		10.6	10.0	
Safety (R12, LTIFR)		7.6	8.7	
Food & Liquor	Revenue ^a	15,559	14,770	5.3
	Headline sales growth (%) ^{b,c}	5.3	4.7	
	Comparable sales growth (%) ^{b,c}	4.2	3.6	
	Trading EBIT ^d	821	755	8.7
	EBIT margin (%)	5.3	5.1	
Convenience	Revenue	3,924	4,176	(6.0)
	Total store sales growth (%) ^b	11.5	2.6	
	Comparable fuel volume growth (%) ^b	(6.9)	(0.7)	
	Trading EBIT	74	81	(8.6)

^a Includes property revenue for the half-year ended 31 December 2014 of \$15 million and for the half-year ended 31 December 2013 of \$13 million.

^b December 2014 growth reflects the 27 week period 30 June 2014 to 4 January 2015 and the 27 week period 1 July 2013 to 5 January 2014. December 2013 growth reflects the 27 week period 1 July 2013 to 5 January 2014 and the 27 week period 2 July 2012 to 6 January 2013.

^c Includes hotels, excludes gaming revenue and property.

^d Includes property EBIT for the half-year ended 31 December 2014 of \$8 million and for the half-year ended 31 December 2013 of \$10 million.

Performance review

Coles' operating revenue increased \$537 million to \$19.5 billion and EBIT grew at 7.1 per cent to \$895 million. Return on capital (R12) increased 66 basis points to 10.6 per cent.

Food and Liquor

Key performance metrics in food and liquor improved, with revenue growing by \$789 million to \$15.6 billion and EBIT increasing 8.7 per cent to \$821 million. Ongoing improvements in productivity and operational efficiencies funded greater investment in lower selling prices, driving increased customer transactions, volume, average basket size and sales density.

Headline food and liquor sales for the first half³ were 5.3 per cent above the prior corresponding period. Comparable food and liquor store sales increased 4.2 per cent, with comparable food store sales increasing 4.8 per cent.

For the second quarter⁴, headline food and liquor sales increased 4.9 per cent to \$8.5 billion. Coles recorded comparable food and liquor store sales growth of 4.0 per cent and comparable food store sales growth of 4.7 per cent.

Food and liquor price deflation was 0.7 per cent for the first half³ and 0.9 per cent in the second quarter⁴. Deflation across the half was supported by Coles' increasing investment in lower prices for customers through the 'Every Day' price campaign, strong promotions, Coles brand value alternatives and targeted flybuys offers which provided customers with additional value.

Continuous improvement in the quality of fresh food was a key focus, with the roll-out of 'Easy Ordering' in meat and bakery and 'Assisted Ordering' in fresh produce completed in the half. These initiatives improved productivity, availability and quality, and contributed to increased fresh sales, volumes and participation levels.

³ Financial Year 2015 for the 27 week period 30 June 2014 to 4 January 2015 and the 27 week period 1 July 2013 to 5 January 2014.

⁴ Financial Year 2015 for the 14 week period 29 September 2014 to 4 January 2015 and Financial Year 2014 for the 14 week period 30 September 2013 to 5 January 2014.

As part of Coles' strategy to enter into deeper and more collaborative partnerships with local producers, Coles entered into a 10 year contract with Sundrop Farms for the supply of truss tomatoes. This contract will ensure year-round supply for customers, create 300 new jobs in regional Australia and is an example of Coles' long-term commitment to supporting its suppliers to invest in highly innovative technology.

During the period, Coles incurred legal expenses and payments to the Australian Competition and Consumer Commission (ACCC), additional employee entitlements expenses due to the effect of lower government bond rates on employee provisions and costs associated with the August 2014 store support centre transformation. These impacts were offset by lower electricity costs and a one-off increase in other income following the change in ownership of Coles' fuel alliance partner.

Coles continued to improve its supermarket network, opening 14 supermarkets and closing five supermarkets during the half with net space growth of 3.0 per cent in the 12 months to 31 December 2014. Coles' commitment to improving and ensuring a consistent customer experience across its store network resulted in the refurbishment of 60 supermarkets during the half, with 492 stores or 64 per cent of the store network in the renewal format at the end of the half.

Coles Liquor experienced a challenging first half as it commenced implementing its long-term transformation plans. Key priorities were progressed including the clearance of excess and inactive stock, range rationalisation and the first stage of price reductions to provide better value for customers. Early progress was also made in reshaping the store network, with 38 liquor stores opened and 16 liquor stores closed.

At 31 December 2014, Coles had a total of 771 supermarkets, 853 liquor stores and 91 hotels.

Convenience

Coles Express recorded revenue of \$3.9 billion, 6.0 per cent lower than the previous corresponding period. Convenience EBIT declined 8.6 per cent to \$74 million on lower fuel volumes.

Total Coles Express sales decreased 6.2 per cent for the first half⁵ with total sales for the second quarter⁶ decreasing 9.7 per cent to \$2.1 billion due to lower fuel volumes and lower fuel prices.

For the half⁵, total fuel volumes declined 4.6 per cent, with comparable volumes down 6.9 per cent. Total fuel volumes declined 6.0 per cent for the second quarter⁶, with comparable volumes down 8.9 per cent. The undertaking to the ACCC, which became effective from 1 January 2014 and capped supermarket docket discounts to a maximum of four cents per litre, contributed to the reduced fuel volumes.

Convenience store sales increased 11.5 per cent for the half⁵, an increase of 8.1 per cent on a comparable store basis. For the second quarter⁶, convenience store sales increased 11.8 per cent with comparable store sales growth of 8.0 per cent recorded. The growth in convenience store sales reflects a positive customer response to Coles Express' focus on improving its value proposition and the effect of tobacco excise increases.

During the half, Coles Express accelerated its store network roll-out program, opening 12 sites and closing two sites. Coles Express opened eight sites and closed one site in the second quarter. As at 31 December 2014, there were 652 Coles Express sites.

Outlook

Coles expects customers to continue to seek more value and in an increasingly competitive landscape Coles will continue to drive growth through further improving its fresh food offer and providing customers even greater value and quality.

Ongoing investment in value will continue to be funded by savings generated through operational efficiencies and reduced costs of doing business. A key project in driving this outcome is Project Unity, which seeks to improve the end-to-end flow of products from suppliers to customers, increase distribution centre and transport efficiencies and reduce working capital.

Coles' strong focus on transforming the Liquor business will continue, while Coles Express will drive growth through expanding its network and further improvements in its fuel and shop offer.

⁵ Financial Year 2015 for the 27 week period 30 June 2014 to 4 January 2015 and the 27 week period 1 July 2013 to 5 January 2014.

⁶ Financial Year 2015 for the 14 week period 29 September 2014 to 4 January 2015 and Financial Year 2014 for the 14 week period 30 September 2013 to 5 January 2014.

HOME IMPROVEMENT & OFFICE SUPPLIES

Home Improvement

Half-year ended 31 December (\$m)	2014	2013	Variance %
Revenue	4,959	4,434	11.8
EBITDA	686	625	9.8
Depreciation and amortisation	(68)	(63)	(7.9)
EBIT	618	562	10.0
EBIT margin (%)	12.5	12.7	
ROC (R12, %)	31.6	27.6	
Safety (R12, AIFR)	27.6	29.4	

Performance review

Operating revenue from the Bunnings business increased 11.8 per cent to \$5.0 billion. EBIT of \$618 million was 10.0 per cent higher than the prior corresponding period.

Total store sales growth of 11.7 per cent was achieved, with store-on-store sales increasing 9.1 per cent. The strong result builds on the momentum of prior periods, with strong sales uplifts achieved in both consumer and commercial areas, across all merchandising categories and within all trading regions. Trading performance improved, with total sales in the second quarter increasing 12.6 per cent and total store sales increasing 12.4 per cent. Store-on-store sales increased 9.8 per cent in the second quarter.

The good trading performance is a direct outcome of a strategic agenda targeting long-term value creation by strengthening core business elements and focusing on multiple growth drivers. Ongoing growth in customer numbers confirms the favourable response from consumer and commercial customers to a number of actions reinforcing and extending the key elements of a winning offer; price, range and service.

The increase in EBIT resulted from the positive trading performance, productivity improvements and operating cost disciplines, which were partially offset by the creation of more value for customers and higher network development costs. Re-investment in the existing network increased during the half, together with the ongoing investment in new stores and the property pipeline. Strong earnings growth, disciplined capital management and good project execution led to a strong uplift in return on capital.

During the period, 12 trading locations were opened, including eight new Bunnings Warehouse stores, one smaller format Bunnings store and three trade centres. At the end of the period there were 228 warehouses, 63 smaller format stores and 33 trade centres operating in the Bunnings network across Australia and New Zealand.

Outlook

The business is well placed to continue achieving sales growth. Good progress is being made in each of the growth drivers within Bunnings' strategic agenda; delivering more customer value, better customer experiences, extending brand reach, expanding commercial and further merchandise innovation. Actions and investments aimed at strengthening the Bunnings business and supporting future expansion will also continue, including building a stronger team, flowing stock better, lifting productivity and deepening community involvement.

The digital and network elements of the work extending brand reach provide significant opportunity, and include the expansion of Bunnings' digital ecosystem and the strong pipeline for network expansion. Twenty new Bunnings Warehouse stores are expected to open in the 2015 financial year, with similar numbers forecast for the following financial year.

Investment in the network and business infrastructure will be complemented by a continued focus on efficient capital management to maintain return on capital levels.

