Wesfarmers Limited
ABN 28 008 984 049

15 February 2007

FIRST HALF PROFIT

The directors of Wesfarmers Limited today announced a profit of $391.9 million for the half year ended 31 December 2006, a decrease of $54.8 million or 12.3 per cent on the $446.7 million earned in the corresponding six months last year. Operating revenue rose from $4.4 billion to $4.7 billion for the half year.

Earnings per share for the six months were 105.8 cents compared with 121.2 cents for the corresponding period last year. Operating cash flow per share of 126 cents was above the 115 cents recorded last year.

Directors have declared a fully franked interim dividend of 85 cents, an increase of 20 cents on that paid last year reflecting availability of franking credits and strong cash flow per share.

The half year result included profit before tax of $24.9 million on the sale of non-current assets, compared with $1.1 million in the same period last year; partly offset by $10.6 million for transaction costs, closures and remediation.

Significant profit movements occurred in the Home Improvement division where earnings were up $48.8 million due to increased sales revenues, while Coal division earnings were down $149.7 million due mainly to lower export prices and higher costs.

Managing Director Richard Goyder said it had been a good six months with four of the six operating divisions recording improved profit results.

"The highlight of the half year was an excellent performance by Bunnings which delivered a 22.1 per cent increase in earnings over the same period last year, with very strong sales," he said.

"We said in the 2005/06 full year profit announcement that lower export coal prices and cost pressures would have a negative impact on profit in 2006/07. But our main coal asset, the Curragh mine in Queensland, achieved a 23 per cent increase in metallurgical coal sales and the Curragh North project remains on track for completion within budget.

"The company stands to benefit in the future from the contribution of recent acquisitions now being integrated into our operations, the ongoing growth initiatives in each division supported by record capital expenditure outlays and a continuing strong focus on operating performance in each business."

Finance

The group's net debt to equity ratio as at 31 December 2006 was 84.2 per cent, up from 46.1 per cent at 30 June 2006, due largely to higher borrowings to fund acquisitions and the capital expenditure programme.

The rolling 12-month cash interest cover was 13.9 times, well above the group's minimum benchmark.

Capital expenditure for the first half was $317.1 million.

Interim dividend

The 85 cent fully franked interim dividend will be paid on 30 March 2007.

As previously announced, the company's dividend investment plan will be reinstated with effect from 27 February 2007, being the record date for the interim dividend. The company has entered into arrangements to underwrite the offer of shares under the Plan for 100 per cent of the interim dividend.

Home Improvement

Operating revenue of the home improvement business increased by 11.5 per cent to $2.47 billion in the first half. Earnings before interest and tax of $269.7 million were 22.1 per cent higher than those recorded in the corresponding period last year. Trading earnings (net of property sale contributions) increased by 18.1 per cent.

Cash sales growth in Bunnings of 14.1 per cent was achieved, with underlying store-on-store cash sales growth of 10.3 per cent. Pleasing results were recorded in New Zealand, Western Australia, New South Wales and Queensland. Relative to the previous corresponding period, sales were strong across all product categories reflecting both better external trading conditions and good traction from key merchandising and operational strategies.

Trade sales were three per cent higher than in the comparative period on the back of continued progress in re-aligning the trade business to focus better on servicing large trade customers through new trade distribution centres and to improve the offer for walk-in trade customers within the store network.

Store network development activities were ongoing in the first half. Five new warehouse stores and three smaller format stores opened in the period. One of the warehouse openings resulted from the acquisition of a competitor site in Griffith, New South Wales. Seven stores were fully upgraded during the half year, while a further 10 stores received smaller department-specific upgrades, as part of the ongoing store network refurbishment programme which brings current building and merchandising standards into the older parts of the network.

As previously advised, operations from the WA Salvage store network in Western Australia have been wound down across the first half and all trading has now ceased. Net exit costs of $5.2 million have been taken up in the half year result.

Good progress continues to be made on strategies that deliver greater efficiencies and more effective operations within the business. These gains support the continued delivery of the every-day-lowest-prices policy to customers. Highlights in the period included lower shrinkage levels, better inventory disciplines and enhancements to the supply chain. Solid progress has been made on the previously announced major systems upgrade project and phase one of the project is expected to be substantially completed this quarter.

