Wesfarmers Limited
ABN 28 008 984 049

26 September 2008

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

WESFARMERS LIMITED 2008 ANNUAL REPORT

Attached is a copy of the Wesfarmers Limited 2008 Annual Report.

A copy of the Annual Report will be posted on 10 October 2008 to those shareholders who have elected to receive a copy.

A copy of the Annual Report will also be available on the company's website www.wesfarmers.com.au.

Yours faithfully,

L J KENYON
COMPANY SECRETARY

Enc.

Wesfarmers

ANNUAL REPORT 08

Strength through diversity

WE'RE NOW ALL PART OF SOMETHING BIGGER

"WHILE WE ARE A DIFFERENT COMPANY IN MANY WAYS, WITH DIFFERENT ASSETS, WE ARE THE SAME WESFARMERS IN MANY OTHER WAYS – THAT IS, WITH A FOCUS ON PROVIDING A SATISFACTORY RETURN TO OUR SHAREHOLDERS...."

Richard Goyder
Managing Director

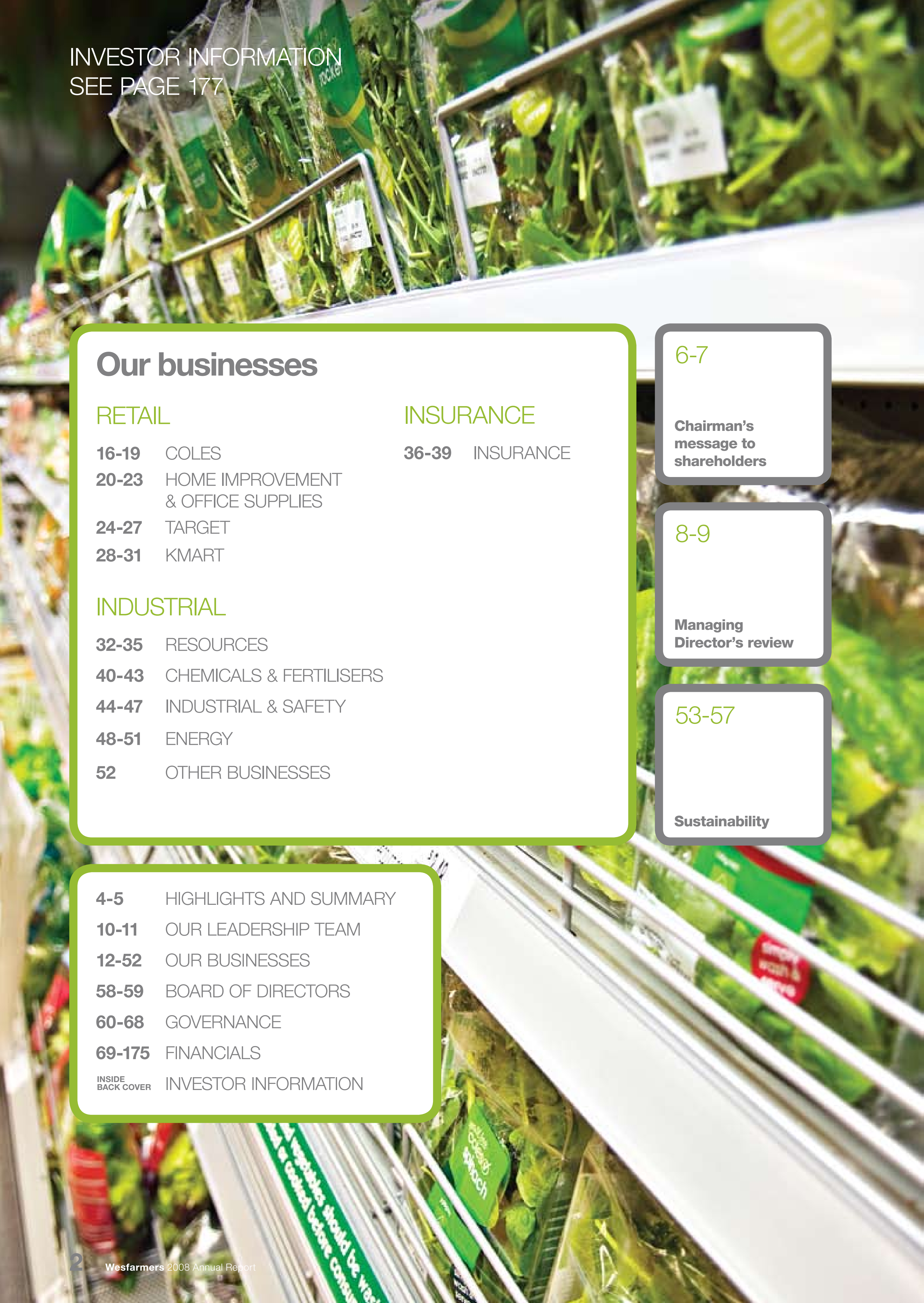

$1.5 BILLION IN
DIVIDENDS TO
SHAREHOLDERS


$34 BILLION
IN REVENUE


STRONG
PORTFOLIO OF
DIVERSIFIED
BUSINESSES


OVER 465,000
SHAREHOLDERS


A COMMITMENT
TO SUSTAINABLE
GROWTH



INVESTOR INFORMATION
SEE PAGE 177

Our businesses

STRENGTH THROUGH DIVERSITY

This year marks a major milestone in Wesfarmers' 94 year corporate history. The acquisition of Coles has added significant strength to the company's diversified portfolio of businesses, making Wesfarmers one of Australia's largest retailers and listed companies.

Wesfarmers' portfolio of diversified businesses now includes retail operations covering supermarkets, general merchandise and speciality department stores, fuel and liquor outlets and home improvement and office supplies; coal mining; gas processing and distribution; electricity generation; insurance; chemicals and fertilisers; and industrial and safety product distribution.

Wesfarmers is also the largest private employer in Australia, with nearly 200,000 employees across the country.

Our objective

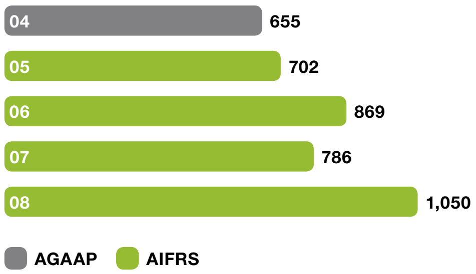
OUR PRIMARY OBJECTIVE IS TO PROVIDE A SATISFACTORY RETURN TO SHAREHOLDERS

We aim to achieve this by:

- satisfying the needs of customers through the provision of goods and services on a competitive and professional basis;
- providing a safe and fulfilling working environment for employees, rewarding good performance and providing opportunities for advancement;
- contributing to the growth and prosperity of the countries in which we operate by conducting existing operations in an efficient manner and by seeking out opportunities for expansion;
- responding to the attitudes and expectations of the communities in which we operate;
- placing a strong emphasis on protection of the environment; and
- acting with integrity and honesty in dealings both inside and outside the company.

Net profit ($m)*

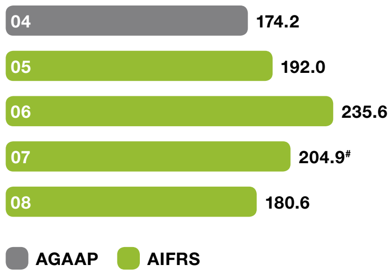
$1,050m



*Excludes earnings from the sale of ARG in 2006

Earnings per share (cents)*

180.6 cents



#2007 earnings per share restated for rights issue in accordance with AIFRS

Highlights of a busy year

OPERATIONAL HIGHLIGHTS

- $19.3 billion acquisition of Coles Group Limited
- Completed Coles group integration ahead of schedule
- New management teams recruited for Coles
- Record production and sales from Curragh coal mine
- Completed expansion of CSBP's ammonium nitrate facility
- Construction of liquefied natural gas plant completed
- 17 per cent of Bunnings stores upgraded
- Four insurance broking acquisitions

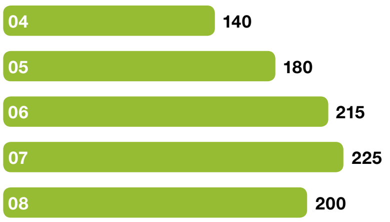
FINANCIAL HIGHLIGHTS

- Revenue of $33.6 billion, up 244 per cent (15 per cent excluding Coles group)
- Profit of $1,050 million
- Full-year dividend of $2.00 per share
- Successfully completed $2.5 billion equity raising
- Bunnings cash sales up 13.9 per cent and earnings up 11.6 per cent
- Coal earnings up 25.1 per cent
- Chemicals and fertilisers earnings up 22.8 per cent
- Energy earnings up 19.4 per cent
- Industrial and safety earnings up 13.3 per cent

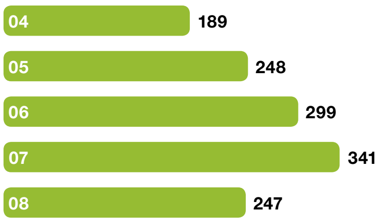
Value generated and distributed

	2008	2007
Value generated by Wesfarmers:	**$8,573m**	$3,367m
Employees - salaries, wages and other benefits	**50%**	37%
Government - taxes and royalties	**15%**	21%
Lenders - borrowed funds	**9%**	6%
Shareholders - dividends on their investment	**18%**	26%
Reinvested in the business	**8%**	10%

Dividends per share (cents)
200 cents



Operating cash flow per share (cents)
247 cents



Results summary

		2008	2007
		AIFRS	AIFRS
KEY FINANCIALS			
Operating revenue	$m	**33,584**	9,754
Net profit before net interest and tax	$m	**2,014**	1,221
Net profit after tax	$m	**1,050**	786
Dividends	$m	**1,533**	865
Total assets	$m	**37,306**	12,076
Net debt	$m	**9,276**	5,032
Shareholders' equity	$m	**19,590**	3,503
Capital expenditure on property, plant and equipment and tangibles	$m	**1,241**	680
Depreciation and amortisation	$m	**654**	345
KEY SHARE DATA			
Earnings per share	cents	**180.6**	204.9*
Dividends per share	cents	**200.0**	225.0
Net tangible assets per share	$	**-1.52**	2.11
Operating cash flow per share	$	**2.47**	3.41
KEY RATIOS			
Return on average shareholders' equity	%	**8.5**	25.1
Gearing (net debt to equity)	%	**47.4**	143.6
Interest cover (cash basis)	times	**4.9**	8.7

*2007 earnings per share restated for rights issue in accordance with AIFRS

WELCOME TO OUR NEW SHAREHOLDERS

Chairman's message to shareholders

Dear Shareholders,

I'm delighted to present to shareholders this year's Annual Report – my last as Chairman of the Wesfarmers Board.

I'd particularly like to welcome the nearly 300,000 new shareholders who are now part of the Wesfarmers family as a result of the company's acquisition of the Coles group of businesses in November 2007.

In concluding my tenure as Chairman, I'm also ending my formal association with a company which I have proudly served in various roles for 45 years, including eight years as Wesfarmers' Managing Director.

Now, after six challenging and very enjoyable years as Chairman – during a period which has seen the company undergo another period of major change – I've decided it's an appropriate time to step down.

It's also a good time to reflect on the company's progress and the reasons for its past and ongoing successes.

Growing from strength to strength

When I started with the company as a graduate engineer in 1963, Wesfarmers had a market value of just $2.7 million.

Wesfarmers was very much a farmers' co-operative run by people with a passion to serve and improve the lot of the men and women on the land.

The LPG supply business of Kleenheat Gas, the transport business of Gascoyne Trading, the retail operations of Wesfarmers stores and the activities of Masters Dairy were established and operating successfully.

Their purpose was to "add materially to the services offered by Wesfarmers and to its overall surplus for the year."

They were the evolutionary start to the Wesfarmers of today.

It is interesting to note that Wesfarmers ordered its first computer in that year as did the University of Western Australia where I was studying.

Based on these core operations, the company continued to grow and when I was appointed Managing Director in 1984, its market value had increased to $30 million.

The next two and a half decades saw the Wesfarmers diversification and expansion strategies accelerate through a number of key acquisitions in coal, rail transport, insurance services, industrial and, in recent years, retail.

Now, in 2008 the company is, at one level, almost unrecognisable from these roots.

Our market capitalisation is now approaching $25 billion, representing the large and small investments of over 465,000 shareholders.

While we remain proudly Perth-based and a very active member of the Western Australian community, Wesfarmers is truly a national company with significant diversity and breadth.

With the acquisition of the Coles group in November last year, Wesfarmers became one of the country's largest retailers.

Some have commented that with the Coles acquisition, we might be stretching the boundaries of the diversified, 'safe haven' business model which has served the company so well.

But while many aspects of the company's operations have changed in recent years, its foundations and strengths have not.

That's why I, and the Wesfarmers Board, are confident that in the next few years, our shareholders will benefit from our diversified model and the strength that is created as we reinvigorate Coles and harness its excellent brands potential and footprint.

A unique business approach

Wesfarmers' objective is to deliver 'a satisfactory return to shareholders' – an organising principle introduced into the business when I became Managing Director 24 years ago.

Guided by this principle, Wesfarmers has developed a unique, highly focused and disciplined business culture.

This culture has many facets. A key part is founded on the company's willingness to take on new challenges through a hard headed commercial approach. It actively pursues the challenge of change and diversification in line with the company's ultimate focus on strong returns.

In building its mix of businesses, Wesfarmers actively seeks opportunities by acquiring, investing in and growing previously underperforming businesses.

There are many examples of acquisitions which have delivered strong returns over time; including:

- the takeover of CSBP, initiated in 1977, which under Wesfarmers' ownership has become a major producer of industrial chemicals while continuing to be Western Australia's leading fertiliser supplier;
- the acquisition of the Curragh coal mine in central Queensland in 2000, which following a major expansion programme in recent years, is now benefiting from strong demand; and

While many aspects of the company's operations have changed in recent years, its foundations and strengths have not

- the Howard Smith acquisition, where we significantly added to the Bunnings network through BBC Hardware, and formed our Industrial and Safety division which is also performing strongly.

The measure we use to define satisfactory returns is total shareholder returns over time, which includes distributions to shareholders and share price appreciation. Management performance is judged against controllable factors which is why return on equity at a group level, and return on capital at a divisional level, are the best proxies for total shareholder returns.

Wesfarmers has always had a very strong operational focus on return on capital and that is applied to any business we acquire. The acquisition of Coles provides a significant opportunity to add shareholder value over time. Initially, as outlined in this report, return on equity has decreased significantly as we anticipated it would. The turnaround of Coles is expected to produce increased earnings and return on equity over the coming years.

Total shareholder returns will be enhanced through a combination of delivering improved performance on existing capital employed, and ensuring that new capital investments also provide strong returns. Management incentives will be structured to align with this focus.

Certainly, the turnaround of Coles will be challenging, but it's a familiar challenge for Wesfarmers, and one which I believe – like the examples I've quoted and for the reasons that have underpinned our success in the past - will deliver value to shareholders and our customers.

Our performance - 2008

With the level and intensity of activity over the past 12 months, 2007/08 represented another strong year for Wesfarmers, as outlined in the review by Richard Goyder, Wesfarmers' Managing Director, which I encourage you to read.

The Board declared a fully-franked final dividend of $1.35 per share for the year ended 30 June 2008, bringing the total dividend for the year to $2.00 per share. This compares to the $2.25 paid last year which included a component of approximately 25 cents attributable to the sale of the Australian Railroad Group in June 2006.

I'd like to take this opportunity to thank each and every one of the people I have been associated with during my four and a half decades with Wesfarmers.

I also want to thank my fellow directors for their support and commitment during my time on both the Board and as Chairman. In particular, I want to note the contribution of Dick Lester, who stepped down from the Board in June 2008 after 13 years as a Wesfarmers director.

It's a tremendous company with a tremendous reputation and I'm sure that Bob Every - who succeeds me as Chairman - will continue to lead the Board with a very clear focus on shareholder returns and enhancing our corporate reputation.

I would also especially like to thank both Richard Goyder and his predecessor Michael Chaney for their dedication and professionalism as managing directors during my six years as Chairman.

Above all, I want to thank all our shareholders – old and new - for your support and commitment to the culture and commercial approach that makes Wesfarmers unique.

T Eastwood.

Trevor Eastwood AM
Chairman

A FIRM FOCUS ON SHAREHOLDER RETURNS

Managing Director's review

The last 12 months have truly been a pivotal period for the company, its employees, shareholders and other stakeholders.

It's been a year of many changes and challenges.

Some of those challenges we've created ourselves as we sought to position Wesfarmers to continue to provide satisfactory returns to our shareholders, and indeed, all our stakeholders into the future.

Over the course of the 2007/08 financial year, we completed the $19.3 billion acquisition of the Coles group of businesses – including the food and liquor businesses, Kmart, Target and Officeworks – and successfully undertook the integration of the group into Wesfarmers.

In the process, we've become one of the biggest private sector employers in the country, with nearly 200,000 people on our payroll.

In May, we undertook a $2.5 billion equity raising to help fund the Coles acquisition and strengthen our balance sheet.

It's a testament to the Wesfarmers business model of decentralised operations and strong management systems that in a year of significant changes and challenges, many of our businesses recorded very strong performances.

Overall, profit after tax and interest for the full year has come in at $1.05 billion – up from $786 million in the previous year with all six businesses which we owned for the full year recording increased earnings.

The Coles group - foundations for growth

Although we acquired the Coles group five months into the financial year, a significant amount of work was undertaken during the remainder of 2007/08 to reposition the group for future growth.

By June 2008, we'd restructured the previously centralised Coles functions to create autonomous retail divisions and completed a number of critical commercial reviews including the review of Kmart. There has been a significant reduction in above-store employee numbers at Coles, the appointment of new management teams and development of five year plans and budgets.

Completing the integration programme prior to the end of the financial year – well ahead of schedule – has been crucial in allowing our new retail divisions to enter the new financial year with a clear focus on performance to create a much more customer-focused, value-driven operation.

Financial results for these divisions since we acquired them in November 2007 have been mostly sound and largely reflect that we're still at the early stages of turning these businesses around.

In that seven months:

- operating revenue for the Coles division, including supermarkets, liquor, fuel and convenience operations, was $16.9 billion resulting in EBIT of $474 million;
- operating revenue for Kmart was $2.5 billion, with EBIT of $114 million;
- Officeworks achieved total revenue of $802 million, with EBIT of $36 million; and
- Target, in particular, performed very well with overall sales rising to $2.2 billion and EBIT of $223 million.

The key reason that we acquired Coles was because we believed that it would be value accretive for our shareholders over time. While Target has performed well over the past few years, the other businesses we acquired all require significant structural change to effect a sustained turnaround in their performance.

It’s testament to the Wesfarmers business model, that in a year of significant changes and challenges, many of our businesses recorded very strong performances

This involves not only new management, a focus on the customer and a commercial approach to running businesses but ultimately a cultural shift to that which has been a hallmark of Wesfarmers for many years - that is a strong performance focus, underpinned by our values of being ethical, open, bold and accountable.

There is no simple formula to rejuvenate a complex retail business like the Coles group and the changes that are being put in place won’t be obvious on a particular day or date.

We believe effecting a sustained turnaround for the Coles group, particularly in the food and liquor business and Kmart, will take up to five years.

We are making solid progress in many areas.

I’m very confident that with a new world-class management team in place and taking the hard decisions needed for these businesses to succeed, we will see improved performance from each of Coles, Kmart and Officeworks and continued strong results from Target.

Strong performance across divisions

The businesses which have been the mainstay of Wesfarmers have continued to go from strength to strength during the 2007/08 financial year.

The divisions we owned prior to the Coles acquisition recorded an overall 15 per cent increase in revenue and 16 per cent increase in profit before interest and tax.

Highlights of the full-year results for these businesses include:

- another very strong performance from Bunnings, which recorded cash sales growth of 13.9 per cent on the previous 12 months, and a trading profit increase of 16.8 per cent;
- a 25.1 per cent increase in EBIT from our Resources division;
- our Insurance division which posted a 9.4 per cent increase in EBIT;
- the Industrial and Safety division recorded strong earnings growth and EBIT of 13.3 per cent;
- a 22.8 per cent increase in EBIT from our Chemical and Fertiliser division; and
- a 19.4 per cent increase in EBIT from our Energy division.

Despite a tighter economic environment, the overall outlook for the group for the next 12 months is positive, particularly on the back of strong export prices for coal.

I want to thank all our employees for the hard work and enthusiasm they’ve shown during the past 12 months. Our people continue to perform at a level with a strong commitment to our objective and values. Without their dedication and strong work ethic, the results we have achieved during 2007/08 would not have been possible.

Change and continuity

One final observation on a year which has been a significant one in Wesfarmers’ 94-year history.

Wesfarmers’ footprint now extends into many of the major sectors of the economy – resources, insurance, rural, home improvement, and now Coles’ diversified mix of retail businesses.

I’m very conscious that our expanded business scope and national reach confers enormous responsibility on the group not only towards its wider customer base, but to the communities and families where we operate, and most importantly to our shareholders.

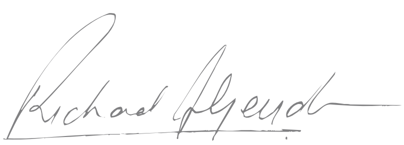
And while we are a different company in many ways with different assets, we are the same Wesfarmers in many other ways – that is, with a focus on providing a satisfactory return to our shareholders, looking after our employees and ensuring that they have a safe environment in which to work, providing terrific products and services to our customers, looking after and caring for the environment, and making a contribution to the communities in which we operate.

Those are the fundamentals of Wesfarmers that will continue to stay the same.

Finally, I would like to pay tribute to Trevor Eastwood who is stepping down as Chairman after six years.

His influence through various roles in management and on the Board has been a continuous and significant thread in shaping the company and its ongoing success over 45 years. Trevor has been an invaluable help to me as Managing Director, wise counsel, strong support and a great thinker. I’m sure you’ll join with all of us at Wesfarmers in wishing Trevor the very best for the future.

Yours sincerely,



Richard Goyder
Managing Director

WESFARMERS LEADERSHIP TEAM

Ian McLeod
MANAGING DIRECTOR
COLES

John Gillam
MANAGING DIRECTOR
HOME IMPROVEMENT AND OFFICE SUPPLIES

Launa Inman
MANAGING DIRECTOR
TARGET

Tim Bult
MANAGING DIRECTOR
ENERGY

Stewart Butel
MANAGING DIRECTOR
RESOURCES

Olivier Chretien
MANAGING DIRECTOR
INDUSTRIAL & SAFETY

Ian Hansen
MANAGING DIRECTOR
CHEMICALS & FERTILISERS

Richard Goyder
MANAGING DIRECTOR
WESFARMERS LIMITED

Gene Tilbrook
FINANCE DIRECTOR
WESFARMERS LIMITED

Keith Gordon
DIRECTOR
INDUSTRIAL DIVISIONS

Terry Bowen
FINANCE DIRECTOR
COLES

Rob Scott
MANAGING DIRECTOR
INSURANCE

Guy Russo
MANAGING DIRECTOR
KMART

Mark Triffitt
EXECUTIVE GENERAL MANAGER
CORPORATE AFFAIRS

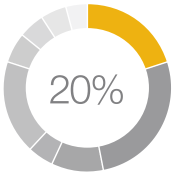
Tom O'Leary
EXECUTIVE GENERAL MANAGER
BUSINESS DEVELOPMENT

Ben Lawrence
CHIEF HUMAN RESOURCES OFFICER

REVIEW OF OPERATIONS

Division | **Businesses** | **Activities**

COLES#

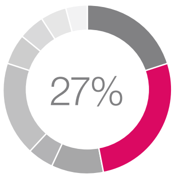


Contribution to EBIT*

Businesses: Coles, BI-LO, Pharmacy Direct, Coles Online, 1st Choice Liquor Superstore, Liquorland, Vintage Cellars, Coles Express

- Full-line supermarket retailer with 750 stores across Australia, more than 100,000 employees and over 11 million customer transactions a week
- National liquor retailer with 862 outlets trading under the Liquorland, Vintage Cellars and 1st Choice brands, including 95 hotels
- Fuel and convenience store operator with 619 sites nationally

HOME IMPROVEMENT & OFFICE SUPPLIES#

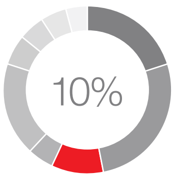


Contribution to EBIT*

Businesses: Bunnings, Bunnings Warehouse, Officeworks, harristechnology

- Retailing home improvement and building products
- Servicing project builders and the housing industry
- Retailing office products and solutions for home and work

TARGET#

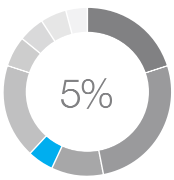


Contribution to EBIT*

Businesses: Target. 100% happy

- Retailer of fashion apparel and homewares
- Customer destination for childrenswear/nursery, womenswear, intimate apparel and homewares
- Caters to a wide range of customers via a network of 277 stores (Target and Target Country) throughout metropolitan and regional Australia
- Wide range of store formats to cater for many demographics
- Positioned to be the fashion alternative to speciality retailers

KMART#

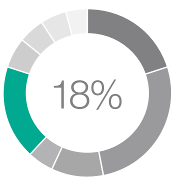


Contribution to EBIT*

Businesses: Kmart – where good times start; Kmart Tyre & Auto Service – where good times start

- Retailer of a wide variety of quality and great value general merchandise and apparel products through a network of 182 stores
- Retailer of tyres and provision of car servicing through a network of 263 stores

RESOURCES



Contribution to EBIT*

Businesses: Curragh, Premier Coal, Bengalla

- Operating and developing coal mines in Queensland (Curragh) and Western Australia (Premier Coal); 40 per cent interest in New South Wales coal mine (Bengalla Joint Venture)
- Supplier of metallurgical coal to export markets and steaming coal to both domestic and export markets

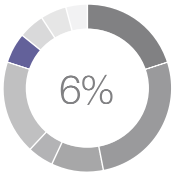
Information for former Coles group companies is for the ownership period from 23 November 2007 to 30 June 2008
* Before corporate overheads

Year in brief	Future directions
• EBIT of $474 million before charging $101 million of non-trading items • Food and Liquor sales growth of 4.2 per cent to $12.8 billion with trading EBIT of $422 million • Investment of over $100 million in lower on-shelf supermarket prices • 17 new supermarkets opened, 12 extensions or refurbishments • Liquor store network expanded with 46 new stores opened • Convenience trading EBIT of $42 million • Implemented new organisation structure and operating model, including appointment of new Managing Director and executive team	• Coles will continue its programme to improve performance, by delivering: - improved product range - an enhanced value offer for customers - increased store investment and a renewal programme
• 16.8 per cent increase in Bunnings' trading EBIT • 13.9 per cent increase in Bunnings' cash sales • 11 new Bunnings warehouse stores opened • Five Bunnings trade centres opened • 17 per cent of Bunnings stores upgraded or refurbished • Officeworks contributed $36 million in EBIT • Integration of Officeworks completed • Strategy re-set work for Officeworks completed	• Lifting service in Bunnings and Officeworks stores • Ongoing Bunnings and Officeworks offer improvements • Continued investment in the Bunnings and Officeworks networks • Strong focus on the Bunnings and Officeworks teams • Implementation of a new Officeworks marketing strategy and everyday low price position
• $2.2 billion in revenue • $223 million in EBIT, at an EBIT margin of 10.1 per cent • Comparable store sales increase of 3.3 per cent • Three Target stores opened • 19 stores upgraded or refurbished, including improved layout, design, signage, traffic flow and fixtures • Continued development of new and differentiated product ranges	• Continue to open 8-10 stores per year • Accelerate store refurbishment program with 20 per year (40 in 2008/09) • New product ranges and existing product extensions in key categories • Improvements in efficiency and the shopping experience of available space in stores
• Comparable store revenue growth of 2.2 per cent • EBIT of $114 million • One Kmart store and one Kmart Tyre and Auto Service Centre opened • Two Kmart stores and four Kmart Tyre and Auto Centres closed • 18 Kmart stores refurbished • Improvement in product offer delivering improved margins • Improved customer engagement	• Stand-alone division focused on improving Kmart's performance • Focus on customer service • Open five to 10 new stores per year • Review and accelerate store refurbishment programme • Evolve and further improve the product offer • Continue to build team capability • Environmental improvements / pursue sustainability initiatives
• EBIT up 25 per cent • Continued growth in metallurgical coal sales • Record hard coking coal prices achieved • Curragh achieved record metallurgical coal production of 6.9 million tonnes • Strong recovery from January 2008 floods • Coal sales limited by infrastructure constraints	• Strong business sustainability commitment • Strong export market fundamentals and customer demand • Continued export production and sales growth from Curragh • Maximise exports, addressing infrastructure constraints • Low emissions and other value-adding technology support and development • Focused on future growth

REVIEW OF OPERATIONS

Division | **Businesses** | **Activities**

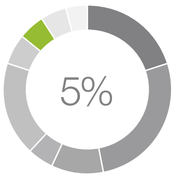
INSURANCE



Contribution to EBIT*

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

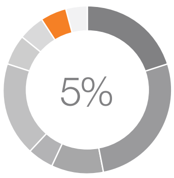
CHEMICALS AND FERTILISERS



Contribution to EBIT*

- Manufacture and marketing of chemicals for mining, mineral processing and general industry including plastics
- Manufacture and marketing of broadacre and horticultural fertilisers
- Provider of soil and plant testing and agronomy advisory services

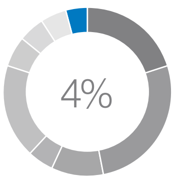
INDUSTRIAL AND SAFETY



Contribution to EBIT*

- Supply of industrial and safety products through a portfolio of leading distributors in Australia and New Zealand
- Servicing industry and government through extensive branch networks, sales forces as well as e-business, websites and telemarketing channels

ENERGY



Contribution to EBIT*

- Manufacture, marketing and distribution of industrial, medical and specialty gases
- Production, marketing and distribution of liquefied petroleum gas (LPG) and liquefied natural gas (LNG)
- Power generation for remote towns and resource projects

OTHER ACTIVITIES

Contribution to EBIT not material

Wespine - 50 per cent interest in a softwood mill at Dardanup, Western Australia

Gresham - 50 per cent interest in the investment bank, Gresham Partners; plus interests in Gresham's private equity funds

Bunnings Warehouse Property Trust - 22.7 per cent interest in the property trust which mainly owns Bunnings Warehouses tenanted by Bunnings Group Limited

* Before corporate overheads

Year in brief

Future directions

- 17.0 per cent increase in revenue
- 9.4 per cent increase in EBIT
- Successful integration of OAMPS and Crombie Lockwood in line with expectations
- Higher than expected claims from weather events and large property and motor losses
- Restructuring and rate increases initiated in Lumley New Zealand
- Broking earnings growth in all markets
- Four bolt-on acquisitions of broker businesses

- Maintain business focus in selected market segments
- Rates stabilising following downward pressure in recent years
- Efficiency initiatives leveraging scale of underwriting and broking operations
- Further bolt-on acquisitions to enhance distribution platform
- Growth through the development of insurance and financial services products

- 68.3 per cent increase in revenue
- 22.8 per cent increase in EBIT
- Chemicals earnings up due to increased production and the partial year contribution from Australian Vinyls Corporation
- Fertiliser volumes and earnings increased
- Completed expansion of ammonium nitrate facility at Kwinana, Western Australia increasing annual production capacity by 235,000 tonnes
- Record production and contribution from Queensland Nitrates joint venture

- Capitalise on strong chemical demand from the resources sector
- Enhance fertiliser sales volumes through market focused customer offer
- Pursue market growth and product diversification opportunities
- Expand sodium cyanide facility at Kwinana and de-bottleneck Queensland Nitrates facility

- 8.4 per cent increase in revenue, with growth recorded in all businesses
- 13.3 per cent increase in EBIT
- Acquisitions including Meredith Distribution, construction specialist
- Further improvements in Delivery in Full On Time through supply chain, systems and network upgrades
- Competitiveness reinforced by further cost and capital management improvements
- Return on capital lifted to 16.8 per cent

- Increase share of customers' spend through improved service, delivery performance and value proposition
- Improve metropolitan sales penetration
- Continue to target higher growth sectors, including through acquisitions
- Enhance supply chain and operational efficiency
- Develop and retain high performing employees

- 22.0 per cent increase in revenue
- 19.4 per cent increase in EBIT
- Successfully completed integration of Coregas and two industrial gas supply projects
- Wesfarmers LPG increased earnings following record high energy prices
- enGen completed the Aboriginal Remote Community Power Project's five power stations
- Western Australian LNG project completed on budget however commissioning delayed due to gas supply disruptions
- Sale of 50 per cent interest in UNIGAS joint venture

- Pursue sustainable growth of industrial gases in key eastern states and oil and gas markets
- Improved customer focus and cost efficiency in LPG distribution
- Pursue new power generation alternatives
- Evaluation of eastern Australian LNG projects, alternative fuel and renewable opportunities

Wespine
- Earnings down 7.0 per cent
- Completed project to expand production capacity

Gresham
- Earnings of $5 million post-tax
- Investment in Fund 3

Bunnings Warehouse Property Trust
- $0.2 million pre-tax contribution following property revaluations

Wespine
- Gas supply constraints and increased energy costs likely to offset benefits of increased production

Gresham
- Develop businesses and seek profitable exits in Funds 1 and 2
- Make investments in Fund 3

Bunnings Warehouse Property Trust
- Acquire additional properties

COLES

Revenue ($m)*

$16,875.5m

*for the ownership period 23 November 2007 to 30 June 2008

The business

Coles operates 2,231 food, liquor and convenience outlets across Australia, through the Coles, BiLo, Vintage Cellars, Liquorland, 1st Choice and Coles Express brands, as well as its hotel portfolio.

The business employs more than 100,000 team members and manages over 11 million customer transactions a week.

Strategy

Coles aims to provide Australians with value, quality, choice and convenience for their everyday food, liquor and fuel needs. The business has underperformed its major competitors in recent years, and under Wesfarmers' ownership, has embarked on a five year transformation journey to improve business performance and the customer experience.

The business has devised four key growth strategies to drive ongoing business improvement:

Range change that will improve on-shelf availability for customers while tailoring instore ranges to better meet customer needs, remove duplication and improve the shopping experience.

An **improved value platform** which reduces the number of promotions in place at any one time and delivers fewer, more compelling offers with better availability and clearer instore messaging.

Store investment to reinvent the Coles shopping experience, which will see significant capital investment in both new stores and store refurbishments, while also working on new concepts and designs for a new store model. There will also be a renewed focus on training and development for store teams.

A **fresh food focus** that will commence with an end-to-end review of the fresh produce supply chain, to support delivery of improved quality product to customers. Key focus areas will include quality control, merchant and instore training, and improved instore merchandising and display.

Results

Operating revenue for the Coles division (comprising the supermarkets, liquor and fuel and convenience businesses) during the period from 23 November 2007 to 30 June 2008 (the "ownership period") increased by 7.2 per cent over the same period last year to $16.9 billion. Earnings before interest and tax were $474 million for the ownership period before charging $101 million of non-trading items related to redundancy and other restructuring costs, resulting from organisational change and store network initiatives.

Food and liquor sales grew by 4.2 per cent in the ownership period with sales growth in all categories except fresh produce, which was impacted by price deflation in the fourth quarter. Liquor sales also grew strongly. Comparable store sales growth in food and liquor for the ownership period was 2.8 per cent.

The results were driven primarily by improved performance in on-shelf availability, a focus on providing better value to our customers and increasing customer take-up of the Coles housebrand product offering. On a State basis, supermarket cash sales growth were particularly strong in New South Wales, Victoria and Western Australia.

The Convenience store results were solid, driven by strong volume on a number of low priced key items and the ongoing rollout of an enhanced store format. Comparable sales growth for the ownership period in Convenience was 5.7 per cent.

EBIT ($m)#

$474.4m

Key financial indicators#

	08
Revenue ($m)	**16,875.5**
Earnings before interest and tax ($m)	**474.4**
Capital employed ($m)ˆ	**15,128.2**
Return on capital employed (%)	**n/a**
Capital expenditure ($m)	**351.0**

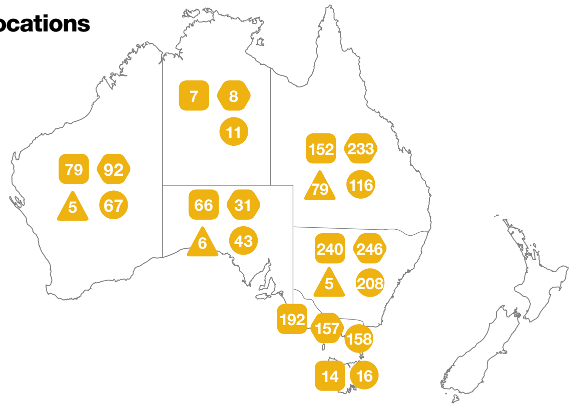
AIFRS

#for the ownership period 23 November 2007 to 30 June 2008
ˆas at 30 June 2008 provisional capital employed

Team member Kayla Hart in the fresh produce section at the Coles Doncaster store, Victoria.

Produce Manager, Shelvin Maybir, at the Coles Doncaster store, Victoria.

Locations



750 Supermarkets

767 Liquor stores

95 Hotels

619 Convenience stores

Business websites

www.coles.com.au
www.colesonline.com.au
www.bilo.com.au
www.1stchoice.com.au
www.liquorland.com.au
www.liquorlanddirect.com.au
www.vintagecellars.com.au
www.pharmacydirect.com.au

Year in brief

Work to integrate Coles into the Wesfarmers business was completed by June 2008, well ahead of schedule.

The implementation of a new store-focused operating model saw over 1,000 above-store roles taken out of the business, resulting in a flatter structure better able to service the store network.

Wesfarmers appointed Ian McLeod as Coles Managing Director in May 2008 and all senior Coles executive roles were filled by August 2008.

The business grew its store network throughout the year, opening 17 new supermarkets, 42 new liquor outlets, eight new Coles Express sites and four new hotels.

In addition, the business refurbished or extended 12 supermarkets, 99 liquor outlets, 27 hotels and introduced 31 new convenience store offers in the Coles Express network.

Customers responded well to Coles' housebrand offer, with the brands recording a 14 per cent growth in sales year on year. During the year $100 million was re-invested through a combination of price decreases and the absorption of cost increases to deliver value to customers.

"Multi-save" promotions were introduced into supermarkets in the fourth quarter.

Upgrading of the distribution network continued, with a new chilled distribution centre opening in New South Wales and a new composite distribution centre in Perth. As at 30 June 2008, the business operated 26 distribution centres compared to 33 in July 2007.

Business sustainability

The business supported a range of local and national community activities and charities during the year.

Coles partnered with Landcare Australia Limited, the Cancer Council Australia and Education Foundation to fund national programmes relating to health and the environment.

Through its work with Landcare, Coles funded the planting of new school gardens, encouraging children to be more active and environmentally aware. Coles, its team members and customers also supported Daffodil Day, Australian Red Cross' Good Start Breakfast Club, Guide Dogs Australia and many other worthy causes by raising over $2 million during the year.

The business also donated food to Foodbank Australia, which was then distributed to a range of welfare and not-for-profit organisations.

Coles continued to trial new energy saving initiatives through its environmental "concept stores" and opened its fourth environmental store in Rouse Hill, New South Wales.

Workplace health and safety remains a priority within the business. A manual handling awareness project is being developed to improve manual handling techniques and processes at stores to reduce workplace incidents and injuries. The business recorded a slight improvement in the lost time claim frequency rate for the year at 15.4, compared to 15.7 last year.

Outlook

While there are challenges ahead for the new team to effect the successful turnaround of Coles over the coming years, strategies are now underway to revitalise the fresh food offer, tailoring the range to meet the needs of different customer groups, engender broader levels of customer trust through changes to the promotional programme and the development of a new store format before the end of the 2008/09 financial year. Capital has already been spent to improve basic customer facing standards in stores with further capital continuing to be allocated to this area. While retail markets are expected to become more challenging as household budgets come under pressure and consumer confidence softens, these actions are collectively designed to lay the foundations of change and a sustained improvement in performance.

GROWTH STRATEGIES

Range change

Improve on-shelf availability for customers and tailoring product ranges.

Improved value platform

Fewer, more compelling offers with better availability and clearer instore messaging.

Store investment

Significant capital investment in both new stores and store refurbishments.

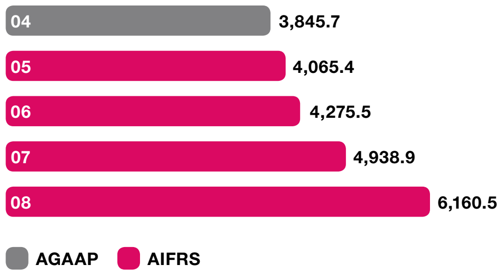
Fresh food focus

Fresh produce end-to-end supply chain review to help deliver an improved quality product for customers.

HOME IMPROVEMENT & OFFICE SUPPLIES

Revenue ($m)#

$6,160.5m



#Office Supplies contribution is for the ownership period from 23 November 2007 to 30 June 2008

HOME IMPROVEMENT

The business

Bunnings is the leading retailer of home and garden improvement products in Australia and New Zealand and a major supplier of building materials.

Operating from a network of large warehouse stores, smaller format stores, trade centres and frame and truss manufacturing sites, Bunnings caters for do-it-yourself customers as well as builders and contractors.

Strategy

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

Bunnings continues to develop and improve its store network through refits of existing outlets and remerchandising initiatives and new store openings. Bunnings is developing a network of trade centres to support major builder customers, in conjunction with a network of frame and truss manufacturing plants, to ensure a full service offer is provided.

Results

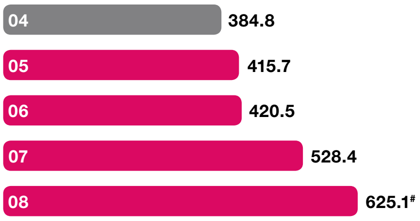
Trading revenue for the home improvement business increased by 12.6 per cent and total operating revenue (including property transactions) increased by 8.5 per cent to $5.4 billion for the full-year. Earnings before interest and tax of $589 million were 11.6 per cent higher than those recorded last year. Trading earnings before interest and tax (excluding property, HouseWorks and other non-trading items) increased by 16.8 per cent.

Cash sales growth of 13.9 per cent was achieved in Bunnings, with underlying store-on-store cash sales growth for the full year of 11.3 per cent, reflecting strong organic growth from the existing store network. Good results were recorded in all States of Australia and across all product categories, as a result of good execution of merchandising and operation strategies. New Zealand results were impacted by tight economic conditions in that market.

Store-on-store cash sales growth was 8.7 per cent for the four month period March to June 2008, (taking into account the Easter trading period), despite the more challenging economic conditions that emerged later in the year.

EBIT ($m)

$625.1m



AGAAP* AIFRS

Key financial indicators#

	04	05	06	07	08
Revenue ($m)	3,845.7	4,065.4	4,275.5	4,938.9	**6,160.5**
Earnings before interest and tax ($m)	384.8	415.7	420.5	528.4	**625.1**
Capital employed ($m)**	1,770.4	1,786.4	1,838.0	1,878.5	**3,005.0**
Return on capital employed (%)***	21.7	23.3	22.9	28.1	**31.2**
Capital expenditure ($m)	97.9	183.9	222.3	196.3	**302.0**

AGAAP* AIFRS

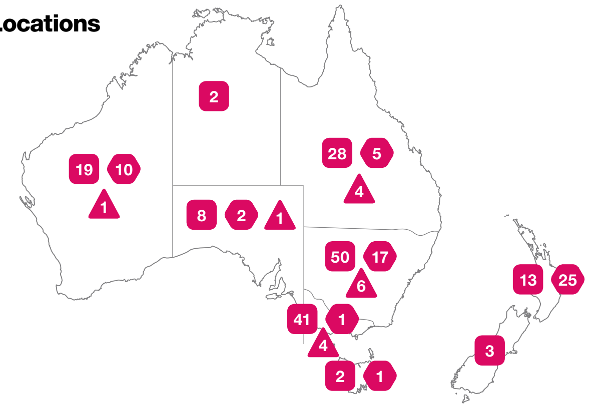
#Office Supplies contribution is for the ownership period 23 November 2007 to 30 June 2008
*before goodwill amortisation

**provisional capital employed for office supplies at 30 June 2008
***return on capital excludes office supplies

Above. Team members, Colin Tsolakis and Sam Ceccomancini, at the Port Melbourne Bunnings warehouse, Victoria.

Below. Team member, Lisa Bamberry, at the new Officeworks store at Highett, Victoria.

Locations



165 Warehouses

61 Small format stores

16 Trade centres

Business websites

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

Trade sales for the year grew by 6.3 per cent on the previous year, a good result given the continued weakness in the housing construction market in a number of parts of Australia and New Zealand. This performance reflects progress from the continuing re-alignment of the trade business, resulting in better service for larger trade customers as well as an improved offer for walk-in trade customers within the store network.

Year in brief

Good progress was made with the development of the network. In 2007/08, 11 new warehouse stores, two smaller format stores and five trade centres were opened. One warehouse and six smaller format stores were closed. At year-end there were 165 warehouse stores and 61 smaller format stores operating across Australia and New Zealand.

During the year 17 per cent of stores were upgraded as part of the ongoing store network refurbishment programme, which brings current building and merchandising standards into older parts of the network.

Solid progress was made throughout the year on strategies to deliver greater efficiencies and more effective operations within the business. Highlights included lower shrinkage levels, better inventory disciplines, enhancements to the supply chain and the continued upgrading and implementation of core IT systems.

The decision was taken to close the three HouseWorks stores in Western Australia during the year.

Business sustainability

Bunnings' commitment to environmental responsibility and supporting the community continued in 2007/08.

A number of sustainability initiatives were progressed during the year to reduce energy usage in stores, to increase recycling in the business and to increase rainwater harvesting. From 1 April 2008, single use plastic bags were removed from all stores.

Bunnings supported local communities in a variety of ways by direct donations and sponsorships amounting to approximately $3.4 million and through donations of employee time to a large number of community projects. In addition, over $8.9 million was raised through sausage sizzles conducted by community groups at stores on weekends and public holidays.

Safety continues to receive a very high profile in the business through the B.S.A.F.E. programme, with the rolling 12 month all injuries frequency rate improving to 45.0 from 51.2.

Outlook

The outlook for the home improvement business in 2008/09 is for continued retail sales growth, with an increasing contribution from the trade business. This will be achieved through improved service, a better offer, and continued network development, but in the context of a more challenging economic environment than has been experienced in recent years.

GROWTH STRATEGIES

Profitable sales growth

Key growth drivers are: lifting customer service; upgrading and expanding the store network; improving the merchandise offer; and expanding the trade business.

Building a stronger team

Ongoing B.S.A.F.E. programmes, organisational development, product knowledge training and team retention actions.

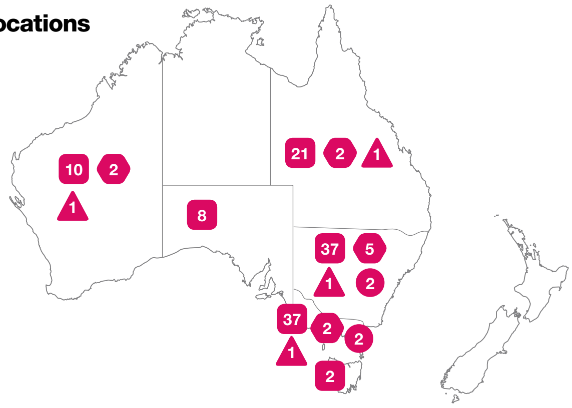
Stronger focus on productivity and business effectiveness

Continued development of systems and the execution of supply chain and other business improvement and productivity projects.

Sustainability

Ongoing commitment to reducing water and energy consumption and expanding sustainability linked ranges, education and information.

Locations



- 115 Officeworks stores
- 11 Harris Technology stores
- 4 Centralised fulfilment centres
- 4 Centralised service centres

Business websites

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

OFFICE SUPPLIES

The business

Officeworks is Australia's leading retailer of office products and solutions for home and work.

Operating through an Australia-wide network of large and small format stores, Officeworks caters for a broad range of customers that include small-to-medium businesses, students and teachers, and everyday personal shoppers. Officeworks Direct provides a convenient alternative approach to customers by providing them with the ability to shop via a call centre or by the internet at www.officeworks.com.au.

The Officeworks portfolio also includes Harris Technology which caters predominantly for small-to-medium businesses and early adopter technology customers. Harris Technology has an extensive call centre and internet operations (at www.ht.com.au) with a small retail store presence across the nation.

Strategy

Officeworks aims to provide customers with the widest range, lowest prices and great service whilst being an employer of choice by providing a safe, rewarding and engaging place of work for all team members.

Officeworks continues to develop and improve its business by opening more stores, refurbishing existing stores, expanding the product range, enhancing its Direct business, particularly by improving its internet presence, and providing customers with additional services.