OFFICE SUPPLIES

Half-year ended 31 December (\$m)	2014	2013	Variance %
Revenue	802	745	7.7
EBITDA	61	53	15.1
Depreciation and amortisation	(11)	(11)	-
EBIT	50	42	19.0
EBIT margin (%)	6.2	5.6	
ROC (R12, %)	10.5	8.7	
Safety (R12, AIFR)	20.5	25.8	

Performance review

Officeworks' operating revenue increased 7.7 per cent to \$802 million. EBIT of \$50 million was 19.0 per cent higher than the prior corresponding period.

Customers continued to respond favourably to Officeworks' 'every channel' strategy, with sales growth achieved online and in store. The introduction of new merchandise categories and upgraded in-store layouts supported strong uplifts in sales and margin. Strong sales momentum continued during the second quarter, with sales 7.5 per cent above the prior corresponding period.

Recent improvements to the online platform supported an enhanced customer experience, and annualised sales through the online channel exceeded \$200 million at the end of the half. Continued investment in the business-to-business offer also contributed to the positive results recorded.

Strong sales growth, productivity improvements and disciplined capital management saw return on capital rise above ten per cent for the first time since the change of ownership in November 2007, with return on capital of 10.5 per cent being 180 basis points higher than at the same time last year.

Three new stores were opened during the half and, at the end of December, there were 153 stores operating across Australia.

Outlook

Officeworks will continue to drive growth and productivity by executing its strategic agenda, the central focus of which is to provide customers with a unique yet consistent experience in 'every channel' – anywhere, anyhow, anytime. Key focus areas in the second half include continued merchandising expansion and innovation, further enhancement of the physical and online store experiences, and ongoing investment in the team to ensure Officeworks continues to be the one stop shop for its student, small-to-medium business and household customers.

KMART

Half-year ended 31 December (\$m)	2014	2013	Variance %
Revenue	2,442	2,321	5.2
EBITDA	333	299	11.4
Depreciation and amortisation	(44)	(39)	(12.8)
EBIT	289	260	11.2
EBIT margin (%)	11.8	11.2	
ROC (R12, %)	29.0	26.8	
Safety (R12, LTIFR)	7.1	8.0	
Total sales growth (%) ^a	5.3	1.7	
Comparable store sales growth (%) ^a	2.4	0.3	

^a 2014 growth reflects the 27 week period 30 June 2014 to 4 January 2015 and the 27 week period 1 July 2013 to 5 January 2014. 2013 growth reflects the 27 week period 1 July 2013 to 5 January 2014 and the 27 week period 2 July 2012 to 6 January 2013.

Performance review

Kmart achieved revenue of \$2.4 billion and EBIT of \$289 million, representing EBIT growth of 11.2 per cent on the prior corresponding period. Return on capital increased by 215 basis points to 29.0 per cent.

Kmart's total store sales increased 5.3 per cent for the half⁷ with comparable store sales increasing 2.4 per cent. Sales growth was driven by store refurbishments, new store openings and strong category performance of apparel seasonal outerwear and core ranges in Toys and Home. Further price reductions and increased value across the product range also contributed to sales growth.

During the second quarter⁸, total sales increased 7.0 per cent to \$1.5 billion, with comparable store sales increasing 3.4 per cent. The improved sales performance in the second quarter reflected strong performances from seasonal outerwear in mens and childrenswear and Christmas-related categories.

Improved product ranges, strong inventory management and continued cost control contributed to the increased earnings, with benefits from these initiatives assisting to offset the impact of a lower Australian dollar.

During the period, Kmart continued to invest in the store network, opening eight new stores, including two replacement stores, and completing 15 store refurbishments. There were 200 Kmart stores as at 31 December 2014.

Five new Kmart Tyre & Auto Service (KTAS) centres were also opened, and two closed, with 246 KTAS centres at the end of the half.

Outlook

Kmart's focus remains on delivering growth through its key strategies: volume retailing, operational excellence, adaptable stores and a high performance culture. Specific initiatives that are expected to continue to deliver growth include improvements to range architecture, inventory management and in-store efficiency.

Kmart remains committed to lowering prices to maintain the lowest price position in the market and, as a result, investing in price will continue to be a key focus with the goal of making Kmart irresistible to all customers.

The business will maintain strong ethical sourcing standards, with the safety of all team members, customers and suppliers remaining a key priority.

Kmart will continue to invest in the store network and expects three new stores to be opened and 16 store refurbishments to be completed in the second half.

⁷ Financial Year 2015 for the 27 week period 30 June 2014 to 4 January 2015 and Financial Year 2014 for the 27 week period 1 July 2013 to 5 January 2014.

⁸ Financial Year 2015 for the 14 week period 29 September 2014 to 4 January 2015 and Financial Year 2014 for the 14 week period 30 September 2013 to 5 January 2014.

TARGET

Half-year ended 31 December (\$m)	2014	2013	Variance %
Revenue	1,935	1,965	(1.5)
EBITDA	112	113	(0.9)
Depreciation and amortisation	(42)	(43)	2.3
EBIT	70	70	-
EBIT margin (%)	3.6	3.6	
ROC (R12, %)	3.2	1.9	
Safety (R12, LTIFR)	4.9	7.3	
Total sales growth (%) ^a	(1.8)	(4.4)	
Comparable store sales growth (%) ^a	(1.0)	(4.2)	

^a 2014 growth reflects the 27 week period 29 June 2014 to 3 January 2015 and the 27 week period 30 June 2013 to 4 January 2014. 2013 growth reflects the 27 week period 30 June 2013 to 4 January 2014 and the 27 week period 1 July 2012 to 5 January 2013.

Performance review

Target's revenue declined 1.5 per cent to \$1.9 billion, while EBIT was in line with last year at \$70 million. For the half⁹, sales declined 1.8 per cent and comparable store sales declined 1.0 per cent.

Sales momentum improved through the half, with second quarter¹⁰ headline and comparable stores sales flat on the prior corresponding period.

Target's earnings reflected a particularly challenging first quarter, in which additional markdowns were taken to clear excessive winter inventory. During the second quarter, EBIT improved year-on-year following the reduction of unprofitable promotions, lower markdown spend and reduced operating costs.

Operationally, early progress was made on Target's transformation plan, with the business continuing to transition away from over-ordering and over-promotion to instead investing in lower prices as part of its 'first price, right price' strategy. Pleasingly, this corresponded with Target serving more customers and selling more items than in the prior corresponding period.

New range and merchandise planning processes have driven initial improvements in fashion, style and quality, and began supporting a better delineation of Target's 'good, better, best' range architecture. Direct sourcing also began to increase and the rationalisation of the supplier base was accelerated, with both initiatives helping support the investment in lower pricing for customers. Operational improvements also included a focus on putting the right people in the right roles and simplifying core processes.

Innovation in Target's online business delivered a 40 per cent increase in online sales against last year, with Target's website recording strong traffic growth during the Christmas period.

Capital investment focused on delivering a more engaging future customer experience through trials of new format stores, with early results encouraging. Investment was also made in improving supply chain systems, with the opening of three new regional replenishment centres that are expected, over time, to deliver improved availability and supply chain efficiencies.

During the half, nine stores were opened, including four replacement stores, with eight underperforming stores closed. There were 309 stores at the end of the half.

Outlook

Target will continue to implement its transformation plan with a strong focus on fixing the basics. Target's execution of its 'Great Quality. Lower Prices. Every Day.' strategy is expected to support ongoing improvements in customer numbers and volumes.

Range rationalisation and better sourcing will underpin future range improvement, with stock availability expected to improve as the business consolidates its supply chain network and embeds new replenishment capability. The trial of new store formats will continue along with improvements in service.

Target will maintain its focus on cost control, with initiatives aimed at increasing store productivity and optimising the supply chain network.

⁹ Financial Year 2015 for the 27 week period 29 June 2014 to 3 January 2015 and Financial Year 2014 for the 27 week period 30 June 2013 to 4 January 2014.

¹⁰ Financial Year 2015 for the 14 week period 28 September 2014 to 3 January 2015 and Financial Year 2014 for the 14 week period 29 September 2013 to 4 January 2014.

CHEMICALS, ENERGY AND FERTILISERS

Half-year ended 31 December (\$m)		2014	2013	Variance %
Revenue	Chemicals	415	377	10.1
	Energy ^a	267	315	(15.2)
	Fertilisers	128	80	60.0
	Total	810	772	4.9
EBITDA ^b		144	157	(8.3)
Depreciation and amortisation		(49)	(47)	(4.3)
EBIT^b		95	110	(13.6)
External ^c sales volume ('000 tonnes)	Chemicals	455	416	9.4
	LPG	108	128	(15.6)
	Fertilisers	260	160	62.5
ROC (R12, %) ^b		13.4	17.1	
Safety (R12, LTIFR)		3.1	2.9	

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

^b Excludes a \$95 million gain on sale of the 40 per cent interest in ALWA, reported as a NTI, but includes ALWA earnings for the period prior to divestment in December 2013.

^c External sales exclude AN volumes transferred between chemicals and fertiliser business segments.

Performance review

Operating revenue of \$810 million was 4.9 per cent above the previous corresponding period, with higher volumes in fertilisers and chemicals partially offset by LPG volume and pricing declines. EBIT of \$95 million was down 13.6 per cent, with a strong result from fertilisers more than offset by a sharp decline in Kleenheat Gas earnings.

Chemicals

The chemicals business recorded earnings slightly below the prior corresponding period. Despite all production plants performing well, earnings were adversely affected, as foreshadowed, by the phasing in of new gas supply arrangements resulting in higher gas input costs, and the loss of carbon abatement income following the repeal of the carbon legislation. These factors adversely impacted chemicals earnings by approximately \$20 million and largely offset increased earnings from the recently expanded ammonium nitrate facility at Kwinana. A planned maintenance shutdown of the ammonia plant was also completed in the half.