Outlook

The first half performance has been pleasing, but given the strong second half trading performance of the business last year, comparative growth rates may be difficult to maintain at current levels in the second half.

Overall, the outlook is for continued retail sales growth and steady trade sales improvement.

New warehouse development is forecast to continue at between 10 to 14 warehouse stores per year, with 12 to 14 warehouse stores to be opened in 2006/07.

Profits from the disposal of property are forecast to be higher than normal in the second half of the year. A public tender process for the sale and leaseback of 11 warehouse properties will commence this month, with completion expected before the end of the financial year.

Coal

Operating revenue of $587.4 million from the group's coal businesses was 6.6 per cent below the $629.1 million recorded in the corresponding period last year. Earnings before interest and tax of $168.1 million were 47.1 per cent lower than last year's $317.8 million.

Metallurgical coal sales volumes from the Curragh coal mine in Queensland for the period, at 3.2 million tonnes, were 23 per cent above the comparative six month period last year in line with increased production from the Curragh North development. This increase was partly offset by a 17 per cent reduction in steaming coal deliveries, resulting in total sales volumes for Curragh increasing by nine per cent. Earnings were below last year's due to a softening of export metallurgical coal prices, higher production and tonnage related costs, and an increased Stanwell rebate payment.

Premier Coal at Collie in Western Australia reported sales volumes 14 per cent below those for the comparative period last year due to lower sales to Verve Energy and a planned 11 day maintenance shutdown of the coal handling plant in October 2006. Earnings were lower due to reduced sales volumes and prices reflecting the new long term contractual arrangements with Verve Energy, which commenced on 1 April 2006.

Joint venture sales volumes for the Bengalla coal mine in New South Wales, in which Wesfarmers holds a 40 per cent interest, were 19 per cent above the corresponding period last year. Earnings were lower, largely as a result of lower export prices, and higher production and demurrage costs. Bengalla's results for the period were adversely affected by infrastructure constraints.

At Curragh, highlights during the six month period included satisfactory progress at Curragh North which is on track to be completed within the total project capital expenditure of $360 million. Commissioning of the conveyor is in progress, with first coal due to be transported on the conveyor by early March.

At Premier, highlights during the period included the construction of a 50,000 tonne per annum demonstration char plant at Collie. Commissioning of the plant commenced in December 2006 with full production scheduled to begin during March 2007.

At Bengalla, approval from the New South Wales Department of Planning was obtained to modify Bengalla's Development Consent to permit increased production. Feasibility studies are continuing, to determine the viability of increasing the annual run of mine capacity from 8.7 million tonnes to 10.7 million tonnes.

Outlook

The export coal businesses will benefit from a continuation of firm metallurgical coal prices and volume growth. Achievement of targeted sales volumes will, as always, require satisfactory mine, rail and shipment performance. Expected full-year production of metallurgical coal at Curragh remains in the range of 6.2 to 6.5 million tonnes for the 2006/07 year.

Negotiations to renew the annual price of Curragh metallurgical coals continues with industry reports indicating that coking coal prices will decline this year while PCI prices will be at slightly higher levels than last year's. Curragh has settled prices for 65 per cent of 2006/07 contract volumes, generally in line with reported outcomes, while maintaining current hard coking coal price relativity.

Insurance

The insurance businesses recorded gross written premium ("GWP") of $546.0 million, broking revenue of $26.4 million and earnings before interest and tax of $60.1 million, including the contribution from the newly acquired OAMPS Ltd (OAMPS) from 1 November 2006. The reported earnings includes $2.6 million relating to the amortisation of identified intangibles as is now required under AASB3. Excluding the OAMPS contribution and amortisation of intangibles, GWP and earnings were $527.6 million and $52.1 million respectively. This compares with the previous corresponding period in which GWP was $503.3 million and earnings were $63.5 million.