Harris Technology aims to deliver customers great service at fair value through its stores, call centres and via the internet.

Results

Operating revenue for the office supplies businesses (Officeworks and Harris Technology) between 23 November 2007 to 30 June 2008 (the "ownership period") was $802 million, 1.6 per cent higher than the corresponding period last year. Earnings before interest and tax for the ownership period were $36 million, after acquisition and restructuring costs of $7.1 million.

Trading conditions became more difficult across the second half of the year, particularly for the important smaller business customer base, as the economic environment tightened.

Year in brief

During 2007/08, four new stores were opened bringing the number at year-end to 115 Officeworks stores and 11 Harris Technology stores.

During the post-acquisition period, a substantial amount of work was completed to establish Officeworks as an autonomous operating business within the Home Improvement & Office Supplies division and the broader Wesfarmers group.

The business strategies for both Officeworks and Harris Technology have been comprehensively assessed and reset, laying the foundation for future growth.

Outlook

The outlook for Officeworks is for moderate sales growth, reflecting the tougher current trading conditions. With restructuring largely complete, the focus on new strategies should see a progressive improvement in performance.

GROWTH STRATEGIES

Sales and profitability growth

Continued store openings, uplifts from upgraded stores, increasing the average sale, implementing a new marketing programme and firmly embedding a lowest price position.

Improving customer service

Increasing training hours, improving labour availability and flexibility, and rolling out a new point of sale system.

Improved offer to customers

Range enhancements and expansions including a special order service. Additional information for customers, improving the website and improving the in-stock position.

Reduced cost of doing business

More effective business processes across channels. Reduction in IT and supply chain costs and other projects to remove duplication and complexity.

Team members

Focus on recruiting, training and retaining the best people. Improvement in safety awareness.

TARGET

Revenue ($m)#

$2,198.4m

#for the ownership period from 23 November 2007 to 30 June 2008

The business

Target is a leading customer destination for fashionable, on-trend apparel and homewares, with a team of over 23,000 employees.

Target's core product ranges include womenswear, intimate apparel, menswear, childrenswear, accessories, soft homewares, electrical, toys and other general merchandise. Apparel is a key focus of the product range, with Target aiming to position itself as a value based alternative to specialty fashion stores and a more upmarket, higher quality store with a higher price point than discount department stores.

Apparel is predominantly Target-branded, with national brands and licenses used to complement the Target range, such as the popular Piping Hot and World Industries labels in youth apparel. Target generally seeks exclusive licenses from private brand licensors, with the aim of differentiating itself in the market.

The division's network ranges in size from Target-branded 2,200 – 8,800 square metre stores to Target Country-branded 400-1,700 square metre stores, enabling the business to access a wide range of customers in metropolitan and regional areas. Target stores are typically located in suburban and large regional shopping centres and precincts. Target Country stores are typically located in rural and regional communities, and offer a smaller range of Target merchandise, predominantly apparel and soft homewares.

Strategy

Target intends to further enhance its strong market position through improved and more fashionable merchandise appealing to a broad consumer base, as well as new product ranges and existing product range extensions, particularly in apparel and homewares, where margins are typically higher.

Target also intends to grow its network of stores and target higher growth sectors through the development of new stores and the refurbishment of approximately 20 stores per annum (40 stores in 2008/09). In addition, Target intends to improve the shopping experience by making more effective use of available space in stores. As small communities grow and where it makes sound business sense, Target Country stores will be converted to full-scale Target stores. Where this has been done in the past it has increased profitability of those stores.

Results

Operating revenue for Target for the period from 23 November 2007 to 30 June 2008 (the "ownership period") was $2.2 billion, 7.4 per cent higher than the prior comparable period. Earnings before interest and tax for the ownership period were $223 million. Comparative sales growth for the ownership period was 3.3 per cent.

Target improved its margin on the comparable period last year by aligning the merchandise offer to the changing expectations of customers and a consistent focus on managing expenses.

Market conditions were very challenging and varied considerably during the period. This required management of expenses and inventories in line with movements in trading.

EBIT ($m)#

$222.7m

08	222.7

AIFRS

Key financial indicators#

	08
Revenue ($m)	2,198.4
Earnings before interest and tax ($m)	222.7
Capital employed ($m)*	3,461.8
Return on capital employed (%)	n/a
Capital expenditure ($m)	47.0

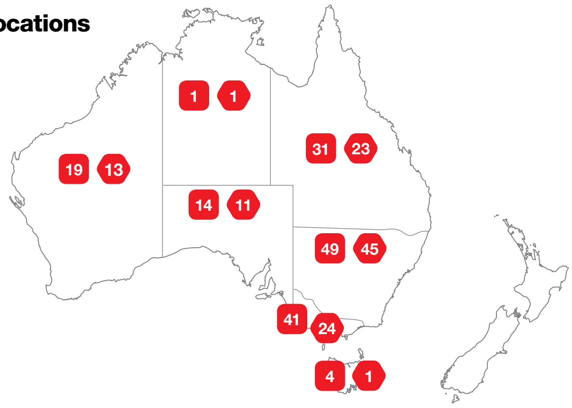
AIFRS

#for the ownership period from 23 November 2007 to 30 June 2008
*provisional capital employed as at 30 June 2008

Team member Madison Sollitt helps a customer in the children's fashion section at the Target Rockingham store in Western Australia.

Target Rockingham store, in Western Australia.

Locations



Business websites

www.target.com.au

Although the final quarter was a particularly challenging trading period, Target's inventory closed in a satisfactory position. Target has been able to comfortably close-out its winter merchandise within budget and move into new ranges.

Year in brief

During the ownership period three new Target stores opened and 19 stores were upgraded or refurbished as part of an ongoing re-investment in the store network to ensure a more consistent look and feel across the business. At year-end there were 159 full-line Target stores and 118 Target Country stores operating throughout Australia.

All merchandise departments recorded growth during the period, with particularly good results in menswear, homewares, childrenswear, toys, leisure and books. Consumer demand for technology-based products continued with extremely strong growth in electrical goods sales.

Business sustainability

Target's commitment to environmental responsibility and involvement in the community continued in 2007/08.

The main areas of environmental management that were focused on during the year were reducing waste through recycling and introducing systems to more accurately measure our environmental footprint. Target's greenhouse gas emissions are largely the result of electricity consumption at stores, distribution centres and support centres, fuel for the transport fleet and waste disposed of off-site.

With over 23,000 team members, issues around safety awareness and training continue to be a high priority. It remains a major challenge with the business achieving a rolling 12 month lost time injury frequency rate for the year of 9.47 (last year 10.47). Training and development is also a key focus. During the year, a third intake of store managers were enrolled in the Diploma of Business through Deakin University. Target also developed a new partnership with the Australian Centre for Retail Studies at Monash University to deliver a specific training programme in merchandise planning.

Target's community involvement is focused primarily on the needs of families and children. During the year the division supported the National Breast Cancer Foundation's "Fashion Targets Breast Cancer" programme, raising over $160,000 for medical research. National Babies Day in October raised more than $121,000 to support the quality of life of babies born prematurely and the Uniting Care Share Christmas Appeal held in all Target stores resulted in 125,000 gifts and $57,000 in gift-cards being donated to local communities throughout Australia.

Outlook

New product initiatives and store openings will continue, as will delivery of new offers. While external influences such as interest rates and petrol prices will have an effect on consumers, merchandise levels are appropriate to effectively manage changes in consumer sentiment. An accelerated store refurbishment programme, with 40 store refurbishments planned in 2008/09, will have an impact on profitability.

GROWTH STRATEGIES

Profitable sales growth

Continued investment and reinvestment in the store portfolio with an aggressive store rollout and refurbishment programme.

Product leader

Continued focus on core competencies, supported by key product innovations and exclusive licenses.

Team members

Continued focus and increased investment in recruitment, training and retaining of team members with a "100% happy" philosophy within an environment committed to safety.

KMART

Revenue ($m)#

$2,454.6m

#for the ownership period from 23 November 2007 to 30 June 2008

The business

Kmart is one of Australia's largest retailers, with 182 stores throughout Australia and New Zealand, product sourcing offices in Hong Kong, Shanghai and Delhi, and over 26,000 team members.

Kmart Tyre and Auto Service (KTAS) is Australia's largest automotive service, repair and tyre business with 263 stores and is Australia's largest employer of mechanics and apprentice mechanics with a team of over 1,200 people.

Key categories for Kmart are toys, leisure, entertainment, home, menswear, womenswear, childrenswear, footwear, underwear and consumables.

Kmart offers a mix of its own brands such as Now, Girl Express, Alpha, Jackeroo as well as national brands such as Revlon, Sony, Bonds and Kodak.

Strategy

Kmart's strategy is firmly focused on delivering quality and great value products for customers and their families in a safe, fun and engaging store experience.

Building long-term sustainability by focusing on the customer and financial management is key to the future success of the business.

There are four strategic objectives to Kmart's strategy, being: Customer, Product Leadership, Store Experience and Expansion, and End-to-End Execution.

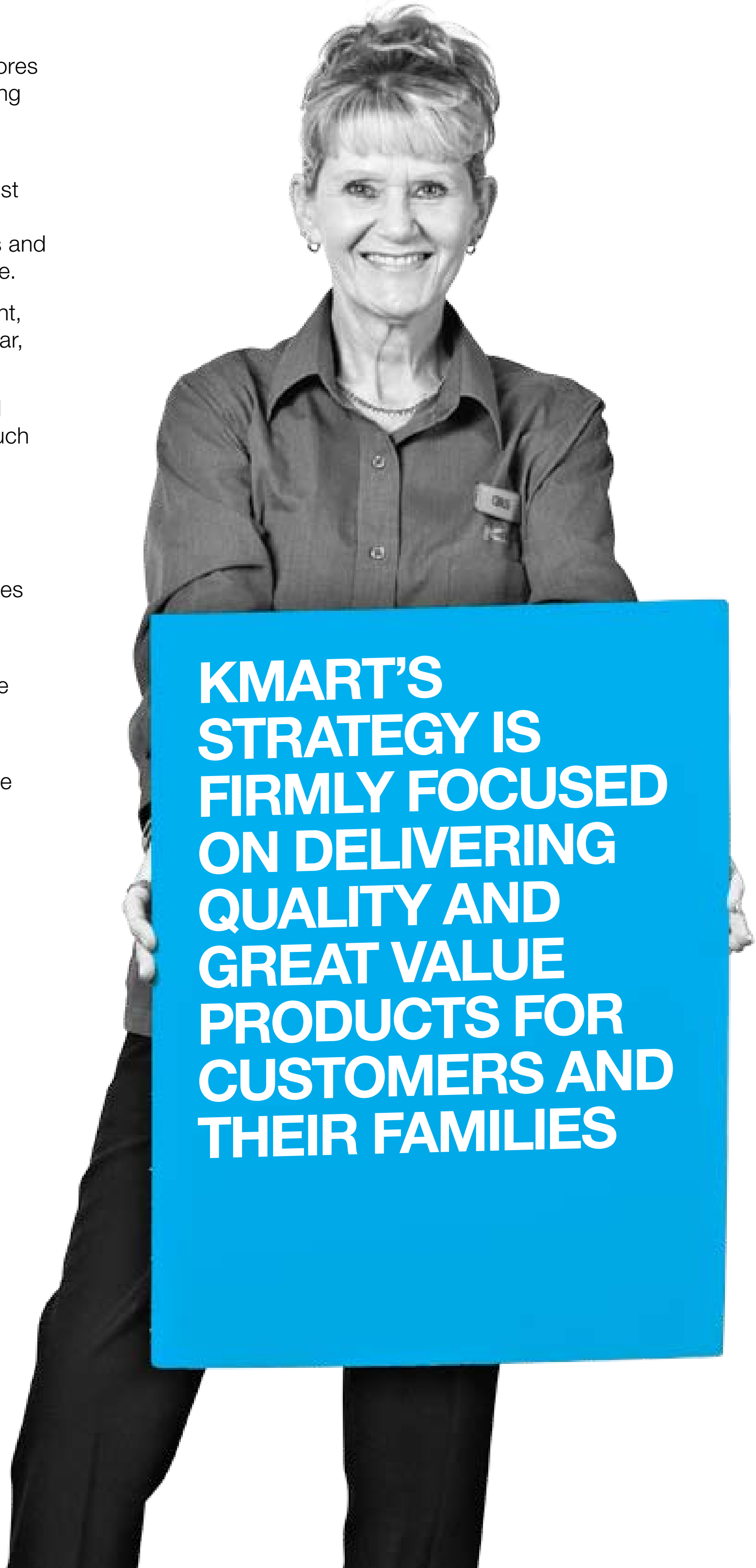
The business is dedicated to ensuring the best team with the right skills are in place working in a safe, fun and rewarding environment.

Results

Kmart returned to positive revenue growth, achieving operating revenue of $2.5 billion for the period from 23 November 2007 to 30 June 2008 and generating earnings before interest and tax of $114 million. Comparable store growth for the same period was 2.2 per cent.

All Kmart businesses delivered improved results with Australian retail, New Zealand retail and Kmart Tyre and Auto Service experiencing growth in revenue and earnings before interest and tax.

Evolution of the product offer enabled growth in key categories in conjunction with the improvement in margins. This was delivered through improvements in the product ranges and adjustments to the promotional programme.



EBIT ($m)#

$114.0m

AIFRS

Key financial indicators#

	08
Revenue ($m)	**2,454.6**
Earnings before interest and tax ($m)	**114.0**
Capital employed ($m)*	**1,117.4**
Return on capital employed (%)	**n/a**
Capital expenditure ($m)	**41.0**

AIFRS

#for the ownership period from 23 November 2007 to 30 June 2008
*provisional capital employed as at 30 June 2008

Year in brief

Following the completion of the business review by Wesfarmers, the Kmart business is fully focused on building foundations to improve long-term performance.

Kmart is ensuring that the product offer is designed to attract families, focusing the range on their casual and leisure lifestyle. Improving the in-store experience for the customer, more effectively showcases product ranges. The expanded and aggressive store refurbishment programme, combined with significant operational improvement with a focus on the customer, will deliver a better shopping experience for the customer.

During the ownership period, the refurbishment programme has continued with 18 store refurbishments completed.

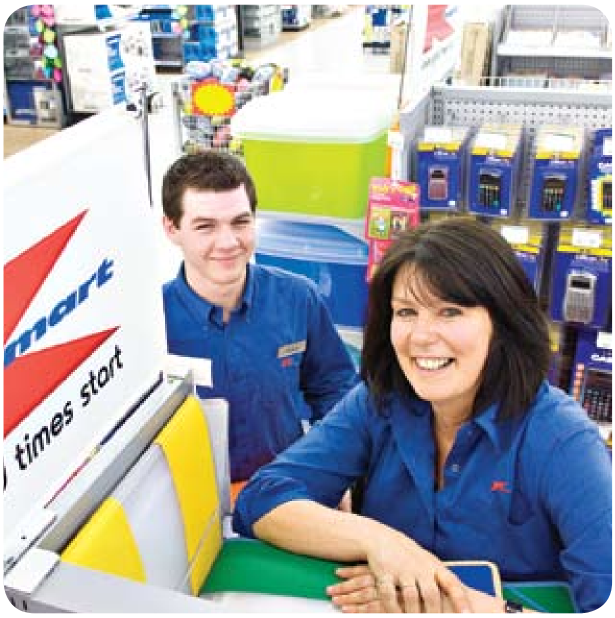
Two new stores were opened during the year, one in Albany, New Zealand and one in South Morang, Victoria. Kmart is actively sourcing new store opportunities with the intent of returning to an annual store-opening programme of five to 10 per year.

Customers have responded favourably to Kmart's promotional campaign of "Kmart-where good times start" which was launched in August 2007. The campaign will continue to evolve based on customer feedback.

The business traded well over the Christmas period, although trading through March onwards became tougher as the impacts of interest rate and petrol price increases affected customer spending.

Kmart has been focused on rebuilding following the change in ownership and moving from a centralised support structure to an autonomous business. This process is now complete and the business has been relocated to a new national office at Mulgrave in Melbourne's eastern suburbs.

Following two years of considerable change, Kmart Tyre and Auto Service returned its focus on the core business of tyre sales and car servicing.

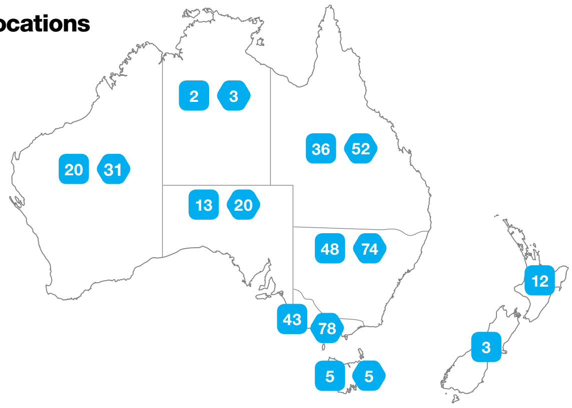


Above. Team members, Derek Auty and Marie Peron in the stationery section at the Kmart South Morang store in Victoria.

Below. Team member, Beth Sattler, serves a customer in the footwear department at the Kmart South Morang store in Victoria.

Team member, Harry Whybrow in the sporting goods section at the Kmart South Morang store in Victoria.

Locations



182 Kmart stores

263 Kmart Tyre and Auto Service centres

Business websites

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

Business sustainability

Safety has a very high profile at Kmart and is an ongoing challenge to reduce the number of injuries. SafetyCARE is our health and safety management system that enables the business to provide a safe system of work for our team members, customers, contractors and visitors. Every team member receives safe work practice training in how to perform a specific task in a safe manner.

Our lost time injury frequency rate (LTIFR) for the year was 9.7. Muscular stress is one of the most common injuries in our stores – 42 per cent of lost time incidents and 24 per cent of all incidents. We are currently developing a 100 day health and safety plan to assist in reducing our LTIFR.

Working with the community and assisting stakeholders where Kmart can, is important to the business. Kmart receives thousands of requests for support every year and has been able to assist with ‘goods in kind’ or donations for many of these requests.

One example of this was the donation of 10,000 backpacks containing a blanket, towel, t-shirt, and toiletries to 10 welfare organisations including the Sacred Heart Mission in Victoria and the Asylum Seeker Resource Centre.

Kmart’s biggest community event is the Kmart Wishing Tree Appeal. Last year the appeal reached its 20-year milestone and is proving to be one of the most popular Christmas gift collection appeals in Australia. Over 334,000 gifts were collected across all Kmart stores, including New Zealand, during the five-week campaign.

Environmental improvements represent a significant opportunity and Kmart has embarked on a programme to better understand its environmental footprint and to put plans in place to improve this. Programmes focusing on the reduction of plastic bags, greenhouse gas emissions, water reduction and recycling waste are the priorities.

Kmart is committed to providing development to assist team members in their current roles and in managing their careers.

Kmart currently has 150 trainees participating in a 12-month manager-in-training programme, designed to provide potential frontline managers with the skills and knowledge to understand the retail business, their obligations as a manager and the successful management of their teams.

In November 2007, the business launched a new buyer and planner development pathway. This pathway has three key phases designed to provide team members with merchandising knowledge, technical merchandising skills and management capabilities.

Outlook

Kmart will continue to implement strategies focused on the customer offer and quality product ranges. Kmart is actively sourcing new store opportunities and plans to open three new Kmart stores and refurbish more than 20 stores in 2008/09. An expanded refurbishment programme, combined with operational improvements in-store, are expected to deliver an improved shopping experience for the customer.

GROWTH STRATEGIES

Customer number one priority

Focus on ensuring customer service and engagement is the priority for our team supported by improving on-shelf availability of everyday items and clean, well laid out and safe stores. Kmart’s focus is to deliver an in-store experience and level of service that exceeds customers’ expectations.

Product leadership

Category development and expansion in destination departments including toys, footwear, sports and leisure along with a focus on quality products at great value.

In-store experience and expansion

Aggressively grow the number of stores, delivery of store refurbishments and development of the store of the future.

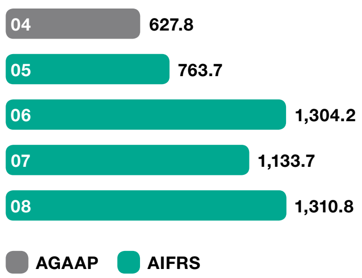
End-to-end execution

Simplify the business to enable resources to be focused on the customer, as well as reduce the cost of doing business.

RESOURCES

Revenue ($m)

$1,310.8m



The business

Wesfarmers' Resources Division is a significant Australian open-cut miner, with interests spanning three coal mines.

The division's interests comprise the Curragh mine in Queensland's Bowen Basin (metallurgical and steaming coal for export and domestic markets), the Premier mine at Collie in Western Australia's south west (steaming coal for domestic markets) and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales (steaming coal for both export and domestic markets).

Strategy

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

Results

Operating revenue from the division increased to $1.3 billion, 15.6 per cent above last year's. Earnings before interest and tax of $423 million were 25.1 per cent higher than the $338 million earned last year due largely to higher export coal sales prices during the fourth quarter.

Curragh: Total coal sales volumes from Curragh of 8.9 million tonnes (6.5 million metallurgical and 2.4 million steaming) were 3.1 per cent above those achieved in 2006/07. Earnings for the year were 23.7 per cent above last year's due to record coal prices during the fourth quarter, although this was partly offset by the appreciating Australian dollar and increased costs.

Premier: Steaming coal sales volumes of 2.9 million tonnes in 2007/08 were 3.9 per cent lower than last year's. Earnings were 12.6 per cent lower than last year's, as a result of increased costs and decreased deliveries to Verve Energy, due to plant outages at Muja and Collie A power stations in Western Australia.

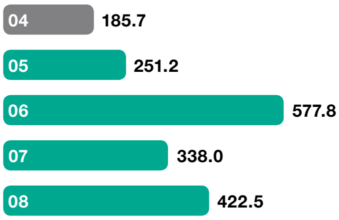
Bengalla: Joint venture steaming coal sales volumes of 5.6 million tonnes (4.6 million export and 1.0 million domestic) were slightly higher than last year's with earnings increasing 72.4 per cent, as a result of strong coal prices for export steaming coal.

Year in brief

Curragh: Highlights included continued metallurgical coal sales volume growth and the record hard coking coal prices achieved. Annual price negotiations with major customers were concluded by May 2008, with Curragh extending long-term contracts to supply world-leading steelmakers in Asia, Europe and South America. Despite floods adjacent to the Curragh North mine in January 2008, Curragh recovered strongly to achieve record metallurgical coal production of 6.9 million tonnes for the year. Curragh is continuing a feasibility study into the expansion of the mine to achieve annual export tonnages of between 8.0 and 8.5 million tonnes of metallurgical coal. Details of coal resources and reserves are included on page 172 of this Annual Report.

EBIT ($m)

$422.5m



AGAAP* AIFRS

*before goodwill amortisation

Key financial indicators

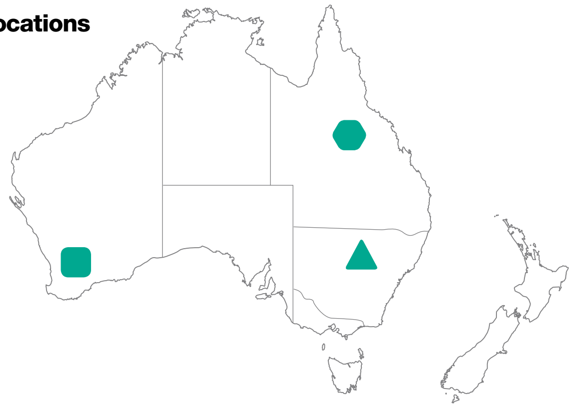
	04	05	06	07	08
Revenue ($m)	627.8	763.7	1,304.2	1,133.7	**1,310.8**
Earnings before interest and tax ($m)	185.7	251.2	577.8	338.0	**422.5**
Capital employed ($m)	606.8	522.7	737.5	870.1	**983.7**
Return on capital employed (%)	30.6	48.1	78.3	38.8	**43.0**
Capital expenditure ($m)	38.5	189.3	236.5	178.4	**146.0**

AGAAP* AIFRS

Coal Handling Preparation Plant operator, Brett Barnicoat, at the export coal conveyor, Curragh mine, Blackwater, Queensland.

Process Operator, Shane McGuinness, at the Premier Coal mine, at Collie, Western Australia.

Locations



Premier Coal

Curragh

Bengalla (40%)

Business websites

www.wesresources.com.au
www.curraghcoal.com.au
www.premiercoal.com.au

Premier Coal: Highlights include a solid year notwithstanding cost pressures and interruptions to major customer Verve Energy's demand due to outages at some of its power stations. A key achievement was completion of the rehabilitation of former mining areas including the 5B mine void, now Lake Kepwari, in preparation of its handover to the community.

Bengalla: Highlights include the record steaming coal prices achieved. A feasibility study to determine the viability of increasing the annual run of mine capacity from 8.7 million tonnes to 10.7 million tonnes continues.

Business sustainability

All businesses within the division adopt a zero lost time injuries target. Disappointingly, our lost time injury frequency rate for the year increased to 6.8. The division is continuing to develop programmes aimed at reducing workplace injuries to zero.

Wesfarmers Resources is continuing to look for more opportunities to reduce greenhouse gas emissions and targets ongoing environmental best practice and continuous improvement in its own operations. Our total greenhouse gas emissions, energy use and water consumption all fell this year despite increasing our coal production by approximately five per cent.

The division is committed to being open and transparent in this process with additional detailed information provided in the Wesfarmers Sustainability Report. Wesfarmers Resources has been examining practical ways of reducing emissions through both its rehabilitation efforts and other initiatives such as:

- the purchase of more efficient and modern equipment;
- the implementation of First Priority enterprise (FPe) hazard management system across the division;
- our participation in the Energy Efficiency Opportunities programme;
- implementing a waste oil reprocessing programme and heavy greases refinement process; and
- the initiation of a water management infrastructure project to capture and distribute water across the Curragh mine site.

Wesfarmers Resources' businesses also focus on contributing to the communities in which they operate. This year the division launched its Partnership Programme and announced a major partnership with the Queensland Theatre Company.

Curragh contributed to several community organisations during the year, including contributions to community, cultural and educational facilities in Blackwater and the surrounding region.

During the year, Premier Coal provided direct financial support to numerous sporting associations, schools, clubs, festivals and heritage projects.

In addition, Premier Coal agreed to support the commercialisation of an aquaculture project in conjunction with the local Ngalang Boodja community as part of the rehabilitation of the former mine void now rehabilitated as Lake Kepwari. Lake Kepwari will be handed over to the community for use as a recreational facility in late 2008. The lake has a surface area of some 103 hectares and is well suited to water sports such as skiing and rowing.

Outlook

Resources Division earnings will increase significantly due to record export prices during the 2008/09 financial year, underpinned by strong export market fundamentals and customer demand.

In particular, metallurgical coal sales from the Curragh mine are expected to be in the range of 6.5 to 6.9 million tonnes for the full-year subject to mine operating performance and infrastructure constraints.

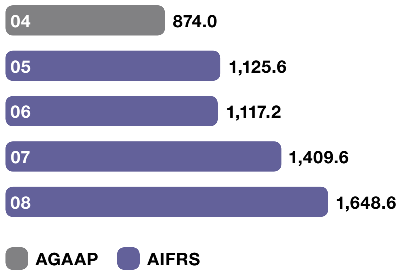
GROWTH STRATEGIES

- Continuous improvement of operations.
- Feasibility studies for the potential expansions of the Curragh and Bengalla mines.
- Evaluation of acquisitions and other opportunities.

INSURANCE

Revenue ($m)

$1,648.6m



The business

Wesfarmers' insurance division provides insurance broking, insurance underwriting and related financial services in Australia, New Zealand and the United Kingdom. The insurance underwriting operations include Wesfarmers Federation Insurance (WFI), Lumley Australia and Lumley New Zealand. The insurance broking operations are OAMPS Australia, OAMPS UK and Crombie Lockwood in New Zealand.

Strategy

In Australia, the division's underwriting operations serve both direct and intermediary distribution channels. WFI distributes its insurance products and services directly to clients in rural and regional Australia, whilst the Lumley operations focus on sales through brokers and agencies; with specialisation in the fleet and commercial motor, engineering and marine sectors.

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

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

Results

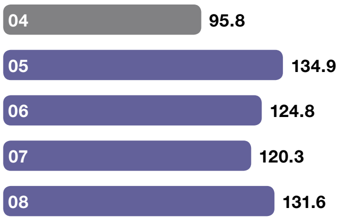
Wesfarmers Insurance achieved growth in operating revenue to $1.6 billion with solid support from targeted market sectors. Earnings before interest, tax and amortisation was $144.7 million. The insurance margin was 5.9 per cent and the combined operating ratio (COR) was 98.0 per cent.

This compares with the previous corresponding period when revenue was $1.4 billion with earnings before interest, tax and amortisation of $130.0 million. The insurance margin was 9.5 per cent and the COR was 94.2 per cent.

Amortisation of intangibles of $13.1 million associated with recent acquisitions resulted in earnings before interest and tax for the year of $131.6 million compared with $120.3 million for the previous corresponding 12 months.

EBIT ($m)

$131.6m



AGAAP* AIFRS

*before goodwill amortisation

Key financial indicators

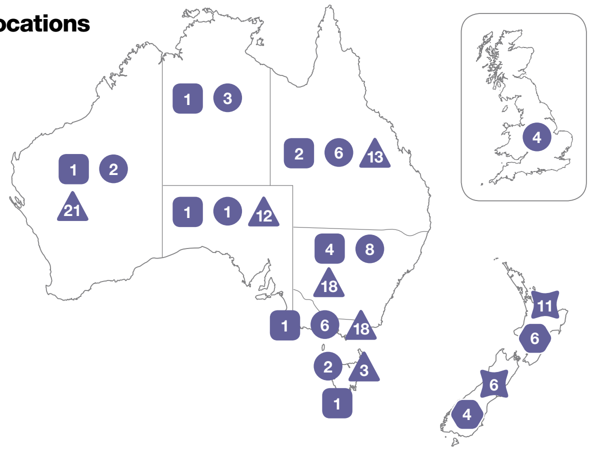
	04	05	06	07	08
Revenue ($m)	874.0	1,125.6	1,117.2	1,409.6	**1,648.6**
Earnings before interest and tax ($m)	95.8	134.9	124.8	120.3	**131.6**
Capital employed ($m)	389.8	430.8	403.6	763.6	**1,146.4**
Return on capital employed (%)	24.6	31.3	30.9	15.8	**11.5**
Capital expenditure ($m)	7.6	14.1	20.8	14.9	**17.9**

AGAAP* AIFRS

Lumley Insurance Engineering Manager, NSW, Craig Clarke (left) and National Development and Relationship Manager, David Pearce, inspect a client's construction site in Sydney's CBD, New South Wales.

OAMPS Account Executive, Transport Insurance Services, Robert Villano (far right) with Logicoil directors, Peter Meek (left) and David Kelly (centre) at Footscray, Victoria.

Locations



Business websites

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

11 Lumley General Australia
10 Lumley General New Zealand
85 Wesfarmers Federation Insurance
32 OAMPS
17 Crombie Lockwood

Year in brief

Lumley Australia's results were affected by higher than expected claims resulting from adverse weather conditions and rate reductions across most risk classes. The insurance margin was 9.1 per cent for the year. During the year, the Australian International Insurance Limited portfolio, acquired as part of the OAMPS acquisition, was integrated successfully and new specialist services were launched including Lumley Special Vehicles and Lumley Accident and Health.

Lumley New Zealand's results were substantially impacted by falling premium rates due to increasing competition, coupled with adverse weather events, culminating in a disappointing overall result. The insurance margin decreased to negative 8.0 per cent compared with 5.2 per cent in the prior year.

Steps have been taken to improve underwriting results and business efficiency including a restructuring programme and the appointment of a new Chief Executive Officer. Rate increases were achieved through the second half of the year in personal lines and commercial motor portfolios.

WFI generated a record profit due to strong performance in crop and commercial insurance. Growth was achieved from the expanded national distribution network, while insurance margins decreased slightly to 15.3 per cent compared with 16.1 per cent in the previous corresponding period. Net Earned Premium increased by 8.2 per cent over the previous year.

OAMPS Australia, in its first full-year under Wesfarmers' ownership, delivered earnings growth despite declining rates in many insurance classes. During the year OAMPS achieved improved terms with key strategic alliance partners and cost savings and several acquisitions were made. OAMPS UK continued to grow and delivered increased earnings from environmental consulting services and scheme business.

Crombie Lockwood's earnings grew despite falling market rates in New Zealand. They also achieved strong retention rates and developed new products and affinity schemes. Several bolt-on acquisitions were made during the year. Generally lower premiums were offset by new business growth to produce an acceptable level of brokerage income.

Business sustainability

During the year the division's commitment to sustainability was strengthened, $775,000 was spent supporting community and charitable organisations.

A sustainability committee was established comprising representatives from all businesses to help co-ordinate the development and implementation of sustainability initiatives. The committee shares sustainability knowledge across our businesses.

The division completed a scoping study in preparation to become carbon neutral during 2009. This is achievable subject to satisfactory accreditation of our data collection systems, and renewable energy and offset suppliers.

Our underwriting businesses have taken a proactive role in customer fleet safety through the Lumley Benchmark Club (a specialist safety improvement programme) and fleet driver training.

Outlook

Earnings are expected to increase modestly in 2008/09 as a result of a number of business improvement and growth opportunities initiated in the past year. Business improvement strategies and an ongoing focus on underwriting are expected to produce earnings growth but underwriting performance is likely to be constrained in the short term by competitive pressures.

A project to consolidate the two Australian underwriting licenses is progressing and is expected to be completed in late 2008/09. This will provide cost and capital efficiencies whilst providing a platform to leverage divisional capabilities.

OAMPS and Crombie Lockwood are expected to make further bolt-on acquisitions that meet our investment criteria and will provide profitable growth through further efficiencies from scale.

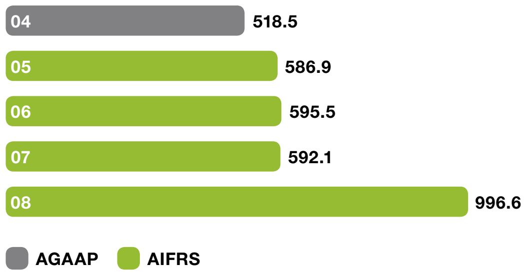
GROWTH STRATEGIES

- Focus on working with key business partners to develop tailored insurance solutions.
- Improve customer service and efficiencies by deploying electronic data interchange and on-line solutions.
- Pursue business efficiencies through consolidation of Australian underwriting licenses and capital.
- Continue to pursue bolt-on acquisitions of insurance brokers that meet investment criteria.

CHEMICALS AND FERTILISERS

Revenue ($m)

$996.6m



The business

CSBP is one of Australia's leading suppliers of chemicals, fertilisers and related services to the mining, minerals processing, industrial and agricultural sectors.

CSBP's main chemical products include ammonia, ammonium nitrate, sodium cyanide, polyvinyl chloride resin and wood-plastic composite products.

CSBP also manufactures, imports and markets fertilisers, primarily servicing the Western Australian broadacre cropping, livestock, horticulture and dairy sectors.

Strategy

CSBP's strategy for its chemical business is to profitably build on its existing businesses including entry into new geographic markets and use its expertise to develop new products in existing markets.

In fertilisers, CSBP strives to provide Western Australian farmers with a wide range of quality fertilisers at competitive prices, supported by leading technical skills and high customer service standards.

Results

CSBP's revenue of $996.9 million was 68.3 per cent higher than last year's as a result of higher sales volumes and prices. Earnings before interest and tax of $123.6 million were 22.8 per cent higher than the previous year's $100.6 million due to improved earnings from fertilisers, all chemical businesses, and the contribution from Australian Vinyls Corporation, acquired on 1 September 2007.

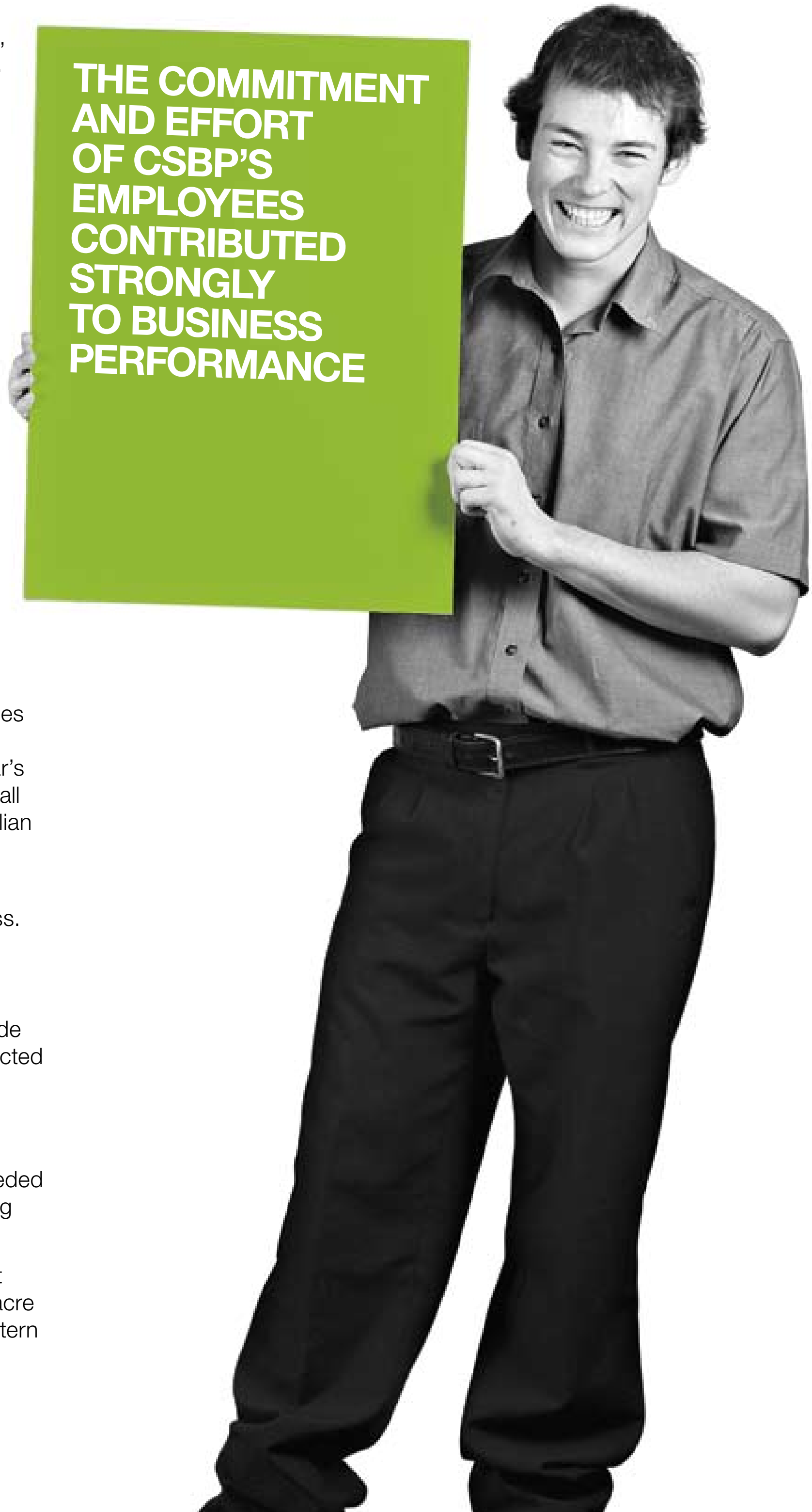
Continuing strong demand from the resources sector underpinned a lift in earnings by the chemicals business.

The ammonium nitrate business expanded production during the year as new plants were commissioned.

Production volumes in the ammonia and sodium cyanide plants exceeded last year, despite being adversely affected in June 2008 when an explosion at Apache Energy's Varanus Island facilities impacted gas supplies.

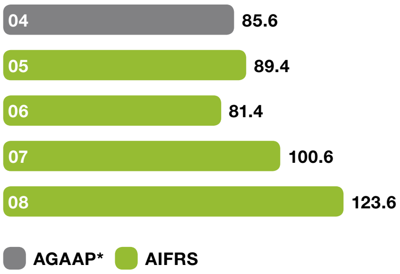
Earnings from CSBP's 50 per cent interest in the Queensland Nitrates ammonium nitrate business exceeded last year's due to improved plant operation and ongoing high product demand in Queensland.

Total fertiliser sales volumes increased by 17.3 per cent due to improved customer terms of trade in the broadacre cropping sector and better seasonal conditions in Western Australia in 2008.



EBIT ($m)

$123.6m



*before goodwill amortisation

Key financial indicators

	04	05	06	07	08
Revenue ($m)	518.5	586.9	595.2	592.1	**996.6**
Earnings before interest and tax ($m)	85.6	89.4	81.4	100.6	**123.6**
Capital employed ($m)	482.6	493.9	540.4	604.2	**945.9**
Return on capital employed (%)	17.7	18.1	15.1	16.7	**13.1**
Capital expenditure ($m)	34.6	31.4	72.5	198.7	**251.8**

AGAAP* AIFRS

Year in brief

Chemicals

Strong demand for ammonium nitrate continued with sales volumes above last year. Increased ammonium nitrate production came on line in March 2008, providing for a doubling of capacity, with the higher output destined for the resource sector and the manufacture of Flexi-N nitrogenous fertiliser.

The ammonia business recorded higher production and sales compared to last year, despite operations being suspended from 3 June 2008 for the remainder of the financial year due to the interruption of gas supplies following the gas outage incident at the Varanus Island facilities.

Production from the Queensland Nitrates integrated ammonia/ammonium nitrate facility, was higher than the previous year and demand for ammonium nitrate remained strong. The expansion of Queensland Nitrates' production capacity from 185,000 tonnes per annum to 215,000 tonnes per annum to meet the growing market demand in Queensland, is expected to be commissioned by January 2009.

The 75 per cent-owned Australian Gold Reagents (AGR) business recorded sodium cyanide sales consistent with 2006/07 levels, reflecting lower sales of solution product, due to the closure of some Western Australian gold mines, offset by higher volumes of exported solid product. AGR is currently expanding the production capacity of sodium cyanide solution at Kwinana to meet the requirements of the Boddington gold project, due to be commissioned during the 2009 financial year.

Australian Vinyls Corporation has been integrated following its acquisition on 1 September 2007.

Fertilisers

Higher sales volumes, together with a strong focus on expense management, resulted in improved fertiliser earnings. CSBP also adopted improved capital management disciplines in this business in 2008.

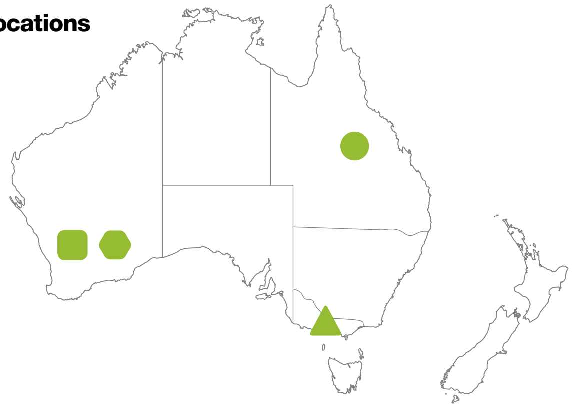
CSBP maintained a strong market-focused approach working with and through distributors, in particular AWB Landmark and Elders, to meet the varied fertiliser and agronomic needs of farming customers. Wider product range, technical service improvements, higher service levels and competitive pricing continued to be features of CSBP's approach.

Above. CSBP's granulating plant, at Kwinana, Western Australia.

Below. Operations Supervisor, Garry Maher, inspects the new ammonium nitrate plant at Kwinana.

Process operators at the granulating plant, Kwinana, Western Australia

Locations



Business websites

www.csbp.com.au

CSBP fertilisers
5 Manufacturing plants
5 Import and distribution centres
6 Depots
27 Regional sales representatives
135 Sales agents

CSBP chemicals
10 Manufacturing plants

Australian Vinyls
2 Manufacturing plants

QNP (50%)
4 Manufacturing plants

The strong demand for liquid fertiliser products, in particular Flexi-N, continued. CSBP's commitment to ongoing research and development, combined with expanding production and storage facilities, will enable it to meet the growing liquid fertiliser demand in Western Australia.

Business sustainability

CSBP's focus is on the safe operation of its facilities in a way that minimises any adverse impact on its employees, the environment or the communities in which it operates.

All plants operated within their environmental licence parameters throughout the year except for minor potential non-compliances which resulted in CSBP notifying the Western Australian Department of Environment and Conservation of 21 reportable events under the Environmental Protection Act.

CSBP introduced a recycling efficiency scorecard across the Kwinana site to increase solid waste recycling, continued implementation of the legacy waste management plan and reduced metal contaminant discharges to water through the use of the nutrient stripping wetland at its Kwinana site.

CSBP had 18 workplace injuries during the year, including four at its newly acquired Australian Vinyls business, reflecting an improvement at its Western Australian based operations. It recorded five lost time injuries, including two at Australian Vinyls.

As part of its ongoing commitment to continually improve safety performance, CSBP completed the implementation of a revised permit to work system, and drug and alcohol testing was introduced at its Western Australian operations.

CSBP's Kwinana first aid centre continues to offer a range of health programmes and services, including weekly onsite general practitioner and physiotherapy services.

CSBP is committed to training and developing its employees. During the year, the division implemented development programmes, increased the frequency of benchmarking activities, and improved its recruitment programme.

CSBP won the Environmental Solution of the Year in the 2007 Endeavour Awards, and also won the Australian Greenhouse Office Environmental and Energy Management Award in the 2007 NAB Agribusiness Awards for Excellence.

In Western Australia, CSBP provided support to 71 organisations through either direct financial support or through the donation of goods. It also continued its three-year partnership with Youth Focus, a not-for-profit organisation which assists young people at risk of suicide or self-harm.

Australian Vinyls provided funding to a number of local community groups and schools. A major part of this funding is Australian Vinyls' contribution under a three-year commitment to Western Chances Education Foundation, which assists disadvantaged young people in the western suburbs of Melbourne.

The commitment and effort of CSBP's employees contributed strongly to business performance in 2007/08.

Outlook

Increased ammonium nitrate and sodium cyanide production will make a positive contribution to earnings. The strength of the resources sector should also provide a favourable environment for other chemical products, but earnings will be moderated as a result of ongoing gas restrictions due to the gas outage incident at the Varanus Island facilities.

Ongoing high prices for imported fertilisers and raw materials will present a challenging environment for the fertilisers business.

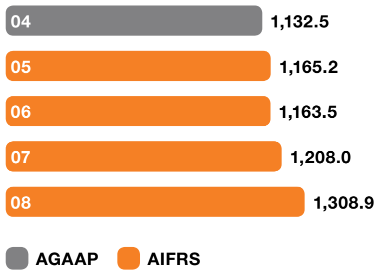
GROWTH STRATEGIES

- Maintain and grow the ammonium nitrate business.
- Identify market and product growth opportunities.
- Optimise cost base and capital usage.
- Continue to develop liquid fertiliser market.