Equity accounted earnings from the 50 per cent interest in Queensland Nitrates were ahead of the previous corresponding period due to a favourable sales mix and reduced operating costs.

Earnings from the sodium cyanide business were slightly below the prior corresponding period. Despite good cost control, earnings were affected by reduced export pricing given less favourable market conditions due to lower gold prices.

Energy

Kleenheat Gas earnings reduced significantly as a result of a sharp decline in the Saudi CP, the international benchmark pricing indicator for LPG. LPG production was 17 per cent below the prior corresponding period 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 in Western Australia, while difficult market conditions, as a result of the significant decline in global oil prices, adversely affected the LNG business.

In April 2014, Kleenheat Gas announced that it had agreed to sell its east coast LPG distribution business, with clearance for the sale received from the ACCC in late December 2014. Transaction completion is expected in the March 2015 quarter.

Fertilisers

Fertiliser earnings increased on the prior corresponding period as good rainfall across most of the grain-growing regions in Western Australia resulted in increased rates of nitrogen application. Demand for nitrogen products for the 2015 season was stronger than in past years with many farmers bringing forward fertiliser purchasing decisions.

Outlook

The outlook for the Chemicals, Energy and Fertilisers division remains subject to international commodity pricing and exchange rates.

Despite ongoing strong demand for most chemicals products, chemicals earnings in the second half are expected to be negatively affected by increasing gas input costs and the loss of carbon abatement income (combined earnings impact of approximately \$30 million in the second half and approximately \$50 million in the 2015 financial year as previously advised). These headwinds, together with an expectation of weaker demand and pricing for sodium cyanide in the second half and a continuation of low margins for Australian Vinyls, are expected to offset increased earnings from the ammonium nitrate business.

Kleenheat Gas earnings remain dependent upon international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline, where the short-term outlook is currently challenging.

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 good 2014 harvest in Western Australia and an above average return in most areas support a positive outlook for the remainder of the year.

RESOURCES

Half-year ended 31 December (\$m)	2014	2013	Variance %
Revenue	689	764	(9.8)
Royalties ^a	(80)	(121)	33.9
Mining and other costs	(501)	(508)	1.4
EBITDA	108	135	(20.0)
Depreciation and amortisation	(73)	(76)	3.9
EBIT	35	59	(40.7)
ROC (R12, %)	7.3	7.8	
Coal production ('000 tonnes)	7,781	7,454	4.4
Safety (R12, LTIFR)	0.9	0.6	

^a Includes Stanwell royalty expense for the half-year ended 31 December 2014 of \$34 million and for the half-year ended 31 December 2013 of \$62 million.

Performance review

Revenue of \$689 million was 9.8 per cent below the prior corresponding period reflecting a significant decline in export metallurgical and steaming coal US\$ prices. Strong sales volumes and a lower A\$:US\$ exchange rate partly offset the adverse impact of lower export prices.

EBIT of \$35 million was \$24 million below the previous corresponding period. Mining and other costs were 1.4 per cent below the prior corresponding period, with higher production volumes at Curragh driving lower unit mine cash costs. Royalties were 33.9 per cent lower than the prior corresponding period as a result of the lower prices, with state government royalties of \$46 million (for both Curragh and Bengalla combined) down 22.0 per cent on the same time last year and Curragh's Stanwell rebate payments of \$34 million down 45.2 per cent.

Curragh (Queensland)

Metallurgical coal sales volumes of 4.27 million tonnes were 5.4 per cent above the prior corresponding period. Steaming coal sales volumes of 1.54 million tonnes were 15.7 per cent lower, reflecting the focus on sales with higher profit margins. Metallurgical coal production for the half-year of 4.58 million tonnes was 13.7 per cent above the prior corresponding period and steaming coal production of 1.54 million tonnes was 11.3 per cent lower. Further improvements in operating efficiency were recorded through a continued strong focus on cost control and productivity, which resulted in unit mine cash costs (excluding carbon tax) being 5.6 per cent lower than the prior corresponding period.

Work continued during the half on the feasibility study with respect to development of the MDL162 area, adjacent to existing Curragh and Curragh North mining leases.

Bengalla (NSW)

Sales volumes from the Bengalla mine, in which Wesfarmers holds a 40 per cent interest, were down 3.4 per cent on the prior corresponding period with production volumes also down 1.6 per cent. Strong cost control continued, with unit mine cash costs (excluding carbon tax) 1.6 per cent below the prior corresponding period.

Outlook

Curragh's metallurgical coal sales volumes are forecast to be in the range of 8.0 to 9.0 million tonnes for the 2015 financial year, subject to mine operating performance, weather and key infrastructure availability. The division's strong focus on operational productivity and cost control will continue.

INDUSTRIAL AND SAFETY

Half-year ended 31 December (\$m)	2014	2013	Variance %
Revenue	835	804	3.9
EBITDA	67	88	(23.9)
Depreciation and amortisation	(17)	(15)	(13.3)
EBIT	50	73	(31.5)
EBIT margin (%)	5.9	9.1	
ROC (R12, %)	9.3	13.5	
Safety (R12, TRIFR)	10.4	12.8	

Performance review

Revenue increased 3.9 per cent to \$835 million, however, EBIT of \$50 million was \$23 million lower than the prior corresponding period.

Financial performance for the division continued to be adversely affected by reduced business activity across most industrial sectors, most notably mining. Significant tender activity and customers' spending reduction initiatives lead to a highly competitive market and margin pressures which also grew due to the declining Australian dollar. Investment in value to retain and grow market share also affected earnings.

In response to the difficult market conditions, customer service and supply chain performance remained a priority, together with a strong focus on cost control and productivity.

Blackwoods, Protector Alsafe and Bullivants continued to be affected by reduced business activity and competitive margin pressures, while Coregas achieved sales growth, including benefiting from collaboration with Blackwoods and Bunnings. Greencap, which provides safety, property and environmental risk management and compliance services, achieved a solid result, despite some slowing in business activity and project timing.

The acquisition of Pacific Brand's Workwear business (Workwear Group) was completed in December 2014. A detailed integration plan has commenced, with a focus on improving supply chain and customer service, delivering efficiency improvements and targeting growth opportunities (including uniforms and offshore) while capturing synergies available. Greencap also acquired the National Safety Council of Australia (NSCA) in August 2014, strengthening the division's training services offering.

The division's branch network was further strengthened with 45 locations added during the half, mainly through the NSCA and Workwear Group acquisitions. Seven gas distribution points were added and 55 Workwear franchised locations were acquired. In response to challenging market conditions, four underperforming branches were closed.

Outlook

The trading environment is expected to remain subdued with limited volume recovery and strong margin pressure anticipated over the next 12 months. Within this environment, the division will continue to drive business efficiencies and long-term productivity improvements. Actions will continue to retain and grow market share through a strong customer focus, investment in value, and targeting new growth platforms. The integration of the Workwear Group will be a strong focus in the second half, which is expected to deliver benefits over time.

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

OTHER

Half-year ended 31 December (\$m)	Holding %	2014	2013	Variance %
Share of profit of associates				
BWP Trust	24	29	16	81.3
Other	Various	5	2	150.0
Sub-total share of profit of associates				
Interest revenue		19	3	533.3
Other		(13)	(14)	7.1
Corporate overheads		(66)	(59)	(11.9)
Total Other (from continuing operations)				
Discontinued operations ^a		-	194	n.m.
Total Other				
		(26)	142	n.c.

^a The Insurance division was classified as a discontinued operation in the 2014 half-year given its divestment in June 2014. The 2014 half-year includes a \$95 million gain on disposal of WesCEF's interest in ALWA.

Performance review

Other businesses and corporate overheads reported an expense of \$26 million from continuing operations, compared to an expense of \$52 million in the previous corresponding period. When including discontinued operations, the prior corresponding period recorded an income of \$142 million, which included a \$99 million contribution from the Insurance division prior to its divestment and a \$95 million gain on disposal of the 40 per cent interest in ALWA.

Earnings from the Group's share of profit from associates were \$34 million compared to \$18 million in the prior corresponding period, with the growth in earnings reflecting the Group's investment in the BWP Trust which generated earnings of \$29 million, up from \$16 million recorded in the prior period, largely as a result of property revaluations.

Interest revenue increased to \$19 million from \$3 million last year due to a higher average cash balance during the half, and corporate overheads increased \$7 million to \$66 million.

CASH FLOW, FINANCING, CAPITAL MANAGEMENT AND DIVIDENDS

Half-year ended 31 December (\$m)	2014	2013	Variance %
Cash flow			
Operating cash flows	2,281	1,757	29.8
Gross capital expenditure	(1,207)	(1,160)	4.1
Net capital expenditure	(899)	(557)	61.4
Free cash flow	1,269	1,016	24.9
Balance sheet and credit metrics			
Net debt	5,139	6,039	(14.9)
Finance costs	158	179	(11.7)
Effective cost of debt (%)	5.43	5.56	(2.3)
Interest cover (cash basis) (R12, times)	18.1	13.8	31.2
Fixed charges cover (R12, times)	3.1	3.0	3.3
Debt to EBITDA (R12, times)	1.0	1.1	(9.1)
Free funds from operations to debt (R12, %)	27.5	28.0	(1.8)
Net debt to equity (%)	20.8	23.5	(11.5)
Dividends per share (cents per share)			
Interim ordinary dividend	89	85	4.7

Cash flow

Operating cash flows of \$2,281 million were \$524 million or 29.8 per cent above last year, with a cash realisation ratio¹¹ of 116.6 per cent recorded. Cash realisation improved on the prior corresponding period, supported by higher working capital cash inflows from the retail portfolio largely as a result of period-end timing differences.