Underwriting

Underwriting performance in the first six months deteriorated compared with the previous corresponding period. The divisional insurance margin was 13.2 per cent and the combined operating ratio ("COR") was 90.5 per cent, compared with the previous corresponding period when the insurance margin was 14.4 per cent and the COR was 88.8 per cent. This was due to an unusually large number of significant claims in the Lumley businesses and a reduction in exchange commission as more risk has been retained. GWP increased from the previous corresponding period due to new business initiatives in Lumley Australia. Wesfarmers Federation Insurance reported pleasing results, above those reported in the previous corresponding period, due to an improvement in the crop portfolio and sound results across the remainder of the business. Australian International Insurance Limited ("AIIL"), the OAMPS underwriting entity, reported a satisfactory result.

Broking

OAMPS' insurance broking operations in Australia and the United Kingdom reported solid results in highly competitive market conditions.

Outlook

While continuing to generate reasonable returns, all businesses are experiencing continued margin and growth pressure. The OAMPS integration is proceeding smoothly with some modest synergies expected to be realised from the amalgamation of corporate functions and the merger of AIIL with Lumley's Australian business. Wesfarmers' previously announced acquisition of the Crombie Lockwood broking business in New Zealand is likely to be completed in February, subject to the approval of the New Zealand Overseas Investment Office.

Industrial & Safety

Operating revenue for the industrial and safety businesses for the first half was $580.1 million. This was in line with the $588.0 million recorded in the corresponding period last year, after adjusting for unfavourable New Zealand currency translation and the sale of Melbourne Metals in June.

Earnings before interest and tax of $50.9 million for the six months were 10.7 per cent higher than the $46.0 million recorded in the comparative period reflecting the benefits of restructuring and capital management initiatives.Blackwoods and Protector Alsafe both achieved sales growth, with pleasing results recorded in Queensland and Western Australia. Trading performance elsewhere in Australia was more subdued, due to reduced construction activity following the completion of a number of major infrastructure projects and a notable slowing in automotive related activity.

In New Zealand, excluding exchange rate impacts, total sales across the businesses declined marginally compared with the corresponding period, despite a subdued and very competitive market, particularly in safety-related product sales. On a positive note, Blackwoods Paykels achieved stronger earnings having benefited from restructuring activities implemented over the last 12 months.

A highlight for the division in the period was the purchase of Bullivants, Australia's leading supplier of lifting, rigging and material handling products and services.

As at December 2006, rolling twelve month capital employed, including the Bullivants acquisition, reduced by some $43 million compared to last year. This reflected a strong focus during the period on improving capital management and helped increase return on capital employed to 13.7 per cent compared to 13.2 per cent last year.

Outlook

The second half of the financial year is expected to see ongoing mixed market conditions with growth in Australia from existing businesses as well as contribution from Bullivants. In New Zealand, performance is expected to remain relatively subdued.

Strong ongoing focus on business improvement initiatives is also expected to continue to deliver improved performance.

Chemicals & Fertilisers

Operating revenue of $230.7 million from CSBP's chemicals and fertilisers businesses for the first half was 8.9 per cent below the comparative period last year. Earnings before interest and tax of $27.8 million were recorded, an increase of 4.0 per cent compared with last year's $26.7 million.

Sales volumes from CSBP's sodium cyanide activities were higher than in the corresponding period last year. Ammonia sales volumes were lower due to reduced customer offtake while production and sales of ammonium nitrate were lower as a result of planned plant maintenance.

During the period the chlor-alkali business was sold to Orica and the plant was decommissioned. CSBP continues to manufacture sodium hypochlorite for supply to Orica.

Overall production performance from the Kwinana chemicals operations was satisfactory. The planned maintenance shutdown of the Kwinana ammonia plant was completed within budget.

Returns from the investment in the Queensland Nitrates joint venture were above expectations reflecting strong demand for ammonium nitrate in Queensland and consistent plant production.

Total earnings from chemicals activities were in line with the comparative period last year with the impact of the planned maintenance shutdown of the ammonia plant being largely offset by the improved performance of the Queensland Nitrates plant and other chemical activities.