INDUSTRIAL AND SAFETY

Revenue ($m)

$1,308.9m



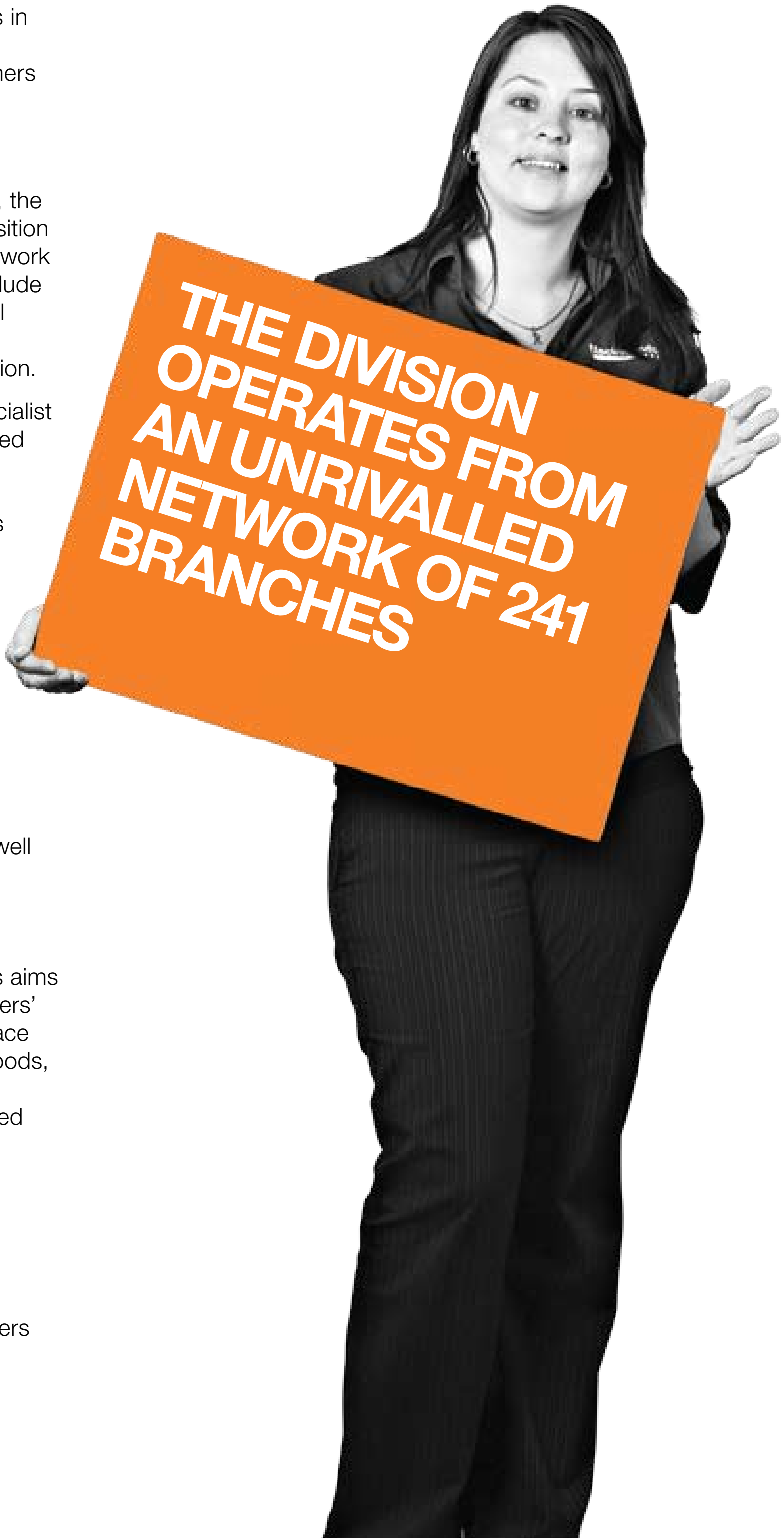
The business

Wesfarmers Industrial and Safety is the leading supplier of maintenance, repair and operating (MRO) products in Australia and New Zealand. It provides industrial and safety products and services to over 100,000 customers across a broad range of industries including mining, infrastructure and construction, manufacturing, government and agriculture.

The division comprises nine businesses. Blackwoods, the largest, has a 130 year history and holds a unique position in the Australian market with an extensive national network and breadth of product range. Product categories include tools, hardware, safety, apparel and footwear, material handling, fasteners, hygiene, welding and abrasives, mechanical services, packaging and power transmission.

Complementing Blackwoods in Australia are four specialist businesses which provide depth of expertise in selected segments: Protector Alsafe (safety) and the Industrial Specialists comprising Bullivants (material handling, lifting and rigging), Total Fasteners (previously Mullings Fasteners) and Motion Industries (power transmission and bearings). In New Zealand, the generalist MRO, hose and conveyor business (Blackwoods Paykels) is complemented by three specialists: NZ Safety, Protector Safety and Packaging House. Most of the Australian and New Zealand specialty businesses hold a leading market position in their respective category.

The division operates from an unrivalled network of 241 branches supported by large distribution centres, hundreds of external and internal sales resources as well as e-business, websites and telemarketing channels.



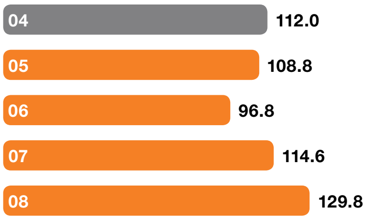
Strategy

As a nationwide single source distributor, Blackwoods aims to deliver great customer service while saving customers' time and expense with fast delivery of all their workplace needs at competitive prices. Complementing Blackwoods, the division's leading specialist distributors provide excellent technical advice and solutions in their selected product categories.

The division continues to strengthen its relationship with large customers by enhancing its sales force effectiveness, widening and improving its range of products and services and continuously improving its delivery performance by enhancing the effectiveness of its supply chain. The penetration of smaller customers is supported by outbound sales teams and improved website functionalities.

EBIT ($m)

$129.8m



AGAAP* AIFRS

*before goodwill amortisation

Key financial indicators

	04	05	06	07	08
Revenue ($m)	1,132.5	1,165.2	1,163.5	1,208.0	**1,308.9**
Earnings before interest and tax ($m)	112.0	108.8	96.8	114.6	**129.8**
Capital employed ($m)	814.1	797.9	769.1	734.4	**774.9**
Return on capital employed (%)	13.8	13.6	12.6	15.6	**16.8**
Capital expenditure ($m)	23.1	16.6	16.3	25.8	**20.4**

AGAAP* AIFRS

The division will continue to expand its presence in higher growth sectors and complement organic growth by acquisitions that generate good returns by increasing market share or expanding its sector or product base.

It is also focused on making better use of working capital and lowering its cost of doing business through process enhancements. It sets out to attract high quality people to the business and to provide them with a safe and rewarding working environment.

Results

Operating revenue for the industrial and safety division increased by 8.4 per cent during the year to $1.3 billion, with sales growth being achieved in all businesses. Blackwoods continued to perform strongly, with all regions reporting sales growth.

Earnings before interest and tax of $129.8 million were 13.3 per cent higher than last year's with strong improvement reported in Blackwoods, Protector Alsafe, the industrial specialist businesses, as well as Blackwoods Paykels.

These results were assisted by strong growth from the resources sector, especially in Western Australia and Queensland. Acquisitions by Total Fasteners, particularly the construction specialist Meredith Distribution, with operations in Queensland and New South Wales, also contributed to the results.

Improved earnings and ongoing capital management focus have resulted in a return on capital of 16.8 per cent, up from 15.6 per cent reported last year.

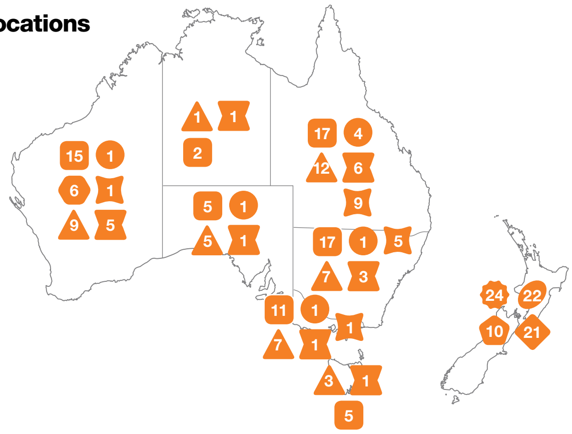
Year in brief

The restructuring programme completed last year, combined with a strong focus on markets and customers, have underpinned a significant lift in this year's performance.

Customer service employee, Ray Todd, restocks wrenches at the Blackwoods branch in Dandenong, Victoria.

Bullivants' BHP Site Facilitator, Michael Mahe (left) and Appin West Mine maintenance supervisor, Charlie Mercieca, at the coal mine, near Wollongong, New South Wales.

Locations



Business websites

www.blackwoods.com.au
www.bullivants.com
www.protectoralsafe.com.au
www.mullings.com.au
www.motionind.com.au
www.blackwoodspaykels.co.nz
www.nzsafety.co.nz
www.packaginghouse.co.nz
www.protectorsafety.co.nz

- **72 Blackwoods**
- **6 Atkins Electrical**
- **44 Protector Alsafe**
- **8 Motion Industries**
- **16 Total Fasteners**
- **18 Bullivants**
- **24 NZ Safety**
- **22 Protector Safety**
- **21 Blackwoods Paykels (NZ)**
- **10 Packaging House**

The division was awarded best industrial supply chain in Australia by IBIS World and Logistics Magazine. Supply chain improvements and further rationalisation of duplicate and surplus product lines have resulted in an improved customer service performance, which increasingly has become a differentiating factor against competition.

Improvement to the distribution capability continued with the relocation and upgrade of Protector Alsafe's distribution centres in Melbourne and Perth respectively, while planning is underway for the upgrade of Blackwoods' Sydney and Perth distribution centres. Branch networks continued to be developed through some smaller acquisitions and new greenfield branches, while a small number of non-performing locations were closed. Refurbishment of most networks also continued during the year.

The combination of strong relationships with key suppliers and the division's expanding direct sourcing capability, has supported the continued development of the range of products and services offered to customers. A number of marketing and merchandising activities were implemented and new catalogues were issued for most businesses, including a new edition of Blackwoods' industry leading catalogue. Work to expand e-business functionalities continued and most websites were upgraded over the last 18 months.

Sales growth was supported by sales force expansion and branch networks refurbishment and development.

Good progress was made during the year on initiatives to deliver greater efficiencies and more effective operations, including the successful implementation of new inventory management systems.

Business sustainability

Staff turnover continues to be a major focus across the businesses, with the retention of key employees being a major factor. Staff retention continues to be challenging in the rapidly growing mining areas, where specific initiatives have been implemented to address this issue.

During the year, a new programme was implemented to recognise outstanding performance by employees, in the areas of safety, customer service and teamwork.

The safety of employees continues to be a major focus. Although the lost time injury frequency rate of 4.5 showed only a slight improvement on last year, pleasingly the severity of injuries and the number of lost days have improved significantly.

The division continued to increase its efforts on sustainability with all new facility constructions incorporating energy and water efficient designs.

Outlook

With stronger business platforms, ongoing work to improve service to customers and continued resources and infrastructure-based activity, the division is expected to continue to strengthen its competitive position and deliver strong results.

GROWTH STRATEGIES

Increase share of customers' spend

Provide improved customer service, delivery performance and an expanding range of products and services.

Improve metropolitan sales penetration

Support a more competitive offer with an outbound sales team and improved websites.

Target higher growth sectors

Execute selected extensions to the division's networks, product ranges and services, including through acquisitions.

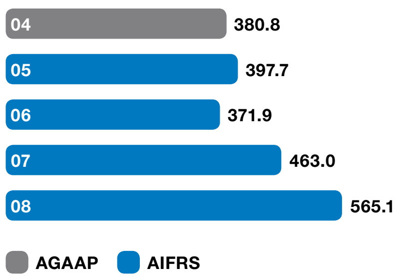
Develop and retain high performing employees

Continue to provide a safe, challenging and rewarding workplace, with increased employee training investment and retention initiatives.

ENERGY

Revenue ($m)

$565.1m



The business

In 2007/08 Wesfarmers Energy comprised four gas businesses, a power generation business and support services.

Wesfarmers Energy's gas and power activities include: Coregas and a 40 per cent interest in Air Liquide WA - production and distribution of industrial, medical and specialty gases; Wesfarmers LPG - liquefied petroleum gas (LPG) and liquefied natural gas (LNG) production, export and import; Kleenheat Gas - LPG and LNG distribution and marketing; and enGen - power generation for remote towns and resource projects.

Strategy

Wesfarmers Energy's objective is to grow value through our businesses with essential products. This is achieved by: improving existing businesses; expanding the division's geographical presence in key competency segments; and developing investments and capabilities in new segments.

Results

Operating revenue for the division increased to $565.1 million, 22.0 per cent above last year's. Earnings before interest and tax of $90.5 million were 19.4 per cent higher than last year's. The division's increased earnings were due largely to a full year contribution from Coregas, and an increase in international LPG prices.

Industrial, medical and specialty gases

Coregas: The year saw a full year contribution from Coregas with earnings for the year below expectations due mainly to subdued market activity in Coregas' major market of New South Wales.

Air Liquide WA: Earnings for the year were broadly in line with last year.

LPG and LNG

Wesfarmers LPG: Revenue increased by 12.2 per cent compared to last year's due mainly to higher international LPG prices which were partially offset by reduced production following lower LPG content in the Dampier to Bunbury gas pipeline. Earnings were 34.6 per cent higher than last year's.

Kleenheat Gas: Total sales volumes were broadly in line with last year's, excluding autogas, where volumes declined primarily as a result of the sale of Kleenheat Gas' 50 per cent interest in the UNIGAS joint venture in January 2008. Earnings for the year decreased due to the increased cost of LPG which adversely impacted margins.

Power generation

enGen: Revenue increased compared to last year's due mainly to operations commencing at the Aboriginal and Remote Communities Power Supply Project's five power stations. Earnings were lower than expected as a result of delays in the commissioning of two LNG fuelled power stations and mining operations ceasing at two power station sites.

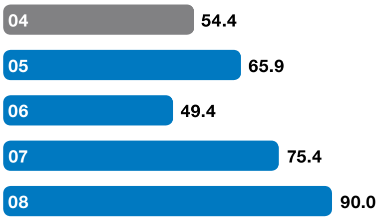
Year in brief

Industrial, medical and specialty gases

Coregas: Integration into the division was successfully completed and a new general manager was appointed to support Coregas' long term focus. Both the liquid nitrogen and acetylene expansion projects were successfully completed and are now operational.

EBIT ($m)

$90.0m



*before goodwill amortisation

Key financial indicators

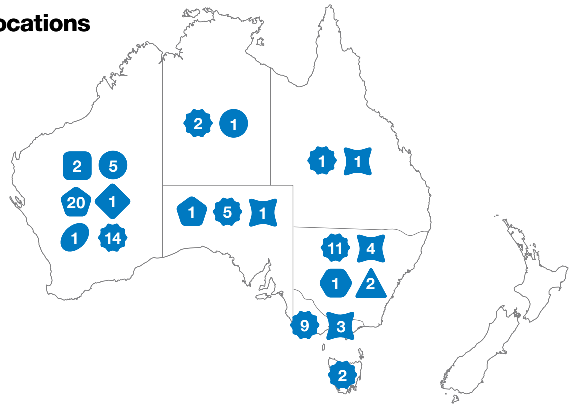
	04	05	06	07	08
Revenue ($m)	380.8	397.7	371.9	463.0	**565.1**
Earnings before interest and tax ($m)	54.4	65.9	49.4	75.4	**90.0**
Capital employed ($m)	167.6	143.7	184.2	421.9	**782.0**
Return on capital employed (%)	32.5	45.8	26.8	17.9	**11.6**
Capital expenditure ($m)	47.6	30.7	49.5	78.1	**117.9**

AGAAP* AIFRS

Process Operator, Hiteshkumar Raval, at the new LNG plant on the Wesfarmers LPG site at Kwinana, Western Australia.

Kleenheat Gas tanker operator, Patrick McDonnell, with one of the new Evol LNG tankers.

Locations



Business websites

www.wesfarmersenergy.com.au
www.coregas.com
www.airliquidewa.com.au
www.wesfarmerslpg.com.au
www.kleenheat.com.au
www.engen.com.au

Industrial, medical and specialty gases

- **Air separation units (ALWA)**
- **Air separation units (Coregas)**
- **Hydrogen/acetylene plants (Coregas)**
- **Industrial gas depots/branches (ALWA)**
- **Industrial gas depots/branches (Coregas)**

LPG & LNG

- **LPG depots/branches**
- **LPG extraction facility**
- **LNG production facility**

Power generation

- **Power stations owned and/or operated**

Air Liquide WA: The business continued to focus on the optimisation of supply chain solutions and enhancement of sales delivery processes, together with developing long-term growth opportunities within the oil and gas sector.

LPG and LNG

Wesfarmers LPG: Production was down 9.7 per cent to 167,600 tonnes as a result of reduced LPG content in the Dampier to Bunbury pipeline. Production during June was also significantly impacted as a result of the Varanus Island gas incident and subsequent gas supply disruptions.

LNG: Construction of the 175 tonne-per-day LNG plant on the Wesfarmers LPG site at Kwinana reached mechanical completion within budget, although commissioning was delayed due to the Varanus Island gas incident and subsequent gas supply disruptions. The plant is part of the division's $138 million vertically integrated project to supply a diesel fuel alternative to the heavy duty vehicle and remote power generation markets. Further LNG development opportunities in central and eastern Australia continue to be evaluated.

Kleenheat Gas: There was a continuing focus on improving customer service and managing controllable costs in a high international LPG pricing environment, which created significant margin pressure.

Power generation

enGen: The first of enGen's LNG fuelled power stations at Darlot mine was completed to the extent possible prior to gas supply disruptions, with the first phase of the Sunrise Dam mine also near completion. All five power stations developed under the Aboriginal and Remote Communities Power Supply Project were completed and began operating during the year.

Business sustainability

Safety is the number one priority for Wesfarmers Energy and its business units. There is also a focus on continuous improvement of safety standards.

This year, both enGen and Wesfarmers LPG continued their excellent safety record achieving five years without a lost time injury. Air Liquide WA also continued its excellent safety performance achieving a second year without a lost time injury. Coregas improved its safety performance, although together with Kleenheat Gas, had 16 lost time injuries during the 2007/08 year. Both Coregas and Kleenheat Gas are in the process of implementing measures to improve the safety performance in their respective workplaces.

The division's vertically integrated LNG project is one way that the division is looking for sustainable alternatives for the energy sector and builds on Kleenheat Gas' reputation as a leading promoter and developer of alternative transport fuels over many years with autogas. Wesfarmers Energy will continue to evaluate and develop products that offer sustainable environmental benefits to its customers across all of its businesses.

The division continues to proudly support the communities in which it operates, contributing in excess of $280,000 to community initiatives throughout the year. This included our ongoing commitment to the Clontarf Foundation, which aims to improve the health, employment and life skills of Australia's male indigenous youths through football; the 'Community of the Year' awards in Western Australia, New South Wales and Victoria; and strong support for regional areas through our LPG distribution sites.

Outlook

Improved sales are expected for the industrial, medical and specialty gas businesses through extended product supply. LPG earnings will continue to remain heavily dependent on international LPG prices, LPG content in the Dampier to Bunbury pipeline and the gas market in Western Australia.

The Varanus Island gas incident and subsequent gas supply disruptions will delay contributions from the LNG plant. LNG sales to the remote power generation and heavy duty vehicle markets are now expected to commence towards the end of the first quarter of the 2008/09 year and ramp-up throughout the remainder of the year.

GROWTH STRATEGIES

- Sustainable growth of industrial gases in the key eastern states and oil and gas markets.
- Focus on customer service and cost efficiencies in LPG marketing and distribution.
- Pursuing new power generation alternatives.
- Evaluation of eastern Australian LNG projects.
- Evaluation of alternative fuel and renewable opportunities.

OTHER ACTIVITIES

Business websites

www.bwptrust.com.au
www.wespine.com.au
www.gresham.com.au

Gresham Partners

Wesfarmers has a 50 per cent interest in Gresham Partners Group Limited, the holding company for the Australian investment banking activities of Gresham Partners, a leading independent investment house focused primarily on the provision of corporate advisory services and property and private equity funds management.

Wesfarmers' interest in these businesses generated post-tax earnings of $5 million with a further $16 million in pre-tax earnings contributed primarily through revaluations in Wesfarmers' investments in Gresham's private equity funds.

During the year, Gresham's corporate advisory business, which has offices in Sydney, Melbourne and Perth, benefited from its participation in a robust mergers and acquisitions market and generated advisory and completion fees from a number of significant large-scale transactions.

In property funds management, Gresham has three established funds, with total capital commitments of more than $270 million. These funds provide financing and make direct investments in a range of property developments and projects primarily in New South Wales, Victoria and Queensland.

Gresham's private equity business continued its expansion with the establishment of its third fund during the year. Gresham Private Equity Fund 3 will continue the focus of the two earlier funds on the development of a portfolio of medium-sized businesses which have clearly defined development prospects. As with previous funds, Wesfarmers has made a direct investment commitment to Fund 3 and retains an active role as a participant in Gresham Private Equity's Investment Committee and Board.

Fund 2 completed three new investments during the year including the acquisition of the Silk Logistics Group and leading underground mining contractor, Barminco Limited and the establishment of experiential tourism operator, Anthology Limited.

Wespine

The 50 per cent-owned Wespine Industries, which operates a plantation softwood sawmill in Dardanup in Western Australia, contributed earnings of $5.3 million after tax, a decrease of 7.0 per cent on last year. Some improvements in market prices were achieved, however increased import competition, in particular from Europe, had a negative impact on sales volumes in the second half of the year. The Varanus Island gas disruption in June 2008 constrained production, increased costs and necessitated some redundancies.

A capital project to expand the sawmill production capacity by a further 10 per cent was completed during the year.

The improved safety performance of the last two years was maintained.

Continuing gas supply constraints in the first months of the 2009 financial year, together with substantial increases in energy costs, will dampen the benefit of increased production capacity in 2008/09.

Bunnings Warehouse Property Trust

Wesfarmers' investment in the Bunnings Warehouse Property Trust resulted in a pre-tax contribution of $0.2 million compared with $47 million last year, as a result of property revaluations.

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

Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly-owned subsidiary, 22.7 per cent of the total units issued by the Trust.

The Trust's current portfolio consists of a total of 61 properties: 51 established Bunnings Warehouses, two Bunnings distribution centres; two development sites for Bunnings Warehouses; four office/warehouse industrial properties; and two retail/bulky goods showrooms.

A Bunnings Warehouse Property Trust development in Hawthorn, Victoria.

SUSTAINABILITY

The diversity and scope of Wesfarmers' operations means our interactions with the environment are many and varied

Introduction

Wesfarmers' sustainability approach is guided by the overarching principle that a sustainable business ultimately depends on a healthy economy, community and environment.

As a result of the acquisition of the Coles group of businesses in November 2007, Wesfarmers is now a significantly larger company in many ways. The diversity and depth of our business operations - ranging from retail, insurance, industrial, energy and mining – now reach into many Australian and New Zealand communities.

Wesfarmers has a major responsibility in getting all our sustainability efforts right - not only towards our shareholders and wider customer base, but to the communities and environment in which we operate.

Wesfarmers has long-embedded sustainable business practices in all its operations to manage its company-wide interaction with the environment, the economy and the community.

The specific sustainability principles that guided the company's first-ever sustainability report in 1999 remain just as relevant today and will provide the basis on which the company will expand and improve its sustainability efforts into the future.

They include:

- maintaining and enhancing the physical environment in which we operate;
- providing a safe and secure work environment for all our employees, customers and other stakeholders;
- treating all our stakeholders – employees, customers, shareholders, suppliers and the broader community - with respect and decency;
- investing in the community through partnerships, programmes and sponsorships over and above the direct economic and commercial benefits Wesfarmers provides; and
- acting in accordance with high ethical standards.

In recognition of Wesfarmers' sustainability commitment and record, we continue to be among only 40 Australian companies invited to participate in the Dow Jones Sustainability Index, which measures the economic, environmental and social sustainability performance of the top 10 per cent of the world's 2,500 largest companies.

A significant challenge over the past year has been to integrate the sustainability efforts of the Coles group of businesses into the group's sustainability reporting and performance benchmarks and processes.

There has been good progress on this front, which will provide a platform for ongoing sustainability measurement and improvements within the former Coles businesses, and the wider group, going forward.

Ultimately, the most important and sustainable investment Wesfarmers can contribute, is through its business operations and the prosperity and opportunities these operations spread throughout the community.

Over the past year, the group collectively contributed $1.3 billion in government taxes and royalties, achieved net sales of over $33 billion, paid $1.5 billion in dividends to its shareholders and spent a further $25 billion through the purchase of goods and services.

Our environment

The diversity and scope of Wesfarmers' operations means our interactions with the environment are many and varied.

As a diversified company which places significant responsibility on our staff, we encourage our managers and employees to bring their own diverse experiences and expertise to the table and think innovatively about challenges, so they are connected to the most appropriate solution.

At the same time, we believe success across every aspect of our operations should be gauged on the basis of practical, measurable processes that result in practical, measurable outcomes.

Wesfarmers continues to ensure that all its divisions and operations comply with, and are benchmarked against strict environmental standards and regulations. Our overall performance in these areas is monitored by the Board's Audit Committee.

Through our Sustainability Report monitoring and reporting processes, the group seeks to implement continuous annual improvements in a range of areas aimed at minimising our impact on the environment.

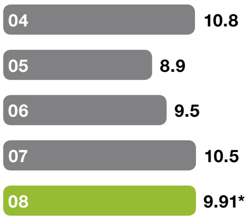
These include improved energy and water usage efficiency, reduced noise and odour impacts, and waste and packaging reduction strategies.

With the acquisition of the Coles group, our footprint in areas such as waste management and packaging, including plastic bags, has increased significantly, and we will be focused in the near-term on developing strategies that reduce these impacts in a sustainable way.

The biggest sustainability priority for Wesfarmers, as it is with many businesses, continues to be the challenge – and opportunity - of reducing our greenhouse emissions.

Lost time injury frequency rate

9.91



*excludes Coles and Office Supplies as data not recorded on a comparable basis

Employee numbers and greenhouse gas emissions by division

Divisions	Employee numbers	Greenhouse Gas Emissions tonnes CO_2 equivalent
Coles	108,953	2,938,829
Home Improvement & Office Supplies	30,692	186,525*
Target	23,951	230,545
Kmart	26,276	347,893
Resources	752	614,619
Insurance	3,169	12,975
Industrial & Safety	3,264	33,546
Chemicals & Fertilisers	788	1,407,618
Energy	938	583,562
Corporate	177	n/a**

*Net of carbon offsets
**no data available for Corporate or Office Supplies

With the Coles group of businesses integrated into Wesfarmers, we now account for about one per cent of Australia's total greenhouse emissions. Therefore, we have a significant stake, and responsibility, in ensuring our emissions are minimised.

Wesfarmers supports Government efforts to introduce an emissions trading scheme and we are actively contributing to the consultation process to ensure the proposed scheme strikes an appropriate balance between sustainable reductions in emissions and continued economic growth.

We continue to have a strong emissions reduction focus through energy efficiency measures. Bunnings has a commitment to become carbon neutral by 2015 or before. Our Insurance division aims to achieve carbon neutrality in 2009.

In addition, the company and a number of our businesses are participants in the Government's Energy Efficiency Opportunities programme. Several of our businesses are also voluntary participants in the Greenhouse Challenge Plus programme.

The group is also committed to setting internal carbon reduction targets among its divisions to ensure its carbon footprint is minimised, and that our group efforts are aligned with national emission reduction strategies.

Significant opportunities exist to reduce our emissions in areas of the group's operations, particularly in the production operations of our industrial divisions, and these are being actively assessed and costed.

Image courtesy of the Art Gallery of Western Australia

In 2007 Wesfarmers contributed $1 million to the launch of the Art Gallery of Western Australia's Capital Campaign to acquire world-class works for the State Art Collection.

Professor Peter Klinken (left) and Professor Peter Leedman from the Western Australian Institute for Medical Research. During the year Wesfarmers committed $4.5 million over five years to the ongoing work of the institute.

As an employer of scale, we have significant responsibilities to many Australian workers and their families to make sure we provide both a rewarding, as well as a safe and secure work environment

Stakeholder relations

Wesfarmers has a wide range of stakeholders across many parts of the Australian community.

Guided by Wesfarmers' overall principle of respectful and decent stakeholder relations as outlined by the group, divisions are encouraged to engage their specific stakeholders in ways they believe are appropriate to meet this objective. This recognises that it is the managers and employees within divisions who have the expertise and experience to build and maintain sustainable relationships with their immediate stakeholders and deal effectively with their issues.

Our key stakeholders are of course our shareholders, for whom we manage their investments - large and small - in the company to ensure they receive satisfactory returns. Yet, satisfactory returns would not be possible without a workforce that is motivated and encouraged to perform to their full potential.

The acquisition of the Coles group in November 2007 has meant that the Wesfarmers group is now the largest private sector employer in Australia, with nearly 200,000 employees.

As an employer of scale, we have significant responsibilities to many Australian workers and their families to make sure we provide both a rewarding, as well as a safe and secure work environment.

Wesfarmers will continue to place the highest priority on achieving this objective across all its workplaces, and divisions have generally reported improvements over the past year in the number of lost time injuries and workplace compensation claims as a result of workplace accidents and associated health and safety issues.

Fundamental to the sustainability of any business is making sure that we continue to focus on the attraction, retention and development of our people.

Wesfarmers continues to place a high priority on ongoing access to training and development for its staff through a range of education and on-the-job training opportunities and options, as well as promoting employee well-being, such as health awareness and monitoring, fitness programmes and vaccinations.

Our community

As we continue evolving into a company with a significant national reach, Wesfarmers remains committed to supporting communities through funding, sponsorships and in-kind support.

The Wesfarmers group organises its community partnerships to target four key categories: arts and innovation, indigenous communities, medical research and education and community. Over the past year, the Wesfarmers Board allocated 0.25 per cent of the group's pre-tax profits to community projects and programmes in these areas.

One of the key partnerships recently announced by Wesfarmers involves a contribution of $4.5 million over the next five years to fund the establishment of a new research centre at the Western Australian Institute for Medical Research (WAIMR), one of the country's leading medical research institutes.

The new Wesfarmers Research Centre, will focus on research that aims to quickly translate cutting-edge research from the laboratory to patient care and treatment in three key areas of community health - heart disease, diabetes and obesity.

Wesfarmers also continues to develop a national reputation for its contribution to the arts through the award-winning Wesfarmers Arts sponsorship programme. Around $700,000 was provided to a range of leading visual and performing arts organisations and an additional significant commitment of $1 million was made to the Art Gallery of Western Australia towards the launch of the Art Gallery Capital Campaign to acquire artworks of national and international stature. The year also saw Wesfarmers Arts receive the Partnership of the Year Award in the national Australia Business Arts Foundation Awards for its commissioning of four major new works of opera, orchestral music, dance and theatre as part of the Wesfarmers Arts Commission Series with the Perth International Arts Festival from 2004 to 2007.

In addition, Wesfarmers' divisions continue to make their own funding and in-kind contributions to a wide range of community initiatives, including land care and conservation projects, welfare and community organisations assisting people in need, surf life saving groups as well as many local schools and sporting clubs.

Bunnings continues to provide significant community assistance and support through the use of its facilities and hosting of sausage sizzles that promote or raise money for a wide range of local and national projects and causes.

Over and above these direct contributions to communities, Wesfarmers contributes its expertise to informing economic, social and environmental issues important to Australia's future through submissions and representations to decision-makers at a government and public policy level.

Further information on the company's sustainability outcomes and initiatives can be found in the 2008 Sustainability Report, which will be published in November 2008 and will be available from the company or can be downloaded from www.wesfarmers.com.au.

BOARD OF DIRECTORS

A Trevor Eastwood AM, age 66
Non-executive Chairman

Joined the Board in 1994 and was appointed Chairman in 2002. Trevor holds a Bachelor of Engineering degree from the University of Western Australia and completed the Advanced Management Program at the Harvard Business School in 1982. He commenced his career with the group as an employee of Westralian Farmers Co-operative Limited in 1963 and held a number of management positions in the group up to his retirement in 1992, including his final eight years as Managing Director of Wesfarmers Limited. Trevor is also a director of The WCM Group Limited and was formerly the Chairman of West Australian Newspapers Holdings Ltd and a director of Qantas Airways Limited.

B Richard Goyder, age 48
Managing Director

Joined the Board in 2002. Richard has a Bachelor of Commerce degree from the University of Western Australia and completed the Advanced Management Program at the Harvard Business School in 1998. He joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited. He has held a number of commercial positions in Wesfarmers' Business Development Department including General Manager. In 1999 Richard was Managing Director of Wesfarmers Dalgety Limited, which subsequently became Wesfarmers Landmark Limited, a position he retained until his appointment as Finance Director of Wesfarmers Limited in 2002. He was appointed Deputy Managing Director and Chief Financial Officer of Wesfarmers Limited in 2004 and assumed the role of Managing Director and Chief Executive Officer in July 2005. Richard is a director of Gresham Partners Holdings Ltd, Australian Business and Community Network, the Fremantle Football Club Limited and a number of Wesfarmers group subsidiaries. He is also a member of the Federal Government's Business Roundtable on Sustainable Development, the Business Council of Australia and the University of Western Australia Business School Advisory Board.

C Gene Tilbrook, age 57
Finance Director

Joined the Board in 2002. Gene holds Bachelor of Science and Master of Business Administration degrees and a Diploma in Computing Science from the University of Western Australia. He completed the Advanced Management Program at the Harvard Business School in 1998. Gene joined Wesfarmers in 1985 and has held a number of commercial positions in its Business Development Department and at Wesfarmers Energy. He previously worked in corporate finance and in systems engineering.

Gene was Executive Director, Business Development before being appointed Finance Director in July 2005. He is a director of a number of Wesfarmers' subsidiaries, as well as Gresham Partners Holdings Ltd and Wespine Industries Pty Ltd. He was previously a director of Bunnings Property Management Limited (appointed July 2001 – resigned September 2005), the responsible entity for the listed Bunnings Warehouse Property Trust and Air Liquide WA Pty Ltd.

He is a councillor of the Australian Institute of Company Directors (WA Division) and also a member of the boards of The UWA Perth International Arts Festival and St George's College Foundation Inc.

D Colin Carter OAM, age 65
Non-executive director

Joined the Board in 2002. Colin holds a Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School. He has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas. The other listed companies of which he is or has been a director in the last three years are Origin Energy Limited (appointed February 2000 – resigned April 2007), SEEK Limited (appointed March 2005) and Foster's Group Limited (appointed March 2007 – resigned September 2007). He is also Chairman of Indigenous Enterprise Partnerships, a director of World Vision Australia, the Geelong Football Club Limited, a member of the Board of The Cape York Institute and the Independent Expert Panel on Sport, Chairman of the AFL Foundation and an adviser to, and former Vice President of, The Boston Consulting Group.

E Patricia Cross, age 49
Non-executive director

Joined the Board in 2003. Patricia holds a Bachelor of Science (Econ) with Honours from Georgetown University. The other listed companies of which she is or has been a director in the last three years are Qantas Airways Limited (appointed January 2004) and National Australia Bank Limited (appointed December 2005). Patricia has 25 years experience in international banking and finance, having served two years with the U.S. government, over 15 years in management and executive roles with Chase Manhattan Bank, Banque Nationale de Paris, National Australia Bank and 11 years as a non-executive director with organisations including the Transport Accident Commission (Deputy Chairman) and Suncorp-Metway Limited. She was previously a director of AMP Limited and Chairman of Qantas Superannuation Limited. Patricia also serves on a variety of government and not-for-profit advisory boards including as a director of the Murdoch Children's Research Institute and Methodist Ladies College (Melb).

F **Bob Every, age 63**
Non-executive director

Joined the Board in February 2006. Bob holds a Bachelor of Science degree and a Doctorate of Philosophy (Metallurgy) from the University of New South Wales and is a Fellow of the Australian Academy of Technological Sciences and Engineering. The other listed companies of which he is or has been a director in the last three years are Boral Limited (appointed September 2007), Chairman of Iluka Resources Limited (appointed March 2004), and Sims Group Limited (appointed October 2005 - resigned November 2007). He is also a director of O'Connell Street Associates Pty Limited, OCA Services Pty Ltd and Malcolm Sargent Cancer Fund for Children in Australia Limited, known as Redkite. He was also the Chairman of the New Zealand based listed company Steel & Tube Holdings Limited and a director of OneSteel Limited. Other positions previously held by Bob include Managing Director of Tubemakers of Australia Limited, President of BHP Steel and Managing Director and Chief Executive Officer of OneSteel Limited, a position from which he retired in May 2005. He was also a director of CARE Australia, an advisor to Proudfoot Consulting and on the advisory board of Gresham Private Equity Limited.

G **Charles Macek, age 61**
Non-executive director

Joined the Board in 2001. Charles holds a Bachelor of Economics degree and a Master of Administration from Monash University. The other listed companies of which he is or was a director in the last three years are Telstra Corporation Limited (appointed November 2001) and Living Cell Technologies Ltd (appointed March 2006 - resigned August 2007). Charles is Chairman of Orchard Funds Pty Ltd, the Sustainable Investment Research Institute Pty Ltd and the Racing Information Services Australia Pty Ltd. He is also an investment committee member of Unisuper Limited. He was formerly the Chairman of the Centre for Eye Research Australia Limited, IOOF Holdings Ltd and the Financial Reporting Council and a member of the New Zealand Accounting Standards Review Board.

H **David White, age 60**
Non-executive director

Joined the Board in 1990. David holds a Bachelor of Business degree from Curtin University and is a fellow of CPA Australia. He is Chairman of the Wheatbelt Area Consultative Committee, a member and Treasurer of Parkerville Children and Youth Care (Inc) and a member of the Australian Institute of Company Directors. He was formerly the Treasurer of The Royal Agricultural Society of Western Australia (Inc).

I **James Graham AM, age 60**
Non-executive director

Joined the Board in 1998. James holds a Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney, a Master of Business Administration from the University of New South Wales and is a Fellow of the Australian Academy of Technological Sciences and Engineering. He has had an active involvement in the growth of Wesfarmers since 1976 in his roles as Managing Director of Gresham Partners Limited and previously as a director of Hill Samuel Australia Limited and Managing Director of Rothschild Australia Limited. In addition to his investment banking activities, James is Chairman of Rabobank Australia Limited, Rabo Australia Limited, Rabobank New Zealand Limited, the Advisory Council of The Institute for Neuromuscular Research and Gresham Technology Management Limited, which was the responsible entity of the Technology Investment Fund until August 2005. He is also a director of Wesfarmers Federation Insurance Limited, Lumley General Insurance Limited and Riviera Group Pty Ltd. James is also a member of the Fundraising Committee for the Australian Olympic Committee (NSW) for Beijing 2008 and a Trustee of the Gowrie Scholarship Trust Fund. In the period from 1989 to 1995 he was Chairman of the Darling Harbour Authority in New South Wales.

J **Tony Howarth AO, age 56**
Non-executive director

Joined the Board in July 2007. Tony is a Senior Fellow of the Financial Services Institute of Australia and has over 30 years experience in the banking and finance industry. He has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and CEO of Hartleys Limited. The other listed companies of which he is or has been a director in the last three years are Chairman of Mermaid Marine Australia Limited (appointed July 2003), Alinta Limited (appointed 2000 - resigned July 2006), Home Building Society Ltd (appointed June 2003 - delisted 24 December 2007), Deputy Chairman of Bank of Queensland Limited (appointed 18 December 2007) and a director of AWB Limited (appointed March 2005). He is also Chairman of St John of God Health Care Inc. Tony is also involved in a number of community and business organisations including the Senate of the University of Western Australia, Chairman of the Committee for Perth Limited, Chairman of Force 15 Foundation, a member of the Rio Tinto WA Future Fund and the University of Western Australia Business School Advisory Board and a director of Western Australian Community Foundation Limited, the Australian Chamber of Commerce and Industry and the Chamber of Commerce and Industry of Western Australia (Inc).

CORPORATE GOVERNANCE STATEMENT

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

Name of director	Year appointed	Non-executive	Independent	Retiring at 2008 AGM	Seeking re-election at 2008 AGM
BOARD STRUCTURE					
T R Eastwood, Chairman	1994	Yes	Yes	Yes	No
C B Carter	2002	Yes	Yes	No	No
P A Cross	2003	Yes	Yes	No	No
R L Every	2006	Yes	Yes	Yes#	Yes
R J B Goyder, Managing Director	2002	No	No	No	No
J P Graham	1998	Yes	No	No	No
A Howarth	2007	Yes	Yes	No	No
C Macek	2001	Yes	Yes	No	No
G T Tilbrook, Finance Director	2002	No	No	Yes#	Yes
D C White	1990	Yes	Yes	No	No

Retiring by rotation in accordance with the Constitution and the ASX Listing Rules.

Details of the background, experience and professional skills of each director are set out on pages 58 and 59 of this Annual Report.

Wesfarmers complies with the second edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations released on 2 August 2007 ("**ASX Principles**").

Wesfarmers' corporate governance practices for the year ended 30 June 2008, and at the date of this report, are outlined in this corporate governance statement. The following table lists each of the ASX Principles and Wesfarmers' assessment of compliance with the principles:

		Status
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1*.	✓
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors.	✓
2.2	The chair should be an independent director.	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4	The board should establish a nomination committee.	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2*.	✓
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	3.1.1 the practices necessary to maintain confidence in the company's integrity;	✓
	3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and	✓
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓
3.3	Companies should provide the information indicated in the *Guide to reporting on Principle 3*.	✓
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	✓
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors;	✓
	• consists of a majority of independent directors;	✓
	• is chaired by an independent chair, who is not chair of the board; and	✓
	• has at least three members.	✓
4.3	The audit committee should have a formal charter.	✓
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4*.	✓

		Status
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2	Companies should provide the information indicated in the *Guide to reporting on Principle 5*.	✓
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6*.	✓
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
7.4	Companies should provide the information indicated in the *Guide to reporting on Principle 7*.	✓
Principle 8: Remuneration fairly and responsibly		
8.1	The board should establish a remuneration committee.	✓
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.3	Companies should provide the information indicated in the *Guide to reporting on Principle 8*.	✓

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Board is to oversee and guide the management of Wesfarmers and its businesses with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The responsibilities of the Board include:

- oversight of the Wesfarmers group, including its control and accountability systems;
- appointing (and removing) the Managing Director;
- where appropriate, ratifying the appointment (and the removal) of senior executives;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior executives' performance and implementation of strategy;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring financial and other reporting;
- reviewing and approving the remuneration of the Managing Director and senior executives;
- appointing, re-appointing or removing the company's external auditors (on recommendation from the Audit Committee); and
- monitoring and overseeing the management of shareholder and community relations.

The Managing Director is responsible to the Board for the day-to-day management of the Wesfarmers group.

Review of performance by senior executives

Details of the performance review process for senior executives are set out in the Remuneration Report, which forms part of the Directors' Report on pages 152 to 169 of this Annual Report.

The roles and responsibilities of the company's Board and senior executives are consistent with those set out in ASX Principle 1. A copy of the Board Charter is available from the corporate governance section of the company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board structure

The Board is currently comprised of 10 directors, with:

- eight non-executive directors, including the Chairman; and
- two executive directors.

The directors in office at the date of this report, the year of each director's appointment and each director's status as an independent, non-executive or executive director are set out in the table on page 60 of this Annual Report.

The following Board changes have occurred since 1 July 2007:

- Mr Dick Lester retired as a director with effect from 30 June 2008;
- Mr Trevor Eastwood will retire as a director and Chairman at the company's annual general meeting to be held on 13 November 2008; and
- Dr Bob Every was appointed Deputy Chairman on 3 July 2008. Dr Every will be appointed Chairman of the Board upon Mr Eastwood's retirement on 13 November 2008.

Director independence

Directors are expected to bring independent views and judgement to the Board's deliberations.

Under the Charter, the Board must include a majority of non-executive independent directors and have a non-executive independent Chairman (with different persons filling the roles of Chairman and Managing Director).

The Board has reviewed the position and associations of all directors in office at the date of this report and considers that a majority (seven of ten) of the directors are independent. In considering whether a director is independent, the Board has had regard to the relationships affecting independent status described in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, annually and as appropriate.

The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of the company, the director, and the person or entity with which the director has a relationship.

The three directors who are not considered to be independent are:

- Mr Richard Goyder, Managing Director;
- Mr Gene Tilbrook, Finance Director; and
- Mr James Graham, a non-executive director, who is Managing Director of Gresham Partners Limited.

Mr Graham is technically deemed not to be independent by virtue of his professional association with Gresham Partners Limited, which acts as an investment advisor to the company.

The Board has, however, determined that the relationship does not interfere with Mr Graham's exercise of independent judgement and believes that his appointment is in the best interests of the group because of the substantial knowledge and expertise he brings to the Board.

In addition, the Board has considered the independence of Messrs Trevor Eastwood (Chairman) and David White, in relation to their period of service as directors.

In each case, the Board considered that the length of time that the director had been on the Board did not have an adverse impact on the director's ability to bring an independent judgement to bear in decision-making.

The Board considers that having some directors who have served on the Board for longer periods helps to ensure continuity of corporate knowledge and experience, provided that the capacity for active contribution and independent judgement is maintained.

The independence of the Chairman, Mr Eastwood, was also considered in light of the fact that he served as Managing Director from 1984 to 1992. In relation to his past executive service, the Board considers him to be independent given the significant passage of time since his retirement from that position.

The Board considers that Messrs Eastwood and White are independent directors in accordance with ASX Principle 2, given their continued and demonstrated performance and ability to make objective judgements on matters before the Board.

Retirement and re-election

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

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Board support for directors retiring by rotation and seeking re-election is not automatic. The Board Charter and the company's letter of appointment for a non-executive director require a non-executive director to take into account the views of the other non-executive directors of the company when making a decision to stand for re-election.

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

Nomination and appointment of new directors

Recommendations of candidates for appointment as new directors are made by the Board's Nomination Committee for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. In some cases, external consultants are engaged to assist in the selection process.

If a candidate is recommended by the Nomination Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board, and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director (as noted previously) must retire at the next annual general meeting and will be eligible for election by shareholders at that meeting.

Induction of new directors

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with committee work.

As part of a comprehensive induction programme, the new director meets with the Chairman, the Audit Committee Chairman, the Managing Director, Divisional Managing Directors, and other key executives. The programme also includes site visits to some of Wesfarmers' key operations.

Knowledge, skills and experience

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

Directors are provided with papers, presentations and briefings on group businesses and on matters which may affect the operations of the group.

Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company. Subject to prior approval by the Company Secretary, the reasonable cost of continuing education and training is met by the company.

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the company, directors undertake site visits each year to a number of Wesfarmers' businesses.

Board access to information and independent advice

All directors have unrestricted access to employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board committee. The company will reimburse the director for the reasonable expenses of obtaining that advice.

Conflicts of interest

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the company. A director is required to provide an updated notice to disclose any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the Corporations Act 2001.

Committees of the Board

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

These committees review matters on behalf of the Board and (subject to the terms of the committee's Charter):

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

Nomination Committee

The specific responsibilities of the Nomination Committee are set out in the committee's Charter, which reflects the requirements of the ASX Principles.

The Nomination Committee's responsibilities include:

- reviewing Board and committee composition and recommending new appointments to the Board and the committees;
- ensuring an effective induction programme for directors; and
- reviewing Board succession plans.

The members of the Nomination Committee at the date of this report are:

- Mr Trevor Eastwood (Chairman)
- Mr Colin Carter
- Mrs Patricia Cross
- Dr Bob Every
- Mr James Graham
- Mr Tony Howarth
- Mr Charles Macek
- Mr David White

The composition, operation and responsibilities of the Nomination Committee are consistent with ASX Principle 2.

Details of meeting attendance for committee members are set out in the Directors' Report on page 148 of this Annual Report.

A summary of the committee's Charter is available from the corporate governance section of the company's website.

Audit Committee

Further information about the Audit Committee is provided in this statement under Principle 4: Safeguard Integrity in Financial Reporting.

Remuneration Committee

Further information about the Remuneration Committee is provided in this statement under Principle 8: Remunerate Fairly and Responsibly.

Review of Board performance

The Board conducted a self evaluation performance review in May 2008 covering the Board and its standing committees. Feedback on the performance of the Board and its committees was obtained through the completion of a detailed questionnaire by directors.

The results were considered by the Board as part of its annual planning session in May 2008.

Review of performance by executive directors

Details of the performance review process for executive directors are set out in the Remuneration Report, which forms part of the Directors' Report on pages 152 to 169 of this Annual Report.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Conduct and ethics

The Board has adopted a Code of Conduct to guide the directors and promote high ethical and professional standards and responsible decision-making.

In addition, the company has adopted a Code of Ethics and Conduct for all employees (including directors). The Code of Ethics and Conduct is aimed at maintaining the highest ethical standards, corporate behaviour and accountability across the group. Employees and directors are expected to respect the law; respect confidentiality; properly use group assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of shareholders; contribute to the company's reputation as a good corporate citizen; and act with honesty, integrity, decency and responsibility at all times.

Wesfarmers encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code of Ethics and Conduct, and protects those who report breaches in good faith.

The Code of Ethics and Conduct provides protection to whistleblowers, as required by the Corporations Act 2001.

Under the code, whistleblowers are protected from any disadvantage, prejudice or victimisation for reports made in good faith of any breaches of the code or the Corporations Act 2001.

The Board has appointed protected disclosure officers (the Finance Director, Chief Legal Counsel and Company Secretary) to receive reports and manage investigations in relation to potential breaches of the Corporations Act 2001.

Guidelines were developed to assist directors and senior executives to manage reports of whistleblower complaints.

In July 2006, the Board approved amendments to the code to strengthen the prohibitions on bribery and corrupt practices and to implement a notification and reporting process relating to facilitation payments.

The Board's Code of Conduct and the Code of Ethics and Conduct are consistent with ASX Principle 3.

Summaries of the codes are available from the corporate governance section of the company's website.

Minimum shareholding requirement for directors

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

Share Trading Policy

The company's Share Trading Policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. The policy states that all employees and directors of the company, and its related companies, are expressly prohibited from trading in the company's securities, or securities in other entities in which Wesfarmers has an interest, if they are in possession of "inside information".