Despite continued store network growth, net working capital days reduced 13.1 per cent or 1.9 days compared to the prior corresponding period.

Improved operating cash flow performance was due to increased working capital cash flows which more than offset higher income tax paid. The improvement in working capital cash flows reflected higher creditors at the end of the period due to business growth, as well as timing differences as a result of an additional creditor payment run for Coles in the prior corresponding period. The half also included a greater rate of seasonal inventory sell-through following a strong focus on stock management.

Gross capital expenditure of \$1,207 million was \$47 million or 4.1 per cent above the prior corresponding period. Reduced investment by the Group's industrial businesses, following the completion of the expansion of ammonium nitrate capacity and the debottlenecking of sodium cyanide capacity at Kwinana, was offset by continued investment by the Group's retail portfolio to improve and optimise store networks, most notably in Home Improvement.

Proceeds from the sale of property, plant and equipment during the half of \$308 million were \$295 million below the prior year, resulting in net capital expenditure being \$342 million above last year. Whilst lower than the prior period, which included two significant transactions¹², property disposal activity continued to reflect the Group's return on capital focus.

Overall, free cash flows were \$1,269 million, \$253 million above the prior corresponding period.

¹¹ Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.

¹² Transactions completed in the 2014 half-year included the sale and leaseback of 10 Bunnings stores to BWP Trust and also 15 Bunnings stores via a securitised lease structure, which collectively realised \$485 million.

Financing

Net debt at the end of the period, comprising interest bearing liabilities less cash at bank and on deposit, was \$5,139 million, 14.9 per cent below the net debt position at 31 December 2013. Gearing remains at a comfortable level, with net debt-to-equity of 20.8 per cent at 31 December 2014.

Consistent with the Group's strategy to diversify sources of debt, pre-fund upcoming maturities and maintain a presence in key debt markets, the Group issued a seven year bond in October 2014 raising €600 million (approximately A\$864 million) through its Euro Medium Term Note programme.

In September 2014, following settlement of the sale of the Insurance division, the Group repaid A\$500 million of medium term notes from existing cash on hand and cancelled A\$1,250 million of committed but undrawn syndicated bank facilities.

Finance costs decreased 11.7 per cent to \$158 million, largely as a result of a lower net debt balance. The Group's 'all-in' effective borrowing cost reduced a further 13 basis points to 5.43 per cent compared to the prior corresponding period.

Reduced finance costs and higher earnings (R12 basis) resulted in a further strengthening of liquidity metrics, with cash interest cover¹³ increasing to 18.1 times and fixed charges cover¹³ at 3.1 times, with debt to EBITDA of 1.0 times¹⁴.

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

Capital management

In December 2014, the Group returned \$1,148 million to shareholders via a capital management distribution of \$1.00 per fully-paid ordinary share. The capital management was undertaken after the sale of the Insurance division to return a portion of the Group's surplus capital to shareholders to achieve a more efficient capital structure.

The capital management comprised both a capital component (75 cents per share returning \$861 million to shareholders) and a fully-franked dividend component (25 cents per share returning \$287 million to shareholders). The capital management distribution was accompanied by an equal and proportionate share consolidation through the conversion of one share into 0.9827 shares.

Dividend

The Board today declared a fully-franked interim dividend of 89 cents per share, compared to 85 cents per share in the previous corresponding period.

The interim dividend will be paid on 2 April 2015 to shareholders on the company's register on 26 February 2015, the record date for the interim dividend. The ex-dividend date is 24 February 2015.

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'). The allocation price for shares issued 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 and including the third trading day after the record date, being 3 March 2015 to 23 March 2015.

No discount will apply to the allocation price and the Plan will not be underwritten. Given the company's 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 2 April 2015.

¹³ Calculated on a rolling 12 month basis.

¹⁴ Adjustments made to EBITDA and debt, consistent with bank definitions, for material disposals, regulated subsidiaries (e.g. Insurance division prior to divestment) and associate interests.

2015 SECOND QUARTER AND HALF-YEAR RETAIL SALES RESULTS

HEADLINE RETAIL SALES RESULTS

Half-Year Sales (\$m)	2015	2014	Variance (%)
Food & Liquor ^{1,2}	15,797	14,995	5.3
Convenience ^{1,3}	4,000	4,266	(6.2)
Total Coles	19,797	19,261	2.8
Home Improvement ^{4,5}	4,956	4,430	11.9
Office Supplies ⁴	802	744	7.8
Total Home Improvement and Office Supplies	5,758	5,174	11.3
Kmart¹	2,490	2,365	5.3
Target⁶	1,977	2,013	(1.8)
Second Quarter Sales (\$m)	2015	2014	Variance (%)
Food & Liquor ^{2,7}	8,493	8,094	4.9
Convenience ^{3,7}	2,054	2,275	(9.7)
Total Coles	10,547	10,369	1.7
Home Improvement ^{5,8}	2,738	2,431	12.6
Office Supplies ⁸	399	371	7.5
Total Home Improvement and Office Supplies	3,137	2,802	12.0
Kmart⁷	1,492	1,395	7.0
Target⁹	1,224	1,224	-

¹ Financial Year 2015 for the 27 week period 30 June 2014 to 4 January 2015 and Financial Year 2014 for the 27 week period 1 July 2013 to 5 January 2014.

² Includes hotels, excludes gaming revenue and property income.

³ Includes fuel sales.

⁴ Financial Year 2015 and Financial Year 2014 for the six month period 1 July to 31 December.

⁵ Includes cash and trade sales, excludes property income.

⁶ Financial Year 2015 for the 27 week period 29 June 2014 to 3 January 2015 and Financial Year 2014 for the 27 week period 30 June 2013 to 4 January 2014.

⁷ Financial Year 2015 for the 14 week period 29 September 2014 to 4 January 2015 and Financial Year 2014 for the 14 week period 30 September 2013 to 5 January 2014.

⁸ Financial Year 2015 and Financial Year 2014 for the three month period 1 October to 31 December.

⁹ Financial Year 2015 for the 14 week period 28 September 2014 to 3 January 2015 and Financial Year 2014 for the 14 week period 29 September 2013 to 4 January 2014.

2015 SECOND QUARTER AND HALF-YEAR RETAIL SALES RESULTS

KEY METRICS

Key Metrics (%)	Second Quarter 2015 ¹	Half-Year 2015 ²
COLES		
Food & Liquor³		
Comparable store sales growth (Food)	4.7	4.8
Comparable store sales growth (Food & Liquor)	4.0	4.2
Price inflation/(deflation)	(0.9)	(0.7)
Convenience		
Total fuel volume growth	(6.0)	(4.6)
Comparable fuel volume growth	(8.9)	(6.9)
Total convenience store sales growth (excl. fuel sales)	11.8	11.5
Comparable convenience store sales growth (excl. fuel sales)	8.0	8.1
HOME IMPROVEMENT⁴		
Total store sales growth	12.4	11.7
Store-on-store sales growth	9.8	9.1
OFFICE SUPPLIES		
Total sales growth	7.5	7.8
KMART		
Comparable store sales growth ⁵	3.4	2.4
TARGET		
Comparable store sales growth ⁵	-	(1.0)

¹ 2015 growth for Coles and Kmart reflects the 14 week period 29 September 2014 to 4 January 2015 and the 14 week period 30 September 2013 to 5 January 2014; for Home Improvement and Office Supplies represents the three month period 1 October 2014 to 31 December 2014 and 1 October 2013 to 31 December 2013; and for Target represents the 14 week period 28 September 2014 to 3 January 2015 and the 14 week period 29 September 2013 to 4 January 2014.

² 2015 growth for Coles and Kmart reflects the 27 week period 30 June 2014 to 4 January 2015 and the 27 week period 1 July 2013 to 5 January 2014; for Home Improvement represents the six month period 1 July 2014 to 31 December 2014 and 1 July 2013 to 31 December 2013; and for Target represents the 27 week period 29 June 2014 to 3 January 2015 and the 27 week period 30 June 2013 to 4 January 2014.

³ Includes hotels, excludes gaming revenue and property income.

⁴ Includes cash and trade sales, excludes property income.

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

WESFARMERS RETAIL OPERATIONS – STORE NETWORK

	Open at 1 Jul 2014	Opened	Closed	Re-branded	Open at 31 Dec 2014
COLES					
Supermarkets					
Coles	745	14	(4)	10	765
Bi-Lo	17	-	(1)	(10)	6
Total Supermarkets	762	14	(5)	-	771
Liquor					
1st Choice	98	3	(1)	-	100
Vintage Cellars	77	5	(2)	-	80
Liquorland	656	30	(13)	-	673
Hotels	90	1	-	-	91
Total Liquor	921	39	(16)	-	944
Convenience	642	12	(2)	-	652
Selling Area (m²)					
Supermarkets	1,692,642	n.a.	n.a.	n.a.	1,728,445
Liquor (excluding hotels)	205,179	n.a.	n.a.	n.a.	209,293
HOME IMPROVEMENT					
Bunnings Warehouse	223	8	(3)	-	228
Bunnings smaller formats	64	1	(2)	-	63
Bunnings Trade Centres	33	3	(3)	-	33
OFFICE SUPPLIES					
Officeworks	151	3	(1)	-	153
Harris Technology	1	-	(1)	-	-
KMART					
Kmart	192	8	-	-	200
Kmart Tyre & Auto	243	5	(2)	-	246
TARGET					
Large	180	5	(2)	-	183
Small	128	4	(6)	-	126