Construction continued on expansion of the ammonium nitrate facilities at Kwinana. Despite continued strong activity in the construction sector, together with timing and quality issues relating to fabrication of components, production is expected to commence during the second half of 2007.

CSBP is investigating opportunities to expand its sodium cyanide joint venture production facilities at Kwinana due to increasing demand from the gold industry.

Fertiliser sales volume was significantly lower than the corresponding period last year due largely to poor finishing rains during winter 2006 and high stocks on farm. The earnings contribution from the fertiliser business was lower than last year's, although the impact of the drought was partly mitigated by tight expense management.

The remediation project at the former Cresco site at Bayswater in Western Australia continued and expenses of $3.0 million were incurred during the period.

Outlook

The outlook for the 2006/07 year remains subject to the seasonal break which will determine the demand for fertiliser. Demand for chemical products remains strong.

Energy

Operating revenue of $222.4 million from the group's gas and power businesses was 20.0 per cent above the $185.4 million recorded in the corresponding period last year. Earnings before interest and tax of $38.1 million were 49.5 per cent higher than the $25.5 million earned last year.

Kleenheat Gas' total sales volumes for the half year were slightly below the comparative period last year, with lower traditional and autogas sales being partially offset by higher distributor sales. Earnings were above last year's due to some margin recovery and improved cost performance.

Wesfarmers LPG's sales volumes were 19.3 per cent above the corresponding period last year, due to higher LPG content together with slightly higher feed gas throughput. Earnings were above last year's due to higher average international LPG prices, higher export sales and increased domestic demand.

Air Liquide WA, in which Wesfarmers holds a 40 per cent interest, recorded higher earnings than those in the comparative period last year principally due to improved performance from core industrial gas operations.

Energy Generation's earnings for the half year were higher than last year's due mainly to additional contributions from the expanded power station at the Hill 50 gold mine and newly commissioned power stations at the remote Western Australian townships of Gascoyne Junction, Laverton and Menzies.

Highlights for the half year included Wesfarmers Energy entering an agreement to acquire the industrial gas company, Linde Gas Pty Ltd, for approximately $500 million. Completion of the acquisition occurred on 1 February 2007 with the business now operating as Coregas Pty Ltd ("Coregas") under Wesfarmers ownership.

A $138 million, 175 tonne per day vertically integrated LNG project, in Western Australia that will provide fuel to the domestic heavy-duty vehicle and remote power generation markets was announced in September 2006. Project works have commenced with commissioning expected in the first quarter of calendar 2008.

Energy Generation also commenced the design and construction of new power stations for five remote Western Australian communities.

Outlook

Earnings will continue to be dependent on international LPG prices, export sales volumes, gas flow rates and LPG content of feed gas to Wesfarmers LPG. Expectations are that second half LPG export volumes may decrease. This earnings impact is likely to be offset by Coregas' part year contribution.

Other operations

There were no divestments by Gresham Private Equity Funds. Fund 2 made an investment in the Witchery retail group.

Earnings for Wespine, the 50 per cent-owned softwood milling business, were lower than the previous corresponding period due to cost and margin pressures.

Senior Management Change

Mr Bob Buckley will retire as Managing Director of the Wesfarmers Insurance division at the end of June 2007. Mr Robert Scott, currently Executive General Manager, Strategic Development with Wesfarmers Insurance, has been appointed Deputy Managing Director of the division and will succeed Mr Buckley on his retirement.

Mr Buckley joined the company in 1993 and headed Wesfarmers Federation Insurance prior to his appointment as head of the Insurance division in August 2003. The company expresses its appreciation of his outstanding service, particularly his key role in the integration of Lumley Insurance's Australian and New Zealand businesses, acquired in 2003, and the recent expansion of the division through the acquisition of OAMPS Limited.

Mr Scott (37) first worked for Wesfarmers in 1993/94 and rejoined the company as a senior manager in the business development department at the company's head office in 2004 after a career in investment banking in Australia and Asia. He was appointed to his present position in May last year.