A director of Wesfarmers or member of the Executive Committee (a committee comprised of senior executives of the group including divisional managing directors and chaired by the Managing Director) who intends to buy or sell shares must:

- advise the Company Secretary in advance of their intention to trade;
- confirm that they do not hold unpublished inside information; and
- have been advised by the Company Secretary that there is no known reason to preclude the proposed trading.

In May 2008, the company's Share Trading Policy was amended to require Wesfarmers directors and members of the Executive Committee to advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangements affecting the company's securities.

The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and therefore require disclosure to the market.

Each director has entered into an agreement with the company under which the director must notify the company of any trade in the company's securities, or an associated entity's securities, within three business days.

The company's Share Trading Policy prohibits executive directors and members of the Executive Committee from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under Wesfarmers' long term incentive plan whilst the shares are subject to a restriction.

The company's Share Trading Policy is consistent with ASX Principle 3. A summary of the Share Trading Policy is available from the corporate governance section of the company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting, which is consistent with ASX Principle 4.

The Audit Committee has the following specific responsibilities (as set out in its Charter):

- reviewing all published financial accounts of the company and discussing the accounts with the external auditors and management prior to submission to the Board;
- reviewing any changes in accounting policies or practices and subsequent effects on the financial accounts;
- reviewing with management, the terms of the external audit engagement;
- reviewing and assessing non-audit services to be provided by the external auditor;
- monitoring and assessing the systems for internal compliance and control, legal compliance and risk management;
- reviewing and monitoring the company's continuous disclosure policies and procedures; and
- advising on the appointment, performance and remuneration of the external auditor.

The members of the Audit Committee at the date of this report are:

- Mr David White (Chairman)
- Mr James Graham
- Mr Tony Howarth (member from 1 September 2007)
- Mr Charles Macek

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

The committee also meets from time to time with the external auditor in the absence of management.

The composition, operations and responsibilities of the committee are consistent with ASX Principle 4.

The committee met eight times during the year ended 30 June 2008. Details of meeting attendance for committee members are set out in the Directors' Report on page 148 of this Annual Report.

The Audit Committee's Charter is available from the corporate governance section of the company's website.

Independence of the external auditor

Appointment of auditor

The company's external auditor is Ernst & Young.

The effectiveness, performance and independence of the external auditor is reviewed by the Audit Committee.

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

Independence declaration

The Corporations Act 2001 requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the Corporations Act 2001 and the rules of the professional accounting bodies.

Ernst & Young has provided an independence declaration to the Board for the financial year ended 30 June 2008.

The independence declaration forms part of the Directors' Report and is provided on page 171 of this Annual Report.

Rotation of lead external audit partner

Mr Sean Van Gorp is the lead audit partner for Ernst & Young in relation to the audit of the company.

Mr Van Gorp was appointed on 1 July 2006.

Restrictions on the performance of non-audit services by external auditors

As part of the company's commitment to safeguarding integrity in financial reporting, the company has implemented procedures and policies to monitor the independence and competence of the company's external auditor.

The Audit Committee has implemented a process that requires the prior approval of the Company Secretary for the provision of any non-audit services to the company or its related companies by the external auditor. In cases of uncertainty, a proposed engagement is referred to the

Audit Committee. The Audit Committee has also approved guidelines to assist in identifying the types of services that may compromise the independence of the external auditor. Examples of services that are considered to potentially compromise audit independence include valuation services and internal audit services. Details of fees paid (or payable) to Ernst & Young for non-audit services provided to the Wesfarmers group in the year ended 30 June 2008 are set out in the Directors' Report on page 150 of this Annual Report.

The Board has considered the nature of the non-audit services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that the auditor's independence has not been compromised.

Attendance of external auditors at annual general meetings

In accordance with ASX Principle 6 and the Corporations Act 2001, Ernst & Young attend and are available to answer questions at the company's annual general meetings.

In addition to their right to ask questions at annual general meetings, shareholders may submit written questions for the external auditors to the Company Secretary no later than five business days before an annual general meeting.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure

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

- announcements to the ASX;
- prevention of selective or inadvertent disclosure;
- conduct of investor and analysts briefings;
- media communications;
- commenting on expected earnings;
- communication black-out periods; and
- review of briefings and communications.

Under the Market Disclosure Policy, the Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and co-ordinating the disclosure of information by the company to the ASX and for administering the policy and the group's continuous disclosure education programme.

The Company Secretary, as the disclosure officer, is also responsible for referring matters to the Board's Disclosure Committee. Matters referred to the Disclosure Committee, and decisions made by the committee, are recorded and referred to the Board at its next meeting. The Disclosure Committee is comprised of the Managing Director and the Finance Director.

The Market Disclosure Policy, and the associated training and education programme, is reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board. The company's Market Disclosure Policy is consistent with ASX Principle 5. A copy of the policy is available from the corporate governance section of the company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with shareholders

The company places considerable importance on effective communications with shareholders. In August 2008 the company adopted a new Communications Policy. The company's Communications Policy promotes the communication of information to shareholders through the distribution of an annual report and half-year report, announcements through the ASX and the media regarding changes in its businesses, and the Chairman's address at the annual general meeting.

The company has also introduced an annual shareholder review, an easy to read summary of the annual report. A number of shareholders have elected to receive the review in place of the annual report.

Wesfarmers also conducts live webcasts of major institutional investor and analysts briefings. These webcasts, together with annual and half-year reports, ASX and media releases, and copies of significant business presentations and speeches, can be accessed from the company's website.

The company also provides shareholders with the opportunity to receive email alerts of significant announcements and advises of the availability of reports on the company's website.

The company regularly reviews its communications policies and underlying processes to ensure effective communications with shareholders is maintained.

A copy of the Communications Policy is available from the corporate governance section of the company's website.

Annual general meeting

The company's annual general meeting is a major forum for shareholders to ask questions about the performance of the Wesfarmers group. It is also an opportunity for shareholders to provide feedback to the company about information provided to shareholders.

The company welcomes and encourages shareholder participation at general meetings to continue to improve the company's performance and shareholder communications.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk oversight and management

The company is committed to the identification, monitoring and management of material business risks associated with its business activities across the group and has embedded in its management and reporting systems a number of overarching risk management controls.

The risk management controls adopted by the company include:

- guidelines and limits for approval of capital expenditure and investments;
- a group compliance programme supported by approved guidelines and standards covering safety, the environment, legal liability, risk identification, quantification and reporting, and financial controls;

- a comprehensive risk financing programme including risk transfer to external insurers and reinsurers;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a formal dynamic planning process of preparing five year strategic plans each year for all businesses in the group;
- annual budgeting and monthly reporting systems for all businesses, which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the group.

A copy of the Risk Management Policy is available from the corporate governance section of the company's website.

Divisional autonomy and responsibility to the Board

The company manages the diverse nature of its operations across the group as autonomous divisions. The management of each division is required by the Board to design and implement the risk management policies and internal control systems to best manage the material business risks of the division in accordance with the company's structured group risk management programme.

Divisional management is ultimately responsible to the Board for the division's internal control and risk management systems and is required to regularly report to it on the effectiveness of the systems in managing the division's material business risks.

In addition, some companies in the Insurance Division are subject to reporting obligations to the Australian Prudential Regulatory Authority. These reporting obligations include a requirement to lodge Risk Management Strategies and Insurance Liability Valuation Reports. The Insurance Division also manages risk through the adoption of reinsurance management strategies and business continuity management policies.

Role of the Audit Committee and the internal audit function

The audit Committee assists the board in relation to risk management. The Audit Committee executes this function through a compliance reporting programme developed to encompass the areas identified as most sensitive to risk.

The internal audit function is independent of the external audit function. The Group Internal Audit Manager, who reports to the Finance Director, monitors the internal control framework of the group and provides reports to the Audit Committee. The Audit Committee approves the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to material business risks. The Audit Committee also reviews internal audit reports issued by the Group Internal Audit Manager and monitors progress with recommendations made in those reports to ensure the adequacy of the internal control environment.

Financial reporting

CEO and CFO declaration and assurance

Consistent with ASX Principle 7 and section 295A of the Corporations Act 2001, the Managing Director (Chief Executive Officer) and Finance Director (Chief Financial Officer) provided a written statement to the Board ("Declaration") that, in their opinion:

- the company's financial report presents a true and fair view of the company's financial condition and operating results and is in accordance with applicable accounting standards; and
- the company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.

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

This statement was also signed by the General Manager, Group Accounting.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Board remuneration

Remuneration pool

The current annual remuneration pool for non-executive directors is $3 million. This fee pool was approved by shareholders at the annual general meeting held on 15 November 2007.

Details of annual fee rates are set out in the Remuneration Report, which forms part of the Directors' Report on pages 152 to 169 of this Annual Report.

Non-executive director share plan

A share plan for non-executive directors was approved by shareholders at the annual general meeting held on 1 November 2006. Directors can elect to participate in the share plan through a salary-sacrifice arrangement.

Shares are held by the plan trustee and are subject to certain holding restrictions. Details of the share plan are set out in the Remuneration Report, which forms part of the Directors' Report on pages 152 to 169 of this Annual Report.

Remuneration of executive directors and senior executives

Details of remuneration for executive directors and senior executives are set out in the Remuneration Report, which forms part of the Directors' Report on pages 152 to 169 of this Annual Report.

The Remuneration Report also sets out details of remuneration practices and policies of the Wesfarmers group.

Awards of shares made to executive directors under the company's long-term incentive plan are acquired on-market during the ordinary course of trading on the

ASX. Under ASX Listing Rule 10.14, there is no obligation on the company to obtain shareholder approval for the acquisition of shares on behalf of the executive directors.

There is no dilution of shareholders' interests as the shares are acquired on-market.

Remuneration Committee

The specific responsibilities of the Remuneration Committee are set out in the committee's Charter, which reflects the requirements of ASX Principle 8.

The Remuneration Committee's responsibilities include:

- reviewing and making recommendations to the Board on remuneration for the non-executive directors and fixed and variable remuneration of the Managing Director (including the level of participation in the long-term incentive plan);
- reviewing and approving recommendations from the Managing Director on fixed and variable remuneration for senior executives (including the level and nature of participation in the long-term incentive plan); and
- reviewing and approving human resources policies and practices for senior executives.

The members of the Remuneration Committee at the date of this report are:

- Mr Trevor Eastwood (Chairman)
- Mr Colin Carter
- Mrs Patricia Cross
- Dr Bob Every (member from 1 September 2007)

The composition, operation and responsibilities of the Remuneration Committee are consistent with ASX Principle 8.

The committee met once during the year ended 30 June 2008. Details of meeting attendance for committee members are set out in the Directors' Report on page 148 of this Annual Report.

A summary of the committee's Charter is available from the corporate governance section of the company's website.

Corporate governance documents

Please visit our website (www.wesfarmers.com.au) to view this Corporate Governance Statement and copies or summaries of corporate governance documents including:

- Board Charter
- Audit Committee Charter
- Nomination Committee Charter
- Remuneration Committee Charter
- Board Code of Conduct
- Code of Ethics and Conduct
- Market Disclosure Policy
- Share Trading Policy
- Risk Management Policy
- Communications Policy

FINANCIAL STATEMENTS

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Income statement

for the year ended 30 June 2008 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED		PARENT	
		2008	2007	**2008**	2007
	NOTE	**$m**	$m	**$m**	$m
REVENUE					
Sale of goods		**31,650**	8,239	**129**	132
Rendering of services		**1,651**	1,428	**59**	63
Interest - subsidiaries		**-**	-	**22**	19
Interest - other		**121**	72	**16**	4
Dividends - subsidiaries		**-**	-	**1,943**	841
Dividends - other		**32**	-	**-**	-
Other		**130**	15	**-**	-
		33,584	9,754	**2,169**	1,059
EXPENSES					
Raw materials and inventory purchased		**(21,788)**	(4,799)	**(69)**	(75)
Employee benefits expenses	4	**(4,459)**	(1,411)	**(58)**	(45)
Insurance expenses		**(1,095)**	(973)	**(45)**	(54)
Freight and other related expenses		**(499)**	(188)	**-**	-
Occupancy-related expenses	4	**(1,231)**	(244)	**(5)**	(4)
Depreciation and amortisation	4	**(654)**	(345)	**(2)**	(2)
Other expenses	4	**(1,751)**	(612)	**(43)**	(10)
		(31,477)	(8,572)	**(222)**	(190)
Other income	4	**96**	40	**-**	-
Finance costs	4	**(800)**	(200)	**(698)**	(188)
Share of profits and losses of associates	15	**40**	83	**-**	-
Profit before income tax		**1,443**	1,105	**1,249**	681
Income tax (expense)/credit	5	**(393)**	(319)	**234**	45
Profit attributable to members of the parent		**1,050**	786	**1,483**	726
Earnings per share (cents per share)	6				
– basic for profit for the period attributable to ordinary equity holders of the parent		**180.6**	204.9		
– diluted for profit for the period attributable to ordinary equity holders of the parent		**179.5**	202.6		
Dividends per share paid or declared out of profits for the year (cents per share)	7	**200.0**	225.0		

Balance sheet

as at 30 June 2008 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED		PARENT	
		2008	2007	**2008**	2007
	NOTE	**$m**	$m	**$m**	$m
ASSETS					
Current Assets					
Cash and cash equivalents	8	**725**	219	**131**	17
Trade and other receivables	9	**2,093**	1,513	**6,295**	4,966
Inventories	10	**4,638**	1,235	**-**	-
Derivatives	29	**138**	90	**181**	97
Investments backing insurance contracts	11	**871**	816	**-**	-
Other	12	**211**	151	**-**	-
Total Current Assets		**8,676**	4,024	**6,607**	5,080
Non-current Assets					
Receivables	9	**135**	104	**19,403**	-
Available-for-sale investments	13	**36**	2,064	**-**	-
Other financial assets	14	**-**	-	**2,899**	2,899
Investment in associates	15	**465**	389	**-**	-
Deferred tax assets	5	**390**	-	**30**	7
Property, plant and equipment	16	**6,599**	2,716	**27**	25
Identifiable intangible assets	17	**4,408**	130	**-**	-
Goodwill	17	**16,387**	2,568	**-**	-
Derivatives	29	**149**	73	**149**	73
Other	18	**61**	8	**11**	8
Total Non-current Assets		**28,630**	8,052	**22,519**	3,012
Total Assets		**37,306**	12,076	**29,126**	8,092
LIABILITIES					
Current Liabilities					
Trade and other payables	19	**3,966**	1,255	**137**	41
Interest-bearing loans and borrowings	20	**1,261**	4,436	**1,007**	4,165
Income tax payable		**236**	98	**240**	102
Provisions	21	**1,010**	186	**63**	36
Insurance liabilities	22	**1,137**	1,122	**-**	-
Derivatives	29	**53**	13	**180**	96
Other	23	**277**	72	**-**	-
Total Current Liabilities		**7,940**	7,182	**1,627**	4,440
Non-current Liabilities					
Payables	19	**25**	79	**-**	-
Interest-bearing loans and borrowings	20	**8,256**	687	**7,902**	678
Deferred tax liabilities	5	**-**	144	**-**	-
Provisions	21	**940**	170	**18**	11
Insurance liabilities	22	**340**	279	**-**	-
Derivatives	29	**89**	-	**150**	70
Other	23	**126**	32	**5**	-
Total Non-current Liabilities		**9,776**	1,391	**8,075**	759
Total Liabilities		**17,716**	8,573	**9,702**	5,199
Net Assets		**19,590**	3,503	**19,424**	2,893
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	24	**18,173**	2,256	**18,167**	2,250
Employee reserved shares	24	**(76)**	(111)	**(73)**	(108)
Retained earnings	25	**1,163**	1,131	**1,123**	638
Reserves	26	**330**	227	**207**	113
Total Equity		**19,590**	3,503	**19,424**	2,893

Cash flow statement

for the year ended 30 June 2008 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED		PARENT	
		2008	2007	**2008**	2007
	NOTE	**$m**	$m	**$m**	$m
Cash flows from operating activities					
Receipts from customers		**35,829**	10,733	**391**	248
Payments to suppliers and employees		**(33,561)**	(8,918)	**(187)**	(124)
Dividends received from subsidiaries		**-**	-	**1,943**	840
Dividends and distributions received from associates		**27**	24	**-**	-
Dividends received from others		**32**	-	**-**	-
Interest received		**121**	65	**37**	23
Finance costs		**(620)**	(192)	**(561)**	(182)
Income tax paid		**(377)**	(411)	**(354)**	(419)
Reimbursements received from tax consolidated entities		**-**	-	**557**	521
Net cash flows from operating activities	8	**1,451**	1,301	**1,826**	907
Cash flows from investing activities					
Net acquisition of insurance deposits		**(55)**	(111)	**-**	-
Purchase of property, plant and equipment and intangibles		**(1,241)**	(680)	**(5)**	(2)
Proceeds from sale of property, plant and equipment		**72**	48	**-**	-
Proceeds from sale of controlled entities		**23**	-	**-**	-
Net investments in associates and joint ventures		**(80)**	(24)	**-**	
Acquisition of subsidiaries, net of cash acquired	27	**(4,198)**	(1,339)	**-**	-
Purchase of available-for-sale financial assets		**(22)**	(2,088)	**-**	-
Net repayments to subsidiaries		**-**	-	**(6,116)**	(3,850)
Net cash flows used in investing activities		**(5,501)**	(4,194)	**(6,121)**	(3,852)
Cash flows from financing activities					
Proceeds from borrowings		**10,489**	3,945	**10,339**	3,851
Repayment of borrowings		**(8,178)**	(400)	**(8,178)**	(399)
Proceeds from exercise of in-substance options under the employee share plan	24	**24**	32	**24**	28
Equity dividends paid		**(754)**	(765)	**(754)**	(765)
Proceeds from issue of shares	24	**2,952**	214	**2,952**	214
Transaction costs associated with entitlement offer		**(61)**	-	**(61)**	-
Net cash flows used in financing activities		**4,472**	3,026	**4,322**	2,929
Net increase in cash and cash equivalents		**422**	133	**27**	(16)
Cash and cash equivalents at beginning of period		**216**	83	**17**	33
Cash and cash equivalents at end of period	8	**638**	216	**44**	17

Statement of recognised income and expense

for the year ended 30 June 2008 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED		PARENT	
		2008	2007	2008	2007
	NOTE	$000	$000	$000	$000
Foreign currency translation reserve					
Exchange differences on translation of foreign operations		**(14)**	8	**-**	-
Available-for-sale financial assets reserve					
Changes in the fair value of available-for-sale assets net of tax		**26**	(32)	**-**	-
Cash flow hedge reserve					
Changes in the fair value of cash flow hedges net of tax		**51**	61	**54**	2
Restructure tax reserve					
Recognition of tax losses arising on the 2001 ownership simplification plan		**40**	-	**40**	-
Retained earnings					
Actuarial loss on defined benefit plans	25	**(21)**	-	**(1)**	-
Net profit recognised directly in equity		**82**	37	**93**	2
Net profit for the period		**1,050**	786	**1,483**	726
Total recognised income and expense for the period		**1,132**	823	**1,576**	728

Notes to the financial statements

for the year ended 30 June 2008 – Wesfarmers Limited and its controlled entities

1 CORPORATE INFORMATION

The financial report of Wesfarmers Limited (“the Company”) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 23 September 2008. Wesfarmers Limited (“Wesfarmers”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of Wesfarmers Limited and its subsidiaries (the “Group”) are described in note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest million dollars ($000,000) unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. In the prior year all values were rounded to the nearest thousand dollars ($000) unless otherwise stated. The Company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (“IFRS”).

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the “AASB”) that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2007. The adoption of these standards give rise to additional disclosure which did not have a material effect on the financial statements of the Group.

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the Group.

During the period, a number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective, these have not been adopted by the Group for the annual reporting period ended 30 June 2008. The impact of these new or amended Accounting Standards is not expected to give rise to material changes in the Group’s financial statements.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group.

A list of controlled entities at year end is contained in note 33.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are accounted for by the parent at cost less any allowance for impairment.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(d) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group’s accounting policies, management has made the following judgement, apart from those involving estimations, which have had a significant effect on the amounts recognised in the financial statements:

Income tax

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

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 17.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant accounting estimates and assumptions (continued)

Rights to mine and coal rebates payable

The Group determines the carrying values to be recognised for the right to mine the Curragh North deposit and the corresponding rebates payable to Stanwell Corporation upon signing or repricing of contracts for the supply of export coal, as this crystallises a present obligation for the payment of the rebates. This calculation involves the estimation of tonnages to be supplied; USD/AUD exchange rates, coal prices and discount rates.

Insurance liabilities - outstanding insurance claims

The estimation of outstanding claim liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments and claim handling costs incurred to the reporting date. Each class of business is usually examined separately and some or all of the following will be considered for each class in projecting future claim payments:

- historical trends in the development and incidence of the number of claims reported, number of claims finalised, claim payments and reported incurred costs;
- exposure details, including policy counts, sums insured, earned premiums and policy limits;
- claim frequencies and average claim sizes;
- the legislative framework, legal and court environments and social and economic factors that may impact upon each class of business;
- historical and likely future trends in standard inflationary pressures relating to commodity prices and wages;
- historical and likely future trends of inflationary pressures in addition to price or wage inflation, termed superimposed inflation;
- historical and likely future trends of expenses associated with managing claims to finalisation;
- reinsurance recoveries available under contracts entered into by the insurer;
- historical and likely future trends of recoveries from sources such as subrogation and third party actions; and
- insurer specific, relevant industry data and more general economic data is utilised in the estimation process.

Projected future claim payments and associated claim handling costs are discounted to a present value as required using appropriate risk free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries is undertaken.

This projection is typically made without bias toward over or under estimation. Consequently, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate as not. Where possible and appropriate, multiple actuarial methods will be applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or a blend of methods, is selected taking into account the characteristics of the class of business and the extent of the development of each past accident period.

As an estimate of future outcomes, the net central estimate of outstanding claims liability is subject to uncertainty. Uncertainty is examined for each class of business and expressed as a volatility of the net central estimate. The volatility for each class is derived after consideration of stochastic modelling and benchmarking to industry analysis.

As the volatility for each class of business is partially correlated with other classes, when combined across the entire Group, the overall volatility will be less than the sum of the individual classes.

With an estimate of the overall volatility for general insurance business, a range of risk margins associated with a probability of the total net provision for outstanding claims liabilities proving adequate may be produced.

Refer to note 22 for further details.

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counter party and credit risk. Impairment is recognised where there is objective evidence that the consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to sell. It approximates fair value less costs to sell. The key assumptions, which require the use of management judgement, are the variables affecting estimated costs to sell and the expected selling price. These key assumptions are reviewed annually.

Estimation of useful lives of assets

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. These judgements are supported by consultation with internal technical experts. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for the both the current and future years.

Useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant accounting estimates and assumptions (continued)

Customer cards and gift vouchers

The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers. Expected redemption rates are reviewed annually. Any reassessment of the expected redemption rates in a particular year will affect the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing).

Loyalty programmes

The key assumptions in measuring the liability for the loyalty programmes are redemption rates and cost per point redeemed, which are reviewed via an annual actuarial assessment. Any reassessment of expected redemption rates or cost per point in a particular year will affect the expense recognised for the loyalty programmes (either increasing or decreasing).

Long service leave

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in salaries and wages;
- future on cost rates; and
- experience of employee departures and period of service.

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue from lay-by transactions is recognised as part of revenue from sale of goods at the date upon which the customer satisfies all payment obligations and takes possession of the merchandise. Revenue from the sale of gift cards is recognised when the card is redeemed and the customers purchase goods by using the card, or when the customer card is no longer expected to be redeemed, based on an analysis of historical non-redemption rates.

Rendering of services

Services have been rendered to a buyer by reference to stage of completion.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established. Pre-acquisition dividends received are offset against the cost of the investment.

Operating lease rental revenue

Operating lease revenue consists of rentals from investment properties and sub lease rentals. Rentals received under operating leases are recognised on a straight-line basis over the term of the lease.

(f) Finance costs

Finance costs are recognised as an expense when incurred, with the exception of interest charges on funds invested in major projects with substantial development and construction phases which are capitalised to the project until such time as the project is substantially complete, which is ordinarily when the project becomes operational.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period, in this case 7.53% (2007: 6.51%).

Provisions and other payables are discounted to their present value to the extent that the time value of money is material. The carrying amount of such a provision increases in each period to reflect the passage of time. This increase is recognised as a discount adjustment in finance costs.

(g) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

Group as a lessee

Leases in which the lessor retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Operating lease payments, including leases subject to fixed escalation rates, are recognised as an expense in the income statement on a straight-line basis over the lease term.

The cost of improvements to, or on, leasehold property is disclosed as leasehold improvements and amortised over the unexpired period of the lease or the anticipated useful life of the improvements, whichever is shorter.

(h) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank, in hand and short term deposits with an original maturity of three months or less, excluding deposits held as investments by the insurance business.

In accordance with local laws, all broking receipts are held in separate insurance broking bank accounts and approved investments. Disbursements of these monies can only be made in accordance with local laws. Amounts held by entities within the Group in these accounts and investments outstanding at balance sheet date are included in cash and cash equivalents.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables generally have 2 to 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability and impairment are assessed on an ongoing basis at a divisional level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a weighted average basis;
- uncovered coal reserves inventory includes the production costs of drilling, blasting and overburden removal in the value of run-of-mine coal stock;
- manufactured finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs; and
- retail and wholesale merchandise finished goods – purchase cost on a weighted average basis, after deducting any settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume related supplier rebates and supplier promotional rebates are recognised as a reduction in the cost of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and cross-currency interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as effective cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of cross currency interest rate swap contracts is calculated by reference to current forward exchange rates and forward interest rates for similar instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivative financial instruments and hedging (continued)

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if: the hedging instrument expires or is sold, terminated or exercised; the hedge no longer meets the criteria for hedge accounting; or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(l) Derecognition of financial assets and financial liabilities

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of financial assets (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses are not reversed.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(n) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

The functional currency of overseas subsidiaries is listed in note 33.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

(o) Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which are neither subsidiaries nor jointly controlled assets.

Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The consolidated income statement reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

The reporting dates of the associates and the Group may vary, whereupon management accounts of the associate for the period to the Group's balance date are used for equity accounting. The associates' accounting policies are consistent with those used by the Group for like transactions and events in similar circumstances.

An associate owns investment properties which are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

(p) Interest in jointly controlled assets

The Group has interests in joint ventures that are jointly controlled assets. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled asset involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled assets by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and the income that it earns from the sale of the output produced by the jointly controlled assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

Current tax assets and liabilities for the current and prior reporting periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(r) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at cost less accumulated depreciation on buildings.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

- Buildings 20-40 years
- Plant and equipment 3-40 years

The assets’ residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Expenditure carried forward in respect of mining areas of interest in which production has commenced is amortised over the life of the mine based on the rate of depletion of the economically recoverable reserves. Amortisation is not charged on expenditure carried forward in respect of areas of interest in the development phase in which production has not yet commenced.

Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. Interest earned whilst holding available-for-sale financial investments is reported as interest revenue using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as 'other income' when the right of payment has been established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(u) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash generating units), to which goodwill relates.

Impairment testing is performed each year for cash generating units to which goodwill and indefinite live intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 17.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit or group of cash generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(v) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year-end.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed each reporting period to determine whether infinite useful life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Trade names
Useful lives
Indefinite and finite

Amortisation method used
Amortised over the period of expected future benefit on a straight line basis.

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists.

Contractual and non contractual relationships
Useful lives
Finite (up to 15 years)

Amortisation method used
Amortised over the period of expected future benefit on a straight line basis.

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end.

Software
Useful lives
Finite (up to 7 years)

Amortisation method used
Amortised over the period of expected future benefit on a straight line basis.

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end.

Gaming licences
Useful lives
Indefinite

Amortisation method used
No amortisation.

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Intangible assets (continued)

Liquor licences
Useful lives
Indefinite

Amortisation method used
No amortisation.

Impairment testing
Annually as at 31 March and more frequently when an indication of impairment exists.

(w) Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(x) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on 7 to 60 day terms.

Coal rebates payable are recognised where a present obligation exists based on export coal sales contracts. Such obligations currently extend for up to five years. The amounts payable are discounted to present value. The rebate is payable monthly, reducing the liability.

Other payables also include the liability for customer cards, gift vouchers and the loyalty programme.

(y) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.
Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(z) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not already reflected in the cash flows.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Provisions (continued)

Mine and plant rehabilitation

Provision is made for the consolidated entity's estimated liability under specific legislative requirements and the conditions of its licences and leases for future costs (at discounted amounts) expected to be incurred rehabilitating areas of operation. The liability includes the cost of reclamation of the site using existing technology, including plant removal and landfill costs. This provision is recognised immediately at the time of disturbance or when development of the asset occurs.

Restructure

A provision for restructuring is recognised for the expected costs associated with restructuring once a present obligation exists.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(aa) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Expenses which are consequential to the employment of the employees (for example payroll tax associated with employee entitlements) are also recognised as a liability and included in the amount for employee entitlements.

(ab) Pensions benefits

Defined contribution plan

Contributions to superannuation funds are charged to the Income Statement when due.

Defined benefit plan

The Group contributes to defined benefit pension schemes. The cost of providing benefits under the plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised directly in equity. This is a change in accounting policy, in the prior period, actuarial gains and losses were recognised immediately as income or expense in the income statement. The impact on prior period numbers was immaterial.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

(ac) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently three plans in place to provide these benefits:

- the Wesfarmers Employee Share Ownership Plan ("WESOP"), which provides benefits to all qualifying employees, excluding those that participate in the Wesfarmers Long Term Incentive Plan ("WLTIP") below. The first issue under this plan was in October 2005;
- the WLTIP, which provides benefits to more senior qualifying employees. The first issue under this plan was in October 2005; and
- the Wesfarmers Employee Share Plan ("WESP"), which provides benefits to all employees. The last issue under this plan was in December 2004.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Wesfarmers Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity where applicable, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Share-based payment transactions (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that are expected to ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The WESP is accounted for as an 'in-substance' option plan due to the limited recourse nature of the loan. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Shares in the Group held under the WESP are classified and disclosed as employee reserved shares and deducted from equity.

(ad) Contributed equity

Ordinary shares and price protected ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

The Group operates a Dividend Investment Plan. An issue of shares under the Dividend Investment Plan results in an increase in contributed equity.

(ae) Insurance activities

Insurance premium revenue

Premium revenue comprises amounts charged to policyholders, excluding taxes collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium funding activities is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Unearned premium

Unearned premium is calculated based on the term of the risk which closely approximates the pattern of risks underwritten.

At each balance date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a prepayment at balance date.

Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported ("IBNR"), claims incurred but not enough reported ("IBNER"); and estimated claims handling costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85 per cent.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries on paid claims, reported claims not yet paid, IBNR and IBNER are recognised as revenue.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Insurance activities (continued)

Deferred acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Commissions paid in respect of premium funding activities are amortised over the expected life of the loan using the effective interest rate method. Commissions paid in respect of general insurance activities is capitalised as a deferred acquisition cost and are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Insurance investments

As part of its investment strategy the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Group has determined that all bank bills and term deposits in the Insurance division are held to back general insurance liabilities. As these assets are managed and reported to the Board on a fair value basis, these assets are carried at fair value with movements recognised in fair value recognised in the Income Statement.

Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the Income Statement.

Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(af) Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 SEGMENT INFORMATION

The Group's primary reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The operating businesses 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 serves different markets. The Group operations are substantially in one material geographical segment only, being Australia, and therefore a secondary reporting format is not provided.

Transfer prices between business segments are set at an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation where material.

The business segments are as follows:

Coles

Supermarket, liquor, convenience and Coles property businesses, and previously unallocated Coles retail support costs.

Home improvement and office supplies

Retail of building materials and home and garden improvement products;
Servicing project builders and the housing industry; and
Office supplies products.

Resources

Coal mining and development; and
Coal marketing to both domestic and export markets.

Insurance

Supplier of specialist rural and small business regional insurance;
Supplier of general insurance through broking intermediaries; and
Supplier of insurance broking services.

Kmart

Retail of apparel and general merchandise.

Target

Retail of apparel and general merchandise.

Industrial and safety distribution

Supplier and distributor of maintenance, repair and operating (MRO) products; and
Specialised supplier and distributor of industrial safety products and services.

Energy

National marketing and distribution of LPG;
LPG extraction for domestic and export markets;
Manufacture and marketing of industrial gases and equipment; and
Electricity supply to mining operations and regional centres.

Chemicals and fertilisers

Manufacture and marketing of chemicals for industry, mining and mineral processing; and
Manufacture and marketing of broadacre and horticultural fertilisers.

Other

Forest products: non-controlling interest in Wespine Pty Ltd, which manufactures products to service the wholesale timber market in Australia;

Property: includes a non-controlling interest in Bunnings Warehouse Property Trust, which acquires and builds properties suitable for retail property development and investment;

Investment banking: non-controlling interest in Gresham Partners Group Limited, which is an investment bank providing financial advisory and investment management services; and

Private equity investment: commitments to, and interests in, Gresham Private Equity Funds which are closed-end private equity funds targeting larger size private equity transactions in the areas of management buy-outs, expansion capital and corporate restructuring.

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

- Home improvement and office supplies, Coles, Kmart and Target - earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period;
- Resources - the majority of the entity's export coal contracts are subject to price review each April, and depending upon the movement in prevailing coal prices this can result in significant changes in revenue and earnings in the last quarter of the financial year through to the third quarter of the following year; and
- Chemicals and fertilisers - earnings are typically much greater in the June half of the financial year due to the impact of the Western Australian winter season break on fertiliser sales.

	COLES		HOME IMPROVEMENT AND OFFICE SUPPLIES		RESOURCES *		INSURANCE		KMART	
	2008 $m	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m
Segment revenue	**16,876**	-	**6,160**	4,939	**1,311**	1,134	**1,649**	1,410	**2,454**	-
Segment result										
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	**714**	-	**700**	586	**571**	520	**160**	144	**145**	-
Depreciation and amortisation	**(240)**	-	**(75)**	(58)	**(148)**	(182)	**(28)**	(24)	**(31)**	-
Earnings before interest, tax (EBIT) and corporate overheads	**474**	-	**625**	528	**423**	338	**132**	120	**114**	-
Finance costs										
Corporate overheads										
Profit before income tax expense										
Income tax expense										
Profit attributable to members of the parent										
Assets and liabilities										
Segment assets	**18,476**	-	**3,905**	2,399	**1,595**	1,285	**3,304**	3,199	**1,593**	-
Investments in associates	**14**	-	**-**	-	**-**	-	**17**	27	**-**	-
Tax assets										
Total assets										
Segment liabilities	**3,061**	-	**598**	424	**522**	325	**2,001**	1,973	**486**	-
Tax liabilities										
Interest bearing liabilities										
Total liabilities										
Other segment information										
Capital expenditure	**351**	-	**302**	196	**146**	178	**18**	15	**41**	-
Share of net profit or loss of associates included in EBIT	**-**	-	**-**	-	**-**	-	**1**	1	**-**	-
Non-cash expenses other than depreciation and amortisation	**194**	-	**105**	76	**40**	14	**56**	15	**49**	-

* Was previously known as Coal Division.

The above results for the former Coles group businesses are for the period from the date of acquisition on 23 November 2007 to 30 June 2008.

	TARGET		INDUSTRIAL AND SAFETY		ENERGY		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED	
	2008 $m	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m
	2,198	-	**1,309**	1,208	**565**	463	**997**	592	**65**	8	**33,584**	9,754
	256	-	**141**	128	**128**	104	**172**	138	**(2)**	97	**2,985**	1,717
	(33)	-	**(11)**	(13)	**(38)**	(29)	**(48)**	(37)	**(2)**	(2)	**(654)**	(345)
	223	-	**130**	115	**90**	75	**124**	101	**(4)**	95	**2,331**	1,372
											(800)	(200)
											(88)	(67)
											1,443	1,105
											(393)	(319)
											1,050	786
	3,911	-	**982**	930	**904**	819	**1,219**	747	**562**	2,308	**36,451**	11,687
	-	-	**-**	-	**3**	10	**68**	60	**363**	292	**465**	389
											390	-
											37,306	12,076
	423	-	**192**	172	**107**	104	**263**	127	**310**	83	**7,963**	3,208
											236	242
											9,517	5,123
											17,716	8,573
	60	-	**20**	26	**118**	78	**252**	199	**5**	3	**1,313**	695
	-	-	**-**	-	**4**	6	**8**	8	**27**	68	**40**	83
	31	-	**23**	17	**6**	6	**3**	3	**8**	6	**515**	137

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
4 REVENUE AND EXPENSES				
Other income				
Gain on sale of associate	**-**	6	**-**	-
Gains on disposal of property, plant and equipment	**15**	21	**-**	-
Gain on sale of controlled entities	**17**	-	**-**	-
Settlement and other income	**64**	13	**-**	-
	96	40	**-**	-
Finance costs				
Interest expense	**708**	202	**650**	185
Discount adjustment	**55**	9	**-**	-
Interest capitalised	**(16)**	(15)	**-**	-
Amortisation of debt establishment costs	**33**	-	**33**	-
Other	**20**	4	**15**	3
	800	200	**698**	188
Employee benefits expense				
Remuneration, bonuses and on-costs	**4,128**	1,285	**53**	35
Amounts provided for employee entitlements	**289**	88	**2**	2
Share based payments expense	**42**	38	**3**	8
	4,459	1,411	**58**	45
Depreciation and amortisation				
Depreciation	**477**	193	**2**	2
Amortisation of intangibles	**53**	10	**-**	-
Amortisation of Stanwell rebate	**58**	120	**-**	-
Amortisation other	**66**	22	**-**	-
	654	345	**2**	2
Occupancy-related expenses				
Minimum lease payments	**992**	213	**4**	3
Other	**239**	31	**1**	1
	1,231	244	**5**	4
Other expenses included in income statement				
Impairment of assets	**114**	17	**-**	-
Government mining royalties	**73**	67	**-**	-
Repairs and maintenance	**224**	80	**-**	-
Insurance underwriting result				
Premium revenue	**1,306**	1,188		
Outwards reinsurance premium expense	**(313)**	(300)		
Net premium revenue	**993**	888		
Claims expense - undiscounted	**(955)**	(810)		
Discount effect	**34**	11		
Reinsurance and other recoveries revenue - undiscounted	**331**	274		
Discount effect	**(30)**	(2)		
Net claims incurred	**(620)**	(527)		
Acquisition costs	**(191)**	(165)		
Other underwriting expenses	**(104)**	(101)		
Net underwriting expenses	**(295)**	(266)		
Underwriting result	**78**	95		

Net claims incurred relating to risks borne in previous periods are not material.

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
5 INCOME TAX				
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax charge/(refund)	**558**	288	**(200)**	(43)
Adjustments in respect of current income tax of previous years	**(4)**	(3)	**(6)**	2
Deferred income tax				
Relating to origination and reversal of temporary differences	**(161)**	34	**(28)**	(4)
Income tax expense/(credit) reported in the income statement	**393**	319	**(234)**	(45)
Statement of recognised income and expense				
Deferred income tax related to items charged or credited directly to equity				
Net gain on revaluation of cash flow hedges	**23**	28	**23**	2
Equity raising costs	**(18)**	-	**(18)**	-
	5	28	**5**	2
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	**1,443**	1,105	**1,249**	681
At the Group's statutory income tax rate of 30% (2007: 30%):	**433**	332	**375**	204
Adjustments in respect of current income tax of previous years	**(4)**	(3)	**(6)**	2
Non-assessable dividends	**-**	-	**(583)**	(251)
Non-assessable capital gains	**-**	(10)	**-**	-
Carried forward tax losses now recognised	**(24)**	-	**(24)**	-
Share of associated companies net profit after tax	**(7)**	(6)	**-**	-
Tax on undistributed associates profit	**2**	2	**-**	-
Other	**(7)**	4	**4**	-
Income tax expense/(credit) reported in the consolidated income statement	**393**	319	**(234)**	(45)
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Balance sheet				
Deferred tax assets				
Provisions	**283**	41	**-**	-
Coal rebates payable	**70**	31	**-**	-
Employee benefits	**227**	61	**10**	6
Accrued and other payables	**41**	44	**30**	2
Insurance liabilities	**14**	15	**-**	-
Allowance for credit losses	**7**	2	**-**	3
Amortisation of intangibles	**46**	2	**-**	-
Derivatives	**43**	2	**28**	-
Deferred income	**16**	-	**-**	-
Trading inventory	**103**	-	**-**	-
Property, plant and equipment	**43**	-	**-**	-
Share issue costs	**18**	-	**18**	-
Gross deferred income tax assets	**911**	198	**86**	11
Amount netted against deferred tax liabilities	**(521)**	(198)	**(56)**	(4)
Net deferred tax assets	**390**	-	**30**	7

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m

5 INCOME TAX (CONTINUED)

Deferred income tax (continued)

	2008 $m	2007 $m	**2008 $m**	2007 $m
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**209**	166	**-**	-
Mining assets recognised for accounting purposes	**66**	31	**-**	-
Derivatives	**86**	46	**52**	1
Accrued income and other	**54**	32	**4**	3
Unremitted earnings of associates	**25**	25	**-**	-
Warehouse inventory	**16**	11	**-**	-
Intangible assets	**59**	25	**-**	-
Deferred acquisition costs	**6**	6	**-**	-
Gross deferred income tax liabilities	**521**	342	**56**	4
Amount netted against deferred tax assets	**(521)**	(198)	**(56)**	(4)
Net deferred tax liabilities	**-**	144	**-**	-
Income statement				
Provisions	**(42)**	28	**-**	-
Coal rebates payable	**(39)**	23	**-**	-
Employee benefits	**(19)**	(13)	**(4)**	(3)
Depreciation and amortisation	**(68)**	(10)	**-**	-
Derivatives	**(11)**	(4)	**-**	(1)
Unremitted earnings of associates	**-**	11	**-**	-
Insurance liabilities	**1**	(6)	**-**	-
Intangible assets	**29**	25	**-**	-
Inventory	**(124)**	4	**-**	-
Mining assets recognised for accounting purposes	**36**	(45)	**-**	-
Accruals and other	**76**	21	**(24)**	-
Deferred tax expense/(credit)	**(161)**	34	**(28)**	(4)
Unrecognised deferred tax asset in respect of capital losses in Australia - available indefinitely subject to meeting relevant statutory tests	**226**	77	**-**	-

Tax consolidation

Wesfarmers Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on an actual liability basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is considered remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to, or from, the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from, or payable to, the parent company in their accounts and are settled as soon as practicable after the lodgment of the consolidated return and payment of the tax liability.

6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders and partially protected ordinary equity holders of the parent by the weighted average number of ordinary shares (excluding employee reserved shares treated as in-substance options) and partially protected ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders and partially protected ordinary equity holders of the parent by the weighted average number of ordinary shares (excluding employee reserved shares treated as in-substance options) and partially protected ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Profit attributable to members of the parent	**1,050**	786		
	shares (m)	shares (m)		
Weighted average number of ordinary shares for basic earnings per share	**581**	374		
Effect of dilution - employee reserved shares	**3**	4		
Weighted average number of ordinary shares adjusted for the effect of dilution	**584**	378		
Earnings per share (cents per share)	**cents**	cents		
– basic for profit for the period attributable to ordinary equity holders of the parent	**180.6**	204.9		
– diluted for profit for the period attributable to ordinary equity holders of the parent	**179.5**	202.6		

Prior period earnings per share have been restated with an adjustment factor of 1.03 as a result of the entitlement offer.

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

7 DIVIDENDS PAID AND PROPOSED

	$m	$m	**$m**	$m
Declared and paid during the period (fully franked at 30%)				
Final franked dividend for 2007: $1.40 (2006: $1.50)	**543**	567	**543**	567
Interim franked dividend for 2008: $0.65 (2007: $0.85)	**454**	322	**454**	322
	997	889	**997**	889
Proposed and not recognised as a liability (fully franked at 30%)				
Final franked dividend for 2008: $1.35 (2007: $1.40)	**1,079**	543	**1,079**	543
Franking credit balance				
Franking credits available for future years at 30% adjusted for debits and credits arising from the payment of income tax payable, and from recognised dividends receivable or payable	**316**	123		
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	**(462)**	(233)		

The Group operates a Dividend Investment Plan which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares and partially protected shares with addresses in Australia or New Zealand are eligible to participate in the plan. The investment price is based on the average of the daily volume weighted average price of Wesfarmers shares sold on the Australian Securities Exchange calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
8 CASH AND CASH EQUIVALENTS				
Cash on hand and in transit	**413**	49	**130**	-
Cash at bank and on deposit	**241**	91	**1**	17
Insurance broking accounts	**71**	79	**-**	-
	725	219	**131**	17

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Reconciliation to cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Cash on hand and in transit	**413**	49	**130**	-
Cash at bank and on deposit	**241**	91	**1**	17
Insurance broking accounts	**71**	79	**-**	-
Bank overdraft	**(87)**	(3)	**(87)**	-
	638	216	**44**	17

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

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Profit attributable to members of the parent	**1,050**	786	**1,483**	726
Adjustments				
Depreciation and amortisation	**654**	345	**2**	2
Impairment of assets	**75**	17	**-**	-
Net gain on sale of controlled entities	**(14)**	-	**-**	-
Net (gain)/loss on disposal of property, plant and equipment	**8**	(21)	**1**	-
Net gain on disposal of investment in associate	**-**	(6)		
Share of associates' net profits	**(40)**	(83)	**-**	-
Dividends and distributions received from associates	**27**	24	**-**	-
Capitalised borrowing costs	**(16)**	(15)	**-**	-
Discount adjustment	**55**	9	**-**	-
Amortisation of debt establishment costs	**33**	-	**33**	-
Non-cash issue of shares	**44**	34	**3**	5
Other	**38**	(6)	**(1)**	4
Changes in assets and liabilities				
(Increase)/decrease in inventories	**257**	96	**-**	-
(Increase)/decrease in trade and other receivables	**(88)**	(37)	**4**	98
(Increase)/decrease in prepayments	**(45)**	21	**-**	-
(Increase)/decrease in pension assets	**-**	(4)	**(3)**	(4)
(Increase)/decrease in deferred tax assets	**(173)**	27	**(27)**	(3)
(Decrease)/increase in current tax liability	**189**	(120)	**178**	59
(Decrease)/increase in trade and other payables	**(629)**	250	**119**	15
(Decrease)/increase in provisions	**26**	(16)	**34**	5
Net cash from operating activities	**1,451**	1,301	**1,826**	907

Non-cash financing and investing activities

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Issue of share capital under employee long term incentive plans	**44**	34	**44**	34
Issue of share capital under dividend investment plan	**231**	106	**231**	106
Issue of share capital for Coles group acquisition	**12,733**	-	**12,733**	-
Acquisition of rights to mine via coal rebates payable	**183**	46	**-**	-

9 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Current				
Trade receivables	**1,515**	1,018	**10**	9
Allowance for credit losses	**(39)**	(8)	**-**	-
Reinsurance and other recoveries receivable	**254**	273	**-**	-
Finance advances and loans	**123**	87	**-**	-
Related party receivables:				
Subsidiaries	**-**	-	**6,232**	4,948
Allowance for credit losses	**-**	-	**-**	(9)
Associates	**9**	5	**-**	-
Other debtors	**231**	138	**53**	18
	2,093	1,513	**6,295**	4,966
Non-current				
Reinsurance and other recoveries receivable	**120**	99	**-**	-
Finance advances and loans	**11**	-	**-**	-
Related party receivables:				
Subsidiaries	**-**	-	**19,403**	-
Other debtors	**4**	5	**-**	-
	135	104	**19,403**	-

Refer to note 28 for information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

Impaired trade receivables

As at 30 June 2008, current trade receivables of the Group with a nominal value of $43 million (2007: $12 million) were impaired. The amount of the allowance account was $39 million (2007: $8 million). It was assessed that a portion of the receivables is expected to be recovered. There were no impaired trade receivables for the parent in 2008 or 2007.

Trade receivables past due but not impaired

As at 30 June 2008, trade receivables of $255 million (2007: $274 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or other indicators of impairment. The aging analysis of these trade receivables is as follows:

	2008 $m	2007 $m
Under 3 months	**213**	226
3 to 6 months	**34**	40
Over 6 months	**8**	8
	255	274

With respect to trade receivables which are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. Customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not considered significant.

Reinsurance and other recoveries receivable

The Group reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. The Group's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the Group's reinsurance management strategy;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on the Group's maximum event retention; and
- exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

The reinsurance counterparty risk is managed with reference to an analysis of an entity's credit rating. Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a strong credit rating. Credit risk exposures are calculated regularly and ratings are reviewed by management on a regular basis.