FIVE-YEAR HISTORY – FINANCIAL PERFORMANCE AND KEY METRICS

GROUP FINANCIAL PERFORMANCE

Half-year ended 31 December (\$m) ¹	2014	2013	2012	2011	2010
Summarised income statement					
Revenue	31,970	31,853	30,614	29,674	28,074
EBITDA	2,657	2,710	2,574	2,433	2,378
Depreciation and amortisation	(581)	(556)	(531)	(496)	(461)
EBIT	2,076	2,154	2,043	1,937	1,917
Finance costs	(158)	(179)	(229)	(264)	(272)
Income tax expense	(542)	(546)	(529)	(497)	(472)
NPAT	1,376	1,429	1,285	1,176	1,173
Profit from continuing operations ²	1,376	1,271	n.a.	n.a.	n.a.
Profit from discontinued operations ²	-	158	n.a.	n.a.	n.a.
Summarised balance sheet					
Total assets	40,541	43,876	43,159	42,557	40,644
Total liabilities	15,797	18,147	17,285	17,082	15,402
Net assets	24,744	25,729	25,874	25,475	25,242
Net debt	5,139	6,039	5,127	4,484	3,742
Summarised cash flow statement					
Operating cash flows	2,281	1,757	2,207	2,172	1,960
Net capital expenditure	(899)	(557)	(1,120)	(1,263)	(979)
Investing cash flows	(1,012)	(741)	(1,200)	(1,002)	(1,055)
Financing cash flows	(1,831)	(1,247)	(779)	(285)	(908)
Free cash flow	1,269	1,016	1,007	1,170	905
Distributions to shareholders (cents per share)					
Interim ordinary dividend per share	89	85	77	70	65
Capital management per share (paid)	100	50	-	-	-
Key performance metrics					
Earnings per share (cents per share)	121.0	124.2	111.4	102.0	101.7
Operating cash flow per share (cents per share) ³	200.1	152.2	190.7	187.7	169.4
Cash realisation ratio (%) ⁴	116.6	88.5	121.5	129.9	120.0
Return on equity (R12, %)	10.4	9.4	8.8	7.7	7.6
Return on equity (R12, %) (excluding discontinued operations and NTIs)	9.7	9.0	n.a.	n.a.	n.a.
Net tangible asset backing per share (\$ per share)	4.92	4.38	4.63	4.38	4.12
Interest cover (cash basis) (R12, times)	18.1	13.8	11.8	10.3	7.7
Fixed charges cover (R12, times)	3.1	3.0	2.9	2.7	2.6

¹ All figures are presented as last reported.

² 2014 and 2013 income statement balances have been restated for the classification of the Insurance division as a discontinued operation. 2013 includes the \$95 million gain on sale of the 40 per cent interest in ALWA.

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

⁴ Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.

DIVISIONAL KEY PERFORMANCE METRICS

Half-year ended 31 December (\$m) ¹	2014	2013	2012	2011	2010
COLES					
Divisional performance					
Revenue	19,483	18,946	18,047	17,218	16,059
EBITDA	1,171	1,076	984	875	775
Depreciation and amortisation	(276)	(240)	(229)	(219)	(200)
EBIT	895	836	755	656	575
ROC (R12, %)	10.6	10.0	9.2	8.2	7.1
Capital expenditure (cash basis)	537	554	665	625	334
Food & Liquor					
Revenue ²	15,559	14,770	14,104	13,435	12,804
Trading EBIT ²	821	755	677	591	524
EBIT margin (%)	5.3	5.1	4.8	4.4	4.1
Headline sales growth (%) ^{3,4}	5.3	4.7	5.0	4.9	6.3
Comparable store sales growth (%) ^{3,4}	4.2	3.6	3.8	4.4	6.4
Convenience					
Revenue	3,924	4,176	3,943	3,783	3,244
Trading EBIT	74	81	78	65	49
Headline sales growth (%) ^{3,5}	(6.2)	5.6	4.0	17.0	4.1
Total fuel volume growth (%) ³	(4.6)	(0.5)	3.2	4.7	1.3
Comparable fuel volume growth (%) ³	(6.9)	(0.7)	2.0	3.7	2.1
Total convenience store sales growth (%) ³	11.5	2.6	0.1	1.2	1.9
Comparable convenience store sales growth (%) ³	8.1	2.9	(2.2)	(0.5)	1.5
HOME IMPROVEMENT & OFFICE SUPPLIES					
Divisional performance					
Revenue	5,761	5,179	4,729	4,507	4,278
EBITDA	747	678	631	589	550
Depreciation and amortisation	(79)	(74)	(75)	(70)	(61)
EBIT	668	604	556	519	489
Capital expenditure (cash basis)	370	280	357	342	343
Home Improvement					
Revenue	4,959	4,434	4,017	3,797	3,572
EBITDA	686	625	581	544	508
Depreciation and amortisation	(68)	(63)	(63)	(59)	(51)
EBIT ⁶	618	562	518	485	457
Trading EBIT margin (%)	12.2	12.6	12.8	12.7	12.8
ROC (R12, %)	31.6	27.6	25.5	27.0	29.2
Headline sales growth (%)	11.9	10.5	5.8	6.8	4.4
Store sales growth (%)	11.7	10.6	6.0	7.0	4.1
Store-on-store sales growth (%)	9.1	7.2	3.4	4.6	1.7

¹ All figures are presented as last reported.

² Includes property.

³ Based on retail period (rather than Gregorian reporting). Refer to respective half-year retail sales results announcements for applicable retail period.

⁴ Includes hotels, excludes gaming revenue and property income.

⁵ Includes fuel sales.

⁶ Includes net property contribution for 2014 of \$14 million; 2013 of \$6 million; for 2012 of \$5 million; for 2011 of \$3 million; and for 2010 of \$1 million.

DIVISIONAL KEY PERFORMANCE METRICS (CONTINUED)

Half-year ended 31 December (\$m) ¹	2014	2013	2012	2011	2010
HOME IMPROVEMENT & OFFICE SUPPLIES					
Office Supplies					
Revenue	802	745	712	710	706
EBITDA	61	53	50	45	42
Depreciation and amortisation	(11)	(11)	(12)	(11)	(10)
EBIT	50	42	38	34	32
EBIT margin (%)	6.2	5.6	5.3	4.8	4.5
ROC (R12, %)	10.5	8.7	7.5	6.9	6.6
Headline sales growth (%)	7.8	4.5	0.3	0.2	7.5
KMART					
Revenue	2,442	2,321	2,299	2,236	2,271
EBITDA	333	299	281	226	208
Depreciation and amortisation	(44)	(39)	(35)	(33)	(34)
EBIT	289	260	246	197	175
EBIT margin (%)	11.8	11.2	10.7	8.6	7.7
ROC (R12, %)	29.0	26.8	22.8	16.0	16.8
Capital expenditure (cash basis)	93	89	49	88	54
Headline sales growth (%) ²	5.3	1.7	3.5	(1.3)	1.9
Comparable store sales growth (%) ²	2.4	0.3	3.0	(1.4)	1.7
TARGET					
Revenue	1,935	1,965	2,070	2,060	2,120
EBITDA	112	113	187	223	240
Depreciation and amortisation	(42)	(43)	(39)	(37)	(34)
EBIT	70	70	148	186	206
EBIT margin (%)	3.6	3.6	7.1	9.0	9.7
ROC (R12, %)	3.2	1.9	7.1	8.9	11.0
Capital expenditure (cash basis)	78	46	51	44	37
Headline sales growth (%) ²	(1.8)	(4.4)	1.2	(2.5)	(3.1)
Comparable store sales growth (%) ²	(1.0)	(4.2)	(1.8)	(3.5)	(3.3)

¹ All figures are presented as last reported.

² Based on retail period (rather than Gregorian reporting). Refer to respective half-year retail sales results announcements for applicable retail period.

DIVISIONAL KEY PERFORMANCE METRICS (CONTINUED)

Half-year ended 31 December (\$m) ¹	2014	2013	2012	2011	2010
CHEMICALS, ENERGY & FERTILISERS					
Divisional performance					
Chemicals revenue	415	377	357	358	315
Energy revenue ²	267	315	300	295	286
Fertilisers revenue	128	80	118	122	121
Total revenue	810	772	775	775	722
EBITDA ^{2,3}	144	157	154	144	199
Depreciation and amortisation	(49)	(47)	(50)	(45)	(48)
EBIT ^{2,3}	95	110	104	99	151
ROC (R12, %)	13.4	17.1	19.8	18.0	21.3
Capital expenditure (cash basis)	39	126	118	54	24
Sales volumes ('000 tonnes)					
Chemicals	455	416	406	434	392
LPG ²	108	128	143	154	173
Fertilisers	260	160	220	227	244
RESOURCES					
Divisional performance⁴					
Revenue	689	764	826	1,087	957
Royalties ⁵	(80)	(121)	(148)	(162)	(124)
Mining and other costs	(501)	(508)	(517)	(602)	(528)
EBITDA	108	135	161	323	305
Depreciation and amortisation	(73)	(76)	(68)	(73)	(55)
EBIT	35	59	93	250	250
ROC (R12, %)	7.3	7.8	19.4	25.4	34.3
Capital expenditure (cash basis)	65	33	52	239	178
Curragh export metallurgical sales mix (%)					
Hard	41	34	40	42	42
Semi	35	34	30	18	21
PCI	24	32	30	40	37
Mine performance – Curragh (Qld) ('000 tonnes)					
Metallurgical coal production volumes	4,580	4,029	3,867	3,087	3,120
Steaming coal production volumes	1,543	1,740	1,662	1,365	1,342
Metallurgical coal sales volumes ⁶	4,271	4,053	3,770	2,976	3,151
Steaming coal sales volumes	1,542	1,829	1,629	1,409	1,391
Mine performance – Bengalla (NSW) ('000 tonnes)⁷					
Steaming coal production volumes	1,658	1,685	1,488	1,013	1,108
Steaming coal sales volumes	1,726	1,787	1,504	1,049	1,259

¹ All figures are presented as last reported.