For further information contact: Richard Goyder, Managing Director
(61 8) 9327 4208

Keith Kessell, Executive General Manager, Corporate Affairs
(61 8) 9327 4281
0419 949 082

Appendix 4D - Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

ABN 28 008 984 049

RESULTS FOR ANNOUNCEMENT TO THE MARKET		$000
Revenue from ordinary activities	up 6.1% to	**4,718,118**
Profit from ordinary activities after tax attributable to members	down 12.3% to	**391,860**
Net profit for the half-year attributable to members	down 12.3% to	**391,860**

DIVIDENDS	Amount per security	Franked amount per security
Interim dividend	**85 cents**	**85 cents**
Previous corresponding period	65 cents	65 cents

Record date for determining entitlements to the dividend	27 February 2007
Last date for receipt of election notice for Dividend Investment Plan	27 February 2007
Date the interim dividend is payable	30 March 2007

The company's Dividend Investment Plan, which was suspended in February 2003, has been reinstated with effect from the record date for the interim dividend.

NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share (excluding employee reserved shares) $2.51 (2005: $3.61)

PREVIOUS CORRESPONDING PERIOD

The previous corresponding period is the half-year ended 31 December 2005.

COMMENTARY ON RESULTS FOR THE PERIOD

A commentary on the results for the period is contained in the press release dated 15 February 2007 accompanying this statement.

Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		CONSOLIDATED	
	Note	**2006**	2005
		$000	$000
Revenue			
Sale of goods		**4,028,812**	3,810,320
Rendering of services		**634,341**	604,239
Interest		**31,277**	21,543
Dividends		**571**	859
Other		**23,117**	10,164
		4,718,118	4,447,125
Cost of sales		**(2,680,717)**	(2,381,295)
Direct service expenses		**(498,381)**	(409,562)
Gross profit		**1,539,020**	1,656,268
Other income		**17,407**	1,722
Finance costs	5	**(62,687)**	(70,704)
Other expenses		**(980,257)**	(980,015)
Share of profits and losses of associates	8	**36,683**	29,155
Profit before income tax		**550,166**	636,426
Income tax expense		**(158,275)**	(189,705)
Profit after tax from continuing operations		**391,891**	446,721
Loss (Profit) attributable to minority interests		**(31)**	-
Profit attributable to members of the parent		**391,860**	446,721
Earnings per share (cents per share)	3		
– basic for profit for the period attributable to ordinary equity holders of the parent		**105.8**	121.2
– diluted for profit for the period attributable to ordinary equity holders of the parent		**104.8**	119.8

Condensed Balance Sheet

AT 31 DECEMBER 2006 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	CONSOLIDATED **December 2006 $000**	 June 2006 $000
ASSETS			
Current Assets			
Cash and cash equivalents		**282,988**	90,046
Trade and other receivables		**1,435,680**	1,194,632
Inventories		**1,212,512**	1,146,398
Derivatives		**61,288**	43,776
Other insurance assets		**843,329**	658,740
Total Current Assets		**3,835,797**	3,133,592
Non-current Assets			
Receivables		**128,975**	113,562
Available-for-sale investments		**39,042**	5,755
Investment in associates		**360,757**	279,213
Deferred tax assets		**191,642**	84,922
Property, plant and equipment		**2,540,159**	2,396,236
Intangible assets and goodwill		**2,153,716**	1,470,212
Derivatives		**49,742**	31,655
Total Non-current Assets		**5,464,033**	4,381,555
TOTAL ASSETS		**9,299,830**	7,515,147
LIABILITIES			
Current Liabilities			
Trade and other payables		**1,052,956**	752,908
Interest-bearing loans and borrowings		**1,692,939**	468,038
Income tax payable		**126,269**	213,708
Provisions		**169,437**	141,120
Derivatives		**8,391**	4,171
Insurance liabilities		**1,100,726**	873,917
Other		**60,519**	124,614
Total Current Liabilities		**4,211,237**	2,578,476
Non-current Liabilities			
Payables		**4,765**	4,352
Interest-bearing loans and borrowings		**1,113,467**	1,074,875
Deferred tax liabilities		**297,043**	142,257
Provisions		**262,652**	258,778
Derivatives		**35**	7,966
Insurance liabilities		**269,881**	225,417
Other		**54,571**	57,027
Total Non-current Liabilities		**2,002,414**	1,770,672
TOTAL LIABILITIES		**6,213,651**	4,349,148
NET ASSETS		**3,086,179**	3,165,999
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	**1,935,378**	1,901,522
Employee reserved shares	9	**(131,767)**	(159,492)
Retained earnings		**1,058,694**	1,233,898
Reserves		**223,791**	190,019
Parent interests		**3,086,096**	3,165,947
Minority interests		**83**	52
TOTAL EQUITY		**3,086,179**	3,165,999