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

Reinsurance and other recoveries receivable (continued)

The following table provides information about the quality of the Group's credit risk exposure in respect of reinsurance recoveries on outstanding claims at the balance date. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

	CREDIT RATING					
	AAA $m	AA $m	A $m	BBB $m	NOT RATED $m	TOTAL $m
Year ended 30 June 2008						
Reinsurance recoveries on outstanding claims	**21**	**183**	**12**	**-**	**42**	**258**
Amounts due from reinsurers on paid claims	**1**	**16**	**4**	**-**	**-**	**21**
	22	**199**	**16**	**-**	**42**	**279**
Year ended 30 June 2007						
Reinsurance recoveries on outstanding claims	27	170	39	-	39	275
Amounts due from reinsurers on paid claims	-	6	4	1	-	11
	27	176	43	1	39	286

The remaining reinsurance and other recoveries receivable relate to the reinsurers share of the unearned premium provisions.

All reinsurance and other recoveries receivable are not impaired.

Finance advances and loans

Finance advances and loans consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A risk assessment process is used for new loan applications which ranges from conducting credit assessments to relying on the assessments of financial risk provided by credit insurers. All finance advances and loans are current and not impaired.

Related party receivables

For terms and conditions of related party receivables refer to note 35.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
10 INVENTORIES				
Raw materials	**73**	47	**-**	-
Work in progress	**77**	40	**-**	-
Finished goods	**4,488**	1,148	**-**	-
Total inventories at the lower of cost and net realisable value	**4,638**	1,235	**-**	-
11 INVESTMENTS BACKING INSURANCE CONTRACTS				
Financial assets at fair value through profit or loss are all investments backing insurance contracts and include the following:				
Bank bills	**620**	463	**-**	-
Term deposits	**250**	316	**-**	-
Shares and units	**-**	36	**-**	-
Other	**1**	1	**-**	-
	871	816	**-**	-

These financial assets at fair value through profit or loss are all held for trading. The Group has not designated any financial assets at fair value through profit or loss.

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
12 OTHER CURRENT ASSETS				
Deferred acquisition costs	**127**	119	**-**	-
Prepayments	**54**	32	**-**	-
Assets held for sale	**30**	-	**-**	-
	211	151	**-**	-
Movements in deferred acquisition costs				
At beginning of year	**119**	100	**-**	-
Acquisition costs deferred	**156**	128	**-**	-
Costs charged to profit and loss	**(134)**	(121)	**-**	-
Other movements	**(14)**	12	**-**	-
	127	119	**-**	-
13 AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Shares in listed companies at fair value (2007: at fair value)	**2**	2,048	**-**	-
Shares in unlisted companies at fair value (2007: at cost)	**34**	16	**-**	-
	36	2,064	**-**	-

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value for listed available-for-sale investments has been determined directly to reference to published price quotations in an active market.

There are no individually material investments at 30 June 2008. The 2007 balance includes an investment in shares of Coles group Limited. Refer to note 27 for further information regarding this investment.

The fair value of the unlisted available-for-sale investments has been estimated using appropriate valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in equity, are reasonable and the most appropriate at balance sheet date. Management also believes that changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
14 OTHER FINANCIAL ASSETS				
Investments in controlled entities at cost	**-**	-	**2,899**	2,899
	-	-	**2,899**	2,899

Refer to note 33 for listing of subsidiaries.

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
15 INVESTMENTS IN ASSOCIATES				
Shares and units in associates	**438**	364	**-**	-
Loans to associates at cost	**27**	25	**-**	-
	465	389	**-**	-
Fair value of listed investments in associates				
Bunnings Warehouse Property Trust	**117**	158	**-**	-
Centrepoint Alliance Limited	**5**	18	**-**	-
Share of associates' commitments				
Capital commitments	**23**	15	**-**	-
Lease commitments	**8**	13	**-**	-
Other commitments	**11**	-	**-**	-

15 INVESTMENTS IN ASSOCIATES (CONTINUED)

ASSOCIATE	PRINCIPAL ACTIVITY	OWNERSHIP 2008 %	OWNERSHIP 2007 %	SHARE OF REVENUES 2008 $m	SHARE OF REVENUES 2007 $m
Air Liquide WA Pty Ltd	Industrial gases	**40.0**	40.0	**20**	20
Albany Woolstores Pty Ltd	Wool handling	**35.0**	35.0	**-**	-
Bengalla Agricultural Company Pty Ltd	Dairy farming	**40.0**	40.0	**-**	-
Bengalla Coal Sales Company Pty Limited	Coal mining	**40.0**	40.0	**-**	-
Bengalla Mining Company Pty Limited	Coal mining	**40.0**	40.0	**-**	-
Bunnings Warehouse Property Trust	Property investment	**22.6**	22.6	**15**	14
Centrepoint Alliance Limited	Commercial finance	**24.6**	24.6	**24**	12
Gresham Partners Group Limited	Investment banking	**50.0**	50.0	**64**	32
Gresham Private Equity Funds	Private equity fund	**(a)**	(a)	**9**	5
HAL Property Trust	Property ownership	**50.0**	-	**-**	-
Queensland Nitrates Management Pty Ltd	Chemical manufacture	**50.0**	50.0	**-**	-
Queensland Nitrates Pty Ltd	Chemical manufacture	**50.0**	50.0	**51**	45
Unigas	LP gas distribution	**-**	50.0	**51**	90
Wespine Industries Pty Ltd	Pine sawmillers	**50.0**	50.0	**41**	43
				275	261

(a) Gresham Private Equity Funds

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 1 and 2 amounts to 50.6% and 67.4% respectively, they are not controlled entities as the consolidated entity does not have the capacity to dominate decision making in relation to their financial and operating policies. Such control requires a unitholders' resolution of 75% of votes pursuant to the Fund's trust deed.

Each of the above entities is incorporated in Australia and has a reporting date of 30 June with the exception of Gresham Partners Group Limited which has a reporting date of 30 September.

SHARE OF PROFIT/(LOSS)		SHARE OF ASSETS		SHARE OF LIABILITIES		CARRYING AMOUNT	
2008 $m	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $m	**2008 $m**	2007 $000
4	4	**11**	11	**7**	7	**4**	4
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**-**	-	**-**	-
-	47	**220**	216	**80**	69	**132**	140
1	1	**98**	70	**87**	54	**11**	21
5	2	**76**	68	**33**	26	**29**	31
16	13	**198**	117	**12**	8	**188**	110
-	-	**14**	-	**-**	-	**14**	-
-	-	**-**	-	**-**	-	**-**	-
8	8	**128**	123	**81**	84	**49**	41
1	2	**-**	15	**-**	8	**-**	7
5	6	**37**	37	**25**	27	**11**	10
40	83	**782**	657	**325**	283	**438**	364

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
16 PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
Cost	**683**	168	**1**	1
Net carrying amount	**683**	168	**1**	1
Net carrying amount at beginning of year	**168**	186	**1**	1
Additions	**162**	32	**-**	-
Transfers	**17**	5	**-**	-
Transfers to assets held for sale	**(22)**	-	**-**	-
Transfers to inventory	**(28)**	(71)	**-**	-
Disposals	**(6)**	(6)	**-**	-
Acquisitions of controlled entities	**400**	15	**-**	-
Impairment charge	**-**	4	**-**	-
Exchange differences	**(8)**	3	**-**	-
Net carrying amount at end of year	**683**	168	**1**	1
Buildings				
Cost	**477**	282	**3**	3
Accumulated depreciation and impairment	**(84)**	(79)	**(1)**	(1)
Net carrying amount	**393**	203	**2**	2
Net carrying amount at beginning of year	**203**	293	**2**	2
Additions	**119**	62	**-**	-
Transfers	**20**	(41)	**-**	-
Transfers to inventory	**(66)**	(104)	**-**	-
Disposals	**(1)**	(9)	**-**	-
Acquisitions of controlled entities	**129**	8	**-**	-
Depreciation expense	**(9)**	(9)	**-**	-
Exchange differences	**(2)**	3	**-**	-
Net carrying amount at end of year	**393**	203	**2**	2
Assets in course of construction included above	**3**	19	**-**	-
Leasehold improvements				
Cost	**505**	87	**2**	2
Accumulated depreciation and impairment	**(79)**	(35)	**-**	-
Net carrying amount	**426**	52	**2**	2
Net carrying amount at beginning of year	**52**	61	**2**	2
Additions	**69**	5	**-**	-
Transfers	**13**	-	**-**	-
Rehabilitation provision asset increment/(decrement)	**-**	(13)	**-**	-
Disposals	**(5)**	-	**-**	-
Acquisitions of controlled entities	**348**	4	**-**	-
Impairment charge	**(6)**	-	**-**	-
Amortisation expense	**(45)**	(5)	**-**	-
Net carrying amount at end of year	**426**	52	**2**	2
Assets in course of construction included above	**2**	9	**-**	-

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Plant, vehicles and equipment				
Cost	**6,476**	3,366	**34**	33
Accumulated depreciation and impairment	**(1,975)**	(1,568)	**(12)**	(13)
Net carrying amount	**4,501**	1,798	**22**	20
Net carrying amount at beginning of year	**1,798**	1,265	**20**	20
Additions	**910**	535	**5**	2
Transfers	**(37)**	44	**-**	-
Transfers to inventory	**-**	(8)	**-**	-
Rehabilitation provision asset increment/(decrement)	**1**	(1)	**-**	-
Disposals	**(41)**	(12)	**(1)**	-
Acquisitions of controlled entities	**2,402**	156	**-**	-
Impairment charge	**(53)**	(2)	**-**	-
Depreciation expense	**(468)**	(184)	**(2)**	(2)
Exchange differences	**(11)**	5	**-**	-
Net carrying amount at end of year	**4,501**	1,798	**22**	20
Assets in course of construction included above	**747**	576	**2**	1
Mineral lease and development costs				
Cost	**977**	806	**-**	-
Accumulated amortisation and impairment	**(381)**	(311)	**-**	-
Net carrying amount	**596**	495	**-**	-
Net carrying amount at beginning of year	**495**	591	**-**	-
Additions	**10**	61	**-**	-
Transfers	**(13)**	37	**-**	-
Arising on coal rebates	**183**	16	**-**	-
Rehabilitation provision asset increment/(decrement)	**-**	(73)	**-**	-
Amortisation expense	**(79)**	(137)	**-**	-
Net carrying amount at end of year	**596**	495	**-**	-
Assets in course of construction included above	**1**	16	**-**	-
Total				
Cost	**9,118**	4,709	**40**	39
Accumulated depreciation and impairment	**(2,519)**	(1,993)	**(13)**	(14)
Net carrying amount	**6,599**	2,716	**27**	25

17 IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m
Trade names		
Cost	**3,798**	9
Accumulated amortisation	**(1)**	-
Net carrying amount	**3,797**	9
Net carrying amount at beginning of year	**9**	-
Acquisitions of controlled entities	**3,789**	9
Amortisation for the year	**(1)**	-
Net carrying amount at end of year	**3,797**	9
Contractual and non-contractual relationships		
Cost	**124**	126
Accumulated amortisation	**(16)**	(5)
Net carrying amount	**108**	121
Net carrying amount at beginning of year	**121**	-
Additions	**3**	-
Disposals	**(1)**	-
Acquisitions of controlled entities	**2**	126
Disposals of controlled entities	**(1)**	-
Amortisation for the year	**(12)**	(5)
Effect of movements in exchange rates	**(4)**	-
Net carrying amount at end of year	**108**	121
Software		
Cost	**402**	-
Accumulated amortisation	**(38)**	-
Net carrying amount	**364**	-
Net carrying amount at beginning of year	**-**	-
Additions	**38**	-
Disposals	**(1)**	-
Acquisitions of controlled entities	**367**	-
Amortisation for the year	**(40)**	-
Net carrying amount at end of year	**364**	-
Gaming and liquor licences		
Cost	**139**	-
Net carrying amount	**139**	-
Net carrying amount at beginning of year	**-**	-
Additions	**2**	-
Acquisitions of controlled entities	**137**	-
Net carrying amount at end of year	**139**	-
Total intangible assets	**4,408**	130

17 IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Allocation of intangibles assets to cash generating units

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m
Carrying amount of intangibles		
Energy	**29**	30
Home improvement and office supplies		
- Officeworks	**178**	-
Industrial and safety	**9**	9
Insurance	**80**	91
Coles	**3,272**	-
Kmart	**294**	-
Target	**546**	-
	4,408	130

Trade names: the majority of the trade names intangible asset balance relates to indefinite life brand names. The brand names have been assessed as having indefinite lives on the basis of strong brand strength, ongoing expected profitablility and continuing support.

Gaming and liquor licences: gaming and liquor licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.

Goodwill

	2008 $m	2007 $m
Cost	**16,390**	2,571
Accumulated impairment	**(3)**	(3)
Net carrying amount	**16,387**	2,568
Net carrying amount at beginning of year	**2,568**	1,470
Disposals	**(1)**	-
Acquisitions of controlled entities	**13,846**	1,098
Effect of movements in exchange rates	**(26)**	-
Net carrying amount at end of year	**16,387**	2,568

Allocation of goodwill to cash generating units

	2008 $m	2007 $m
Carrying amount of goodwill		
Energy	**312**	312
Home improvement and office supplies		
- Bunnings	**846**	846
- Officeworks	**813**	-
Industrial and safety	**455**	450
Insurance	**945**	958
Coles	**10,241**	-
Kmart	**328**	-
Target	**2,443**	-
Resources	**-**	-
Other	**4**	2
	16,387	2,568

17 IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Key assumptions used in impairment calculations

The recoverable amount of the cash generating units have been determined based on using cash flow projections based on business corporate plans approved by senior management covering a five year period. Where a value in use methodology has been used, these plans have been adjusted to exclude the costs and benefits of expansion capital, and have been prepared in the understanding that many actual outcomes will differ from assumptions used in the calculations.

Cash flows beyond the five year period are extrapolated using the estimated growth rates, which are based on management estimates taking into account past historical performance and expected long term operating conditions. The growth rates do not exceed the long term average growth rate for the business in which the cash generating unit operates. Discount rates are based on a risk-free rate (using the 10-year swap rate) plus risk weightings for various risks or the weighted average cost of capital where appropriate. Other assumptions are consistent with external sources of information and use consistent and conservative estimates for such variables as terminal cash flow multiples. Outlined below are the assumptions used in fair value less costs to sell calculations for divisions with significant goodwill balances.

The impairment calculations have been prepared for the purpose of ensuring that the cash generating units' carrying amounts do not exceed their recoverable amount and do not purport to be a market valuation of the relevant business operations.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any cash generating units to exceed their recoverable amount, other than where outlined below.

	CONSOLIDATED	
	2008	2007
Key assumptions used in fair value less costs to sell calculations		
Coles		
Discount rate	**9.2%**	N/A
Growth rate beyond five year financial plan	**3.2%**	N/A
Perpetuity factor for calculation of terminal value (1/(discount rate - growth rate))	**16.7**	N/A

For the Coles division, possible changes in key assumptions could cause the carrying value of the division to exceed its recoverable amount. The recoverable amount for the Coles division currently exceeds its carrying value by $991 million. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

i. Trading conditions – The cash flows are based on the forecast improved operating and financial performance of the Coles division which have been derived from the 2008 Wesfarmers Board approved Corporate Plan. Although the timing of the cash flows arising from this improvement are influenced by retail conditions in the short to medium term, Wesfarmers believes that the magnitude of improvements in the long term cash flows will be less impacted. This view is based on the likely longer term trends in the business (i.e. steadily increasing market demand) and the inherent value of the network, especially once the network has been revitalised. Notwithstanding this, should such an improvement not occur, the impact on the cash flows could result in a reduction of the recoverable amount to below the carrying value.

ii. Discount rate - The discount rate for the Coles division has been determined with reference to the prevailing risk-free and borrowing rates. Consequently should these rates increase, the discount rate would also increase. An increase in the discount rate of over 0.4% would result in a reduction of the recoverable amount to below the carrying value.

	2008	2007
Target		
Discount rate	**10.5%**	N/A
Growth rate beyond five year financial plan	**3.2%**	N/A
Perpetuity factor for calculation of terminal value (1/(discount rate - growth rate))	**13.7**	N/A

Other key assumptions include retail sales and trade sales inflation rates (which are based on past experience) and the programme for store upgrades (which are based on management projections).

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
18 OTHER NON CURRENT ASSETS				
Deferred acquisition costs	**6**	-	**-**	-
Defined benefit asset	**30**	8	**11**	8
Investment property	**7**	-	**-**	-
Prepaid rent	**15**	-	**-**	-
Other	**3**	-	**-**	-
	61	8	**11**	8
Movements in deferred acquisition costs				
At beginning of year	**-**	-	**-**	-
Acquisition costs deferred during the period	**6**	-	**-**	-
Carrying amount at the end of the year	**6**	-	**-**	-
19 TRADE AND OTHER PAYABLES				
Current				
Trade payables	**3,966**	1,255	**136**	27
Related party payables				
Subsidiaries	**-**	-	**1**	14
	3,966	1,255	**137**	41
Non-current				
Other creditors and accruals	**25**	79	**-**	-
	25	79	**-**	-
20 INTEREST-BEARING LOANS AND BORROWINGS				
Current				
Secured				
Bank loans	**3**	45	**-**	-
Unsecured				
Other bank loans	**288**	3,506	**70**	3,305
Commercial paper	**190**	176	**160**	154
Bank bills	**480**	306	**480**	306
Bank overdrafts	**87**	3	**87**	-
Corporate bonds	**210**	400	**210**	400
Other loans	**3**	-	**-**	-
	1,261	4,436	**1,007**	4,165
Non-current				
Unsecured				
Syndicated bank loans (a)	**5,867**	-	**5,867**	-
Other bank loans	**750**	-	**750**	-
Bank bills	**627**	472	**627**	472
Corporate bonds (b)	**1,012**	207	**658**	206
Other loans	**-**	8	**-**	-
	8,256	687	**7,902**	678
Total interest bearing loans and borrowings	**9,517**	5,123	**8,909**	4,843

Repayment obligations in respect of the amount of the facilities utilised are included in maturities of financial liabilities tables in note 28.

20 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Syndicated bank loans

Wesfarmers arranged a $10 billion syndicated credit facility which was fully underwritten (the 'senior credit facility'). This was for the purposes of funding the cash component of the acquisition by Wesfarmers of Coles group, repaying certain existing Coles group indebtedness and other existing debt of Wesfarmers, and funding the ongoing working capital requirements of Wesfarmers and its subsidiaries.

The senior credit facility along with Wesfarmers' other borrowings is subject to certain leverage and interest cover ratio thresholds. As at 30 June 2008, Wesfarmers has successfully complied with these covenants. Debt drawn under additional funding facilities will have the benefit of the representations, warranties and covenants substantially similar to those set forth in the senior credit facility.

The senior credit facility requires that wholly owned subsidiaries of Wesfarmers representing at least 5% of EBITDA or total assets of the Wesfarmers group are guarantors and that the guarantor group represents at least 85% of the Group's total assets and 85% of the EBITDA of the Group. Due to insurance regulatory restrictions, insurance underwriting subsidiaries do not guarantee the senior debt facility. In addition, funding facilities with banks in Australia and New Zealand will have the benefit of guarantees from each guarantor of the senior credit facility.

The carrying amount of the syndicated bank loans is net of unamortised transaction costs directly attributable to the acquisition. These will be released to earnings over the earlier of the terms of the syndicated bank loans and repayment.

The senior credit facility consisted of three tranches, of which Facility A ($4 billion) has been fully refinanced prior to 30 June 2008. As at 30 June 2008, Facility C has been extended to 1 October 2009.

	FACILITY A	FACILITY B	FACILITY C
Facility amount	$4 billion	$5 billion	$1 billion
Type	Bridge facility	Term loan facility	Revolving loan facility
Due	1 October 2008	1 October 2010	1 October 2008
Carrying value as at 30 June 2008	Nil	$5 billion	$900 million

Bridge facility (Facility A)

The refinancing of the bridge facility was completed throughout April to June 2008. Refinancing commenced on 10 April 2008 with issuance of US Bonds with a face value of US$650 million, maturing on 10 April 2013. Refer to details in (b) below. Further refinancing continued in the form of an accelerated pro-rata entitlement offer (equity issue), which raised a further $2.5 billion. Finally, the refinancing was completed in June 2008 with $1.2 billion of new committed bank facilities maturing in December 2009. Interest is payable at a rate calculated as the Australian bank bill swap yield plus a margin (based on ratings).

Term loan facility (Facility B)

As at 30 June 2008, this $5 billion facility has been fully drawn. The amounts borrowed under the term facility must be repaid on or before 1 October 2010. Indebtedness under the senior credit facility may be voluntarily prepaid by the borrower, in whole or in part, subject to certain restrictions including minimum and whole multiple restrictions. Interest is payable at a rate calculated as the Australian bank bill swap yield plus a margin (based on ratings).

Revolving loan facility (Facility C)

As at 30 June 2008, this facility had $900 million drawn. Amounts borrowed under the revolving facility must be repaid on the last day of the applicable interest period or on the relevant termination date of each loan drawn under such facility, the last termination date being 1 October 2009. The company expects to refinance the revolving facility with a similar working capital facility or renew the existing revolving facility. Interest is payable at a rate calculated as the Australian bank bill swap yield plus a margin (based on ratings).

(b) Corporate bonds

As a result of the acquisition of the Coles group, Wesfarmers entered into new financing arrangements with Coles group's noteholders. The medium-term fixed rate notes acquired have a principal of $400 million and mature on 25 July 2012. Interest on these notes is payable semi-annually in arrears at 6% per annum.

Wesfarmers issued US Bonds with a face value of $711 million (US$650 million), maturing on 10 April 2013. Interest on these bonds is payable semi-annually in arrears at 6.998% per annum. If both Moody's and Standard and Poor's cease to rate the notes investment grade during a change of control transaction, each holder of the notes has the right to require Wesfarmers to purchase all or a portion of the holder's notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In addition, if there is a downgrade to the credit ratings assigned to the notes by Moody's or Standard and Poor's the interest rate on the notes will increase. Further information can be found in the Offering Memorandum.

Derivative contracts have been transacted to hedge spot foreign exchange translation and currency interest rate risks. Refer to note 29 for further details.

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
20 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)				
(c) Financing facilities available				
Total facilities				
Syndicated bank loans	**6,000**	-	**6,000**	-
Other bank loans	**1,478**	4,523	**1,214**	4,170
Commercial paper	**300**	300	**300**	300
Bank bills	**1,330**	1,330	**1,330**	1,330
Bank overdrafts	**2**	9	**-**	-
	9,110	6,162	**8,844**	5,800
Facilities used at balance date				
Syndicated bank loans	**5,900**	-	**5,900**	-
Other bank loans	**1,041**	3,551	**820**	3,306
Commercial paper	**190**	178	**160**	155
Bank bills	**1,107**	781	**1,107**	781
Bank overdrafts*	**87**	3	**87**	-
	8,325	4,513	**8,074**	4,242
Facilities unused at balance date				
Syndicated bank loans	**100**	-	**100**	-
Other bank loans	**437**	972	**394**	864
Commercial paper	**110**	122	**140**	145
Bank bills	**223**	549	**223**	549
Bank overdrafts*	**(85)**	6	**(87)**	-
	785	1,649	**770**	1,558
Total facilities	**9,110**	6,162	**8,844**	5,800
Facilities used at balance date	**8,325**	4,513	**8,074**	4,242
Facilities unused at balance date	**785**	1,649	**770**	1,558

*Offset by an amount of $130 million recognised in cash in transit due to late transaction processing by bank.

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
21 PROVISIONS				
Current				
Employee benefits	**654**	151	**14**	10
Workers compensation	**42**	2	**-**	-
Self-insured risks	**89**	15	**28**	15
Mine and plant rehabilitation	**5**	6	**-**	-
Restructuring and make good	**109**	8	**-**	-
Surplus leased space	**8**	1	**-**	-
Onerous contracts	**73**	-	**-**	-
Unearned contributions	**-**	-	**21**	11
Other	**30**	3	**-**	-
	1,010	186	**63**	36
Non-current				
Employee benefits	**120**	51	**18**	11
Workers compensation	**275**	-	**-**	-
Self-insured risks	**2**	-	**-**	-
Mine and plant rehabilitation	**115**	107	**-**	-
Restructuring and make good	**4**	11	**-**	-
Surplus leased space	**21**	-	**-**	-
Onerous contracts	**384**	-	**-**	-
Other	**19**	1	**-**	-
	940	170	**18**	11
Total provisions	**1,950**	356	**81**	47

21 PROVISIONS (continued)

Provisions have been calculated using discount rates between 6% and 10% (2007: between 6% and 10%).

Workers compensation and self-insured risks

Wesfarmers group is self-insured for costs relating to workers compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not balance, prior to reporting date.

These provisions are determined on a discounted basis, using an actuarially determined method, which is based on various assumptions including, but not limited to, future inflation, investment return, average claim size and claim administration expenses. These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers compensation or claims expense (either increasing or decreasing the expense).

Workers compensation and self-insured risks have been reclassified from insurance liabilities in the prior period to enhance comparability and understanding of the financial statements.

Mine and plant rehabilitation

In accordance with mining lease agreements and Wesfarmers group policies, obligations exist to remediate areas where mining activity has taken place. Work is ongoing at various sites and in some cases will extend over periods beyond 20 years. Provisions have generally been calculated assuming current technologies. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates to aid with comparability.

Restructuring and make good

These provisions relate principally to the closure of retail outlets within the Coles and Home Improvement divisions, the disaggregation of shared services within the Coles division and associated redundancies. Provisions are recognised where steps have been taken to implement the restructuring plan, including discussions with affected personnel.

Surplus leased space

The surplus leased space provision covers future payments for leased premises, which are onerous, net of actual and expected sub-leasing revenue, and relates to commitments of up to 9 years (2007: 10 years). Actual lease payments may vary from the amounts provided where alternate uses are found for these premises, including attraction of new tenants.

Onerous contracts

In existence at the date of acquisition of Coles group by Wesfarmers were a number of contracts. Changes in market conditions have resulted in the original terms of the contract becoming unfavourable in comparison to current market supply conditions. The obligation for the discounted future above market payments has been provided for.

Unearned contributions

These relate to contributions received in advance from entities within the Group to fund future self insurance losses. Unearned contributions have been reclassified from insurance liabilities in the prior period to enhance comparability and understanding of the financial statements.

	WORKERS COMPENSATION $m	SELF-INSURED RISKS $m	MINE AND PLANT REHABILITATION $m	RESTRUCTURING AND MAKE GOOD $m	SURPLUS LEASED SPACE $m	ONEROUS CONTRACTS $m	UNEARNED CONTRIBUTIONS $m	OTHER $m	TOTAL $m
Consolidated									
At beginning of year	2	15	113	19	1	-	-	4	154
Arising during year	28	31	7	88	-	19	-	15	188
Utilised	(48)	(17)	(7)	(59)	(9)	(48)	-	(8)	(196)
Unused amounts reversed	-	-	-	-	-	-	-	(3)	(3)
Acquisition of controlled entities	325	62	-	65	37	486	-	41	1,016
Discount rate adjustment	10	-	7	-	-	-	-	-	17
Exchange differences	-	-	-	-	-	-	-	-	-
At end of year	317	91	120	113	29	457	-	49	1,176
Parent									
At beginning of year	-	15	-	-	-	-	11	-	26
Arising during year	-	17	-	-	-	-	21	-	38
Utilised	-	(4)	-	-	-	-	(11)	-	(15)
At end of year	-	28	-	-	-	-	21	-	49

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
22 INSURANCE LIABILITIES				
Unearned insurance premiums				
Current	**687**	690	**-**	-
Non-current	**63**	-	**-**	-
	750	690	**-**	-
At beginning of year	**690**	500	**-**	-
Acquisition of companies	**-**	131	**-**	-
Deferral of premium on contracts written during year	**690**	634	**-**	-
Earning of premiums deferred in prior years	**(630)**	(575)	**-**	-
At end of year	**750**	690	**-**	-
Outstanding insurance claims				
Current	**450**	432	**-**	-
Non-current	**277**	279	**-**	-
	727	711	**-**	-
Outstanding insurance claims				
Gross central estimate of outstanding claims liabilities	**721**	704	**-**	-
Discount to present value	**(77)**	(68)	**-**	-
Claim handling expenses	**27**	26	**-**	-
Risk margin	**56**	49	**-**	-
Liability for outstanding claims	**727**	711	**-**	-
Total	**1,137**	1,122	**-**	-
Current	**340**	279	**-**	-
Non-current	**1,477**	1,401	**-**	-

Insurance liabilities consisting of workers compensation, self-insured risks and unearned contributions have been reclassified to provisions in the prior period to enhance comparability and understanding of the financial statements.

The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimate for each class. The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency between 85% and 90%. The probability of adequacy at 30 June 2008 is approximately 85% which is within the Group's internal target range of 85% to 90%.

The risk margin included in net outstanding claims is 15.2% of the central estimate (2007: 15.2%). The discount rate used is 6.9% (2007: 6.5%).

	CONSOLIDATED			
			2008	2007
	GROSS	REINSURANCE	**NET**	NET
	$m	$m	**$m**	$m
Movement in outstanding insurance claims				
At beginning of year	**711**	**(284)**	**427**	301
Incurred claims recognised in profit and loss	**921**	**(301)**	**620**	527
Net claim payments	**(893)**	**304**	**(589)**	(474)
Acquisition of companies	**-**	**-**	**-**	51
Other	**(12)**	**2**	**(10)**	22
At end of year	**727**	**(279)**	**448**	427

22 INSURANCE LIABILITIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Group is exposed to daily calls on its available cash resources from policy claims. The Group manages this risk in accordance with the Group's liquidity policy whereby a minimum percentage of investments and cash is held in liquid, short term money market securities to ensure that there are sufficient liquid funds available to meet insurance and investment obligations.

The Group limits the risk of liquidity shortfalls resulting from mismatch in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

The maturity profile of the Group's discounted net outstanding claims provision is analysed below.

CONSOLIDATED	< 3 MONTHS, OR ON DEMAND $m	>3-<6 MONTHS $m	>6-<12 MONTHS $m	>1-<2 YEARS $m	>2-<3 YEARS $m	>3-<4 YEARS $m	>4-<5 YEARS $m	>5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m	CARRYING AMOUNT (ASSETS)/ LIABILITIES $m
Year ended 30 June 2008										
Gross outstanding claims	**207**	**102**	**104**	**109**	**62**	**42**	**30**	**71**	**727**	**727**
Reinsurance recoveries	**(68)**	**(42)**	**(44)**	**(45)**	**(23)**	**(15)**	**(11)**	**(31)**	**(279)**	**(279)**
Net outstanding claims provision	**139**	**60**	**60**	**64**	**39**	**27**	**19**	**40**	**448**	**448**
Year ended 30 June 2007										
Gross outstanding claims	195	106	97	106	60	40	29	78	711	711
Reinsurance recoveries	(66)	(49)	(42)	(47)	(23)	(14)	(11)	(32)	(284)	(284)
Net outstanding claims provision	129	57	55	59	37	26	18	46	427	427

Claims development table

The following table shows the development of the estimated ultimate incurred cost for the public liability and workers compensation classes of business in Australia for the five most recent accident years. The estimated ultimate incurred cost at each point in time consists of the payments to date plus the actuarial estimate of outstanding claims. The subsequent components in the table provide a breakdown of the current estimate of ultimate incurred cost between payments to date and the various components of the outstanding claims liability.

	CONSOLIDATED ACCIDENT YEAR					
ULTIMATE CLAIMS COST ESTIMATE	2004 $m	2005 $m	2006 $m	2007 $m	2008 $m	TOTAL $m
At end of accident year	53	65	77	86	87	368
One year later	51	64	67	74	-	256
Two years later	48	59	58	-	-	165
Three years later	45	55	-	-	-	100
Four years later	42	-	-	-	-	42
Current estimate of ultimate claims cost	42	55	58	74	87	316
Cumulative payments	(29)	(34)	(25)	(20)	(9)	(117)
Undiscounted central estimate	13	21	33	54	78	199
Discount to present value	(3)	(4)	(5)	(10)	(14)	(36)
Deferred premium	-	-	-	-	-	-
Discounted central estimate	10	17	28	44	64	163
Claims handling expense	1	1	1	2	4	9
Risk margin	2	3	5	8	11	29
Net outstanding claims liabilities	13	21	34	54	79	201
Reinsurance recoveries on outstanding claims liabilities and other recoveries	9	11	11	9	13	53
Gross outstanding claims liabilities	22	32	45	63	92	254

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recovery bases to give the most meaningful insight into the impact on the income statement.

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
23 OTHER LIABILITIES				
Coal rebates payable				
Current	**101**	68	**-**	-
Non-current	**119**	20	**-**	-
	220	88	**-**	-
Deferred coal revenue				
Current	**11**	3	**-**	-
Non-current	**2**	12	**-**	-
	13	15	**-**	-
Other				
Current	**165**	1	**-**	-
Non-current	**5**	-	**5**	-
	170	1	**5**	-
Total				
Current	**277**	72	**-**	-
Non-current	**126**	32	**5**	-
	403	104	**5**	-
24 CONTRIBUTED EQUITY				
Ordinary shares (a)	**18,173**	2,256	**18,167**	2,250
Employee reserved shares (b)	**(76)**	(111)	**(73)**	(108)
	18,097	2,145	**18,094**	2,142

(a) Ordinary shares

All ordinary shares are fully paid. Fully paid ordinary shares (including employee reserved shares) carry one vote per share and carry the right to dividends.

Each partially protected ordinary share confers rights on a partially protected shareholders that are the same in all respects to those conferred by an ordinary share on an ordinary shareholder on an equal basis. In addition, partially protected ordinary shares provide a level of downside share price protection. Full terms and conditions are available from the company website www.wesfarmers.com.au.

The Group operates a Dividend Investment Plan. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The investment price is based on the average of the daily volume weighted average price of Wesfarmers shares sold on the Australian Securities Exchange calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

24 CONTRIBUTED EQUITY (CONTINUED)

(a) Ordinary shares (continued)

	CONSOLIDATED Thousands	CONSOLIDATED $m	PARENT Thousands	PARENT $m
Movement in ordinary shares on issue				
At 1 July 2006	378,042	1,902	378,042	1,896
Issue of shares under employee long term incentive plans at $34.57 per share	979	34	979	34
Issue of shares under dividend investment plan at $35.19 per share	3,017	106	3,017	106
Issue of shares under underwriting agreement at $35.55 per share	6,031	214	6,031	214
At 30 June 2007	388,069	2,256	388,069	2,250
Issue of shares under non executive director plan at $40.94 per share	**3**	**-**	**3**	**-**
Issue of shares as consideration for Coles group acquisition at $41.48 per share	**152,606**	**6,331**	**152,606**	**6,331**
Issue of shares under employee long term incentive plans at $41.21 per share	**1,064**	**44**	**1,064**	**44**
Issue of shares under dividend investment plan at $40.47 per share	**3,068**	**124**	**3,068**	**124**
Issue of shares under non executive director plan at $39.57 per share	**2**	**-**	**2**	**-**
Issue of shares under dividend investment plan at $36.56 per share	**2,920**	**107**	**2,920**	**107**
Issue of shares under underwriting agreement at $36.56 per share	**9,424**	**344**	**9,424**	**344**
Issue of shares under entitlement offer at $29.00 per share	**89,030**	**2,583**	**89,030**	**2,583**
Issue of shares under institutional book build at $38.75 per share	**654**	**25**	**654**	**25**
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	**343**	**14**	**343**	**14**
Transaction costs associated with entitlement offer	**-**	**(43)**	**-**	**(43)**
At 30 June 2008	**647,183**	**11,785**	**647,183**	**11,779**
Movement in partially protected ordinary shares on issue				
At 1 July 2007	**-**	**-**	**-**	**-**
Issue of shares as consideration for Coles group acquisition at $41.95 per share	**152,598**	**6,402**	**152,598**	**6,402**
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	**(343)**	**(14)**	**(343)**	**(14)**
At 30 June 2008	**152,255**	**6,388**	**152,255**	**6,388**
Total contributed equity	**799,438**	**18,173**	**799,438**	**18,167**

(b) Employee reserved shares

	CONSOLIDATED Thousands	CONSOLIDATED $m	PARENT Thousands	PARENT $m
Movement in employee reserved shares on issue				
At 1 July 2006	8,224	159	7,926	152
Exercise of in-substance options	(1,798)	(32)	(1,748)	(28)
Dividends applied	-	(17)	-	(16)
Foreign currency translation adjustment	-	1	-	-
At 30 June 2007	6,426	111	6,178	108
Exercise of in-substance options	**(1,156)**	**(24)**	**(1,076)**	**(24)**
Dividends applied	**-**	**(11)**	**-**	**(11)**
At 30 June 2008	**5,270**	**76**	**5,102**	**73**

Shares issued to employees under the share loan plan referred to in note 37 (termed as "employee reserved shares") are fully paid via a limited recourse loan to the employee from the parent and a subsidiary, and as such the arrangement is accounted for as in-substance options. Loans are repaid from dividends declared, capital returns and cash repayments. Once the loan is repaid in full the employee reserved shares are converted to unrestricted ordinary shares.

24 CONTRIBUTED EQUITY (CONTINUED)

(c) Capital management

The Board is responsible for approving and monitoring the progress of capital management. When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintaining optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain an effective capital structure.

In order to manage the short and long term capital structure, the Group adjusts the amount of ordinary dividends paid to shareholders, maintains a dividend reinvestment plan, returns capital to shareholders and arranges debt to fund new acquisitions. Wesfarmers' current dividend policy is to pay out all available franking credits to Wesfarmers shareholders in the form of fully franked dividends.

Management monitors capital on the basis of the ratios of net debt to total equity and cash interest cover. Net debt is calculated as total interest bearing debt less cash at bank and on deposit. Total equity is as shown in the balance sheet. Interest cover is calculated as net cash interest paid (excluding interest revenue earned in any Insurance businesses) divided by earnings before interest, tax, depreciation and amortisation.

Net debt to total capital and cash interest cover were as follows:

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Total interest bearing debt	**9,517**	5,123	**8,909**	4,843
Cash at bank and on deposit	**241**	91	**1**	17
Net financial debt	**9,276**	5,032	**8,908**	4,826
Total equity	**19,590**	3,503	**19,424**	2,893
Net debt to equity	**47.4%**	143.6%	**45.9%**	166.8%
Profit before income tax	**1,443**	1,105	**1,249**	681
Finance costs	**800**	200	**698**	188
Depreciation and amortisation	**654**	345	**2**	2
Earnings before interest, tax, depreciation and amortisation	**2,897**	1,650	**1,949**	871
Net cash interest paid	**586**	189	**672**	178
Cash interest cover	**4.9**	8.7	**2.9**	4.9

25 RETAINED EARNINGS

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Balance as at 1 July	**1,131**	1,234	**638**	801
Net profit	**1,050**	786	**1,483**	726
Dividends	**(997)**	(889)	**(997)**	(889)
Actuarial loss on defined benefit plans	**(21)**	-	**(1)**	-
Balance as at 30 June	**1,163**	1,131	**1,123**	638

26 RESERVES

	CONSOLIDATED						PARENT		
	RESTRUCTURE TAX RESERVE $m	CAPITAL RESERVE $m	FOREIGN CURRENCY TRANSLATION RESERVE $m	HEDGING RESERVE $m	AVAILABLE FOR SALE RESERVE $m	TOTAL $m	RESTRUCTURE TAX RESERVE $m	HEDGING RESERVE $m	TOTAL $m
Balance at 1 July 2006	110	24	(3)	49	10	190	110	1	111
Remeasurement of financial instruments - gross	-	-	-	92	(31)	61	-	8	8
Tax effect of remeasurement	-	-	-	(28)	(1)	(29)	-	(2)	(2)
Transfer to net profit - gross	-	-	-	(5)	-	(5)	-	(5)	(5)
Tax effect of transfer to net profit	-	-	-	2	-	2	-	1	1
Currency translation differences	-	-	8	-	-	8	-	-	-
Balance at 30 June 2007	110	24	5	110	(22)	227	110	3	113
Tax losses in relation to the 2001 simplification plan	**40**	**-**	**-**	**-**	**-**	**40**	**40**	**-**	**40**
Remeasurement of financial instruments - gross	**-**	**-**	**-**	**73**	**23**	**96**	**-**	**77**	**77**
Tax effect of remeasurement	**-**	**-**	**-**	**(23)**	**3**	**(20)**	**-**	**(23)**	**(23)**
Ineffective cash flow hedges taken to net profit - gross	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**-**
Currency translation differences	**-**	**-**	**(14)**	**-**	**-**	**(14)**	**-**	**-**	**-**
Balance at 30 June 2008	**150**	**24**	**(9)**	**161**	**4**	**330**	**150**	**57**	**207**

Nature and purpose of reserves

Restructure tax reserve

The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 ownership simplification plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.

Capital reserve

The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.

Hedging reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Available for sale reserve

This reserve records fair value changes on available for sale investments.

27 BUSINESS COMBINATIONS

Acquisitions

During the period, Wesfarmers completed several acquisitions, the most significant being:

On 23 November 2007, Wesfarmers Limited, through its controlled entity Wesfarmers Retail Holdings Pty Ltd, acquired, through a Scheme of Arrangement ("the Scheme"), 89.4% of the voting shares of Coles group Limited ("Coles group"), a publicly listed company and its subsidiaries. Combined with the initial interest of 10.6% purchased in April 2007 at a total cost of $2,077 million, Wesfarmers held 100% of the voting shares in Coles group on 23 November 2007.

Coles group is based in Australia and operates retail businesses in Australia and New Zealand. The Scheme consideration consisted of 152.6 million Wesfarmers ordinary shares, 152.6 million Wesfarmers partially protected shares and $4,328 million in cash. The cost of the acquisition totalled $19,307 million.

The provisional fair value of identifiable assets and liabilities recognised on acquisition of Coles group has decreased $238 million compared to the fair value amounts previously reported. This reduction is due largely to a decrease in plant and equipment and an increase in provisions recognised on acquisition. The reduction in the fair value of identifiable assets and liabilities results in a corresponding increase to goodwill recognised on acquisition. At 30 June 2008, the acquisition accounting balances are provisional due to ongoing work finalising valuations and tax related matters which may impact acquisition accounting entries.

On 1 September 2007, the Group's chemicals and fertilisers subsidiary, CSBP Limited, acquired 100% of Australian Vinyls Corporation, a privately owned company, which is the only manufacturer of poly vinyl chloride in the Australian market. The cost of the acquisition totalled $142 million.

27 BUSINESS COMBINATIONS (CONTINUED)

Acquisitions (continued)

Details of the provisional fair value of identifiable assets of the Coles group and the Group's other acquisitions as at the date of acquisitions are:

	CONSOLIDATED	
	RECOGNISED ON ACQUISITION **$m**	BOOK CARRYING VALUE $m
Assets		
Cash and cash equivalents	505	505
Trade and other receivables	525	551
Inventories	3,662	3,659
Investment in associate	8	8
Property, plant and equipment	3,279	3,443
Investment property	6	8
Intangible assets	4,295	709
Assets held for sale	40	26
Deferred tax assets	378	458
Other assets	53	53
	12,751	9,420
Liabilities		
Trade and other payables	3,305	3,297
Interest bearing borrowings	2,013	2,079
Provisions	1,543	1,070
Other liabilities	223	277
	7,084	6,723
Fair value of identifiable net assets	**5,667**	**2,697**
Goodwill arising on acquisition	**13,846**	
	19,513	
Cost of combinations		
Cash paid to shareholders	**6,604**	
Shares issued to shareholders	**12,733**	
Costs associated with the acquisitions	**176**	
	19,513	
Cash outflow on acquisitions		
Net cash acquired - operating accounts	**502**	
Net cash acquired - broking trust accounts	**3**	
Cash paid for initial holding in Coles group (in prior reporting period)	**2,077**	
Cash paid	**(6,780)**	
Net cash outflow	**(4,198)**	

From the date of acquisition, the Coles group and other acquisitions contributed $475 million to the net profit after tax of the Group.

If the combinations had taken place at the beginning of the period, the revenue from continuing operations for the Group would have been $49,427 million. It is considered impracticable to obtain robust normalised pre-acquisition results from 1 July 2007 due to the differences in reporting periods and the timing of accounting period end adjustments recognised by the Coles group prior to acquisition.

The goodwill of $13,846 million arising on consolidation includes goodwill attributable to the Coles group acquisition of $13,801 million and is attributable to various factors, including the ability to provide improved products and services to customers, the value of growth opportunities and inseparable intangible assets.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise syndicated and other bank loans, bank accepted bills, commercial paper, corporate bonds and cash and short term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations or, in the case of short term deposits, to invest surplus funds. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. From 23 November 2007, Coles group has adopted the Wesfarmers group policy on trading and hedging.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(b) Liquidity risk

Wesfarmers maintains a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of principal. Wesfarmers aims to spread maturities evenly to avoid excessive refinancing in any period.

Liquidity risk is managed centrally by Group Treasury using the operating cash flows of the underlying businesses and accessing the debt and equity capital markets. The Group regularly forecasts future cash flows, in addition to the annual budgeting process, to gauge future funding requirements and ensure sufficient capacity to meet those requirements. Wesfarmers continues to maintain investment grade credit ratings from Moody's and Standard and Poor's, despite the credit rating downgrade announced on completion of the Coles group acquisition. These ratings assist in accessing global debt capital markets as is evidenced by Wesfarmers ability to successfully issue US Bonds in April 2008 to the value of $711 million (US$650 million).

Wesfarmers aims to maintain flexibility in funding by keeping committed credit lines available with a variety of counterparties. At 30 June 2008, the Group had unutilised committed debt facilities of $790 million (2007: $538 million excluding unutilised bridge facilities). The Group also maintains backup liquidity for its commercial paper programmes by way of committed commercial paper standby facilities, of which $110 million was available at 30 June 2008 (2007: $122 million). Refer to note 20 for financing facilities used and unused. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets.