² 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.

³ 2010 includes \$41 million of insurance proceeds related to the Varanus Island gas outage.

⁴ Includes Premier Coal results for the period until divestment on 30 December 2011, the gain on disposal of Premier Coal is excluded.

⁵ Includes Stanwell royalty expense for 2014 of \$34 million; 2013 of \$62 million; for 2012 of \$91 million; for 2011 of \$88 million; and for 2010 of \$60 million.

⁶ Excludes traded coal.

⁷ Wesfarmers' attributable volumes.

DIVISIONAL KEY PERFORMANCE METRICS (CONTINUED)

Half-year ended 31 December (\$m)¹	2014	2013	2012	2011	2010
INDUSTRIAL & SAFETY					
Revenue	835	804	837	843	774
EBITDA	67	88	101	111	92
Depreciation and amortisation	(17)	(15)	(13)	(14)	(13)
EBIT	50	73	88	97	79
EBIT margin (%)	5.9	9.1	10.5	11.5	10.2
ROC (R12, %)	9.3	13.5	16.2	14.5	11.8
Capital expenditure (cash basis)	25	17	18	15	11

¹ All figures are presented as last reported.

RETAIL OPERATIONS – STORE NETWORK

Open at 31 December	2014	2013	2012	2011	2010
COLES					
Supermarkets					
Coles	765	733	716	703	694
Bi-Lo	6	29	37	41	48
Total Supermarkets	771	762	753	744	742
Liquor					
1st Choice	100	98	88	81	76
Vintage Cellars	80	78	82	82	82
Liquorland	673	648	633	631	629
Hotels	91	92	92	92	95
Total Liquor	944	916	895	886	882
Convenience	652	637	634	625	624
Selling Area (m²)					
Supermarkets	1,728,445	1,678,813	1,640,402	1,612,739	1,599,157
Liquor (excluding hotels)	209,293	204,449	196,888	187,781	185,236
HOME IMPROVEMENT					
Bunnings Warehouse	228	218	211	199	191
Bunnings smaller formats	63	65	62	58	57
Bunnings Trade Centres	33	35	37	37	32
OFFICE SUPPLIES					
Officeworks	153	152	146	136	133
Harris Technology	-	1	1	3	5
KMART					
Kmart	200	191	190	187	186
Kmart Tyre & Auto	246	251	263	259	250
TARGET					
Large	183	181	181	180	175
Small	126	133	127	119	115

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 45 forms part of the Directors' Report for the half-year ended 31 December 2014.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

A handwritten signature in cursive script that reads "R L Every".

R L Every AO
Chairman
Perth, 19 February 2015

Income statement

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		December 2014 \$m	RESTATED December 2013 \$m
Continuing operations			
Revenue	4	31,970	30,743
Expenses			
Raw materials and inventory		(22,050)	(21,186)
Employee benefits expense	4	(4,141)	(3,880)
Freight and other related expenses		(538)	(527)
Occupancy-related expenses	4	(1,297)	(1,233)
Depreciation and amortisation	4	(581)	(535)
Impairment expenses	4	(15)	(16)
Other expenses	4	(1,471)	(1,552)
Total expenses		(30,093)	(28,929)
Other income	4	156	116
Share of profits/(losses) of associates and joint ventures		43	30
		199	146
Earnings before interest and income tax expense (EBIT)		2,076	1,960
Finance costs	4	(158)	(170)
Profit before income tax		1,918	1,790
Income tax expense	5	(542)	(519)
Profit from continuing operations		1,376	1,271
Discontinued operations			
Air Liquide WA Pty Ltd (gain on sale)		-	95
Insurance division		-	63
Profit after tax for the period from discontinued operations		-	158
Profit attributable to members of the parent		1,376	1,429
Earnings per share attributable to ordinary equity holders of the parent from continuing operations		cents	cents
Basic earnings per share		121.0	110.4
Diluted earnings per share		120.7	110.2
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic earnings per share		121.0	124.2
Diluted earnings per share		120.7	123.9

Statement of comprehensive income

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		December 2014	December 2013
		\$m	\$m
Profit attributable to members of the parent		1,376	1,429
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		4	62
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		-	1
Cash flow hedge reserve			
Off-set to revaluation of foreign currency denominated debt	12	(177)	-
Unrealised gains on cash flow hedges		95	95
Realised gains transferred to net profit		(9)	-
Realised gains transferred to non-financial assets		(118)	(112)
Share of associates reserve		(15)	-
Tax effect		62	5
<i>Items that will not be reclassified to profit or loss:</i>			
Retained earnings			
Remeasurement (loss)/gain on defined benefit plan		(3)	3
Tax effect		1	(1)
Other comprehensive income for the period, net of tax		(160)	53
Total comprehensive income for the period, net of tax, attributable to members of the parent arising from:			
Continuing operations		1,216	1,324
Discontinued operations		-	158
		1,216	1,482

Balance sheet

as at 31 December 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED		
		December	June	December
		2014	2014	2013
		\$m	\$m	\$m
Assets				
Current assets				
Cash and cash equivalents	6	1,505	2,067	1,102
Trade and other receivables		1,386	1,584	2,337
Inventories		6,080	5,336	5,781
Derivatives		177	66	153
Investments backing insurance contracts, reinsurance and other recoveries		-	-	1,558
Other		279	258	466
Total current assets		9,427	9,311	11,397
Non-current assets				
Investments in associates and joint ventures		547	540	482
Deferred tax assets		551	441	340
Property		2,479	2,419	2,704
Plant and equipment		7,644	7,533	7,349
Goodwill		14,590	14,510	16,202
Intangible assets		4,560	4,446	4,486
Derivatives		657	418	584
Investments backing insurance contracts, reinsurance and other recoveries		-	-	117
Other		86	109	215
Total non-current assets		31,114	30,416	32,479
TOTAL ASSETS		40,541	39,727	43,876
Liabilities				
Current liabilities				
Trade and other payables		6,368	5,417	6,441
Interest-bearing loans and borrowings	7	1,260	745	1,758
Income tax payable		87	269	293
Provisions		1,524	1,473	1,265
Insurance liabilities		-	-	1,591
Derivatives		84	75	50
Other		357	250	362
Total current liabilities		9,680	8,229	11,760
Non-current liabilities				
Interest-bearing loans and borrowings	7	4,883	4,320	4,675
Provisions		1,079	1,072	1,057
Insurance liabilities		-	-	538
Derivatives		69	24	55
Other		86	95	62
Total non-current liabilities		6,117	5,511	6,387
TOTAL LIABILITIES		15,797	13,740	18,147
NET ASSETS		24,744	25,987	25,729
Equity				
Equity attributable to equity holders of the parent				
Issued capital	8	21,847	22,708	22,708
Reserved shares	8	(33)	(30)	(32)
Retained earnings		2,674	2,901	2,614
Reserves		256	408	439
TOTAL EQUITY		24,744	25,987	25,729

Cash flow statement

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		December	December
		2014	2013
		\$m	\$m
Cash flows from operating activities			
Receipts from customers		34,663	34,742
Payments to suppliers and employees		(31,646)	(32,374)
Dividends and distributions received from associates		25	31
Interest received		18	61
Borrowing costs		(141)	(171)
Income tax paid		(638)	(532)
Net cash flows from operating activities	6	2,281	1,757
Cash flows from investing activities			
Net acquisition of insurance deposits		-	(86)
Payments for property, plant and equipment and intangibles	6	(1,207)	(1,160)
Proceeds from sale of property, plant and equipment and intangibles	6	308	603
Net proceeds from sale of controlled entities and associates		73	2
Net investments in associates and joint arrangements		(3)	(76)
Acquisition of subsidiaries, net of cash acquired		(183)	(24)
Net cash flows used in investing activities		(1,012)	(741)
Cash flows from financing activities			
Proceeds from borrowings		1,126	888
Repayment of borrowings		(500)	(362)
Proceeds from exercise of in-substance options under the employee share plan		3	2
Equity dividends paid		(1,599)	(1,190)
Capital return paid		(861)	(585)
Net cash flows used in financing activities		(1,831)	(1,247)
<i>Net decrease in cash and cash equivalents</i>		(562)	(231)
<i>Cash and cash equivalents at beginning of period</i>		2,067	1,333
Cash and cash equivalents at end of period	6	1,505	1,102

Statement of changes in equity

for the half-year ended 31 December 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
Balance at 1 July 2013		23,290	(26)	2,375	229	154	26,022
Net profit for the period		-	-	1,429	-	-	1,429
Other comprehensive income							
Exchange differences on translation of foreign operations		-	-	-	-	62	62
Changes in the fair value of available-for-sale assets, net of tax		-	-	-	-	1	1
Changes in the fair value of cash flow hedges, net of tax	12	-	-	-	(12)	-	(12)
Remeasurement gain on defined benefit plan, net of tax		-	-	2	-	-	2
Total other comprehensive income for the period, net of tax		-	-	2	(12)	63	53
Total comprehensive income for the period, net of tax		-	-	1,431	(12)	63	1,482
Share-based payment transactions		-	-	-	-	5	5
Issue of shares	8	3	-	-	-	-	3
Capital return and share consolidation	11	(585)	-	-	-	-	(585)
Own shares acquired	8	-	(10)	-	-	-	(10)
Proceeds from exercise of in-substance options	8	-	2	-	-	-	2
Equity dividends	8,11	-	2	(1,192)	-	-	(1,190)
		(582)	(6)	(1,192)	-	5	(1,775)
Balance at 31 December 2013		22,708	(32)	2,614	217	222	25,729
Balance at 1 July 2014		22,708	(30)	2,901	167	241	25,987
Net profit for the period		-	-	1,376	-	-	1,376
Other comprehensive income							
Exchange differences on translation of foreign operations		-	-	-	-	4	4
Changes in the fair value of cash flow hedges, net of tax	12	-	-	-	(162)	-	(162)
Remeasurement gain on defined benefit plan, net of tax		-	-	(2)	-	-	(2)
Total other comprehensive income for the period, net of tax		-	-	(2)	(162)	4	(160)
Total comprehensive income for the period, net of tax		-	-	1,374	(162)	4	1,216
Share-based payment transactions		-	-	-	-	6	6
Capital return and share consolidation	11	(861)	-	-	-	-	(861)
Own shares acquired	8	-	(8)	-	-	-	(8)
Proceeds from exercise of in-substance options	8	-	3	-	-	-	3
Equity dividends	8,11	-	2	(1,601)	-	-	(1,599)
		(861)	(3)	(1,601)	-	6	(2,459)
Balance at 31 December 2014		21,847	(33)	2,674	5	251	24,744

Notes to the financial statements: About this report

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

1. Corporate information

The financial report of Wesfarmers Limited (referred to as 'Wesfarmers' or 'the Company') for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 19 February 2015. Wesfarmers is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('the ASX').