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	CONSOLIDATED	
		2006 $000	2005 $000
Cash flows from operating activities			
Receipts from customers		**5,097,585**	4,813,260
Payments to suppliers and employees		**(4,358,244)**	(4,186,341)
Dividends and distributions received from associates		**6,934**	23,678
Dividends received from others		**605**	859
Interest received		**31,256**	12,553
Borrowing costs		**(58,628)**	(65,041)
Income tax paid		**(242,074)**	(163,633)
Net cash flows from operating activities		**477,434**	435,335
Cash flows from investing activities			
Net redemption (acquisition) of insurance deposits		**(26,200)**	(41,884)
Purchase of property, plant and equipment		**(317,110)**	(302,401)
Proceeds from sale of property, plant and equipment		**17,790**	2,614
Proceeds from sale of available-for-sale financial assets		**-**	7,482
Subscription of capital in associates		**(23,972)**	(14,506)
Purchase of available-for-sale financial assets		**(1,321)**	-
Return of capital received from associates		**2,001**	-
Acquisition of subsidiaries, net of cash acquired	10	**(614,202)**	-
Other		**-**	(329)
Net cash flows used in investing activities		**(963,014)**	(349,024)
Cash flows from financing activities			
Proceeds from borrowings		**1,380,406**	568,842
Repayment of borrowings		**(156,152)**	(191,024)
Proceeds from exercise of in-substance options under the employee share plan		**16,859**	21,278
Equity dividends paid		**(556,118)**	(467,664)
Net cash flows from/(used in) financing activities		**684,995**	(68,568)
Net increase in cash and cash equivalents		**199,415**	17,743
Cash and cash equivalents at beginning of the period		**83,115**	77,038
Cash and cash equivalents at end of the period	7	**282,530**	94,781

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Attributable to equity holders of the parent						
CONSOLIDATED	Issued capital $000	Employee reserved shares $000	Retained earnings $000	Reserves $000	Total $000	Minority interest $000	Total equity $000
Balance at 1 July 2005	1,901,164	(215,354)	911,598	228,941	2,826,349	52	2,826,401
Foreign currency translation differences	-	-	-	2,220	2,220	-	2,220
Changes in the fair value of available-for-sale assets net of tax	-	-	-	4,094	4,094	-	4,094
Changes in the fair value of cash flow hedges net of tax	-	-	-	(36,197)	(36,197)	-	(36,197)
Net profit/(loss) recognised directly in equity	-	-	-	(29,883)	(29,883)	-	(29,883)
Net profit for the period	-	-	446,721	-	446,721	-	446,721
Total recognised income and expense for the period	-	-	446,721	(29,883)	416,838	-	416,838
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	-	21,278	-	-	21,278	-	21,278
Equity dividends	-	12,450	(480,114)	-	(467,664)	-	(467,664)
	-	33,728	(480,114)	-	(446,386)	-	(446,386)
					-		
Balance at 31 December 2005	1,901,164	(181,626)	878,205	199,058	2,796,801	52	2,796,853
Balance at 1 July 2006	**1,901,522**	**(159,492)**	**1,233,898**	**190,019**	**3,165,947**	**52**	**3,165,999**
Foreign currency translation differences	**-**	**(526)**	**-**	**6,453**	**5,927**	**-**	**5,927**
Changes in the fair value of available-for-sale assets net of tax	**-**	**-**	**-**	**(341)**	**(341)**	**-**	**(341)**
Changes in the fair value of cash flow hedges net of tax	**-**	**-**	**-**	**28,135**	**28,135**	**-**	**28,135**
Other		**-**	**-**	**(475)**	**(475)**	**-**	**(475)**
Net profit/(loss) recognised directly in equity	**-**	**(526)**	**-**	**33,772**	**33,246**	**-**	**33,246**
Net profit for the period	**-**	**-**	**391,860**	**-**	**391,860**	**31**	**391,891**
Total recognised income and expense for the period	**-**	**(526)**	**391,860**	**33,772**	**425,106**	**31**	**425,137**
Transactions with equity holders in their capacity as equity holders:							
Issue of shares under employee long term incentive plans	**33,856**	**-**	**-**	**-**	**33,856**	**-**	**33,856**
Proceeds from exercise of in-substance options	**-**	**16,859**	**-**	**-**	**16,859**	**-**	**16,859**
Equity dividends	**-**	**11,392**	**(567,064)**	**-**	**(555,672)**	**-**	**(555,672)**
	33,856	**28,251**	**(567,064)**	**-**	**(504,957)**	**-**	**(504,957)**
Balance at 31 December 2006	**1,935,378**	**(131,767)**	**1,058,694**	**223,791**	**3,086,096**	**83**	**3,086,179**