Liquidity risk disclosures for insurance liabilities are included in note 22.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities including net and gross settled financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet. For foreign exchange derivatives and cross currency interests rate swaps, amounts are gross cash flows to be paid. For interest rate swaps the cash flows are net amounts to be paid and have been estimated using forward interest rates applicable at the reporting date. Derivative cash flows exclude accruals recognised in trade and other payables. The carrying values of financial guarantee contracts have been assessed as nil. Refer to note 30 for further details on contingent liabilities.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CONSOLIDATED	< 3 MONTHS, OR ON DEMAND $m	>3-<6 MONTHS $m	>6-<12 MONTHS $m	>1-<2 YEARS $m	>2-<3 YEARS $m	>3-<4 YEARS $m	>4-<5 YEARS $m	>5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m	CARRYING AMOUNT (ASSETS)/ LIABILITIES $m
Year ended 30 June 2008										
Non-derivatives										
Trade and other payables	**3,733**	**205**	**28**	**25**	**-**	**-**	**-**	**-**	**3,991**	**3,991**
Loans and borrowings before swaps	**209**	**418**	**638**	**2,230**	**5,050**	**-**	**1,111**	**-**	**9,656**	**9,517**
Expected future interest payments on loans and borrowings	**92**	**178**	**339**	**569**	**273**	**74**	**62**	**-**	**1,587**	**-**
Coal rebates payable	**22**	**20**	**83**	**69**	**12**	**40**	**-**	**-**	**246**	**220**
Total non-derivatives	**4,056**	**821**	**1,088**	**2,893**	**5,335**	**114**	**1,173**	**-**	**15,480**	**13,728**
Derivatives										
Interest rate swaps (net settled)	**(1)**	**(7)**	**(8)**	**(13)**	**(3)**	**4**	**(6)**	**1**	**(33)**	**(21)**
Cross currency interest rate swap (gross settled)										
- (inflow)	**-**	**(14)**	**(25)**	**(50)**	**(50)**	**(50)**	**(50)**	**-**	**(239)**	
- outflow	**2**	**21**	**42**	**84**	**84**	**84**	**84**	**-**	**401**	
	2	**7**	**17**	**34**	**34**	**34**	**34**	**-**	**162**	**59**
Foreign exchange contracts (gross settled)										
- (inflow)	**(874)**	**(574)**	**(616)**	**(597)**	**(292)**	**(103)**	**(17)**	**-**	**(3,073)**	
- outflow	**858**	**547**	**545**	**494**	**240**	**84**	**15**	**-**	**2,783**	
	(16)	**(27)**	**(71)**	**(103)**	**(52)**	**(19)**	**(2)**	**-**	**(290)**	**(183)**
Total derivatives	**(15)**	**(27)**	**(62)**	**(82)**	**(21)**	**19**	**26**	**1**	**(161)**	**(145)**
Year ended 30 June 2007										
Non-derivatives										
Trade and other payables	1,156	62	37	52	27	-	-	-	1,334	1,334
Loans and borrowings before swaps	366	865	3,207	344	352	-	-	-	5,134	5,123
Expected future interest payments on loans and borrowings	70	79	89	43	15	-	-	-	296	-
Coal rebates payable	18	16	33	12	6	3	-	-	88	88
Total non-derivatives	1,610	1,022	3,366	451	400	3	-	-	6,852	6,545
Derivatives										
Interest rate swaps (net settled)	-	-	(1)	-	1	1	-	1	2	2
Foreign exchange contracts (gross settled)										
- (inflow)	(310)	(232)	(333)	(491)	(225)	(77)	(14)	-	(1,682)	
- outflow	289	209	289	436	192	66	12	-	1,493	
	(21)	(23)	(44)	(55)	(33)	(11)	(2)	-	(189)	(152)
Total derivatives	(21)	(23)	(45)	(55)	(32)	(10)	(2)	1	(187)	(150)

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

PARENT	< 3 MONTHS, OR ON DEMAND $m	>3-<6 MONTHS $m	>6-<12 MONTHS $m	>1-<2 YEARS $m	>2-<3 YEARS $m	>3-<4 YEARS $m	>4-<5 YEARS $m	>5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m	CARRYING AMOUNT (ASSETS)/ LIABILITIES $m
Year ended 30 June 2008										
Non-derivatives										
Trade and other payables	**125**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**136**	**136**
Related party payables	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Loans and borrowings before swaps	**157**	**295**	**558**	**2,229**	**5,050**	**-**	**711**	**-**	**9,000**	**8,909**
Expected future interest payments on loans and borrowings	**87**	**172**	**325**	**545**	**249**	**50**	**50**	**-**	**1,478**	**-**
Total non-derivatives	**370**	**478**	**883**	**2,774**	**5,299**	**50**	**761**	**-**	**10,615**	**9,046**
Derivatives										
Interest rate swaps (net settled)	**(2)**	**(7)**	**(14)**	**(25)**	**(15)**	**(7)**	**(3)**	**-**	**(73)**	**(59)**
Cross currency interest rate swap (gross settled)										
- (inflow)	**-**	**(14)**	**(25)**	**(50)**	**(50)**	**(50)**	**(50)**	**-**	**(239)**	
- outflow	**2**	**21**	**42**	**84**	**84**	**84**	**84**	**-**	**401**	
	2	**7**	**17**	**34**	**34**	**34**	**34**	**-**	**162**	**59**
Foreign exchange contracts (gross settled)										
- (inflow)	**(1,732)**	**(1,121)**	**(1,161)**	**(1,091)**	**(532)**	**(187)**	**(32)**	**-**	**(5,856)**	
- outflow	**1,732**	**1,121**	**1,161**	**1,091**	**532**	**187**	**32**	**-**	**5,856**	
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total derivatives	**-**	**-**	**3**	**9**	**19**	**27**	**31**	**-**	**89**	**-**
Year ended 30 June 2007										
Non-derivatives										
Trade and other payables	27	-	-	-	-	-	-	-	27	27
Related party payables	14	-	-	-	-	-	-	-	14	14
Loans and borrowings before swaps	227	755	3,185	342	343	-	-	-	4,852	4,843
Expected future interest payments on loans and borrowings	65	76	88	43	15	-	-	-	287	-
Total non-derivatives	333	831	3,273	385	358	-	-	-	5,180	4,884
Derivatives										
Interest rate swaps (net settled)	-	(1)	(1)	(2)	-	-	-	-	(4)	(4)
Foreign exchange contracts (gross settled)										
- (inflow)	(599)	(441)	(622)	(927)	(417)	(144)	(27)	-	(3,177)	
- outflow	599	441	622	927	417	144	27	-	3,177	
	-	-	-	-	-	-	-	-	-	-
Total derivatives	-	(1)	(1)	(2)	-	-	-	-	(4)	(4)

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Market Risk

Foreign currency risk

The Group's policy is to protect the Group from currency fluctuations together with maintaining the integrity of business decisions and protecting the competitive position of the Group's activities.

The Group's primary currency exposures are in US Dollars and arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. As a result of operations in New Zealand, the Group's balance sheet can be affected by movements in the AUD/NZD exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in NZD in New Zealand.

The Group requires all of its operating units to hedge foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. Before hedging, the operating units are also required to take into account their competitive position. The hedging instrument must be in the same currency as the hedged item. Operating units are not permitted to speculate on future currency movements.

The Group aims to hedge approximately 45% to 55% (over 5 years) of its foreign currency sales for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to December 2012. Such foreign currency sales arise predominantly in the Resources division.

The Group aims to hedge approximately 70% to 100% (up to 12 months) of its foreign currency purchases for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to July 2009. Such foreign currency purchases arise predominantly in the retail, Chemicals and Fertilisers and Industrial and Safety divisions.

The parent company transacts all hedges of sales and purchases on a back-to-back basis with external contracts with banks being exactly offset by internal contracts with the relevant subsidiaries. From a Group perspective, the internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited. The parent has US debt which is converted to Australian dollars using a cross currency interest rate swap. As a result, the parent company has minimal foreign exchange exposure.

Refer to note 29 for details of outstanding hedge contracts as at 30 June 2008.

The Group's exposure of its financial instruments to the US Dollar and New Zealand Dollar (prior to hedging contracts) at the reporting date were as follows:

	2008		2007	
	USD	**NZD**	USD	NZD
CONSOLIDATED	**A$m**	**A$m**	A$m	A$m
Cash and cash equivalents	**35**	**41**	11	32
Trade and other receivables	**147**	**166**	55	213
Amounts due from reinsurers on paid claims	**-**	**42**	-	45
Finance advances and loans	**-**	**56**	-	33
Trade and other payables	**222**	**181**	39	254
Interest bearing loans and borrowings	**658**	**253**	-	230
Insurance liabilities	**-**	**205**	-	196
Coal rebate payable	**220**	**-**	88	-
PARENT				
Interest bearing loans and borrowings	**658**	**-**	-	-

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Market Risk (continued)

Foreign currency risk (continued)

The sensitivity analysis below is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 year period. Past movements are not necessarily indicative of future movements. The sensitivity analysis is based on foreign exchange risk exposures existing at the balance sheet date. At 30 June 2008, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other equity would have been affected as follows:

	POST TAX PROFIT Higher/ (Lower)		OTHER EQUITY Higher/ (Lower)	
CONSOLIDATED	**2008 $m**	2007 $m	**2008 $m**	2007 $m
+ AUD/USD +10 %	**45**	43	**74**	58
- AUD/USD -5 %	**(29)**	(25)	**(40)**	(33)

The periodic effects are determined by relating the hypothetical changes in the USD exchange rate to the balance of financial instruments at the reporting date. These effects relate to derivatives, while changes to exchange rates would also have effects under other commercial arrangements including imports and exports. It is assumed that the balance at the reporting date is representative for the year as a whole. Currency risks as defined by AASB 7 *Financial Instruments: Disclosures* arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to limit the Group's exposure to adverse fluctuations in interest rates which could erode Group profitability and adversely affect shareholder value. The policy requires cash flow forecasts to be prepared at least biannually to provide a six to twelve month time horizon for an interest rate risk management (IRRM) plan. A committee comprising of senior management meet periodically to review the IRRM plan and make interest rate hedging recommendations, which are provided to the Finance Director for approval. The Group's interest rate hedging profile is regularly reported to the Wesfarmers Board and senior executives.

To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. At 30 June 2008, after taking into account the effect of interest rate swaps and economic hedging relationships, approximately 35% of the Group's core borrowings are exposed to movements in variable rates (2007: approximately 50% excluding bridge facilities for the Coles group acquisition). Refer to note 29 for details of outstanding cash flow and fair value hedge contracts as at 30 June 2008.

The parent company transacts all insurance division interest rate swaps on a back-to-back basis with external contracts with banks being exactly offset by internal contracts with the relevant subsidiaries. From a Group perspective, the internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Although Wesfarmers has issued US bonds, cross currency swaps are in place to mitigate any risk to US interest rates. These cross currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.

As at the reporting date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrumental. Other financial instruments of the Group and the parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk. The effective interest rate recognises the impact of interest rate swaps.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Market Risk (continued)

Interest rate risk (continued)

	CONSOLIDATED				PARENT			
	2008		2007		2008		2007	
	BALANCE $m	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $m	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $m	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $m	WEIGHTED AVERAGE INTEREST RATE %
FINANCIAL ASSETS								
Fixed rate								
Finance advances and loans	134	17.99	87	17.71	-	-	-	-
Loans to associates	27	7.12	25	7.12	-	-	-	-
Weighted average effective interest rate		16.14		15.30		-		-
Floating rate								
Investments backing insurance contracts	871	7.46	816	6.27	-	-	-	-
Cash assets	312	5.93	170	5.8	1	1.25	17	6.03
Weighted average effective interest rate		7.06		6.19		1.25		6.03
FINANCIAL LIABILITIES								
Fixed rate								
Syndicated bank loans	4,850	7.45	-	-	4,850	7.45	-	-
Commercial paper	80	6.10	150	6.18	80	6.10	150	6.18
Bank bills	450	6.65	385	6.15	450	6.65	385	6.15
Weighted average effective interest rate		7.36		6.16		7.36		6.16
Floating rate								
Bank overdraft	87	10.20	3	7.5	87	10.20	-	-
Secured bank loans	3	12.17	45	6.74	-	-	-	-
Syndicated bank loans	1,017	8.75	-	-	1,017	8.75	-	-
Other unsecured bank loans	1,038	8.73	3,506	6.61	820	7.84	3,305	6.53
Commercial paper	110	8.51	26	7.71	80	8.22	4	7.71
Bank bills	657	7.98	393	6.55	657	7.98	393	6.55
Corporate bonds	1,222	10.05	607	6.8	868	10.63	606	6.8
Weighted average effective interest rate		9.03		6.64		9.07		6.60

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Market Risk (continued)

Interest rate risk (continued)

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. The sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period. Past movements are not necessarily indicative of future movements. At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, after tax profit and other equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT Higher/ (Lower) $m	OTHER EQUITY Higher/ (Lower) $m
Year ended 30 June 2008		
CONSOLIDATED		
Australian variable interest rate + 80bp	**(25)**	**104**
PARENT		
Australian variable interest rate + 80bp	**(20)**	**104**
Year ended 30 June 2007		
CONSOLIDATED		
Australian variable interest rate + 50bp	(11)	3
Australian variable interest rate - 10bp	2	(3)
PARENT		
Australian variable interest rate + 50bp	(10)	3
Australian variable interest rate - 10bp	2	(3)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity is higher in 2008 than in 2007 because of the increase in outstanding borrowings that has occurred as a result of the Coles acquisition.

Commodity price risk

The Group's exposure to commodity price risk is largely from coal price fluctuations arising from its coal mining operations. Excluding the foreign exchange component referred to above, this exposure is not hedged as the coal type predominantly sold by the Group is not a readily traded commodity on a market exchange.

No sensitivity analysis is provided for the Group's coal and gas 'own use contracts' as they are outside the scope of AASB 139. Such contracts are to buy or sell non financial items and were entered into and continue to be held for the purpose of the receipt or delivery of the non financial item in accordance with the division's expected purchase, sale or usage requirements.

(d) Credit Risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk related to receivables

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties. Depending on the division, credit terms are generally 14 to 30 days from date of invoice. It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of receivables past due is included in note 9. The carrying amounts of the Group's trade receivables are denominated in the Australian Dollar, US Dollar and New Zealand Dollar. Since the Group trades only with recognised third parties, there is no requirement for collateral.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with counterparties rated above AA- by Standard and Poor's and within credit limits assigned to each counterparty, unless appropriate approval provided. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when we provide a guarantee to another party. Details of contingent liabilities are disclosed in note 30. There are no significant concentrations of credit risk within the Group.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair values

The carrying amounts and estimated fair values of all the group's financial instruments recognised in the financial statements are as follows:

		CARRYING AMOUNT		FAIR VALUE	
		2008	2007	**2008**	2007
CONSOLIDATED	NOTE	**$m**	$m	**$m**	$m
Financial assets					
Cash	8	**725**	219	**725**	219
Trade receivables	9	**1,476**	1,010	**1,476**	1,010
Amounts due from reinsurers on paid claims	9	**21**	11	**21**	11
Finance advances and loans	9	**134**	87	**134**	87
Receivables from associates	9	**9**	5	**9**	5
Other debtors	9	**235**	143	**235**	143
Investments backing insurance contracts					
Bank bills	11	**620**	463	**620**	463
Term deposits	11	**250**	316	**250**	316
Shares and units	11	**-**	36	**-**	36
Other	11	**1**	1	**1**	1
Available-for-sale investments	13	**36**	2,064	**36**	2,064
Loans to associates	15	**27**	25	**27**	25
Forward currency contracts	29	**228**	159	**228**	159
Interest rate swaps	29	**59**	4	**59**	4
Financial liabilities					
Trade payables	19	**3,966**	1,255	**3,966**	1,255
Other creditors and accruals	19	**25**	79	**25**	79
Interest bearing loans and borrowings:					
Secured bank loans	20	**3**	45	**3**	45
Syndicated bank loans	20	**5,867**	-	**5,867**	-
Unsecured bank loans	20	**1,038**	3,506	**1,038**	3,506
Commercial paper	20	**190**	176	**190**	176
Bank bills	20	**1,107**	778	**1,107**	778
Bank overdraft	20	**87**	3	**87**	3
Corporate bonds	20	**1,222**	607	**1,288**	606
Other loans	20	**3**	8	**3**	8
Coal rebate payable	23	**220**	88	**220**	88
Forward currency contracts	29	**45**	7	**45**	7
Interest rate swaps	29	**38**	6	**38**	6
Cross currency interest rate swaps	29	**59**	-	**59**	-

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair values (continued)

The carrying amounts and estimated fair values of all the group's financial instruments recognised in the financial statements are as follows:

		CARRYING AMOUNT		FAIR VALUE	
		2008	2007	**2008**	2007
PARENT	NOTE	**$m**	$m	**$m**	$m
Financial assets					
Cash	8	**131**	17	**131**	17
Trade receivables	9	**10**	9	**10**	9
Other debtors	9	**53**	18	**53**	18
Receivables from subsidiaries	9	**25,635**	4,939	**25,635**	4,939
Forward currency contracts - external	29	**228**	159	**228**	159
Forward currency contracts - internal back-to-back	29	**35**	7	**35**	7
Interest rate swaps - external	29	**59**	4	**59**	4
Interest rate swaps - internal back-to-back	29	**8**	-	**8**	-
Financial liabilities					
Trade payables	19	**136**	27	**136**	27
Loans from subsidiaries	19	**1**	14	**1**	14
Interest bearing loans and borrowings:					
Syndicated bank loans	20	**5,867**	-	**5,867**	-
Unsecured bank loans	20	**820**	3,305	**820**	3,305
Commercial paper	20	**160**	154	**160**	154
Bank bills	20	**1,107**	778	**1,107**	778
Corporate bonds	20	**868**	606	**933**	606
Bank overdraft	20	**87**	-	**87**	-
Forward currency contracts - external	29	**35**	7	**35**	7
Forward currency contracts - internal back-to-back	29	**228**	159	**228**	159
Interest rate swaps - external	29	**8**	-	**8**	-
Cross currency interest rate swaps	29	**59**	-	**59**	-

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

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

Receivables/payables

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

Other financial assets/liabilities

Market values have been used to determine the fair value of listed available-for-sale investments. The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. 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.

29 HEDGING ACTIVITIES

Foreign exchange contracts

The terms of the forward currency contracts have been negotiated to match the terms of the underlying hedged items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in the foreign exchange rates.

INSTRUMENT	NOTIONAL AMOUNT	RATE	EXPIRY	HEDGE TYPE	CONSOLIDATED FAIR VALUE 2008 $m	2007 $m
Foreign exchange forwards	2008: US$1,862.5 million (2007: US$1,103.6 million)	AUD/USD = 0.8170 (2007: AUD/USD = 0.7375)	July 2008 to January 2013	Cash flow hedge - Forward sales contracts relating mainly to USD coal sales and have maturities out to January 2013.	**228**	159
	2008: US$738.4 million (2007: US$116.3 million)	AUD/USD = 0.9101 (2007: AUD/USD = 0.8184)	July 2008 to May 2009	Cash flow hedges - Forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to May 2009.	**(45)**	(5)
	2008: EUR 11.0 million (2007: EUR 21.9 million)	AUD/EUR = 0.5946 (2007: AUD/EUR = 0.5858)	July 2008 to March 2009		**-**	(2)
	2008: HK$13.0 million (2007: nil)	HKD/AUD = 6.4395 (2007: HKD/AUD = N/A)	July 2008		**-**	-
	2008: NZ$13.7 million (2007: NZ$1.1 million)	NZD/USD = 0.7599 (2007: AUD/NZD = 0.7271)	July 2008 to October 2008		**-**	-
					183	152

29 HEDGING ACTIVITIES (CONTINUED)

Interest rate swap contracts

INSTRUMENT	NOTIONAL AMOUNT	RATE	EXPIRY	HEDGE TYPE	CONSOLIDATED FAIR VALUE 2008 $m	2007 $m
Interest rate swaps	AUD 2008 $5,380 million (2007: $535.0 million)	Receive BBSW or BBSY floating Pay 7.4% fixed (2007: 6.2%)	February 2009 to July 2013	Cash flow hedge - to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to floating rate bank bill, bank loans or commercial paper debt.	59	4
	NZD 2008 NZ$70 million (2007: NZ$30 million)	Receive BKBM floating Pay 8.1% fixed (2007: 7.3%)	July 2008 to October 2009	Cash flow hedge – to hedge exposures to variability in NZD cash flows attributable to movements in the benchmark reference rate (BKBM) in relation to floating rate term loan debt.	-	-
	AUD 2008 $400 million (2007: A$150 million)	Receive 6.0% fixed (2007: 6.2%) Pay BBSW plus 0.52% floating	July 2012	Fair value hedge - to swap the 2012 $400 million bond from a fixed rate to floating rate exposure	(30)	-
	AUD 2008 $209 million (2007: $166 million)	Receive 6.3% fixed (2007: 5.7%) Pay BBSW floating	July 2011 to June 2021	Other hedge - to hedge the exposure to changes in the fair value of the outstanding insurance claims (a recognised liability) attributable to changes in fixed interest rates.	(8)	(6)
					21	(2)

Cross currency interest rate swap contracts

INSTRUMENT	NOTIONAL AMOUNT	RATE	EXPIRY	HEDGE TYPE	CONSOLIDATED FAIR VALUE 2008 $m	2007 $m
Fixed for floating cross currency interest rate swap	USD 2008: US$650 million (2007: Nil)	Receive 6.998% fixed (2007: Nil) Pay BBSW plus 3.979% floating	April 2013	Cash flow hedge - to hedge the exposure to variability in net cash flows equal to the margin or portion of the interest coupon above the benchmark USD LIBOR and AUD BBSW currency interest rate curves due to changes in forward foreign exchange rates for the term of the hedged bond.	(10)	-
				Fair value hedge - to hedge the exposure to variability in the changes in the fair value of the remaining portion of coupon cash flows due to changes in spot foreign exchange rates as well as currency interest rates. Spot foreign exchange and currency interest rate risks are designated as separate market risks. The designated hedged cash flows are the benchmark interest rate component (USD LIBOR) of the coupon of the hedged item as well as the principal amount.	(49)	-
					(59)	-
Total derivatives					145	150

29 HEDGING ACTIVITIES (CONTINUED)

	CONSOLIDATED 2008	CONSOLIDATED 2007
Total derivatives comprise of:		
Current assets	**138**	90
Non current assets	**149**	73
Current assets	**(53)**	(13)
Non current liabilities	**(89)**	-
Total derivatives	**145**	150

30 COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on office, retail and distribution properties, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings the lease terms range from one year to 25 years and have various renewal or purchase options, esclation clauses, termination rights and residual liability clauses.

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Future minimum rental payable under non-cancellable operating leases not included within this financial report were as follows:				
Within one year	**1,351**	236	**4**	2
Greater than one year but not more than five years	**4,528**	603	**4**	4
More than five years	**5,037**	437	**-**	-
	10,916	1,276	**8**	6
Operating lease commitments - Group as lessor				
Contracted non-cancellable future minimum lease payments expected to be received in relation to non-cancellable sub-leases not included in this financial report were as follows:				
Within one year	**8**	-	**-**	-
Greater than one year but not more than five years	**21**	-	**-**	-
More than five years	**14**	-	**-**	-
	43	-	**-**	-
Capital commitments				
Commitments arising from contracts for capital expenditure contracted for at balance date but not provided for:				
Within one year	**306**	129	**3**	-
Greater than one year but not more than five years	**-**	-	**-**	-
Commitments arising from agreements to invest in Gresham Private Equity Funds contracted for at balance date but not provided for:				
Due within one year	**121**	45	**-**	-
Within one year but not more than five years	**-**	32	**-**	-
Other expenditure commitments				
Contracted other expenditure commitments not provided for in this financial report, were as follows:				
Within one year	**11**	-	**-**	-
Greater than one year but not more than five years	**21**	-	**-**	-
More than five years	**13**	-	**-**	-
	45	-	**-**	-

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
30 COMMITMENTS AND CONTINGENCIES (CONTINUED)				
Commitments relating to jointly controlled assets				
At 30 June 2008, the Group's share of the Bengalla joint venture commitments were $6 million (2007: $8 million) principally relating to the acquisition of plant and equipment all payable within the year. The Group's share of the Kwinana Sodium Cyanide joint venture capital commitments were $0 million (2007: $1 million) relating to the acquisiton of plant and equipment all payable within the year.				
Share of capital commitments of the joint venture operation:				
Due within one year	**6**	9	**-**	-
Contingencies				
Contingent liabilities at balance date, not otherwise provided for in this Financial Report, were as follows:				
Trading guarantees	**816**	120	**193**	117

Wesfarmers group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is the expectation of the Directors that these guarantees will not be called on.

On acquisition of the Coles group, Wesfarmers assumed the guarantees entered into by the Coles group relating to the sale of its Myer business in June 2006, whereby Coles group had guaranteed the performance of certain leases by Myer Ltd. The guarantees amount to $147 million and expire within three years. The fair value of these guarantees is not considered to be material and a separate liability has not been recognised.

Other

Certain companies within the Wesfarmers group are party to various legal actions that have arisen in the normal course of buiness. It is the opinion of the Directors that any liabilities arising from such legal action would not have a material adverse effect on the Wesfarmers group.

Tax consolidation review

The Australian Taxation Office concluded its review of the Group's implementation of the taxation consolidation rules in relation to the generation of capital losses relating to the 2001 restructure of the Group. The outcome of the review did not have a material impact on the result for the period.

31 EVENTS AFTER THE BALANCE SHEET DATE

Dividend

A fully franked dividend of 135 cents per share resulting in a dividend payment of $1,079 million was declared for payment on 6 October 2008. The dividend has not been provided for in the 30 June 2008 full year financial statements.

32 INTEREST IN JOINTLY CONTROLLED ASSETS AND ENTITIES

The Group has the following interests in joint ventures in Australia:

JOINT VENTURE	PRINCIPAL ACTIVITY	CONSOLIDATED 2008 %	CONSOLIDATED 2007 %
Sodium Cyanide JV	Sodium cyanide manufacture	**75**	75
Bengalla JV	Coal mining	**40**	40
Kwinana Industrial Gases JV	Nitrogen manufacture	**40**	40
HAL Property Trust	Property ownership	**50**	-
FlyBuys Partnership	Loyalty programme	**50**	-

The share of the assets, revenue and expenses of the jointly controlled assets, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Current assets				
Cash and cash equivalents	**6**	4	**-**	-
Inventories	**7**	8	**-**	-
Other	**3**	3	**-**	-
Total current assets	**16**	15	**-**	-
Non-current assets				
Property, plant and equipment	**247**	228	**-**	-
Total non-current assets	**247**	228	**-**	-
Total assets	**263**	243	**-**	-
Revenue	**253**	214	**-**	-
Costs of sales	**(161)**	(157)	**-**	-
Administrative expenses	**(6)**	(6)	**-**	-
Profit before income tax	**86**	51	**-**	-
Income tax expense	**(26)**	(15)	**-**	-
Net profit	**60**	36	**-**	-

Refer to note 30 for detail on capital commitments. There were no impairment losses in the jointly controlled assets.

33 SUBSIDIARIES

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST	
			2008 %	2007 %
AALARA Risk Management Pty Ltd	Australia	AUD	**50**	50
Aben Pty Ltd	Australia	AUD	**100**	100
A.C.N. 003 921 873 Pty Limited	Australia	AUD	**100**	100
A.C.N. 082 931 486 Pty Ltd	Australia	AUD	**100**	100
A.C.N. 112 719 918 Pty Ltd	Australia	AUD	**100**	100
All Transport Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
ALW Newco Pty Limited @	Australia	AUD	**100**	-
Andearp Pty Ltd @	Australia	AUD	**100**	-
Arana Hills Properties Pty Limited @	Australia	AUD	**100**	-
Australian Gold Reagents Pty Ltd	Australia	AUD	**75**	75
Australian Graphics Pty Ltd @	Australia	AUD	**100**	-
Australian Grocery Holdings Pty Ltd @	Australia	AUD	**100**	-
Australian International Insurance Limited +	Australia	AUD	**100**	100
Australian Liquor Group Ltd @ +	Australia	AUD	**100**	-
Australian Taxi Insurance Underwriting Agency Pty Ltd	Australia	AUD	**100**	100
Australian Underwriting Holdings Limited +	Australia	AUD	**100**	100
Australian Underwriting Services Pty Ltd	Australia	AUD	**100**	100
Australian Vinyls Corporation Pty Ltd @ +	Australia	AUD	**100**	-
AVC Holdings Pty Ltd @ +	Australia	AUD	**100**	-
AVC Trading Pty Ltd @ +	Australia	AUD	**100**	-
Bakop Pty Ltd	Australia	AUD	**100**	100
Barrier Investments Pty Ltd @	Australia	AUD	**100**	-
BBC Hardware Limited +	Australia	AUD	**100**	100
BBC Hardware Properties (NSW) Pty Ltd	Australia	AUD	**100**	100
BBC Hardware Properties (Vic) Pty Ltd	Australia	AUD	**100**	100
Bi-Lo Pty Limited @ +	Australia	AUD	**100**	-
Boylan & James Limited #	United Kingdom	GBP	**100**	100
Brian Pty Ltd @	Australia	AUD	**100**	-
Bullivants Lifting and Industrial Products Pty Limited	Australia	AUD	**100**	100
Bullivants Pty Limited +	Australia	AUD	**100**	100
Bunnings (Northern Territory) Pty Ltd	Australia	AUD	**100**	100
Bunnings Group Limited +	Australia	AUD	**100**	100
Bunnings Limited #	New Zealand	NZD	**100**	100
Bunnings Management Services Pty Ltd	Australia	AUD	**100**	100
Bunnings Manufacturing Pty Ltd	Australia	AUD	**100**	100
Bunnings Properties Pty Ltd	Australia	AUD	**100**	100
Bunnings Property Management Limited <	Australia	AUD	**100**	100
Bunnings Pulp Mill Pty Ltd	Australia	AUD	**100**	100
Byrne Watkinson Kaye Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
C S Holdings Pty Limited +	Australia	AUD	**100**	100
Campbells Hardware & Timber Pty Limited	Australia	AUD	**100**	100
Car Rental Risk Management Services Pty Ltd	Australia	AUD	**100**	100
CGNZ Finance Limited @	New Zealand	NZD	**100**	-
Charlie Carter (Norwest) Pty Ltd @	Australia	AUD	**100**	100
Chemical Holdings Kwinana Pty Ltd +	Australia	AUD	**100**	100
Clarkson Shopping Centre Pty Ltd @	Australia	AUD	**100**	-
CMFL Services Ltd @ +	Australia	AUD	**100**	-

33 SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST 2008 %	BENEFICIAL INTEREST 2007 %
CMNZ Investments Pty Ltd @	Australia	AUD	**100**	-
CMPQ (CML) Pty Ltd @	Australia	AUD	**100**	-
CMPQ (PEN) Pty Ltd @	Australia	AUD	**100**	-
CMTI Pty Ltd @	Australia	AUD	**100**	-
Co-operative Wholesale Services Ltd	Australia	AUD	**100**	100
Coles Ansett Travel Pty Ltd @	Australia	AUD	**97.5**	-
Coles Finance Company	United States	USD	**100**	-
Coles Group Asia Pty Ltd @ +	Australia	AUD	**100**	-
Coles Group Deposit Services Pty Ltd @	Australia	AUD	**100**	-
Coles Group Employee Share Plan Ltd @	Australia	AUD	**100**	-
Coles Group Finance Limited @	Australia	AUD	**100**	-
Coles Group Finance (USA) Pty Ltd @	Australia	AUD	**100**	-
Coles Group International Pty Ltd @ +	Australia	AUD	**100**	-
Coles Group Limited @ +	Australia	AUD	**100**	-
Coles Group New Zealand Holdings Limited @	New Zealand	NZD	**100**	-
Coles Group Properties Holdings Ltd @ +	Australia	AUD	**100**	-
Coles Group Properties Pty Ltd @	Australia	AUD	**100**	-
Coles Group Property Developments Ltd @ +	Australia	AUD	**100**	-
Coles Group Supply Chain Pty Ltd @ +	Australia	AUD	**100**	-
Coles LD Australia Ltd (formerly Liquorland Direct Pty Ltd) @	Australia	AUD	**100**	-
Coles Melbourne Ltd @ +	Australia	AUD	**100**	-
Coles Online Pty Ltd @	Australia	AUD	**100**	-
Coles Properties WA Ltd @ +	Australia	AUD	**100**	-
Coles Retail Group Pty Ltd @	Australia	AUD	**100**	-
Coles Stores (New Zealand) Limited @	New Zealand	NZD	**100**	-
Coles Supercentres Pty Ltd @	Australia	AUD	**100**	-
Coles Supermarkets Australia Pty Ltd @ +	Australia	AUD	**100**	-
Comnet Pty Ltd @	Australia	AUD	**100**	-
Comprehensive Holiday Insurance (Underwriting Agents) Pty Ltd	Australia	AUD	**100**	100
Connect Liability Solutions Pty Ltd	Australia	AUD	**-**	51
ConsortiumCo Pty Ltd	Australia	AUD	**100**	100
Coregas Pty Ltd +	Australia	AUD	**100**	100
Credit Management Pty Ltd	Australia	AUD	**100**	100
Crombie Lockwood (NZ) Limited #	New Zealand	NZD	**100**	100
CSBP Ammonia Terminal Pty Ltd	Australia	AUD	**100**	100
CSBP Limited +	Australia	AUD	**100**	100
Cuming Smith and Company Limited +	Australia	AUD	**100**	100
Curragh Coal Sales Co Pty Ltd	Australia	AUD	**100**	100
Curragh Queensland Mining Pty Ltd	Australia	AUD	**100**	100
Dairy Properties Co-operative Limited	Australia	AUD	**100**	100
Dennison & Associates Pty Ltd	Australia	AUD	**100**	100
Direct Fulfilment Group Pty Ltd @	Australia	AUD	**100**	-
e.colesgroup Pty Ltd @ +	Australia	AUD	**100**	-
e.tailing (Coles Group) Pty Ltd @	Australia	AUD	**100**	-
Eastfarmers Pty Ltd	Australia	AUD	**100**	100
Edward Lumley & Sons (Vic) Proprietary Limited	Australia	AUD	**100**	100
ELH Services Limited #	United Kingdom	GBP	**100**	100

33 SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST 2008 %	BENEFICIAL INTEREST 2007 %
ELOL Limited #	United Kingdom	GBP	**100**	100
Energy Generation Pty Ltd +	Australia	AUD	**100**	100
Eskdale Holdings Pty Ltd	Australia	AUD	**100**	100
Eureka Operations Pty Ltd @	Australia	AUD	**100**	-
FIF Investments Pty Limited	Australia	AUD	**100**	100
Financial Network Card Services Pty Ltd @	Australia	AUD	**100**	-
Fitzgibbons Hotel Pty Ltd @	Australia	AUD	**100**	-
Fitzinn Pty Ltd @	Australia	AUD	**100**	-
Fosseys (Australia) Pty Ltd @ +	Australia	AUD	**100**	-
FPT (Australia) Pty Limited	Australia	AUD	**100**	100
Fulthom Pty Limited @	Australia	AUD	**100**	-
G J Coles & Coy Pty Limited @	Australia	AUD	**100**	-
Gault Armstrong Kemble Pty Ltd	Australia	AUD	**100**	100
Gault Armstrong SARL	New Caledonia	XPF	**100**	100
GBPL Pty Ltd @	Australia	AUD	**100**	-
General Merchandise & Apparel Group Pty Ltd @	Australia	AUD	**100**	-
GPML Pty Ltd	Australia	AUD	**100**	100
Grocery Holdings Pty Ltd @ +	Australia	AUD	**100**	-
Guidel Pty Ltd @	Australia	AUD	**100**	-
Hadrill Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Harris Technology (NZ) Pty Ltd @	Australia	AUD	**100**	-
Harris Technology Pty Ltd @ +	Australia	AUD	**100**	-
Hedz No 2 Pty Ltd @	Australia	AUD	**100**	-
Hedz No 3 Pty Ltd @	Australia	AUD	**100**	-
Hedz No 4 Pty Ltd @	Australia	AUD	**100**	-
Hedz No 5 Pty Ltd @	Australia	AUD	**100**	-
Hedz No 6 Pty Ltd @	Australia	AUD	**100**	-
Hedz No 7 Pty Ltd @	Australia	AUD	**100**	-
Hotel Wickham Investments Pty Ltd @	Australia	AUD	**100**	-
HouseWorks Co Pty Ltd +	Australia	AUD	**100**	100
Howard Smith Limited +	Australia	AUD	**100**	100
Howard Smith Nominees Pty Limited	Australia	AUD	**100**	100
HT (Colesgroup) Pty Ltd @	Australia	AUD	**100**	-
Ibert Pty Limited	Australia	AUD	**100**	100
Idobent Pty Ltd	Australia	AUD	**100**	100
J Blackwood & Son Limited +	Australia	AUD	**100**	100
J Blackwood & Son Steel & Metals Pty Ltd	Australia	AUD	**100**	100
K Mart Australia Ltd @ +	Australia	AUD	**100**	-
Katies Fashions (Aust) Pty Limited @ +	Australia	AUD	**100**	-
Keith Johnson & Company Limited @ #	United Kingdom	GBP	**100**	-
Kleenheat Gas House Franchising Pty Ltd	Australia	AUD	**100**	100
Knox Liquor Australia Pty Ltd @	Australia	AUD	**100**	-
Koukia Pty Limited	Australia	AUD	**-**	91
Kwinana Nitrogen Company Proprietary Limited	Australia	AUD	**100**	100
Lawvale Pty Ltd +	Australia	AUD	**100**	100
LHG Pty Ltd @ +	Australia	AUD	**100**	-
LHG2 Pty Ltd @ +	Australia	AUD	**100**	-

33 SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST	
			2008	2007
			%	%
LHG3 Pty Ltd @	Australia	AUD	**100**	-
Liftco Pty Limited +	Australia	AUD	**100**	100
Liquorland (Australia) Pty Ltd @ +	Australia	AUD	**100**	-
Liquorland (Qld) Pty Ltd @ +	Australia	AUD	**100**	-
Loadsafe Systems Pty Ltd	Australia	AUD	**100**	100
Loggia Pty Ltd +	Australia	AUD	**100**	100
Lumley Corporation Pty Limited	Australia	AUD	**100**	100
Lumley Finance (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Finance Limited	Australia	AUD	**100**	100
Lumley General Insurance (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley General Insurance Limited	Australia	AUD	**100**	100
Lumley Insurance Group Limited	Australia	AUD	**100**	100
Lumley Investments (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Life (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Management Services Pty Limited	Australia	AUD	**100**	100
Lumley Risk Consultants Ltd	Australia	AUD	**100**	100
Lumley Securities Limited	Australia	AUD	**100**	100
Lumley Services (NZ) Limited #	New Zealand	NZD	**100**	100
Lumley Superannuation Pty Limited	Australia	AUD	**100**	100
Lumley Technology (India) Pte Limited	India	INR	**-**	100
Lumley Technology Limited	Australia	AUD	**100**	100
Manacol Pty Limited @ +	Australia	AUD	**100**	-
Mandate Management Consultants Pty Ltd	Australia	AUD	**100**	100
Mawhinney Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Meredith Distribution (NSW) Pty Ltd @	Australia	AUD	**100**	-
Meredith Distribution Pty Ltd @	Australia	AUD	**100**	-
MIB Insurance Brokers Pty Ltd @	Australia	AUD	**100**	-
Millars (WA) Pty Ltd	Australia	AUD	**100**	100
Modwood Technologies Pty Ltd @	Australia	AUD	**100**	-
Monument Finance Limited #	New Zealand	NZD	**100**	100
Monument Insurance (NZ) Limited #	New Zealand	NZD	**100**	100
Morley Shopping Centre Pty Limited @	Australia	AUD	**100**	-
Motion Industries Pty Ltd	Australia	AUD	**100**	100
Multimedia Services Pty Ltd @	Australia	AUD	**100**	-
Mycar Automotive Pty Ltd @	Australia	AUD	**100**	-
NEGF Power Management Pty Ltd	Australia	AUD	**100**	100
NEGF Power Sales Pty Ltd	Australia	AUD	**100**	100
Newmart Pty Ltd @ +	Australia	AUD	**100**	-
now.com.au Pty Ltd @ +	Australia	AUD	**100**	-
NZ Finance Holdings Pty Limited #	New Zealand	NZD	**100**	100
OAMPS (HK) Limited	Hong Kong	HKD	**100**	100
OAMPS (UK) Limited #	United Kingdom	GBP	**100**	100
OAMPS (UK) Underwriting Services Limited #	United Kingdom	GBP	**100**	100
OAMPS Agency Pty Ltd (formerly Car Rental Insurance Pty Ltd)	Australia	AUD	**100**	100
OAMPS Consulting Pty Ltd (formerly Chambers Gallop McMahon Pty Ltd)	Australia	AUD	**100**	100
OAMPS Corporate Risk Pty Ltd	Australia	AUD	**100**	100
OAMPS Credit Limited	Australia	AUD	**51**	51

33 SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST	
			2008 %	2007 %
OAMPS Financial Management Ltd	Australia	AUD	**100**	100
OAMPS Gault Armstrong Pty Ltd (formerly Gault Armstrong Pty Ltd)	Australia	AUD	**100**	100
OAMPS Insurance Brokers (NZ) Limited	New Zealand	NZD	**100**	100
OAMPS Insurance Brokers Ltd +	Australia	AUD	**100**	100
OAMPS Ltd +	Australia	AUD	**100**	100
OAMPS Special Risks Ltd #	United Kingdom	GBP	**100**	100
OAMPS Superannuation Ltd	Australia	AUD	**100**	100
OAMPS Superannuation Management Pty Ltd (formerly Broking Insurance Group Pty Ltd)	Australia	AUD	**100**	100
Officeworks Businessdirect Pty Ltd @	Australia	AUD	**100**	-
Officeworks Superstores NZ Limited @	New Zealand	NZD	**100**	-
Officeworks Superstores Pty Ltd @ +	Australia	AUD	**100**	-
Offshore Market Placements Limited #	New Zealand	NZD	**100**	100
Oil & Hazardous Environmental Services Limited #	United Kingdom	GBP	**100**	100
OMP Insurance Brokers Ltd	Australia	AUD	**100**	100
ORZO Pty Limited @	Australia	AUD	**100**	-
Osmond Hotel Pty Ltd @	Australia	AUD	**100**	-
Outfront Liquor Services Pty Ltd @	Australia	AUD	**100**	-
Pacific Liquor Wholesalers Pty Ltd @	Australia	AUD	**100**	-
Packaging House Limited #	New Zealand	NZD	**100**	100
Pailou Pty Ltd +	Australia	AUD	**-**	100
Parks Insurance Pty Ltd	Australia	AUD	**100**	100
Patrick Operations Pty Ltd	Australia	AUD	**100**	100
Penneys Pty Limited @	Australia	AUD	**100**	-
Petersen Bros Pty Ltd	Australia	AUD	**100**	100
Pharmacy Direct Pty Limited @	Australia	AUD	**100**	-
Philip Murphy Melbourne Pty Ltd @	Australia	AUD	**100**	-
Philip Murphy Niddrie Pty Ltd @	Australia	AUD	**100**	-
Philip Murphy Toorak Pty Ltd @	Australia	AUD	**100**	-
Philip Murphy Wine & Spirits Pty Ltd @	Australia	AUD	**100**	-
Powertrain Pty Limited	Australia	AUD	**100**	100
Premier Power Sales Pty Ltd	Australia	AUD	**100**	100
Price Point Pty Ltd @	Australia	AUD	**100**	-
Procurement Online Pty Ltd @	Australia	AUD	**100**	-
Protector Alsafe Pty Ltd +	Australia	AUD	**100**	100
Q.R.L. Insurance Finance Agency Pty Ltd	Australia	AUD	**50**	50
R & N Palmer Pty Ltd	Australia	AUD	**100**	100
Retail Australia Consortium Pty Ltd	Australia	AUD	**50**	50
Retail Investments Pty Ltd @	Australia	AUD	**100**	-
Ronell Pty Ltd	Australia	AUD	**100**	100
Roval Lifting and Industrial Products Pty Limited	Australia	AUD	**100**	100
Sanco Insurance Pte Ltd @	Singapore	AUD	**100**	-
SBS Rural IAMA Pty Limited	Australia	AUD	**100**	100
Sellers (SA) Pty Ltd	Australia	AUD	**100**	100
Share Nominees Limited	Australia	AUD	**100**	100
Sorcha Pty Ltd @	Australia	AUD	**100**	-
Sotico Pty Ltd	Australia	AUD	**100**	100

Notes to the financial statements

for the year ended 30 June 2008 – Wesfarmers Limited and its controlled entities

33 SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST	
			2008	2007
			%	%
Sportsure Pty Ltd	Australia	AUD	**50**	50
StateWest Power Pty Ltd	Australia	AUD	**100**	100
Sydney Drug Stores Proprietary Limited @	Australia	AUD	**100**	-
Target Australia Pty Ltd @ +	Australia	AUD	**100**	-
The Builders Warehouse Group Pty Limited	Australia	AUD	**100**	100
The Franked Income Fund	Australia	AUD	**100**	100
The Grape Management Pty Ltd @ +	Australia	AUD	**100**	-
Theo's Liquor Pty Ltd @	Australia	AUD	**100**	-
Tickoth Pty Ltd @	Australia	AUD	**100**	-
Tooronga Holdings Pty Ltd @	Australia	AUD	**100**	-
Tooronga Shopping Centre Pty Ltd @	Australia	AUD	**100**	-
Torque Underwriting Pty Ltd	Australia	AUD	**100**	100
TotalGuard Pty Limited	Australia	AUD	**100**	100
Tyremaster (Wholesale) Pty Ltd @	Australia	AUD	**100**	-
Tyremaster Pty Ltd @ +	Australia	AUD	**100**	-
Ucone Pty Ltd +	Australia	AUD	**100**	100
Unigas Transport Fuels Pty Ltd (formerly Kleenheat Autogas Pty Ltd)	Australia	AUD	**-**	100
Universal Underwriting Agencies Pty Limited	Australia	AUD	**-**	100
Universal Underwriting Services Pty Limited	Australia	AUD	**100**	100
Valley Investments Pty Ltd +	Australia	AUD	**100**	100
Vigil Underwriting Agencies Pty Ltd	Australia	AUD	**100**	100
Viking Direct Pty Limited @	Australia	AUD	**100**	-
W F Broking (UK) Limited @	United Kingdom	GBP	**100**	-
W4K.World 4 Kids Pty Ltd @	Australia	AUD	**100**	-
Wesfarmers Agribusiness Limited +	Australia	AUD	**100**	100
Wesfarmers Bangladesh Gas Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Bengalla Limited +	Australia	AUD	**100**	100
Wesfarmers Bioenergy Pty Ltd @	Australia	AUD	**100**	-
Wesfarmers Broking (NZ) Limited #	New Zealand	NZD	**100**	100
Wesfarmers Bunnings Limited +	Australia	AUD	**100**	100
Wesfarmers Char Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Coal Resources Pty Ltd (formerly Wesfarmers Resources Pty Ltd) +	Australia	AUD	**100**	100
Wesfarmers Curragh Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Energy (Gas Sales) Limited +	Australia	AUD	**100**	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Energy Limited +	Australia	AUD	**100**	100
Wesfarmers Federation Insurance Limited	Australia	AUD	**100**	100
Wesfarmers Fertilizers Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Finance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Gas Limited +	Australia	AUD	**100**	100
Wesfarmers Holdings Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Industrial & Safety Holdings NZ Limited #	New Zealand	NZD	**100**	100
Wesfarmers Industrial & Safety NZ Limited #	New Zealand	NZD	**100**	100
Wesfarmers Industrial & Safety Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Insurance Investments Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Insurance Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Investments Pty Ltd	Australia	AUD	**100**	100

33 SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	BENEFICIAL INTEREST 2008 %	BENEFICIAL INTEREST 2007 %
Wesfarmers Kleenheat Elpiji Limited <	Bangladesh	BDT	**58**	58
Wesfarmers Kleenheat Gas Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers LNG Pty Ltd	Australia	AUD	**100**	100
Wesfarmers LPG Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Premier Coal Limited +	Australia	AUD	**100**	100
Wesfarmers Private Equity Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Provident Fund Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Railroad Holdings Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Resources Limited (formerly Wesfarmers Coal Limited) +	Australia	AUD	**100**	100
Wesfarmers Retail Holdings Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Retail Pty Ltd +	Australia	AUD	**100**	100
Wesfarmers Risk Management Limited #	Bermuda	AUD	**100**	100
Wesfarmers Securities Management Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Sugar Company Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Superannuation Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Transport Indonesia Pty Ltd	Australia	AUD	**100**	100
Wesfarmers Transport Limited +	Australia	AUD	**100**	100
Weskem Pty Ltd	Australia	AUD	**100**	100
West Africa Power Company Pty Ltd	Australia	AUD	**100**	100
Westralian Farmers Co-operative Limited	Australia	AUD	**100**	100
Westralian Farmers Superphosphates Limited +	Australia	AUD	**100**	100
WFCL Investments Pty Ltd	Australia	AUD	**100**	100
Wideland Insurance Brokers Pty Ltd	Australia	AUD	**100**	100
Wideland Life Insurance Agency Pty Ltd	Australia	AUD	**100**	100
WIS Solutions Pty Ltd @	Australia	AUD	**100**	-
Workplace Risk Solutions Limited @ #	New Zealand	NZD	**100**	-
WPP Holdings Pty Ltd	Australia	AUD	**50**	50
Wyper Brothers Pty Limited	Australia	AUD	**100**	100
XCC (Retail) Pty Ltd	Australia	AUD	**100**	100
ZIB Credit Trust	Australia	AUD	**51**	51
ZIB Group Holdings Company Limited +	Australia	AUD	**100**	100
ZIB Holdings Pty Limited +	Australia	AUD	**100**	100
ZIB Insurance Brokers Holding Limited +	Australia	AUD	**100**	100
ZIB Insurance Trust	Australia	AUD	**100**	100

@ Entity acquired/incorporated during the year.

Audited by firms of Ernst & Young International.

< Audited by other firms of accountants.

+ An ASIC approved deed of cross guarantee has been entered into by Wesfarmers Limited and these entities. Refer note 34 for further details.

Wesfarmers Limited, incorporated in Australia, is the ultimate Australian parent entity and the ultimate parent of the Group.

34 DEEDS OF CROSS GUARANTEE

Pursuant to the Wesfarmers Deed of Cross Guarantee and in accordance with ASIC Class Order 98/1418, the subsidiaries identified with a "+" in note 33 (with the exception of C S Holdings Pty Ltd, Katies Fashions (Aust) Pty Limited, Loggia Pty Ltd, Pailou Pty Ltd and ZIB Holdings Pty Ltd, which are small proprietary companies, and OAMPS Insurance Brokers Ltd) are relieved from the requirements of the *Corporations Act 2001* relating to the preparation, audit and lodgment of their financial reports.

The subsidiaries identified with a "+" in note 33 and Wesfarmers Limited ("Closed Group") entered into a new Deed of Cross Guarantee on 27 June 2008 ("New Deed"). The effect of the New Deed is that each of the parties to the New Deed has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

On 27 June 2008 Revocation Deeds in respect of the Previous Deed were executed and lodged with ASIC. All of the companies that were parties to the Previous Deed will be released from their obligations under the Previous Deed provided that none of the parties to the Previous Deed is wound up and no winding up of any of those parties is commenced within six (6) months after the Revocation Deeds were lodged with ASIC.