2. Basis of preparation and accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and considered with any public announcements made by the Company during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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

The 2013 income statement has been restated for the classification of the Insurance division and sale of Air Liquide WA Pty Ltd as a discontinued operation. The disposal of the Insurance division was accounted for in the second half of the 2014 financial year.

b) Significant accounting policies

Except as noted below, the same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report.

New and revised Accounting Standards and Interpretations

The adoption of new and amended standards and interpretations has not resulted in a material change to the financial performance or position of the Company, however, it has resulted in some changes to the Company's presentation of, or disclosure in, its half-year financial statements.

2. Basis of preparation and accounting policies (continued)

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2014 to the Group have been adopted, including:

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*
- Part A and B of AASB 2014-1 *Amendments to Australian Accounting Standards*

AASB 9 (2013)

Wesfarmers has early adopted and applied all of the requirements of AASB 9 *Financial Instruments* (December 2010) as amended by 2013-9 ('AASB 9 (2013)'), including consequential amendments to other standards, on 1 July 2014. The adoption of AASB 9 (2013) results in the following key changes to Wesfarmers' hedge accounting:

- On certain cross currency interest rate swaps the cost of hedging (which includes foreign currency basis adjustments) can be separated out from the hedging arrangement, recognised in other comprehensive income and amortised to the income statement over the remaining life of the hedging instrument. The amendment results in the removal of volatility and ineffectiveness that would have been otherwise recognised as a result of these costs; and
- Effectiveness measurement testing will only be performed on a prospective basis with no defined numerical range of effectiveness applied in this testing.

As a result of the adoption of AASB 9 (2013) Wesfarmers has de-designated and redesignated existing hedge relationships and has elected to separate and exclude foreign currency basis spreads from financial instruments that are designated as hedging instruments of our foreign currency denominated borrowings. The cumulative change in fair value of the foreign currency basis spreads is recognised in a separate component of equity. These amounts are reclassified from equity to profit or loss in the same period as the hedging relationship. The effect of the de-designation and redesignation was insignificant on the reported profit attributable to members of the parent.

Similarly, other changes arising out of the adoption of AASB 9 (2013) relating to changes in the classification and measurement of financial assets and liabilities have also had no material effect on the financial reporting of Wesfarmers.

Notes to the financial statements: Key numbers

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

3. Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision makers) monitor the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. The types of products and services from which each reportable segment derives its revenues is disclosed in the Wesfarmers 30 June 2014 financial report. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is presented differently from operating profit or loss in the consolidated financial statements.

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

- for retail divisions, particularly Kmart and Target, earnings are typically greater in the December half of the financial year due to the impact of the Christmas holiday shopping period; and
- for the Resources division, the majority of the entity's coal contracted tonnages are renewed on an annual basis from April each calendar year and subject to price renegotiation on a quarterly basis which, depending upon the movement in prevailing coal prices, can result in significant changes in revenue and earnings throughout the financial year.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

	CONTINUING OPERATIONS																DISCONTINUED OPERATIONS ⁶			
	COLES		HIOS		KMART		TARGET		RESOURCES ¹		WIS		WesCEF ²		OTHER ³		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	\$m
Segment revenue	19,483	18,946	5,761	5,179	2,442	2,321	1,935	1,965	689	764	835	804	810	772	15	(8)	31,970	30,743	-	1,110
Segment EBITDA ⁴	1,171	1,076	747	678	333	299	112	113	108	135	67	88	144	157	(25)	(51)	2,657	2,495	-	215
Depreciation and amortisation	(276)	(240)	(79)	(74)	(44)	(39)	(42)	(43)	(73)	(76)	(17)	(15)	(49)	(47)	(1)	(1)	(581)	(535)	-	(21)
Segment EBIT	895	836	668	604	289	260	70	70	35	59	50	73	95	110	(26)	(52)	2,076	1,960	-	194
Finance costs																	(158)	(170)	-	(9)
Profit before income tax expense																	1,918	1,790	-	185
Income tax expense																	(542)	(519)	-	(27)
Profit attributable to members of the parent																	1,376	1,271	-	158
Capital expenditure ⁵	479	486	370	279	91	86	71	38	56	33	25	17	39	135	-	3	1,131	1,077	-	14
Share of net profit or loss of associates and joint ventures included in EBIT	1	-	-	-	-	-	-	-	-	-	-	-	10	12	32	18	43	30	-	-

1 The 2014 Resources result includes Stanwell royalty expenses of \$34 million (2013: \$62 million) and hedge gains of \$6 million (2013: \$4 million).

2 The 2014 WesCEF result does not include the divestment of the Kleenheat east-coast LPG business which is expected to be completed on Friday 20 February 2015.

3 The 2014 Other result includes interest revenue of \$19 million (2013: \$3 million); share of profit/(loss) from associates of \$34 million (2013: \$18 million); and corporate overheads of \$67 million (2013: \$59 million).

4 Segment EBITDA represents earnings before interest, tax, depreciation, amortisation and the other items not included in the segment results outlined in footnote 6.

5 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is \$1,207 million (2013: \$1,160 million).

6 The Group has classified the Insurance segment as a discontinued operation and its disposal was accounted for in the second half of the 2014 financial year. The discontinued operations also include the \$95 million gain on disposal of WesCEF's interest in Air Liquide WA Pty Ltd in December 2013.

Notes to the financial statements: Key numbers

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

4. Revenue & Expenses

	CONSOLIDATED	
	December	December
	2014	2013
	\$m	\$m
Sale of goods	31,786	30,590
Rendering of services	7	6
Other	177	147
Revenue	31,970	30,743
Gains on disposal of property, plant and equipment	14	18
Gains on disposal of controlled entities	4	2
Other	138	96
Other income	156	116
Remuneration, bonuses and on-costs	3,778	3,546
Superannuation expense	297	273
Share-based payments expense	66	61
Employee benefits expense	4,141	3,880
Minimum lease payments	1,008	988
Contingent rental payments	45	27
Other	244	218
Occupancy-related expenses	1,297	1,233
Depreciation	452	438
Amortisation of intangibles	52	35
Amortisation other	77	62
Depreciation and amortisation	581	535
Impairment of plant, equipment and other assets	15	15
Impairment of freehold property	-	1
Impairment expenses	15	16
Government mining royalties	46	58
Stanwell rebate	34	62
Repairs and maintenance	197	192
Utilities and office expenses	534	557
Insurance expenses	82	104
Other	578	579
Other expenses	1,471	1,552
Interest expense	131	145
Capitalised interest	-	(9)
Discount rate adjustment	14	18
Amortisation of debt establishment costs	3	3
Other finance related costs	10	13
Finance costs	158	170

5. Tax expense

	CONSOLIDATED	
	December	December
	2014	2013
	\$m	\$m
Tax reconciliation		
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)	1,918	1,790
Income tax at the statutory rate of 30%	575	537
Adjustments relating to prior years	(16)	(16)
Carried forward losses recognised	(5)	(6)
Non-deductible items	2	-
Share of results of associates and joint ventures	(4)	1
Other	(10)	3
Income tax on profit before tax	542	519

Notes to the financial statements: Key numbers

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

6. Cash and cash equivalents

	CONSOLIDATED	
	December	June
	2014	2014
	\$m	\$m
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	501	403
Cash at bank and on deposit	1,004	1,664
	1,505	2,067
	December	December
	2014	2013
	\$m	\$m
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	1,376	1,429
<i>Non-cash items</i>		
Depreciation and amortisation	581	556
Impairment and writedowns of assets	15	16
Gain on disposal of associate	-	(95)
Net loss/(gain) on disposal of non-current assets	(3)	2
Share of (profits)/losses of associates and joint ventures	(43)	(30)
Dividends and distributions received from associates	25	31
Capitalised borrowing costs	-	(9)
Discount adjustment in borrowing costs	14	18
Other	(5)	19
<i>(Increase)/decrease in assets</i>		
Trade and other receivables	78	151
Inventories	(660)	(715)
Prepayments	(31)	(60)
Reinsurance and other recoveries	-	100
Deferred tax assets	(15)	36
Other assets	9	(21)
<i>Increase/(decrease) in liabilities</i>		
Trade and other payables	941	451
Current tax payable	(82)	(22)
Provisions	(32)	(179)
Other liabilities	113	79
Net cash flows from operating activities	2,281	1,757

6. Cash and cash equivalents (continued)

	CONSOLIDATED	
	December	December
	2014	2013
	\$m	\$m
Net capital expenditure		
Capital expenditure		
Payment for property	359	361
Payment for plant and equipment	728	730
Payment for intangibles	120	69
	1,207	1,160
Proceeds from sale of property, plant, equipment and intangibles	308	603
Net capital expenditure	899	557

Notes to the financial statements: Capital

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

7. Borrowing and repayment of debt

Funding Activities

The Insurance division divestment proceeds of \$2.9 billion received during June 2014 were used to fund the capital management distribution undertaken in December 2014 and to repay bank debt as it matured (including the A\$500 million of medium term notes discussed below) with the remaining balance invested in short term bank deposits.

During August 2014, Wesfarmers' A\$1,250 million syndicated facility was cancelled. The facility was undrawn at the time of the cancellation.

On 11 September 2014, A\$500 million of medium term notes ('MTN') issued under the Australian dollar MTN programme matured and were repaid using existing cash balances and bank facilities.

On 7 October 2014, Wesfarmers raised €600 million (approximately A\$866 million) following the successful pricing of bonds issued under the EURO MTN programme. The issue consisted of notes with a tenor of seven years, maturing in October 2021, at a margin of 55 basis points over the EURO seven year mid swap rate and a coupon of 1.25 per cent. The proceeds of the issue have been fully hedged and were swapped back to Australian dollars at a fixed rate of approximately 4.74 per cent.

The following table provides details of the carrying value of all loans and borrowings on issue at 31 December 2014:

Loans and borrowings detail	Expiry	December
		2014 \$m
Revolving cash advance facility	31/10/2015	1
Other bank loan NZ\$199 million	31/10/2015	190
Other bank loan NZ\$100 million	30/11/2015	96
Term loan A\$222 million	27/02/2015	222
Corporate bond €500 million	10/07/2015	751
Total current		1,260
Corporate bond US\$650 million	18/05/2016	804
Corporate bond A\$500 million	04/11/2016	498
Corporate bond US\$750 million	20/03/2018	899
Corporate bond A\$500 million	28/03/2019	495
Corporate bond A\$350 million	12/03/2020	348
Corporate bond €600 million	07/10/2021	884
Corporate bond €650 million	02/08/2022	955
Total non-current		4,883
Total		6,143

8. Equity and reserves

Movement in shares on issue	Ordinary shares		Partially protected shares		Total		Reserved shares	
	Thousands	\$m	Thousands	\$m	Thousands	\$m	Thousands	\$m
At 1 July 2013	1,006,672	16,975	150,522	6,315	1,157,194	23,290	(2,848)	(26)
Own shares acquired	-	-	-	-	-	-	(218)	(10)
Exercise of in-substance options	-	-	-	-	-	-	186	2
Dividends applied	-	-	-	-	-	-	-	2
Capital return and share consolidation	(12,241)	(510)	(1,739)	(75)	(13,980)	(585)	-	-
Issue of ordinary shares under the Wesfarmers Employee Share Acquisition 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)	-	-	-	-
At 31 December 2013	1,143,275	22,708	-	-	1,143,275	22,708	(2,880)	(32)
Own shares acquired	-	-	-	-	-	-	(47)	(2)
Exercise of in-substance options	-	-	-	-	-	-	140	2
Dividends applied	-	-	-	-	-	-	-	2
At 30 June 2014 and 1 July 2014	1,143,275	22,708	-	-	1,143,275	22,708	(2,787)	(30)
Own shares acquired	-	-	-	-	-	-	(191)	(8)
Exercise of in-substance options	-	-	-	-	-	-	319	3
Dividends applied	-	-	-	-	-	-	-	2
Capital return and share consolidation	(19,522)	(861)	-	-	(19,522)	(861)	-	-
At 31 December 2014	1,123,753	21,847	-	-	1,123,753	21,847	(2,659)	(33)

Notes to the financial statements: Capital

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

9. Earnings per share

	CONSOLIDATED	
	December 2014	December 2013
Profit attributable to ordinary equity holders of the parent (\$m)	1,376	1,429
Number of shares on issue (shares, million)	1,124	1,143
WANOS ¹ used in the calculation of basic EPS (shares, million) ²	1,137	1,151
WANOS used in the calculation of diluted EPS (shares, million) ²	1,140	1,153
- Basic EPS (cents per share)	121.0	124.2
- Diluted EPS (cents per share)	120.7	123.9

1. Weighted average number of ordinary shares.

2. 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.

10. Capital management

Distribution

On 16 December 2014, Wesfarmers paid a distribution of 100 cents per fully-paid ordinary share, comprising both a capital component (75 cents) and a fully-franked dividend component (25 cents). The distribution was accompanied by a proportionate share consolidation relating to the capital component at a rate of one for 0.9827.

11. Dividends and distributions

	CONSOLIDATED	
	December 2014 \$m	December 2013 \$m
Declared and paid during the period		
Final franked dividend for 2014: \$1.05 (2013: \$1.03) (fully-franked at 30 per cent)	1,200	1,192
Special dividend for 2014: \$0.10 (fully-franked at 30 per cent)	114	-
Capital management ¹		
- Fully-franked dividend component for 2014: \$0.25 (2013: nil).	287	-
- Capital component for 2014: \$0.75 (2013: \$0.50)	861	585
	2,462	1,777
Proposed and unrecognised as a liability (fully-franked at 30 per cent)		
Interim franked dividend for 2015: \$0.89 (2014: \$0.85)	1,000	972

1. Refer to note 10 for details on the capital management initiative.

12. Cash flow hedge reserve

The change in cash flow hedge reserve for the half-year ended 31 December 2014 includes the after-tax net movement in market value of cash flow hedges from 30 June 2014 and comprised: \$(118) million (2013: \$64 million) of interest rate swaps and \$(29) million (2013: \$(76) million) of foreign exchange rate contracts. A further \$(15) million was taken up in respect of our share of an associates reserve (2013: nil).

Notes to the financial statements: Risk

for the half-year ended 31 December 2014 - Wesfarmers Limited and its controlled entities

13. Financial instruments

Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are materially the same, with the exception of the following:

	CONSOLIDATED		
	December	June	December
	2014	2014	2013
	\$m	\$m	\$m
Corporate bonds:			
Carrying amount	5,634	4,822	4,965
Fair value	5,912	5,195	5,318

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Other financial assets/liabilities

Market values have been used to determine the fair value of corporate bonds using a quoted market price. The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: fair value is calculated using quoted prices in active markets;
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments carried at fair value were valued using market observable inputs (Level 2) with the exception of shares in unlisted companies at fair value (Level 3) which were not material.

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

13. Financial instruments (continued)

There were no transfers between Level 1 and Level 2 during the period. There were no material Level 3 fair value movements during the period.

Financial risk factors

The Group's activities expose its financial instruments to a variety of market risks, including foreign currency, commodity price and interest rate risk. The half-year financial report does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2014. There have been no significant changes in risk management policies since year end.

14. Impairment testing

Wesfarmers is required to review, at the end of each reporting period, whether there is any indication that an asset may be impaired, in accordance with Australian Accounting Standards. Wesfarmers has reviewed each cash generating unit for indications of impairment using both external and internal sources of information. This review included an assessment of performance against expectations and changes in market values or discount rates.

Detailed impairment testing has been completed for non-current assets when the existence of an indication of impairment has been identified. Throughout the half-year ended 31 December 2014, the carrying values of these assets did not exceed their recoverable amounts determined for impairment testing purposes.

Consistent with prior periods, Wesfarmers will perform detailed annual impairment testing prior to the end of the financial year using cash flow projections based on Wesfarmers' five-year corporate plans, long-term business forecasts and market-based valuation assumptions. Where there are significant changes in the corporate plan, long-term business forecasts or market-based valuation assumptions from those used in impairment testing in previous periods, this may cause the carrying values of non-current assets to exceed their recoverable amounts.

Consistent with 30 June 2014, the recoverable amount of Target has been based on assumed improvements in its operating and financial performance, notwithstanding that the timing of cash flows arising from these improvements will be influenced by general market conditions. Adverse changes in trading conditions, discount rates or other key assumptions from those assumed in the impairment assessment could result in a further impairment.

15. Events after the balance sheet date

Dividends

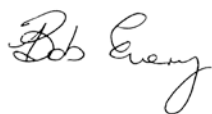
A fully-franked dividend of 89 cents per share resulting in a dividend payment of \$1,000 million was declared for a payment date of 2 April 2015. The dividend has not been provided for in the 31 December 2014 half-year financial report.

DIRECTORS' DECLARATION

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1. In accordance with a resolution of the directors of Wesfarmers Limited, I note that in the opinion of the directors:
 - (a) The financial statements and notes of Wesfarmers Limited for the half-year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declaration made to the directors for the half-year ended 31 December 2014 in accordance with the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

On behalf of the Board



R L Every AO
Chairman
Perth, 19 February 2015

To the members of Wesfarmers Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Wesfarmers Limited, which comprises the balance sheet as at 31 December 2014, the income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wesfarmers Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

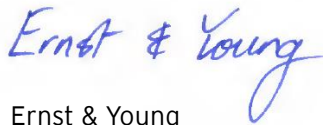
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wesfarmers Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



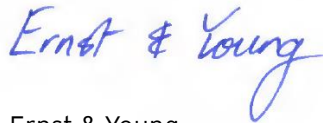
Ernst & Young



D S Lewsen
Partner
Perth
19 February 2015

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our review of the financial report of Wesfarmers Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



D S Lewsen
Partner
Perth
19 February 2015