The parties to the previous Deed of Cross Guarantee dated 27 June, 2007 are:

BBC Hardware Limited

Bullivants Pty Limited

Bunnings Group Limited

C S Holdings Pty Limited

Chemical Holdings Kwinana Pty Ltd

Coregas Pty Ltd

CSBP Limited

Cuming Smith and Company Limited

Energy Generation Pty Ltd

HouseWorks Co Pty Ltd

Howard Smith Limited

J Blackwood & Son Limited

Lawvale Pty Ltd

Liftco Pty Ltd

Loggia Pty Ltd

Pailou Pty Ltd

Protector Alsafe Pty Ltd

Ucone Pty Ltd

Valley Investments Pty Ltd

Wesfarmers Agribusiness Limited

Wesfarmers Bengalla Limited

Wesfarmers Bunnings Limited

Wesfarmers Resources Limited

Wesfarmers Curragh Pty Ltd

Wesfarmers Energy (Gas Sales) Limited

Wesfarmers Energy Limited

Wesfarmers Fertilizers Pty Ltd

Wesfarmers Gas Limited

Wesfarmers Insurance Investments Pty Ltd

Wesfarmers Kleenheat Gas Pty Ltd

Wesfarmers LPG Pty Ltd

Wesfarmers Premier Coal Limited

Wesfarmers Resources Pty Ltd

Wesfarmers Retail Pty Ltd

Wesfarmers Transport Limited

Westralian Farmers Superphosphates Limited

34 DEEDS OF CROSS GUARANTEE (CONTINUED)

The consolidated income statement and balance sheet of the entities that are members of the Closed Group are as follows:

	NEW DEED 2008 $m	PREVIOUS DEED 2007 $m
Consolidated Income Statement		
Profit from continuing operations before income tax	**1,181**	990
Income tax expense	**(304)**	(254)
Net profit for the period	**877**	736
Retained earnings at beginning of year	**1,070**	1,002
Adjustment for companies transferred into/(out of) the Closed Group	**31**	220
Total available for appropriation	**1,978**	1,958
Dividends provided for or paid	**(1,052)**	(889)
Retained earnings at end of year	**926**	1,069
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**512**	62
Trade and other receivables	**1,051**	617
Inventories	**4,373**	1,106
Derivatives	**119**	90
Other	**79**	-
Total current assets	**6,134**	1,875
Non-current assets		
Receivables	**440**	65
Investments	**5,034**	3,824
Other financial assets	**1**	1
Investment in associates	**135**	105
Deferred tax assets	**345**	-
Property, plant and equipment	**6,196**	2,483
Intangible assets and goodwill	**20,206**	1,649
Derivatives	**149**	72
Other	**104**	-
Total non-current assets	**32,610**	8,199
TOTAL ASSETS	**38,744**	10,074
LIABILITIES		
Current liabilities		
Trade and other payables	**2,184**	1,042
Interest-bearing loans and borrowings	**1,003**	4,165
Income tax payable	**142**	96
Provisions	**803**	137
Derivatives	**48**	8
Insurance liabilities	**126**	15
Other	**248**	71
Total current liabilities	**4,554**	5,534
Non-current liabilities		
Payables	**5,821**	4
Interest-bearing loans and borrowings	**7,902**	759
Deferred tax liabilities	**-**	114
Provisions	**628**	162
Derivatives	**58**	-
Insurance liabilities	**211**	-
Other	**210**	33
Total non-current liabilities	**14,830**	1,072
TOTAL LIABILITIES	**19,384**	6,606
NET ASSETS	**19,360**	3,468
EQUITY		
Contributed equity	**18,173**	2,256
Employee reserved shares	**(76)**	(108)
Retained earnings	**926**	1,069
Reserves	**337**	251
TOTAL EQUITY	**19,360**	3,468

35 RELATED PARTY TRANSACTIONS

	CONSOLIDATED 2008 $m	CONSOLIDATED 2007 $m	PARENT 2008 $m	PARENT 2007 $m
Subsidiaries				
Dividends received	-	-	1,943	841
Insurance premiums received	-	-	22	12
Interest received	-	-	22	19
Operating lease rent received	-	-	-	1
Purchases of coal	-	-	69	74
Interest Paid	-	-	2	-
Loans receivable	-	-	25,635	4,948
Provisions for doubtful debts	-	-	-	(9)
Loans payable	-	-	1	14
Current tax payable	-	-	280	98
Foreign exchange hedge receivables	-	-	8	7
Foreign exchange hedge payables	-	-	91	158
Associates and Joint Venture Entities				
Management fees received	7	6	-	1
Profit on sale of rental properties	-	6	-	-
Operating lease rent paid	63	59	-	-
Nomination fees received	3	-	-	-
Financial advisory fees paid	55	5	55	5
Agreed reimbursement for completion of upgrades	6	-	-	-
Sale of gift cards at commercial terms	31	-	-	-
Payments for customer loyalty programmes	21	-	-	-
Loans receivable	27	25	-	-

Subsidiaries

Transactions by the parent entity within the wholly-owned group include investments in subsidiaries, and loans made and received with subsidiaries, which are generally on interest-free terms and repayable on demand. Some loans, however, carry a commercial rate of interest.

In addition the parent entity purchases coal from a subsidiary, rents office premises to another subsidiary, and incurs and recovers costs and charges in relation to various minor expenditure in the normal course of business and on normal terms and conditions. The parent entity also enters into back-to-back hedging contracts with subsidiaries and associates.

Associates and Joint Venture Entities

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd and Bunnings Warehouse Property Trust, to the consolidated entity on normal commercial terms and conditions for staff and other services provided to the associates.

Rent for retail warehouses has been paid by the consolidated entity to an associated entity, the Bunnings Warehouse Property Trust. During the year the Trust acquired rental properties from the consolidated entity and gains were made on disposal, a portion of which was eliminated in the consolidated accounts under equity accounting.

Financial advisory services in the amount of $55 million (2007: $5 million) have been provided by Gresham Partners Group Limited to the consolidated entity. This was largely for financial advisory services in relation to the acquisition of the Coles group during the period. The total of professional costs associated with the acquisition of the Coles group was $169 million.

The customer loyalty programme is operated by a joint venture. During the year the net cost of the programme was $21 million and the sale of gift cards on normal commercial terms and conditions were made to the programme for $31 million.

Loans have been made to two associated entities. Loans are subordinated to a syndicate of project financing banks and neither is repayable nor interest-bearing until a number of financial covenants have been achieved.

Other minor loans have also been made to associates.

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$000	$000	**$000**	$000
36 AUDITOR'S REMUNERATION				
The auditor of Wesfarmers Limited is Ernst & Young.				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated group	**7,319**	2,801	**892**	796
- other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	**515**	237	**478**	182
- application for government tax concessions	**-**	15	**-**	-
- corporate finance advice	**214**	166	**3**	151
- assurance related	**2,002**	194	**1,791**	-
- special audits required by regulators	**88**	121	**-**	-
- other	**195**	7	**-**	-
	10,333	3,541	**3,164**	1,129
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
- an audit or review of the financial report of subsidiaries	**570**	396	**7**	-
- other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	**137**	156	**113**	-
- other	**-**	39	**-**	-
	707	591	**120**	-
Amounts received or due and receivable by non Ernst & Young audit firms for:				
- an audit or review of the financial report of subsidiaries	**158**	162	**-**	-
	11,198	4,294	**3,284**	1,129

37 SHARE BASED PAYMENT PLANS

The Group operates three share based payment plans.

Wesfarmers Employee Share Plan ("WESP")

The WESP was approved by shareholders in April 1985, with the last issue under the plan being made in December 2004. Under the Plan all permanent employees over 18 years of age continuously employed by the Group for a minimum period of one year were invited annually to apply for a specified number of fully paid ordinary shares in the company, funded by a limited-recourse interest-free loan from the Group.

Under the Plan, shares were allotted at the weighted average price of Wesfarmers Limited shares posted on the Australian Securities Exchange one week up to and including the day of allotment. The shares are not subject to any specific vesting conditions.

The employee's obligation for repayment of the loans is limited to the dividends declared and capital returns by the company and in the event the employee ceases employment, the market price achieved on the sale of the shares held as security by the company for the loans.

The Plan is accounted for as an in-substance option plan, with the contractual life of each option equivalent to the estimated loan life and no maximum term. Repayment of the loan constitutes exercise of the option, with the exercise price being the remaining loan balance per share.

The following table sets out the number and weighted average exercise prices ("WAEP") of and movements in in-substance share options during the year:

	2008		2007	
	Number Thousands	**WAEP**	Number Thousands	WAEP
Outstanding and exercisable at the beginning of the year	**6,426**	**$17.30**	8,224	$19.39
Exercised during the year	**(1,156)**	**$20.72**	(1,798)	$17.88
Outstanding and exercisable at the end of the year	**5,270**	**$14.37**	6,426	$17.30
Weighted average share price for Wesfarmers Limited		**$39.49**		$36.59

	2008	2007
The average exercise prices (after reductions for dividends paid, returns of capital and voluntary payments) for in-substance options issued during the following years ended 30 June are:		
2000	**$3.36**	$4.73
2001	**$16.81**	$18.20
2002	**$14.90**	$16.29
2003	**$17.42**	$20.14
2004	**$30.51**	$32.07

37 SHARE BASED PAYMENT PLANS (CONTINUED)

Wesfarmers Long Term Incentive Plan ("WLTIP")

The WLTIP was introduced in September 2005. Under the plan senior employees are invited to receive fully paid ordinary shares in the company subject to the achievement of a performance hurdle based on the Group achieving a benchmark return on equity performance against a comparative group of companies. Eligibility is dependant upon an in-service period and being a permanent employee.

Shares may either be acquired on-market by the Group or issued by the parent. During the current financial year 567,103 shares were issued by the parent and 119,878 shares were acquired on market, with the cost being expensed over the vesting period from 1 July 2007 to 30 June 2008 and 1 July 2007 to 30 June 2009 for executive level employees. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares acquired on-market or issued.

The impact on the profit and loss is set out in note 4.

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
Shares acquired under the plan	**686,981**	588,406	**293,621**	253,007
Cost per share	**$41.21**	$34.57	**$41.21**	$34.57

Wesfarmers Employee Share Ownership Plan ("WESOP")

The WESOP was also introduced in September 2005. Under the plan all employees other than those participating in the WLTIP and Coles group employees are invited to receive $1,000 of fully paid ordinary shares in the company subject to the achievement of a performance hurdle based on the Group achieving a benchmark return on equity performance against a comparative group of companies. Eligibility is dependant upon an in-service period and being a permanent employee.

The Plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 13A of the Income Tax Assessment Act 1936 (as amended) for Australian resident employees.

Shares may either be acquired on-market by the Group or issued by the parent. During the current financial year shares were issued by the parent, with the cost being expensed over the vesting period from 1 July 2007 to 31 December 2007. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares issued.

The impact on the profit and loss is set out in note 4.

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
Shares acquired under the plan	**496,995**	505,639	**1,344**	1,624
Cost per share	**$41.21**	$34.57	**$41.21**	$34.57

38 PENSION PLAN

The Group operates two defined benefit pension plans, one within the Wesfarmers Superannuation Fund and the other within the Coles group Superannuation Plan. All new members into the plans receive accumulation only benefits. The following disclosure is for funds related to the defined benefit plans.

The Group has a legal liability to make up a deficit in the defined benefit plan but no legal right to benefit from any surplus in the plan except to the extent a contribution holiday can be taken.

In prior years, actuarial gains and losses were recognised immediately in profit and loss in the year in which they occurred. This policy has been changed in the current period with actuarial gains and losses recognised directly in retained earnings. This change was undertaken to align the policies of the Wesfarmers group and the Coles group following acquisition.

	CONSOLIDATED		PARENT	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	**34**	36	**34**	36
Transfer opening balance Coles defined benefit obligation	**433**	-	**-**	-
Interest cost	**18**	2	**2**	2
Current service cost	**7**	-	**-**	-
Contributions by plan participants	**6**	-	**-**	-
Benefits paid	**(29)**	(2)	**(2)**	(2)
Transfers in/(out)	**(34)**	-	**-**	-
Actuarial (gains)/losses	**(46)**	(2)	**(3)**	(2)
Taxes paid on contributions	**(1)**	-	**-**	-
Closing defined benefit obligation	**388**	34	**31**	34
Changes in the fair value of the defined benefits portion of plan assets are as follows:				
Opening fair value of plan assets	**43**	42	**43**	42
Transfer opening balance Coles defined benefit plan assets	**474**	-	**-**	-
Expected return	**20**	2	**2**	2
Contributions by employer	**2**	-	**-**	-
Contributions by plan participants	**6**	-	**-**	-
Taxes paid on contributions	**(1)**	-	**-**	-
Benefits paid	**(30)**	(2)	**(3)**	(2)
Transfers in/(out)	**(34)**	-	**-**	-
Actuarial gains/(losses)	**(62)**	1	**-**	1
Closing fair value of plan assets	**418**	43	**42**	43
The fair value of fund assets do not include amounts relating to the Group's own financial instruments nor any property or other assets used by the Group.				
Net benefit surplus/expense recognised in profit and loss:				
Current service cost	**7**	-	**-**	-
Interest cost	**18**	2	**2**	2
Expected return on plan assets	**(20)**	(2)	**(2)**	(2)
Net actuarial (gains)/losses	**-**	(4)	**-**	(4)
Defined benefit plan (surplus)/expense	**5**	(4)	**-**	(4)
Amounts recognised in the statement of changes in equity:				
Actuarial gain/(loss) on defined benefit plans	**(18)**	-	**2**	-
Income tax on actuarial gains	**(3)**	-	**(3)**	-
	(21)	-	**(1)**	-
Benefit asset/liability recognised in the balance sheets:				
Defined benefit obligation				
Fair value of plan assets	**(388)**	(34)	**(31)**	(34)
Net benefit asset/(liability)	**418**	43	**42**	43
	30	9	**11**	9

38 PENSION PLAN (CONTINUED)

The principal actuarial assumptions used in determining pension benefit obligations are:

	2008 %	2007 %
Wesfarmers Superannuation Fund		
Discount rate	**6.60**	6.20
Expected rate of return on fund assets	**4.75**	4.93
Expected pension increase rate	**2.50**	2.50
Coles group Superannuation Plan		
Discount rate (active members)	**6.50**	-
Discount rate (pensioners)	**6.50**	-
Expected rate of return on fund assets (active members)	**6.50**	-
Expected rate of return on fund assets (pensioners)	**7.25**	-
Expected salary increase rate	**3.50**	-
Expected pension increase rate	**0.00**	-

39 DIRECTOR AND EXECUTIVE DISCLOSURES

Non-executive directors

C B Carter
P A Cross
T R Eastwood, Chairman
R L Every
J P Graham
A J Howarth (appointed 5 July 2007)
R D Lester (resigned 30 June 2008)
C Macek
D C White

Executive directors

R J B Goyder, Group Managing Director
G T Tilbrook, Finance Director

Senior Executives

S A Butel, Managing Director, Resources Division
J C Gillam, Managing Director, Home Improvement and Office Supplies Division
K D Gordon, Director, Industrial Divisions, appointed 1 July 2008 (previously Business Integration Director from 1 October 2007 and Managing Director CSBP prior to this)
L K Inman, Managing Director, Target Division, appointed 23 November 2007
I J W McLeod, Managing Director, Coles Division, appointed 26 May 2008

Former key management personnel ("KMP") and executives disclosed under the Corporations Act 2001

T J Bowen, Finance Director, Coles, appointed 23 November 2007 (previously Managing Director Industrial and Safety Division)
R J Buckley, Chief Executive Officer, Insurance Division, retired 28 January 2008
T J Bult, Managing Director, Energy Division
P J C Davis, Chief Operating Officer, Home Improvement
D A Robb, Managing Director, Energy Division, retired 8 September 2006

Compensation of key management personnel

The company has applied the exemption in relation to compensation policy disclosures under Corporations Regulations 2001 (as amended) which exempt listed companies from providing compensation disclosures in relation to their key management personnel in their annual financial reports normally required by Accounting Standard AASB 124 *Related Party Disclosures.* These remuneration disclosures are provided in sections one to three of the Remuneration Report on pages 152 to 168 of this annual report designated as audited and forming part of the Directors' Report.

39 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Short term	**18,958**	11,374	**18,958**	11,374
Post employment	**5,687**	3,163	**5,687**	3,163
Termination benefits	**-**	2,943	**-**	2,943
Share-based payment	**5,024**	6,990	**5,024**	6,990
	29,669	24,470	**29,669**	24,470

Holdings of equity instruments in Wesfarmers Limited of key management personnel (and their related parties)

30 June 2008 - Wesfarmers Limited Ordinary Shares and Partially Protected Shares[1]

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION	NET CHANGE OTHER *	BALANCE AT END OF YEAR
Non-executive directors				
C B Carter	**4,096**	**-**	**13,447**	**17,543**
P A Cross	**3,500**	**-**	**4,704**	**8,204**
T R Eastwood (Chairman)	**878,694**	**-**	**(161)**	**878,533**
R L Every	**5,000**	**-**	**2,091**	**7,091**
J P Graham	**977,407**	**-**	**80,672**	**1,058,079**
AJ Howarth	**-**	**-**	**3,933**	**3,933**
R D Lester	**45,691**	**-**	**11,436**	**57,127**
C Macek	**7,500**	**-**	**5,522**	**13,022**
D C White	**45,820**	**-**	**(3,398)**	**42,422**
Executive directors				**-**
R J B Goyder	**195,633**	**79,838**	**27,286**	**302,757**
G T Tilbrook	**191,412**	**40,040**	**29,217**	**260,669**
Senior executives				
S A Butel	**28,986**	**10,677**	**4,959**	**44,622**
J C Gillam	**79,837**	**24,752**	**-**	**104,589**
K D Gordon	**35,568**	**13,346**	**(3,520)**	**45,394**
L K Inman	**-**	**-**	**3,496**	**3,496**
I J W McLeod	**-**	**-**	**-**	**-**
Former KMP and executives disclosed under the *Corporations Act 2001*				
TJ Bowen	**17,358**	**18,637**	**4,500**	**40,495**
PJC Davis	**85,204**	**17,715**	**7,047**	**109,966**
	2,601,706	**205,005**	**191,231**	**2,997,942**

* includes shares acquired under the entitlement offer.

39 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

30 June 2007 - Wesfarmers Limited Ordinary Shares

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION	NET CHANGE OTHER	BALANCE AT END OF YEAR
Non-executive directors				
C B Carter	4,000	-	96	4,096
P A Cross	3,500	-	-	3,500
T R Eastwood (Chairman)	878,694	-	-	878,694
R L Every	2,000	-	3,000	5,000
T J Flugge[2]	4,417	-	-	4,417
L A Giglia[2]	16,120	-	-	16,120
J P Graham	975,756	-	1,651	977,407
R D Lester	44,614	-	1,077	45,691
C Macek	5,250	-	2,250	7,500
D C White	45,829	-	(9)	45,820
Executive directors				-
R J B Goyder	119,256	76,377	-	195,633
D A Robb[2]	124,256	-	46	124,302
G T Tilbrook	153,224	38,188	-	191,412
Executives				-
T J Bowen	-	17,358	-	17,358
R J Buckley[2]	61,034	13,235	-	74,269
T J Bult[2]	12,854	6,147	-	19,001
S A Butel	21,030	7,956	-	28,986
P J C Davis	75,730	9,474	-	85,204
J C Gillam	57,416	22,421	-	79,837
K D Gordon	24,502	11,066	-	35,568
	2,629,482	202,222	8,111	2,839,815

[1] Partially protected shares were issued on 23 November 2007.

[2] Ceased to be key management personnel for the 2008 financial year.

Other transactions and balances with key management personnel

Refer to note 35 in relation to transactions with Gresham Partners Group Limited, of which J P Graham is a director.

From time to time, directors of the Company or its controlled entities, or their director-related entities, may purchase goods or services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 4 to 68 forms part of the Directors' Report for the financial year ended 30 June 2008 and is to be read in conjunction with the following information:

RESULTS AND DIVIDENDS

(YEAR ENDED 30 JUNE)	2008 $m	2007 $m
Profit attributable to members of the parent entity	**1,050**	786
Dividends		
The following dividends have been paid by the company or declared by the directors since the commencement of the financial year ended 30 June 2008:		
a) out of the profits for the year ended 30 June 2007 on the fully-paid ordinary shares:		
(i) fully franked final dividend of 140 cents per share paid on 29 November 2007 (as disclosed in last year's directors' report)	**543**	567
b) out of the profits for the year ended 30 June 2008 and retained earnings on the fully-paid ordinary shares and partially protected shares:		
(i) fully franked interim dividend of 65 cents per share paid on 31 March 2008	**454**	322
(ii) fully franked final dividend of 135 cents per share to be paid on 6 October 2008	**1,079**	543

PRINCIPAL ACTIVITIES

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

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

On 23 November 2007 the company acquired Coles Group Limited, which significantly expanded the retailing activities of the company. There have been no other significant changes in the nature of these activities during the year.

DIRECTORS

Information on directors

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

- Trevor Eastwood (Chairman)
- Richard Goyder (Managing Director)
- Gene Tilbrook (Finance Director)
- Colin Carter
- Patricia Cross
- Robert (Bob) Every
- James Graham
- Anthony (Tony) Howarth
- Charles Macek
- David White

All directors served on the Board for the period from 1 July 2007 to 30 June 2008, except for Anthony (Tony) Howarth who was appointed on 5 July 2007.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 58 and 59 of the Annual Report.

Richard (Dick) Lester resigned as a director on 30 June 2008 (appointed in 1995).

DIRECTORS (CONTINUED)

Directors' shareholdings

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

	BUNNINGS WAREHOUSE PROPERTY TRUST (UNITS)	WESFARMERS LIMITED (SHARES)
C B Carter		20,046
P A Cross		9,316
T R Eastwood		878,533
R L Every		7,091
R J B Goyder		302,757
J P Graham	9,334	1,048,556
A J Howarth		4,698
C Macek		13,070
G T Tilbrook	22,779	260,669
D C White		11,213

R D Lester resigned on 30 June 2008. As at the date of his resignation, he had 54,127 Wesfarmers Limited shares and no Bunnings Warehouse Property Trust units.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2008 and the number of meetings attended by each director:

	BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE		COLES SCHEME DUE DILIGENCE COMMITTEE[2]		ACCELERATED RENOUNCEABLE ENTITLEMENT OFFER DUE DILIGENCE COMMITTEE[3]	
	(A)[1]	(B)[1]	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
CURRENT DIRECTORS												
T R Eastwood	18	17			1	1	-	-				
C B Carter	18	15			1	1	-	-				
P A Cross	18	17			1	1	-	-				
R L Every[4]	18	17	2	2	1	1	-	-	8	8	4	3
R J B Goyder	18	18					-	-				
J P Graham	18	18	8	8	1	1	-	-				
A J Howarth[5]	17	16	6	6	1	1	-	-				
C Macek	18	18	8	8	1	1	-	-	8	8		
G T Tilbrook	18	18					-	-			4	4
D C White	18	17	8	8	1	1	-	-				
PREVIOUS DIRECTOR												
R D Lester[6]	18	18	8	8	1	1	-	-	8	8		

Notes:

1. (A) = number of meetings eligible to attend / (B) = number of meetings attended.
2. The Coles Scheme Due Diligence Committee was established as a special purpose Board committee in May 2007.
3. The Accelerated Renounceable Entitlement Offer Due Diligence Committee was established as a special purpose Board committee in April 2008.
4. R L Every resigned from the Audit Committee effective 1 September 2007.
5. A J Howarth joined the company on 5 July 2007.
6. R D Lester resigned on 30 June 2008.

INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

In addition, the company's Constitution provides for the indemnity of officers of the company or its related bodies corporate from liability incurred by a person in that capacity unless the liability arises out of conduct involving a lack of good faith by the person.

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

INDEMNIFICATION OF AUDITORS

The company's auditor is Ernst & Young.

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

During the financial year:

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

DIRECTORS' AND OTHER OFFICERS' REMUNERATION

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the Remuneration Report on pages 152 to 169 of this report.

OPTIONS

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

COMPANY SECRETARY

Linda Kenyon:

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

Linda holds Bachelor of Laws and Bachelor of Jurisprudence degrees from the University of Western Australia and is a Fellow of Chartered Secretaries Australia. She joined Wesfarmers in 1987 as legal counsel and held that position until 2000 when she was appointed Manager of Bunnings Property Management Limited, the responsible entity for the listed Bunnings Warehouse Property Trust and is a company secretary of a number of Wesfarmers group subsidiaries.

Anthony Niardone:

Anthony Niardone was appointed as an additional Company Secretary of Wesfarmers Limited on 24 December 2007 and is company secretary of a number of Wesfarmers group subsidiaries.

Anthony holds a Bachelor of Laws degree from the University of Western Australia and is an Associate of Chartered Secretaries Australia. He joined Wesfarmers in 2004 as an Assistant Company Secretary and was previously the Company Secretary of Bunnings Property Management Limited, the responsible entity for the listed Bunnings Warehouse Property Trust.

REVIEW OF RESULTS AND OPERATIONS

The operations of the consolidated entity during the financial year and the results of those operations are reviewed on pages 4 to 57 of this Annual Report and in the accompanying financial statements. This review includes information on the financial position of the consolidated entity and its business strategies and prospects for future financial years. In the opinion of the directors, disclosure of further material relating to those matters is likely to result in unreasonable prejudice to the interests of the company and the consolidated entity. That material has therefore been omitted from the review.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Particulars of the significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

	REFER TO THE PAGES OF THE ANNUAL REPORT
• revenue up from $9,754 million to $33,584 million	4 and 5
• profit for the year up from $786 million to $1,050 million	4 and 5
• dividends per share down from $2.25 to $2.00	4, 5 and 7
• total assets up from $12,076 million to $37,306 million	5
• shareholders' equity up from $3,503 million to $19,590 million	5
• net debt up from $5,032 million to $9,276 million	5
• on 23 November 2007 the company acquired Coles Group Limited	4, 6 to 9

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant event has arisen since the end of the financial year:

On 21 August 2008, a fully franked final dividend of 135 cents per share resulting in a dividend payment of $1,079 million was declared for payment on 6 October 2008.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to elsewhere in this report, particularly on pages 8 to 52 of this Annual Report. In the opinion of the directors, disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the company and the consolidated entity. That material has therefore been omitted from the Directors' Report.

NON-AUDIT SERVICES

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2008 and received, or is due to receive, the following amounts for the provision of these services:

	$000
Tax Compliance	652
Corporate Finance Advice	214
Assurance related	2,002
Special audits required by regulators	88
Other	195
TOTAL	3,151

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

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

- the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the company;
- all non-audit services were subject to the corporate governance procedures and policies adopted by the company and have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- there is no reason to question the veracity of the auditor's independence declaration (a copy of which has been reproduced on page 151).

AUDITOR INDEPENDENCE

The directors received the following declaration from Ernst & Young:

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WESFARMERS LIMITED

In relation to our audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2008, 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

S C Van Gorp
Partner
Perth, 23 September 2008

Liability limited by a scheme approved under Professional Standards Legislation.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have adhered to the second edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (which issued in August 2007). The company's corporate governance statement is on pages 60 to 68 of this Annual Report.

CORPORATE INFORMATION

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

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. In the prior year all values were rounded to the nearest thousand dollars ($000) unless otherwise stated. The company is an entity to which the class order applies.

REMUNERATION REPORT 2008 (AUDITED)

Introduction

The Coles group acquisition on 23 November 2007 has seen the Wesfarmers group enter a period of major change. With the acquisition of the Coles group of businesses, the roles and responsibilities of a number of the company's senior executive team have increased significantly, in terms of size, scale and complexity. It has also necessitated a focus on attracting world class talent to lead the turnaround of Coles.

Wesfarmers' group annual revenues have grown from less than $10 billion in the 2007 financial year to a projected $50 billion in the 2009 financial year. The company now has a shareholder base of more than 465,000 shareholders, compared with 170,000 prior to the Coles group acquisition. With nearly 200,000 employees – compared with less than 35,000 prior to November 2007 - Wesfarmers is now one of the largest private employers in the country.

As a result of these significant changes and augmentation of roles and responsibilities, it has been necessary that all remuneration structures of the group's senior management be comprehensively reviewed. The review has been framed around the recognition that the company has entered an important new period of growth and performance expectation, and the importance of attracting, retaining and incentivising senior management is even more critical to the company's current performance and future success. In undertaking and completing the acquisition of Coles, Wesfarmers has significantly increased the footprint of the group, knowing that while there would be a significant decrease in return on equity ("ROE"), in the long term there is a foundation for creating shareholder wealth through the turnaround of the Coles group and subsequent growth in ROE. The remuneration changes across the group's senior management that have resulted from this review aim to ensure:

- all remuneration is market competitive;
- the retention of key Executives;
- Wesfarmers and Coles group executive remuneration structures are aligned with the group objective of providing a satisfactory return to shareholders; and
- appropriate recognition is given to the fact that the Board, shareholders and other stakeholders have high expectations for strong performance within compressed timeframes, particularly in relation to the Coles group turnaround.

Wesfarmers' remuneration philosophy and framework remains unchanged, which is to offer a mix of fixed remuneration and incentives to drive and recognise both short term performance and create a long term satisfactory return to shareholders.

Wesfarmers remains committed to a reward for performance approach and believes the Wesfarmers executive remuneration plans outlined in this report are appropriately structured to ensure the strongest possible alignment between executive performance and shareholder returns, by providing superior rewards for superior results.

Wesfarmers maintains a competitive market position on total remuneration for its executive remuneration based on benchmarking of in excess of 20 companies.

The remuneration plans across the Wesfarmers group for the 2009 financial year now consist of:

Group Managing Director

- Fixed Annual Remuneration;
- Group Managing Director's Annual Incentive Plan; and
- Group Managing Director Long Term Incentive Plan ("Rights Plan").

Senior Executives

- Fixed Annual Remuneration;
- Wesfarmers Senior Executive Incentive Plan; and
- Wesfarmers Long Term Incentive Plan.

Managing Director Coles and select Coles Executives

- Fixed Annual Remuneraton;
- Wesfarmers Senior Executive Incentive Plan; and
- Coles Long Term Incentive Plan.

As detailed in this report, the Group Managing Director's remuneration has been restructured with a short term focus on the Coles group turnaround and overall Wesfarmers group performance, and a long term emphasis on improving ROE. Remuneration plans for the Senior Executives are similar to previous years with enhancements to the 'at risk' elements which will recognise superior performance, with a retention focus.

The Coles Long Term Incentive Plan has been specifically designed to attract Executives to the Coles business and reward them for achieving the significant turnaround which is planned.

DISCLOSURE AND GOVERNANCE

This report provides details of Wesfarmers' policy for determining the remuneration of Key Management Personnel ("KMP"); the relationship between the policy and the performance of Wesfarmers during a financial year, and over time; and the remuneration of Board members and certain key Executives within the group.

KMP encompasses all directors (executive and non-executive), as well as those Executives who have authority and responsibility for planning, directing and controlling the activities of a major revenue-generating division of Wesfarmers. In this report "Senior Executives" refer to the KMP excluding the directors, and the term "Executives" encompasses all executives in Wesfarmers, including the executive directors, Senior Executives and the other Executives listed below.

The list of non-executive directors, executive directors, Senior Executives and Executives disclosed in this report is set out below and includes the five highest remunerated Executives of the company and the group:

NAME	POSITION
Executive Directors	
R J B Goyder	Group Managing Director
G T Tilbrook	Finance Director
Senior Executives	
S A Butel	Managing Director, Resources Division
J C Gillam	Managing Director, Home Improvement and Office Supplies Division
K D Gordon	Director, Industrial Divisions – appointed to role 1 July 2008 (previously Business Integration Director from 1 October 2007 and Managing Director CSBP prior to this)
L K Inman	Managing Director, Target Division – appointed 23 November 2007
I J W McLeod	Managing Director, Coles Division – appointed 26 May 2008
Former KMP and executives disclosed under the *Corporations Act 2001*	
T J Bowen	Finance Director, Coles – appointed to role 23 November 2007 (previously Managing Director Industrial and Safety Division)
R J Buckley	Chief Executive Officer, Insurance Division – retired 28 January 2008
T J Bult	Managing Director, Energy Division
P J C Davis	Chief Operating Officer, Home Improvement
D A Robb	Managing Director, Energy Division – resigned 8 September 2006
Non-Executive Directors	
T R Eastwood	Chairman (non-executive)
C B Carter	Director (non-executive)
P A Cross	Director (non-executive)
R L Every	Director (non-executive)
J P Graham	Director (non-executive)
A J Howarth	Director (non-executive) – appointed 5 July 2007
R D Lester	Director (non-executive) – retired 30 June 2008
C Macek	Director (non-executive)
D C White	Director (non-executive)

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This report is split into four sections:

1. Overview of remuneration strategy and programmes;
2. Contracts and remuneration details of executive directors, Senior Executives and Executives disclosed in this Remuneration Report;
3. Non-executive director fees; and
4. Independent audit disclosure.

REVIEW OF EXECUTIVE REMUNERATION STRATEGY

To ensure that the remuneration structures remain aligned with the business needs and are appropriately positioned relative to the market following significant internal and external changes to the company following the Coles group acquisition, the remuneration arrangements for Senior Executives were reviewed by the Remuneration Committee and Board in the second half of the 2008 financial year. In undertaking the review, the Board sought advice from an independent advisor on the structure and levels of remuneration to ensure they are market competitive and appropriately performance-oriented. The review included analysing the effectiveness of the current remuneration structure (with particular focus on short and long term incentives), determining how the remuneration structure can best align with the objective of sustained shareholder value creation over time, and ensuring the reward strategy will continue to be an effective element in attracting and retaining talent.

Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, a summary of which is available in the Corporate Governance section of the company's website at www.wesfarmers.com.au.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES

"In the interests of creating shareholder wealth, the purpose of our remuneration strategy is to attract, retain and motivate the very best executive talent".

Remuneration Policy and Principles

Wesfarmers' remuneration policy is guided by the following three key principles, namely:

Performance linked:

- A significant part of an Executive's remuneration is determined by Wesfarmers' success and by individual performance. Failure to achieve threshold levels of performance results in no payout under short term and long term incentives.

Market competitive:

- Fixed remuneration and incentives (for on target performance) are positioned at the market median and there is an opportunity for highly competitive total reward for Executives when superior performance is achieved.

Shareholder value-aligned:

- Measures utilised in the incentive plans have been chosen due to their influence on shareholder value creation. Annual incentives are heavily weighted to return and earnings based measures. Long term incentives have a return on equity focus.

Wesfarmers' strategic priorities are embedded in the reward strategy

WESFARMERS' STRATEGIES	MEASURED BY
Strengthen existing business through operating excellence and satisfying customer needs	Group net profit after tax
Secure growth opportunities through entrepreneurial initiative	Return on equity
Renew the portfolio through value adding transactions	Divisional earnings before interest and tax
Ensure sustainability through responsible long term management	Divisional return on capital
	Lost time injury frequency rate
	Workplace injuries
	Individual objectives

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

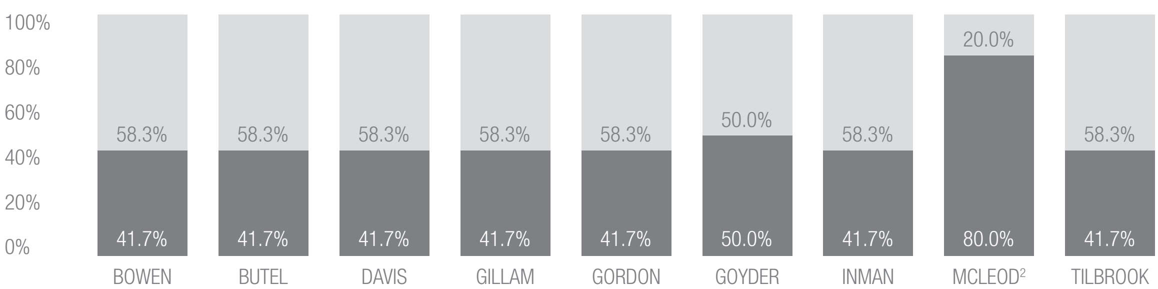
Remuneration Components

The remuneration structure for executive directors and Senior Executives remains based around three main components: fixed remuneration, annual incentives and long term incentives. A retention incentive accrued during the period of employment may also be provided, payable only on termination of employment.

REMUNERATION COMPONENT	PLAN / COMPONENT NAME	BENEFIT TYPE	FY08	FY09
Fixed Remuneration	Fixed Annual Remuneration ("FAR") Benefits deducted from FAR (e.g. superannuation, motor vehicle)	Cash and benefits	Benchmark peer group changed	No changes proposed
Variable Remuneration	*Annual Incentives*			
	Wesfarmers Senior Executive Incentive Plan ("WSEIP")	Cash	Target incentive payment increased from 40% of FAR to 60%. Maximum incentive payment increased from 60% to 120%	No changes proposed
	Group Managing Director's Annual Incentive Plan	Cash/ shares	-	New plan
	Wesfarmers Salary Sacrifice Share Plan ("WSSSP")	Shares	New plan	No changes proposed
	Long Term Incentives			
	Wesfarmers Long Term Award Determination Plan	Shares	Plan ceased 30 June 2007	-
	Wesfarmers Group Managing Director Long Term Incentive Plan ("Rights Plan")	Shares	-	New plan
	Wesfarmers Long Term Incentive Plan ("WLTIP")	Shares	Target share award increased from 50% of FAR to 80%. Maximum share award increased from 100% to 160%	Plan changes – performance based multi-year grants - new performance hurdle
	Coles Long Term Incentive Plan	Cash/ shares	-	New plan
Retention Incentive	Retention Incentive	Eligible Termination Payment	No change	No changes proposed

For more information see pages 156 to 162.

For the 2008 financial year, the target annual remuneration mix of each of the executive directors, Senior Executives and Executives[1] disclosed in this report is:



% not at risk   % of target remuneration at risk   Total remuneration = FAR + target STI + target LTI

[1] R J Buckley and T J Bult were not KMPs for the 2008 financial year, and D A Robb resigned 8 September 2006, therefore details are not shown.

[2] Target annual remuneration for I J W McLeod reflects the 2008 financial year (i.e. 26 May 2008 to 30 June 2008). Mr McLeod's remuneration for the 2009 financial year is heavily weighted towards remuneration at risk.

Each of these remuneration elements for the 2008 financial year, and changes to take effect for the 2009 financial year are outlined as follows:

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Fixed Annual Remuneration

"Fixed Annual Remuneration for executive directors and Senior Executives is positioned around the median of the Australian market".

Fixed Annual Remuneration ("FAR") consists of base salary and statutory superannuation contributions. Executive directors and Senior Executives may also elect to have a combination of benefits provided out of their FAR; this includes additional superannuation and the provision of a motor vehicle. The value of any non-cash benefits provided to them includes the costs of any fringe benefits tax payable by Wesfarmers as a result of providing the benefit. The amount of FAR for each executive director and Senior Executive is approved annually by the Board with consideration given to business and individual performance and market relativity. Similar principles apply to other Executives.

Remuneration benchmarking – Comparisons with other major-listed companies

In May 2008 following an independent review of the Executive remuneration framework, the Board determined that the primary comparator group for benchmarking would be a group of in excess of 20 companies. Additional sector-specific data for some Executives based on major industry sector/particular employment markets was analysed to capture specific industry trends. Previously a specified group of 15 companies was used for remuneration benchmarking purposes.
The change results in a less volatile peer group due to the larger sample of companies and recognises the change in Wesfarmers' profile following the Coles group acquisition.

Variable Remuneration – Annual Incentives

Wesfarmers Senior Executive Incentive Plan ("WSEIP")

"The WSEIP reflects our desire to reward Executives for the achievement of annual goals".

Summary	The WSEIP is an annual incentive plan linked to specific annual targets. Participants are given the opportunity to elect to defer part or all of their incentive payment into Wesfarmers shares. For the 2009 financial year onwards that deferral is made under the Wesfarmers Salary Sacrifice Share Plan ("WSSSP") (refer below).	
Participants[1]	Finance Director, Senior Executives (as well as other Executives across the Wesfarmers group).	
Potential award available under WSEIP	Target performance – award equivalent to 60% of FAR Maximum – award equivalent to 120% of FAR	
Performance conditions and their weightings [2, 3]	Group Net Profit after Tax Divisional Earnings Before Interest and Tax Divisional Return on Capital	50% – 70% weighting
	Safety measures (Lost Time Injury Frequency Rate and Workplace Injuries) Division specific objectives Individual objectives	30% - 50% weighting
Reasons why the performance conditions were chosen	These measures were chosen principally because of their impact on return on equity, which is a key measure of annual achievement of satisfactory return to shareholders for the Wesfarmers group.	
Measurement of performance conditions	Incentive payments are determined after the preparation of the financial statements each year (in respect of the financial measures), and after a review of performance against non-financial measures by the Group Managing Director. Payments are made in September, after these reviews are completed.	
Payments Executives receive for each level of performance	0% of maximum for achieving ≤92.5% of budget/target performance 50% of maximum for achieving 100% of budget/target performance 100% of maximum for achieving ≥105 or 110% of budget/target performance, depending on the Division Pro-rata basis between these points.	

1 The WSEIP extends to other Executives across the Wesfarmers group. The above disclosures explain the operation of the plan in relation to the Finance Director and Senior Executives.

2 The weightings given to the two types of performance conditions, and the level of satisfaction of those conditions, determines the size of the award made under the WSEIP. For example, if financial measures are weighted as to 60% for an Executive and non-financial measures are weighted as to 40% and the level of satisfaction is 100% of budget/target performance in each case, then the amount of the award payment would be 60% of FAR.

3 For the 2008 financial year in his role as Business Integration Director, K Gordon's WSEIP performance conditions and weightings were based on specific deliverables in relation to the delivery of the integration plan for Coles group into the Wesfarmers group.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Variable Remuneration – Annual Incentives (continued)

Wesfarmers Senior Executive Incentive Plan ("WSEIP") (continued)

In the 2008 financial year, the percentage of the total incentive paid and the percentage of the WSEIP forfeited by Executives was as follows:

	ACTUAL INCENTIVE PAYMENT PAID	ACTUAL INCENTIVE PAYMENT AS A % OF MAXIMUM	
	$	% PAID	% FORFEITED
Executive Directors			
G T Tilbrook	1,380,000	100.0%	0%
Senior Executives			
S A Butel	702,000	90.0%	10.0%
J C Gillam	905,900	75.5%	24.5%
K D Gordon	1,080,000	100.0%	0.0%
L K Inman	1,043,280	96.7%	3.3%
I J W McLeod[1]	N/A		
Former KMP and Executives disclosed under the Corporations Act 2001			
T J Bowen	900,000	75.0%	25.0%
P J C Davis	800,002	83.3%	16.7%

[1] I J W McLeod was appointed on 26 May 2008 and therefore did not participate in the WSEIP in the 2008 financial year.

Changes to the WSEIP from the 2007 financial year

After the review of remuneration arrangements, changes were introduced during the 2008 financial year to ensure market competitive incentive arrangements for Executives were maintained. Previously, maximum incentive payments under the WSEIP were 60 per cent of the Executive's FAR. Following the review they were increased to 120 per cent. To reflect the increased annual incentive opportunities available to Executives for the 2008 financial year, (paid in September 2008), only half of the incentive opportunity was paid for on budget/target performance whereas previously two thirds was payable for on budget/target performance.

In addition, as described below, the WSSSP was introduced during the 2008 financial year and is now the mechanism through which participants in the WSEIP can convert part or all of their incentive payment under WSEIP into Wesfarmers shares.

Wesfarmers Salary Sacrifice Share Plan ("WSSSP")

"Choice, flexibility and a share in the ownership of Wesfarmers".

The WSSSP was introduced during the 2008 financial year and is intended to provide an additional mechanism through which employees can acquire Wesfarmers shares. The WSSSP is the mechanism through which participants in the WSEIP may sacrifice their annual incentive paid to them under the WSEIP on a voluntary pre-tax basis into restricted Wesfarmers' shares. The salary sacrificed amount into shares is subject to a disposal restriction until 30 June following the date of acquisition. Dividends and voting rights flow to the Executive during the restriction period. If the participating Executive leaves during the restriction period, the shares will be transferred to them unless the employment has been terminated due to fraud, theft or other gross misconduct. No further performance requirements need to be met beyond the annual incentive requirements.

The first share allocation under the WSSSP as a result of the sacrifice of the 2008 financial year WSEIP incentive payments is expected to be made in October 2008.

Group Managing Director's Annual Incentive Plan

The Group Managing Director has not previously participated in the WSEIP or any other annual incentive plan since appointment to the role, as the Board was of the view he should be judged and rewarded based on performance over a more extended period. Due to the recent acquisition of the Coles group and the turnaround effort required, it has been determined that the Group Managing Director will participate in an annual incentive plan from the 2009 financial year, that is directly linked to the short to medium term performance of the Wesfarmers group and delivery of the Coles group turnaround.

The turnaround of Coles requires a number of strategies to be put in place and implemented including:

- installation of a world class management team;
- improvements in the fresh offer, range, value and availability;
- an efficient cost structure, including supply chain enhancements; and
- revitalisation of the store network.

Mr Goyder is working closely with Ian McLeod and the Coles management team to ensure that these improvements are achieved and are reflected in the financial performance of the business.

The annual incentive is payable in cash, however, the Group Managing Director may elect to salary sacrifice up to 100% of any incentive payment into the WSSSP.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Group Managing Director's Annual Incentive Plan (continued)

Measures: The Group Managing Director's annual incentive has a mix of metrics linked to Wesfarmers group, Coles group and individual performance. These measures are:

Group Net Profit after Tax with a Group return on equity hurdle gate	30% weighting
Coles group turnaround (i.e. Earnings Before Interest and Tax, return on capital and relative comparative store growth)	30% weighting
Individual performance (i.e. agreed objectives and safety measures)	40% weighting

The Board may impose from time to time additional short term performance requirements.

Quantum: Payments made to the Group Managing Director under the annual incentive plan will be made as per the following schedule:

Minimum performance*	no payment
Target performance	100% of FAR
Maximum performance*	120% of FAR

For performance between these levels, payments will be made on a pro-rata basis.

*Targets for minimum performance on the financial measures are set at 92.5% of budget and maximum payments are set at achievement of 110% of budget.

Variable Remuneration – Long Term Incentive Plans

"The Wesfarmers Long Term Incentive Plans align executive and shareholder interests".

The primary objective of long term incentive plans is to ensure that incentives are appropriately aligned with company performance, while maintaining a competitive level of remuneration within the markets in which Wesfarmers competes for senior talent. Executives are rewarded based on criteria over which they have some control. The various long term incentive plans primarily involve the grant or holding of Wesfarmers shares, or rights to Wesfarmers shares. However, as described on page 162, the Coles Executives Long Term Incentive Plan can involve cash as well as Wesfarmers shares.

The plans used during the 2008 financial year were:

PARTICIPANTS	PLAN NAME	FUTURE
Executive directors	Wesfarmers Long Term Incentive Award Determination Plan	Plan ceased as at 30 June 2007. Last award made November 2007.
Senior Executives	Wesfarmers Long Term Incentive Plan	Plan will continue but with modifications i.e. target/maximum amounts changed in the 2008 financial year, performance based muti-year grants and a new performance hurdle in the 2009 financial year.
Select Coles Executives	Coles Executives Long Term Incentive Plan	Plan commenced 1 July 2008. First award due September 2009.

In addition, as described below, the Board has determined a revised long term incentive arrangement for the Group Managing Director and has approved the Group Managing Director Long Term Incentive Plan for this purpose. This plan will commence in the 2009 financial year, with performance rights to be awarded under the plan in late September 2008.

These plans are outlined below.

Wesfarmers Long Term Incentive Award Determination Plan

While the Wesfarmers Long Term Incentive Award Determination Plan ("Award Determination Plan") ceased as at 30 June 2007, the last award was made under this plan in November 2007.

The Award Determination Plan as it operated up until June 2007 is described below:

Summary: The Award Determination Plan rewarded executive directors for long term increases in shareholder wealth. The award is determined on an annual basis. Any incentive due under the Award Determination Plan is provided through the Wesfarmers Long Term Incentive Plan ("WLTIP"), and the rules of that plan apply to the award provided.

Shares: Executive directors were awarded shares under the Award Determination Plan. These shares were awarded at market price with a three year trading lock.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Wesfarmers Long Term Incentive Award Determination Plan (continued)

Hurdle: Awards were determined based on Total Value Return ("TVR") performance. TVR is similar to Total Shareholder Return ("TSR") as it measures shareholder wealth creation. TVR differs from TSR as it uses an internal valuation of equity rather than a market value.

TVR = Shareholder cash flow + Investment Value ("IV")

$$\text{where IV} = \frac{\text{Return on Equity}}{\text{Hurdle Rate}} \times \text{Weighted Average Equity for the Year}$$

These components are defined as follows:

- Shareholder cash flow: This is the net annual aggregate of all cash flows to and from shareholders (e.g. dividends, capital returns and share buy backs, less rights issues and dividend reinvestments);
- Investment value ("IV"): This represents the annual increment in value of total shareholders' equity calculated at the conclusion of each year of the Award Determination Plan;
- Return on equity ("ROE"): is the weighted average ROE achieved over the period of the plan;
- Hurdle Rate: is a hurdle ROE (as a surrogate for the cost of equity) determined as the average of the Commonwealth Bond Ten Year Indicator rate of 5.98% plus a market risk premium of 6.6%; and
- Weighted Average Equity for the Year: is determined based on a monthly rolling average of the book value of equity. The book value of equity used in the calculation is capped based on the group's minimum level of gearing to ensure equity is not overstated as a result of low financial leverage.

Determination of Entitlement: The allocations were determined by performance against the TVR hurdle. The sum of shareholder cash flow increases and annual increments in IV are added to provide an annual net increase or decrease in shareholder wealth each year.

A proportion of that amount is credited or debited to an incentive pool which could be in credit or debit at the end of each year. Where the pool is in credit, a proportion of the amount will form the incentive entitlement for that year. The latter proportion will be up to 70%, except in the final year of employment, when 100% is payable (see below for finalisation of the Award Determination Plan and the associated payments).

Performance Period: TVR performance was measured over the five year period prior to allocation.

Quantum: No more than two times FAR may be paid as an award in any year, except for the final year payment which cannot exceed four times FAR.

Forfeiture and trading restrictions: The shares are forfeited if the executive director leaves Wesfarmers prior to a nominated date (being 30 June 2009) for the 2007 allocation, except in the case of retirement or redundancy. A trading restriction prohibits the executive director from trading the shares within three years of allocation.

Finalisation of the Award Determination Plan

(2007 financial year – final shares awarded in November 2007)

The Award Determination Plan was finalised and ceased to operate in June 2007 as it was no longer considered appropriate to meet Wesfarmers' requirements, particularly following the Coles group acquisition. Any accrued amounts in the pool were made available to the participants through the WLTIP and were paid out to the executive directors during the 2008 financial year as a part of the closure of the Award Determination Plan.

Ongoing long term incentive plans for executive directors

The Finance Director will participate in the WLTIP alongside the Senior Executives (refer to plan details on page 160), with the next allocation to be made in November 2008. The new long term incentive arrangements for the Group Managing Director are discussed below.

Group Managing Director Long Term Incentive Plan ("Rights Plan")

After a Board review of the Group Managing Director's remuneration arrangements, a new structure was determined for awards made in the 2009 financial year. When designing the new plan, the Board took into consideration that the Group Managing Director will now be participating in an annual incentive plan directly linked to the short to medium term performance of the Wesfarmers group and delivery of the Coles group turnaround. Accordingly, the Group Managing Director's new long term incentive has been designed with a long term horizon, where he will only be rewarded for the achievement and sustainment of growth in the group's ROE performance.

Measure: The single measure for the Rights Plan is ROE. ROE is the most relevant metric to measure Wesfarmers' long term success as it contains clear links to shareholder value creation and improving ROE is a key driver of business success. Given the financial constraints of the Board's policies, including limits on debt in relation to equity, ROE is the best internal measure of TSR and avoids the unintended consequences of share market volatility. ROE was included in the TVR calculation under the Award Determination Plan and growth in ROE will be the sole measure for the Group Managing Director's long term incentive in the future. Using this metric for the Group Managing Director also creates alignment with the Senior Executives, as the WLTIP (in which they all participate) is measured against ROE hurdles.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Group Managing Director Long Term Incentive Plan ("Rights Plan") (continued)

Hurdle: The Group Managing Director's new long term incentive is intended to reward exceptional performance. The ROE growth hurdle is a challenging one. It will require higher ROE growth than indicated in the group's five year plan, before the minimum hurdle is reached and any shares vest. The Board has high expectations for the Group Managing Director's performance over the period ahead which is why he will be measured against a stretch hurdle. If this hurdle is achieved, the Board believes the Group Managing Director should be rewarded appropriately. At the same time shareholders will share in the value creation that is derived from achieving this increase in ROE.

Instrument: The Group Managing Director will be granted performance rights, each of which is a right to acquire one Wesfarmers share at a later date, subject to meeting the performance hurdle. The Group Managing Director will not be eligible to receive dividends or voting rights during the performance period (ie while he holds performance rights).

Performance Period: Under the Rights Plan, an allocation will be made up front which will vest after three to six years (ie from the 2011 financial year, through to the 2014 financial year) if the performance conditions are met. While the ROE growth hurdle must be sustained over a two year period, the first vesting point will not occur until after 30 June 2011. This minimum three year vesting period is consistent with the timeframes under other Wesfarmers long term incentive arrangements.

Quantum: 100,000 performance rights will be granted in late September 2008.

Contractual agreement to further performance rights: The Board and the Group Managing Director have contractually agreed that the Group Managing Director will be granted an additional 100,000 performance rights for each 1% ROE growth achieved over and above the initial 'stretch' hurdle during the performance period and sustained for two consecutive years. No further grant of these performance rights will occur until after 30 June 2011, and the grant will only occur if the incremental ROE performance improvement above the stretch hurdle is achieved and sustained for two consecutive years. As the required performance condition will be satisfied at the time of grant of the further performance rights, no further performance hurdles will apply.

The Board has decided to structure the Group Managing Director's long term incentive arrangements in this manner to provide exceptional rewards for exceptional performance. The structure of the arrangement will cover the Group Managing Director's long term incentive for a number of years. Other than as explained above, no grants of performance rights are expected to be made in financial years 2010 and 2011.

2008 WLTIP Share Allocation

Between the closure of the Award Determination Plan (30 June 2007) and the introduction of the Rights Plan (September 2008), it was determined that the Group Managing Director would participate in the WLTIP on the same terms as the Finance Director and Senior Executives. If Wesfarmers satisfied the ROE hurdle under the WLTIP for the 2008 financial year, the Group Managing Director would be entitled to receive an allocation of Wesfarmers shares under the WLTIP.

This allocation is based on Wesfarmers' five year rolling average ROE performance up to the 2008 financial year, which included the acquisition of the Coles group i.e. the performance condition is the same as the conditions that the Senior Executives are tested against under the WLTIP. The ROE hurdle was met and the Board has determined that the Group Managing Director will receive a $4,000,000 2008 WLTIP allocation of Wesfarmers shares. The share allocation is expected to be made in November 2008.

The 2008 share allocation will be subject to the WLTIP forfeiture and trading conditions (i.e. three year trading lock on the shares and the shares are subject to forfeiture if the Group Managing Director leaves Wesfarmers before 30 June 2010).

Wesfarmers Long Term Incentive Plan ("WLTIP")

(2007 WLTIP share allocation – shares awarded in November 2007)

Shares: Senior Executives, and other Executives, receive annual allocations of shares in Wesfarmers under the terms of the WLTIP, based on achievement against the performance hurdle. The shares are awarded at market price and are subject to trading restrictions and a forfeiture condition.

Hurdle: In order to drive Executives to achieve the best possible results for shareholders, long term incentives are based on ROE. This is consistent with Wesfarmers' planning, budgeting, project evaluation, operational performance measures and financial reporting which all use ROE as an underlying key internal measure. ROE is the most relevant metric to measure Wesfarmers' long term success as it contains clear links to shareholder value creation and is a key driver of business success.

Target: Wesfarmers must achieve a ROE at or above the 50th percentile of the peer group of companies' five year rolling average performance as explained below. Based on this performance, it is determined whether shares will be allocated each year. That is, the ROE target provides a 'gateway' hurdle which determines whether an award is made under the WLTIP in a year.

Performance Period: ROE performance is tested over the five year period prior to the allocation of the shares. Awards are made once the financial performance has been verified by Wesfarmers' external auditor and approved by the Board.

Peer Group: The 50 largest companies by market capitalisation in the Standard & Poor's ASX 100 Index, as at 30 June 2007 (for the allocation made during the 2008 financial year).

Quantum: The award provided to Senior Executives is 80 per cent of their FAR. This amount aligns them with the median level of long term incentives paid in comparative companies. The Group Managing Director has the discretion to recommend a higher award to recognise outstanding individual performance or to address critical retention issues. Such awards are provided within the parameters established by the Remuneration Committee, with recommendations for Senior Executive higher WLTIP awards presented to the Board for approval on an annual basis.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Wesfarmers Long Term Incentive Plan ("WLTIP") (continued)

Trading lock and forfeiture condition: The shares are awarded with a three year trading lock on each award whilst Executives are employed by Wesfarmers. Executives forfeit their award if they leave Wesfarmers prior to a nominated date (being 30 June 2009 for Senior Executives receiving a 2007 WLTIP share allocation), except in the case of redundancy, ill heath, death or normal retirement. Shares allocated under the WLTIP are held on trust to enforce the trading lock and forfeiture condition. If shares remain in trust after the end of the three year trading lock, they will also be forfeited if a participating Executive's employment is terminated because of fraud, theft or other gross misconduct.

Results for the purposes of the 2007 WLTIP share allocation (made during the 2008 financial year)

Wesfarmers' five year rolling average ROE performance was 23.5 per cent for the year ended 30 June 2007. This exceeded the 50th percentile of the peer group, which was 16.0 per cent. Accordingly 100% of the WLTIP was delivered (with no amount being forfeited). WLTIP allocations for this performance were made in November 2007 and as such are disclosed in the share-based payments section of this Remuneration Report.

Changes to the WLTIP from the 2007 financial year

In order to ensure that the Senior Executive long term incentives remain market competitive, the following changes have been made to the WLTIP in respect of the grant made in the 2008 financial year, for shares awarded in November 2007. Previously the target award was 50 per cent of an Executive's FAR, with a maximum award of 100 per cent of FAR to reward outstanding performance. However in September 2007, the target payment opportunity was increased to 80 per cent of FAR with a maximum award of 160 per cent. Concurrent with this increase in award levels the Board extended the forfeiture period for the WLTIP by an additional 12 months. These changes followed an independent review on the competitiveness of executive incentive pay.

Key changes to the WLTIP for the 2009 financial year and beyond

2008 allocations (to be made during the 2009 financial year)

"Performance based multi-year grants ensure remuneration remains competitive for select Executives, has a strong retention characteristic due to the forfeiture condition, and a focus on future performance with a growth in ROE target".

Allocations of share awards are due to be made under the WLTIP in November 2008, subject to achievement of the performance hurdle which has been met. As with previous WLTIP allocations the performance hurdle is a rolling average over the previous five years above the 50th percentile ROE of the 50 largest companies in the S&P/ASX100 Index.

The Board has approved a new "performance based multi-year grant" to a small number of Executives for the following reasons:
- as a retention strategy;
- to assist in attracting new Executives; and
- to provide meaningful equity in the group and alignment with the group's objectives.

These awards are to provide Executives with a long term incentive for several years. For a small number of Executives, an additional one or two years' share allocation will be made, subject to the contitions outlined below. Accordingly, it is intended that these Executives will not receive full grants in the next two years when annual WLTIP allocations are made, but may receive smaller 'top-up' long term incentive awards to allow for salary increases, increased performance or adjustments to remain market competitive. The award of a performance based multi-year grant in the 2009 financial year does not guarantee the Executive with any further performance based multi-year grants in the future.

A longer forfeiture period applies to Executives who receive a performance based multi-year grant i.e. Executives forfeit their award if they leave within three years of the share allocation date, except in the case of ill heath, death or normal retirement. Performance based multi-year grants are subject to a future performance hurdle, with a minimum ROE target needing to be met. Full vesting of the multi-year grants occurs three years after the allocation with no partial vesting available, giving the share awards a strong retention characteristic and a focus on future ROE growth. Once the three year forfeiture and trading conditions and minimum ROE growth targets are met, no further performance conditions apply to the transitional share allocations.

2009 allocations (to be made during the 2010 financial year)

"The new WLTIP hurdle provides a new 'base-line' following the Coles acquisition and aligns ROE targets to Wesfarmers' five year plan".

For the 2009 WLTIP allocation, which is expected to be made in November 2009, and future WLTIP allocations, the share plan hurdle will move to a growth in ROE performance hurdle set by the Board. This is to ensure Executives only receive reward where there is an appropriate return for Wesfarmers' shareholders. Growth in ROE will be measured from 1 July 2008. This change follows the Coles group acquisition where it was determined that the ROE targets should be aligned to Wesfarmers' five year plan.

SECTION 1: OVERVIEW OF REMUNERATION STRATEGY AND PROGRAMMES (CONTINUED)

Coles Long Term Incentive Plan

"I take this opportunity to mention that in the coming months we will be seeking to secure world class skills for the Coles businesses. We are currently working with global recruitment and remuneration consultants to identify the 'top players' in this highly competitive market. It is clear that to attract the right candidates to leave their current employment and relocate to Australia, significant remuneration must be offered and we need to be innovative in our approach to remuneration which may be heavily weighted to the payment of incentives" – Trevor Eastwood, Chairman of Wesfarmers Limited, 2007 Annual General Meeting.

Wesfarmers appointed Ian McLeod, as Managing Director Coles division, on 26 May 2008. Prior to his appointment it was determined by the Board that a remuneration structure would be created to attract the very best global retail talent to Coles.

Given the turnaround required, a highly leveraged incentive plan has been designed to drive significant performance improvement. The long term incentive plan for Ian McLeod, and a small number of nominated Coles division executives is outlined below:

Coles LTI Plan Accrual: There will be annual accruals to the Coles LTI Plan based on the EBIT performance of the Coles division.

The accumulated amount will then be subject to financial and non-financial performance hurdles.

Hurdle: The key drivers of TSR for Wesfarmers are profitability and capital structure. For the Coles division executives in particular, there is a need to focus on profit growth, therefore the plan will reward performance against stretch targets for EBIT performance of the Coles division. EBIT has been selected as a clear indicator of value improvement for the Coles division. An incentive accrual will be created based on achievement against the EBIT targets. The EBIT hurdle is supplemented with other financial and non-financial hurdles that are within the Coles division executives' control encompassing revenue, return on capital, customer satisfaction and succession planning. These performance factors are the major drivers of future profitability and therefore TSR. If the performance hurdles are not met the annual accrual for that year will be reduced proportionately.

Targets: For these payments to vest, a very strong improvement in the financial performance of Coles is required. Targets will be set by the Board for EBIT, revenue, return on capital, customer satisfaction and succession planning in line with the acquisition case. The plan is designed to link the executive's rewards with both the strategic long term goals and performance of the Coles division and the maximisation of Wesfarmers shareholders' wealth.

Performance Period: EBIT is measured annually and cumulatively over the period from 1 July 2008 to 30 June 2013. The other hurdles are assessed annually.

Cash and shares: The Coles LTI Plan accrual may be allocated in a combination of cash and Wesfarmers shares, held in trust, with a proportion paid at the end of years three (30 June 2011), four (30 June 2012) and five (30 June 2013). Except in extraordinary circumstances, if the executive leaves before the end of the third year (30 June 2011) there is no entitlement to a payment from the accrued incentive.

Retention Incentive

"It is not about simply attracting the best people, we must retain them too".

Some Executives including those set out in the Employment Contracts section on page 163, are entitled to a retention incentive which accrues over the first five years of their employment contract and is payable on termination. These payments do not have performance conditions attached; they have been put in place as a retention mechanism for specified Executives rather than to test performance. The retention incentive forms part of the Executive's Eligible Termination Payment ("ETP"). The Coles division executives who participate in the Coles Long Term Incentive Plan are not eligible for a retention incentive.

Calculation: Other than for the Group Managing Director, the amount is determined by multiplying the payout factor by the total target remuneration at the time of termination. The payout factor increases proportionately from 0.2 after one year to 1.0 after five years. For example, if an Executive with a total target remuneration of $1.8 million resigned after 3 years, the payout factor would be 0.6 times total target remuneration, resulting in $1.08 million paid as an ETP. For the Group Managing Director, the amount is determined by multiplying the payout factor by FAR at the time of termination.

Termination: If Wesfarmers initiates the termination, other than for reasons related to serious misconduct, the maximum payout factor is 1.0. Total target remuneration means FAR plus target annual incentive (60 per cent of FAR) under the WSEIP, plus target annual long term incentive (80 per cent of FAR) under the WLTIP, and FAR for the Group Managing Director.

2007/08 accrual: The amounts that would have been payable to the recipients under these arrangements at 30 June 2008 total $14.8m (2007: $9.5m). The increase in the accrued expense for the year is disclosed under "Post employment: other benefits" on pages 164 to 165.

Executive Share Trading

Wesfarmers' share trading policy prohibits all employees and directors of the group from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under an employee share plan for so long as the shares remain subject to a restriction on disposal under the plan. Strict compliance with the share trading policy is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

In May 2008 the company's share trading policy was amended to require Wesfarmers' directors and executives to advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangements affecting the company's securities.

The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and require disclosure to the market.

SECTION 2: CONTRACTS AND REMUNERATION DETAILS OF EXECUTIVE DIRECTORS, SENIOR EXECUTIVES AND EXECUTIVES DISCLOSED IN THIS REPORT

In addition to the remuneration information disclosed in this Remuneration Report, the table below sets out an overview of certain terms of the employment contracts for the executive directors and the Executives to whom this Remuneration Report relates.

Employment Contracts

NAME	CONTRACT DURATION	NOTICE PERIODS	TERMINATION PAYMENTS
R J B Goyder	Unlimited duration	• 12 months • May be terminated immediately for serious misconduct, breach of contract, bankruptcy or mental incapacity	• Retention incentive which provides one year's FAR on cessation of employment other than for reasons of serious misconduct or other grounds specified in the contract • No other amount is payable on termination, other than pay in lieu of notice in the event that Wesfarmers does not wish Mr Goyder to work out the required notice period • As described previously in this Remuneration Report, shares allocated under the WLTIP may be released from the trading lock depending on the circumstances and timing of termination in relation to a specific WLTIP grant
G T Tilbrook P J C Davis J C Gillam	Unlimited duration	• Three months by both parties • May be terminated immediately for serious misconduct	• Retention incentive as described previously in this Remuneration Report • As described previously in this Remuneration Report, shares allocated under the WLTIP may be released from the trading lock depending on the circumstances and timing of termination in relation to a specific WLTIP grant
T J Bowen S A Butel K D Gordon L K Inman	Unlimited duration	• Three months by both parties • Six months in the case of redundancy • May be terminated immediately for serious misconduct	• Retention incentive as described previously in this Remuneration Report • As described previously in this Remuneration Report, shares allocated under the WLTIP may be released from the trading lock depending on the circumstances and timing of termination in relation to a specific WLTIP grant
I J W McLeod	Five year fixed term Ending 30 June 2013	• 12 months by both parties prior to 30 June 2012 • May be terminated immediately for serious misconduct	• Accrued entitlement under the Coles Long Term Incentive Plan after 30 June 2011 • In the event of redundancy, it provides for the greater of the accrued entitlement under the LTI plan or one times FAR plus target annual incentive

Note - R J Buckley and T J Bult were not KMPs for the 2008 financial year, therefore contract details not shown

SECTION 2: CONTRACTS AND REMUNERATION DETAILS OF EXECUTIVE DIRECTORS, SENIOR EXECUTIVES AND EXECUTIVES DISCLOSED IN THIS REPORT (CONTINUED)

Remuneration of the executive directors, Senior Executives and Executives disclosed in this Remuneration Report for the year ended 30 June 2008

		SHORT TERM EMPLOYEE BENEFITS			
		CASH SALARY	SHORT TERM INCENTIVE	NON-MONETARY BENEFITS	OTHER
		$	$	$	$
Executive directors					
R J B Goyder [2]	**2008**	**2,730,707**	**-**	**116,063**	**9,904**
Group Managing Director	2007	2,280,707	-	114,776	6,300
G T Tilbrook	**2008**	**927,163**	**1,380,000**	**97,616**	**9,904**
Finance Director	2007	814,204	555,200	67,230	6,300
Senior Executives					
S A Butel	**2008**	**483,740**	**702,000**	**44,582**	**9,904**
MD Resources Division	2007	326,716	235,675	36,089	5,040
J C Gillam	**2008**	**912,500**	**905,900**	**108,858**	**9,904**
MD Home Improvement and Office Supplies Division	2007	743,113	446,335	156,776	6,300
K D Gordon	**2008**	**528,750**	**1,080,000**	**38,322**	**9,904**
Director Industrial Divisions	2007	464,023	299,805	36,914	6,300
L K Inman [4]	**2008**	**463,045**	**1,043,280**	**15,714**	**608,825**
MD Target Division	2007	-	-	-	-
I J W McLeod [5]	**2008**	**203,202**	**-**	**10,820**	**1,200,974**
MD Coles Division	2007	-	-	-	-
Former KMP and executives disclosed under the *Corporations Act 2001*					
T J Bowen [6]	**2008**	**894,065**	**900,000**	**17,065**	**164,281**
Finance Director, Coles	2007	580,208	251,456	28,114	6,300
R J Buckley [7] *	**2008**	**-**	**-**	**-**	**-**
CEO Insurance Division	2007	494,602	146,315	43,607	6,300
T J Bult *	**2008**	**-**	**-**	**-**	**-**
MD Energy Division	2007	318,277	223,168	12,238	5,040
P J C Davis	**2008**	**732,500**	**800,002**	**3,322**	**9,904**
COO Home Improvement	2007	652,198	388,725	3,322	6,300
D A Robb [7]	**2008**	**-**	**-**	**-**	**-**
MD Energy Division	2007	142,953	-	8,643	1,197
Total	**2008**	**7,875,672**	**6,811,182**	**452,362**	**2,033,504**
	2007	6,817,001	2,546,679	507,709	55,377

Notes

1. Share-based payments: Shares were allocated under the Wesfarmers Long Term Incentive Plan ("WLTIP") on 23 November 2007 with an allocation price of $41.20797. The previous share allocation under the WLTIP was on 1 December 2006, with a share allocation cost of $34.5650. Fifty per cent of the value is shown under 'Share-based payments' as the forfeiture period for the 2007 WLTIP was increased by an additional 12 months. Previously one hundred per cent of the value of the share allocation was shown as it was fully expensed in the year of allocation.
2. R J B Goyder was allocated $3,289,962 worth of shares under the WLTIP during the 2008 financial year. As the shares are subject to forfeiture if he leaves before 30 June 2009, fifty per cent of the value is shown under "Share-based payments" in the 2008 financial year, the balance being shown in the 2009 financial year. Mr Goyder's previous allocation under the WLTIP on 1 December 2006 of $2,639,971 worth of shares was fully expensed during the 2007 financial year.
3. % Performance Related is the sum of the short term incentive and long term incentive (Share-based payments) divided by the Total remuneration, reflecting the actual percentage of remuneration at risk for the year, as compared to the target percentage of remuneration at risk shown on page 155.

POST-EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS			
SUPERANNUATION $	OTHER LONG TERM BENEFITS $	VALUE OF SHARES[1] $	TERMINATION PAYMENTS $	TOTAL	% PERFORMANCE RELATED [3]
38,000	**525,000**	**1,644,981**	**-**	**5,064,655**	**32.5**
38,000	225,000	2,639,971	-	5,304,754	49.8
99,600	**860,000**	**824,984**	**-**	**4,199,267**	**52.5**
102,400	209,000	1,319,968	-	3,074,302	61.0
100,000	**395,255**	**219,989**	**-**	**1,955,470**	**47.1**
85,091	167,200	274,999	-	1,130,810	45.2
50,000	**785,000**	**509,990**	**-**	**3,282,152**	**43.1**
40,977	437,000	774,982	-	2,605,483	46.9
50,000	**582,274**	**274,981**	**-**	**2,564,231**	**52.8**
42,385	237,692	382,496	-	1,469,615	46.4
50,618	**260,384**	**-**	**-**	**2,441,866**	**42.7**
-	-	-	-	-	-
1,343	**-**	**800,000**	**-**	**2,216,339**	**36.1**
-	-	-	-	-	-
44,091	**750,781**	**383,997**	**-**	**3,154,280**	**40.7**
25,000	253,569	599,979	-	1,744,626	48.8
-	**-**	**-**	**-**	**-**	**-**
105,113	291,309	457,468	-	1,544,714	39.1
-	**-**	**-**	**-**	**-**	**-**
16,191	129,200	212,471	-	916,585	47.5
50,000	**672,840**	**365,000**	**-**	**2,633,568**	**44.2**
42,385	377,033	327,469	-	1,797,432	39.8
-	**-**	**-**	**-**	**-**	**-**
20,022	-	-	2,942,688	3,115,503	-
483,652	**4,831,534**	**5,023,922**	**-**	**27,511,828**	
517,564	2,327,003	6,989,803	2,942,688	22,703,824	

4 L K Inman was appointed on 23 November 2007. Short term benefits 'other' for L K Inman include carry over retention payments to honour previous contractual obligations with the Coles group of $220,344 and $382,500, paid in January and February 2008 respectively.

5 I J W McLeod was appointed on 26 May 2008. Short term benefits 'other' for I J W McLeod include an incentive to join of $1.2 million, paid in cash on 31 July 2008. Share-based payments include an incentive to join of $800,000 in the form of shares under the 2008 WLTIP, expected to be awarded in November 2008 and subject to WLTIP trading and forfeiture conditions. These payments were in recognition of the forfeiture of bonus and incentive payments as a result of Mr McLeod terminating his previous employment contract and total $2,000,000 as an incentive to join payment.

6 Short term benefits for T J Bowen include amounts paid on relocation from Sydney to Melbourne i.e. $75,000 relocation allowance, $63,489 interest subsidy and $154,377 property transaction costs.

7 R J Buckley retired 28 January 2008 and D A Robb resigned 8 September 2006, therefore only comparative data is shown.

* R J Buckley and T J Bult were not KMPs for the 2008 financial year, therefore remuneration details are shown for comparative purposes only

SECTION 2: CONTRACTS AND REMUNERATION DETAILS OF EXECUTIVE DIRECTORS, SENIOR EXECUTIVES AND EXECUTIVES DISCLOSED IN THIS REPORT (CONTINUED)

Shares allocated under the Wesfarmers Long Term Incentive Plan and Wesfarmers Long Term Incentive Award Determination Plan during the 2008 financial year:

NAME	DATE ALLOCATED	NUMBER ALLOCATED	SHARE PRICE AT ALLOCATION DATE $	VALUE[1] $
Executive directors				
R J B Goyder	23 November 2007	79,838	41.21	3,289,962
G T Tilbrook	23 November 2007	40,040	41.21	1,649,967
Senior Executives				
S A Butel	23 November 2007	10,677	41.21	439,978
J C Gillam	23 November 2007	24,752	41.21	1,019,980
K D Gordon	23 November 2007	13,346	41.21	549,962
Former KMP and executives disclosed under the *Corporations Act 2001*				
T J Bowen	23 November 2007	18,637	41.21	767,993
P J C Davis	23 November 2007	17,715	41.21	729,999

[1] Fifty per cent of the value is shown under 'Share-based payments' as the forfeiture period for the 2007 WLTIP was increased by an additional 12 months.

Link between Wesfarmers' performance and remuneration

Shareholders have benefited through strong returns from dividends and relative share price performance over time, and the executive directors and Senior Executives have been rewarded for this performance through the WSEIP and WLTIP.

Five year company performance

FINANCIAL YEAR ENDED 30 JUNE	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	AGAAP 2004
Dividends per share (cents)	200	225	215	180	140
Closing share price ($ as at 30 June)	37.14	45.73	35.33	40.01	29.40
Earnings per ordinary share (cents)	180.6	204.9#	235.6+	192.0	174.2*
Net profit after tax ($m)	1050	786	869+	702	569*
Return on Equity (rolling 12)	8.5	25.1	31.1+	25.4	16.2*
Capital returns per share (cents)	-	-	-	100	250

+ excluding the sale of ARG
* excluding the sale of Landmark
# restated with an adjustment factor of 1.03 as a result of the Entitlement Offer

IFRS and AGAAP - Information is presented for 2005, 2006, 2007 and 2008 in accordance with International Financial Reporting Standards (IFRS) which were effective from 1 July 2005. Information for 2004 and prior years is presented in accordance with Australian Generally Accepted Accounting Principles (AGAAP) which were effective at that time.

SECTION 3: NON EXECUTIVE DIRECTOR FEES

"The key principle underpinning the non-executive director fees is the need to attract and retain highly competent directors with the ability to face the challenges associated with a diverse portfolio of companies now and into the future".

Wesfarmers' non-executive directors receive fees (including statutory superannuation) for their services plus the reimbursement of reasonable expenses. The advice of independent remuneration consultants is taken to ensure that the non-executive directors' fees are in line with market levels. Non-executive directors are not eligible to participate in any incentive plan and do not receive any retirement benefits, other than statutory and voluntary superannuation.

Fee sacrifice plan for non-executive directors

The salary sacrifice plan for non-executive directors was introduced in 2006. The plan enables non-executive directors to forego a portion of their fees to acquire Wesfarmers shares. The shares are issued or purchased at market price and are subject to forfeiture and trading restrictions.

Shares allocated under the non-executive director share plan are restricted until the earlier of:

- the date the relevant non-executive director ceases to be a director of Wesfarmers;
- the tenth anniversary of the allocation date of the shares; or
- the date the Board determines (in response to a request from a non-executive director, which may only be made after the third anniversary of the allocation date of the shares) that the restrictions cease.

Non-executive director fees

To reflect the changing size and complexity of the Wesfarmers' business, non-executive director fees were increased effective 1 January 2008. The table below summarises the current and previous Board and committee fees.

FINANCIAL YEAR ENDED 30 JUNE	2008 $	2007 $
Main Board		
Chairman	540,000	429,300
Member	164,500	143,100
Audit Committee		
Chairman	50,000	50,000
Member	30,000	30,000
Remuneration Committee		
Chairman	25,000	20,000
Member	12,500	10,000

Members of the Nomination Committee do not receive additional committee fees.

SECTION 3: NON EXECUTIVE DIRECTOR FEES

Coles Scheme Due Diligence Committee

To compensate for the significant additional time spent on non-routine matters, members of the Coles Scheme Due Diligence Committee were paid an additional fee in December 2007 as below:

COLES SCHEME DUE DILIGENCE COMMITTEE	$
Chairman	20,000
Member	10,000

The members of this committee were Dr Robert (Bob) Every (Chairman), Mr Richard (Dick) Lester and Mr Charles Macek. The committee met eight times during the period.

The non-executive directors fees, including committee fees are set within the maximum aggregate amount of $3,000,000 which was approved by shareholders at the November 2007 Annual General Meeting. The fees received by the non-executive directors in the 2008 financial year are set out below:

		SHORT TERM EMPLOYEE BENEFITS		POST EMPLOYMENT BENEFITS	
		FEES AND ALLOWANCES	OTHER	SUPERANNUATION[1]	TOTAL
		$	$	$	$
C B Carter	**2008**	**144,681**	**9,904**	**20,369**	**174,954**
Director (non-executive)	2007	100,322	6,300	49,378	156,000
P A Cross	**2008**	**148,383**	**9,904**	**16,667**	**174,954**
Director (non-executive)	2007	107,315	6,300	42,385	156,000
T R Eastwood	**2008**	**418,661**	**9,904**	**88,489**	**517,054**
Chairman (non-executive)	2007	399,581	6,300	39,519	445,400
R L Every	**2008**	**135,786**	**9,904**	**52,597**	**198,287**
Director (non-executive)	2007	152,910	6,300	15,123	174,333
J P Graham[2]	**2008**	**274,216**	**9,904**	**-**	**284,120**
Director (non-executive)	2007	243,032	6,300	-	249,332
A J Howarth[3]	**2008**	**143,739**	**9,904**	**33,435**	**187,078**
Director (non-executive)	2007	-	-	-	-
R D Lester[4]	**2008**	**93,800**	**9,904**	**100,000**	**203,704**
Director (non-executive)	2007	105,103	6,300	59,597	171,000
C Macek	**2008**	**177,258**	**9,904**	**16,542**	**203,704**
Director (non-executive)	2007	149,877	6,300	14,823	171,000
D C White	**2008**	**159,822**	**9,904**	**43,978**	**213,704**
Director (non-executive)	2007	122,853	6,300	61,847	191,000
Former non-executive directors					
L A Giglia[5]	**2008**	**-**	**-**	**-**	**-**
Director (non-executive)	2007	13,885	2,142	35,436	51,463
Total	**2008**	**1,696,346**	**89,136**	**372,077**	**2,157,559**
	2007	1,394,878	52,542	318,108	1,765,528

1 Superannuation contributions are made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations. The superannuation figures also include additional (i.e. non-statutory) contributions to superannuation.

2 J P Graham's fees are paid to Gresham Partners Limited for participation on the Boards of Wesfarmers Limited, Wesfarmers Federation Insurance and Lumley General Insurance. Of the salaries and fees above, $193,704 (2007: $171,000) relates to the parent company only.

3 A J Howarth was appointed on 5 July 2007.

4 R D Lester retired on 30 June 2008.

5 L A Giglia resigned on 1 November 2006, therefore only comparative data is shown.

SECTION 4: INDEPENDENT AUDIT OF REMUNERATION REPORT

Required disclosures pursuant to AASB124: Related Party Disclosures, included in sections 1-3 of this Remuneration Report have been audited by Ernst & Young.

This Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.

T R Eastwood
Chairman

R J B Goyder
Managing Director

Perth, 23 September 2008

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:
   1.1. the financial statements, notes and the additional disclosures included in the directors' report of the company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
      (b) complying with Accounting Standards and the Corporations Regulations 2001; and
   1.2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2008.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group comprising the company and the controlled entities marked "+" as identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee referred to in note 34.

On behalf of the Board

T R Eastwood
Chairman

R J B Goyder
Managing Director

Perth, 23 September 2008

Independent auditor's report

to the members of Wesfarmers Limited

Report on the Financial Report

We have audited the accompanying financial report of Wesfarmers Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Wesfarmers Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Wesfarmers Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 152 to 169 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

S C Van Gorp
Partner
Perth, 23 September 2008

Liability limited by a scheme approved under
Professional Standards Legislation.

Annual statement of coal resources and reserves

as at 30 June 2008

COAL RESOURCES AND RESERVES

The table below details the Coal Resources and Reserves for the Wesfarmers group, as at 30 June 2008.

MINE	OWNERSHIP	BENEFICIAL INTEREST	LOCATION OF TENEMENTS	MINING METHOD	COAL TYPE	COAL RESERVES TONNES (MILLIONS)			COAL RESOURCES TONNES (MILLIONS)			
						PROVED	PROBABLE	TOTAL	MEASURED	INDICATED	INFERRED	TOTAL
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	98	21	119	291	52	8	351
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and Steaming	198	3	201	398	136	168	702
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut	Steaming	39	32	71	12	32	24	68

Premier and Curragh's coal resources include coal reserves whereas Bengalla's coal resources are in addition to coal reserves.

CHARACTERISTICS OF COAL RESERVES AND RESOURCES

Premier

The coal is sub-bituminous and is used in the domestic market both as steaming coal and in industrial processes. The resource is contained in 65 seams of varying coal quality characteristics. Coal is currently produced from 12 of these seams. Coal is extracted by open cut methods, currently to depths less than 145 metres below the ground surface.

Curragh

The coal is bituminous and is used for power generation (principally domestic) and metallurgical processes (primarily steel production overseas). The resource is contained in five seams of varying thickness and quality characteristics. Coal is produced from all of these seams. Coal is extracted by open cut methods and processed through a wash plant using dense medium cyclones and froth flotation.

Bengalla

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from up to eight seams ranging in thickness from 1.5 million up to 13 million. These seams produce high yielding, high energy, generally low sulphur coals which are well suited to export and domestic power generation. The seams occur at relatively shallow depths and dip gently to the west. Coal is extracted by open cut methods.

JORC CODE COMPLIANCE

The statement of Coal Resources and Reserves presented in this report has been produced in accordance with the Australasian Code of reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code').

The information in this report relating to Coal Resources and Reserves is based on information compiled by Competent Persons (as defined in the JORC Code, and listed below). All Competent Persons have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the Coal Resource information is inclusive of Coal Reserves unless otherwise stated.

COMPETENT PERSON

Premier Mr Brian Wade is a full time employee of Wesfarmers Premier Coal Limited, a wholly owned subsidiary of Wesfarmers Limited.
Fellow AusIMM

Mr Barry Lay is a full time employee of Curragh Queensland Mining Pty Ltd , a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.
Member AusIMM

Curragh Mr Paul O'Loughlin, a full time Employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.
Member AusIMM

Bengalla Mr Mal Scott, a full time employee of Rio Tinto Coal Australia Pty Limited.
Member AusIMM

Mr Ken Preston, a full time employee of Rio Tinto Coal Australia Pty Limited.
Member AusIMM

Shareholder information

Wesfarmers Limited and its controlled entities

SUBSTANTIAL SHAREHOLDERS

As at the date of this report no person held a substantial shareholding in the company for the purpose of Part 6C.1 of the *Corporations Act 2001*.

VOTING RIGHTS

Wesfarmers fully paid ordinary shares carry voting rights of one vote per share.

Wesfarmers partially protected shares carry voting rights of one vote per share.

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

SIZE OF HOLDINGS	WESFARMERS FULLY PAID ORDINARY SHARES NUMBER OF SHAREHOLDINGS	WESFARMERS PARTIALLY PROTECTED SHARES NUMBER OF SHAREHOLDINGS
1 – 1,000	399,851	305,966
1,001 – 5,000	63,442	7,682
5,001 – 10,000	6,647	387
10,001 – 100,000	3,863	209
100,001 – and over	186	55

There were 13,919 holders holding less than a marketable parcel of Wesfarmers fully paid ordinary shares.
There were 7,341 holders holding less than a marketable parcel of Wesfarmers partially protected shares.
Less than 1.0 per cent of shareholders have registered addresses outside Australia.

TWENTY LARGEST SHAREHOLDERS

Fully paid ordinary shares

The twenty largest shareholders of Wesfarmers fully paid ordinary shares on the company's register as at 23 September 2008 were:

NAME	NUMBER OF SHARES	% OF ISSUED CAPITAL
HSBC Custody Nominees (Australia) Limited	67,796,805	10.48
National Nominees Limited	55,368,861	8.55
J P Morgan Nominees Australia Limited	45,447,660	7.02
Citicorp Nominees Pty Limited	11,807,093	1.82
ANZ Nominees Limited (Cash Income A/C)	9,962,280	1.54
Queensland Investment Corporation	8,582,711	1.33
Citicorp Nominees Pty Limited (CFS WSLE Geared Shr Fund A/C)	7,758,103	1.20
Australian Foundation Investment Company Limited	6,565,951	1.01
Cogent Nominees Pty Limited	6,462,571	1.00
ANZ Nominees Limited (SL Cash Income A/C)	3,947,530	0.61
ARGO Investments Limited	3,435,765	0.53
AMP Life Limited	3,177,989	0.49
M F Custodians Ltd	2,971,574	0.46
Perpetual Trustee Company Limited	2,574,495	0.40
Cogent Nominees Pty Limited (SMP Accounts)	2,545,239	0.39
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/C)	2,410,825	0.37
UBS Wealth Management Australia Nominees Pty Ltd	2,119,626	0.33
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fnd A/C)	2,097,800	0.32
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	1,965,814	0.30
Milton Corporation Limited	1,732,182	0.28

The percentage holding of the twenty largest shareholders of Wesfarmers fully paid ordinary shares was 38.43.

TWENTY LARGEST SHAREHOLDERS (CONTINUED)

Partially protected shares

The twenty largest shareholders of partially protected shares on the company's register as at 23 September 2008 were:

NAME	NUMBER OF SHARES	% OF ISSUED CAPITAL
National Nominees Limited	18,647,086	12.25
J P Morgan Nominees Australia Limited	14,419,104	9.47
HSBC Custody Nominees (Australia) Limited	10,834,559	7.12
M F Custodians Ltd	5,768,549	3.79
HSBC Custody Nominees (Australia) Limited – GSCO ECA	3,718,660	2.44
Citicorp Nominees Pty Limited	3,404,695	2.24
Warbont Nominees Pty Ltd (Unpaid Entrepot A/C)	3,361,294	2.21
ANZ Nominees Limited (Cash Income A/C)	2,283,349	1.50
Merrill Lynch (Australia) Nominees Pty Limited	2,108,822	1.39
HSBC Custody Nominees (Australia) Limited – (A/C 2)	1,571,085	1.03
Fortis Clearing Nominees Pty Ltd (Settlement A/C)	1,570,096	1.03
AMP Life Limited	1,403,101	0.92
Australian Foundation Investment Company Limited	1,400,120	0.92
Australian Reward Investment Alliance c/- J P Morgan Nominees Australia Limited	1,393,769	0.92
Fleet Nominees Pty Limited	1,359,191	0.89
Cogent Nominees Pty Limited	957,512	0.63
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fnd A/C)	892,731	0.59
Woodross Nominees Pty Ltd	839,281	0.55
Mr Peter Alexander Brown	684,454	0.44
Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	602,306	0.39

The percentage holding of the twenty largest shareholders of Wesfarmers partially protected shares was 50.72.

Five year financial history

Wesfarmers Limited and its controlled entities

All figures in $m unless shown otherwise		AIFRS 2008	AIFRS 2007	AIFRS 2006	AIFRS 2005	AGAAP 2004
SUMMARISED PROFIT AND LOSS						
Sales revenue		**33,301**	9,667	8,818	8,101	7,441
Other operating revenue		**283**	87	41	58	966
Operating revenue		**33,584**	9,754	8,859	8,159	8,407
Operating profit before depreciation, net interest paid and income tax		**2,668**	1,566	1,597	1,223	1,161
Depreciation and amortisation (ex goodwill)		**(654)**	(345)	(283)	(189)	(194)
Net interest paid		**(571)**	(116)	(82)	(67)	(50)
Income tax expense		**(393)**	(319)	(363)	(265)	(267)
		1,050	786	869	702	650
Outside equity interests		**-**	-	-	-	5
Operating profit after income tax before goodwill amortisation		**1,050**	786	869	702	655
Goodwill amortisation		**-**	-	-	-	(86)
Operating profit after income tax attributable to members of Wesfarmers Limited		**1,050**	786	869	702	569
CAPITAL AND DIVIDENDS						
Ordinary shares on issue (number) 000's		**799,438**	388,069	378,042	378,042	376,354
Paid up ordinary capital		**18,173**	2,256	1,902	1,901	2,346
Dividend per ordinary share		**200**	225	215	180	140
FINANCIAL PERFORMANCE BEFORE GOODWILL AMORTISATION						
Earnings per ordinary share (weighted average)*	cents	**180.6**	204.9	235.6	192.0	174.2
Earnings per ordinary share growth		**(11.9%)**	(13.0%)	22.7%	10.2%	15.6%
Return on equity (rolling 12)		**8.5%**	25.1%	31.1%	25.4%	18.5%
Income tax expense (effective rate)		**27.2%**	28.8%	29.4%	27.4%	29.1%
FINANCIAL PERFORMANCE AFTER GOODWILL AMORTISATION						
Earnings per ordinary share (weighted average)*	cents	**180.6**	204.9	235.6	192.0	151.5
Earnings per ordinary share growth		**(11.9%)**	(13.0%)	22.7%	26.8%	18.3%
Return on equity (rolling 12)		**8.5%**	25.1%	31.1%	25.4%	16.2%
Net interest cover - cash basis (times)		**4.9**	8.7	13.8	12.4	15.8
Income tax expense (effective rate)		**27.2%**	28.8%	29.4%	27.4%	39.5%
FINANCIAL POSITION AS AT 30 JUNE						
Total assets		**37,306**	12,076	7,430	7,153	7,271
Total liabilities		**17,716**	8,573	4,264	4,411	3,940
Net assets		**19,590**	3,503	3,166	2,742	3,331
Outside equity interests in controlled entities		**-**	-	-	-	(2)
Shareholders' equity attributable to members of Wesfarmers Limited		**19,590**	3,503	3,166	2,742	3,333
Net tangible asset backing per ordinary share		**($1.52)**	$2.11	$4.59	$3.47	$4.94
Net financial debt to equity		**47.4%**	143.6%	46.1%	62.9%	45.5%
Total liabilities/total assets		**47.5%**	71.0%	57.4%	61.6%	54.2%
STOCK MARKET CAPITALISATION AS AT 30 JUNE		**29,819**	17,746	13,356	15,125	11,065

Excludes significant items:
In 2004 - Sale of rural services business
In 2006 - Sale of ARG

* 2007 earnings per share has been restated with an adjustment factor on 1.03 as a result of the rights issue.

Investor information

MANAGING YOUR SHAREHOLDING

The company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

Computershare's Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

- view the company share price;
- change banking details;
- change your address (for non CHESS sponsored holdings);
- update your dividend instructions;
- update your tax file number (TFN), Australian Business Name (ABN) or exemption;
- select email and communication preferences; and
- view transaction history.

Visit www.investorcentre.com/au and click on "Register Now" for portfolio membership or simply click on "Access Single Holding".

When communicating with Computershare or accessing your holding online you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post:
GPO Box 2975 Melbourne, Victoria 3001 Australia

Telephone:
Australia: 1300 558 062
International: (+61 3) 9415 4631

Facsimile:
Australia: (03) 9473 2500
International: (+61 3) 9473 2500

Email:
web.queries@computershare.com.au

Tax File Numbers

While it is not compulsory to provide a TFN, if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate. Shareholders can go online to update their TFN or download the form by visiting www.investorcentre.com/au and clicking on "Downloadable Forms".

Change of Name or Consolidation of Holdings

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms which may be downloaded from www.investorcentre.com/au.

Uncertificated Share Register: The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

- Issuer sponsored holdings- these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
- Broker sponsored holdings- shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting www.investorcentre.com/au.

INFORMATION ON WESFARMERS

Wesfarmers website

Up-to-date information on the company can be obtained from the company's website www.wesfarmers.com.au

Securities Exchange Listing

Wesfarmers shares are listed on the Australian Securities Exchange under the following codes:
WES – Ordinary Shares
WESN – Partially Protected Shares.

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at www.asx.com.au

Dividend Investment Plan

The company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from the share registry or the Wesfarmers website.

Privacy

A copy of the Wesfarmers privacy policy is available on the Wesfarmers website.

Wesfarmers Public Affairs Department

Further information and publications about the company's operations are available from the Public Affairs Department on telephone (08) 9327 4251 (within Australia) or (+61 8) 9327 4251 (International) or from the Wesfarmers website.

GLOSSARY

$	Australian dollars being the currency for the Commonwealth of Australia
AGAAP	Australian General Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Principles	ASX Corporate Governance Principles and Recommendations (Second Edition)
Board	The Board of Directors of Wesfarmers Limited
Coles group	Includes Coles food and liquor, fuel and convenience businesses, Target, Kmart, Officeworks and Harris Technology
EBIT	Earnings before interest and tax
IFRS	International Financial Reporting Standards
Group	Wesfarmers Limited and its subsidiaries
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTIFR	Lost time injury frequency rate
WESOP	Wesfarmers Employee Share Ownership Plan
WLTIP	Wesfarmers Long Term Incentive Plan
WESP	Wesfarmers Employee Share Plan
WSSSP	Wesfarmers Salary Sacrifice Share Plan

CORPORATE DIRECTORY

Wesfarmers Limited
ABN 28 008 984 049

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Level 11, Wesfarmers House
40 The Esplanade, Perth,
Western Australia 6000

Telephone:	(+61 8) 9327 4211
Facsimile:	(+61 8) 9327 4216
Website:	www.wesfarmers.com.au
Email:	info@wesfarmers.com.au

Executive directors

Richard Goyder
Managing Director and Chief Executive Officer

Gene Tilbrook
Finance Director

Non-executive directors

Trevor Eastwood AM Chairman
Colin Carter OAM
Patricia Cross
Bob Every
James Graham AM
Tony Howarth AO
Charles Macek
David White

Company Secretary

Linda Kenyon

SHARE REGISTRY

Computershare Investor Services
Pty Limited
Level 2, 45 St George's Terrace
Perth, Western Australia 6000

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Email:	web.queries@computershare.com.au
Website:	www.computershare.com.au

FINANCIAL CALENDAR+

Record date for final dividend	1 September 2008
Final dividend paid	6 October 2008
Annual general meeting	13 November 2008
Half-year end	31 December 2008
Half-year profit announcement	February 2009
Record date for interim dividend	February 2009
Interim dividend payable	March 2009
Year-end	30 June 2009

+ Timing of events is subject to change

ANNUAL GENERAL MEETING

The 27th annual general meeting of Wesfarmers Limited will be held at the Perth Convention Centre, Mounts Bay Road, Perth, Western Australia on Thursday, 13 November 2008 at 2.00pm (Perth time).

WEBSITE

To view the 2008 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit Wesfarmers' website at **www.wesfarmers.com.au**

www.wesfarmers.com.au

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