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1 CORPORATE INFORMATION

The financial report of Wesfarmers Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 15 February 2007. Wesfarmers Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the annual financial report of Wesfarmers Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with public announcements made by Wesfarmers Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The financial report has also been prepared on a historical cost basis, except for investment properties in associates, 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 thousand dollars ($000) unless otherwise stated, under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 January 2006, as described in note 2(d).

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Wesfarmers Limited and its subsidiaries ("the Group").

The acquisition of OAMPS Limited ("OAMPS") and its controlled entities on 1 November 2006 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the half-year consolidated financial statements include the results of OAMPS for the two-month period.

The acquisition of Bullivants Pty Ltd ("Bullivants") occured on 19 December 2006. Due to the timing of the acquisition the acquisition has not had a material impact on the consolidated result of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Changes in accounting policies

Australian Accounting Standards and Urgent Issues Group Interpretations that have recently been issued or amended and are effective from 1 July 2006 are outlined below:

AASB	Application Date for the Group
2004-3	1 July 2006
2005-1	1 July 2006
2005-4	1 July 2006
2005-5	1 July 2006
2005-6	1 July 2006
2005-9	1 July 2006
2006-1	1 July 2006
119	1 July 2006

UIG	Application Date for the Group
4	1 July 2006
5	1 July 2006
7	1 July 2006
8	1 July 2006
9	1 July 2006

None of these standards or interpretations resulted in a material change in accounting policy and therefore there was no material impact on the Group's financial performance or position for the half-year. The Group has taken the view that the financial guarantee given by group companies under the class order referred to in note 31 to the 2006 financial statements does not require any changes in accounting treatment for the Group under AASB 2005-9.

3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares (excluding employee reserved shares treated as in-substance options) outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares (excluding employee reserved shares treated as in-substance options) outstanding during the period 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	
	2006	2005
	$000	$000
Profit attributable to members of the parent	**391,860**	446,721
	'000	'000
Weighted average number of ordinary shares for basic earnings per share	**370,492**	368,489
Effect of dilution - employee reserved shares	**3,569**	4,460
Weighted average number of ordinary shares adjusted for the effect of dilution	**374,061**	372,949
Earnings per share (cents per share)	cents	cents
– basic for profit for the period attributable to ordinary equity holders of the parent	105.8	121.2
– diluted for profit for the period attributable to ordinary equity holders of the parent	104.8	119.8

Notes to the Financial Statements

4 SEGMENT INFORMATION

	HOME IMPROVEMENT		ENERGY		COAL		INDUSTRIAL AND SAFETY		INSURANCE		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
Segment revenue	**2,470,502**	2,215,547	**222,422**	185,354	**587,425**	629,095	**580,056**	588,006	**619,278**	566,582	**230,662**	253,329	**7,773**	9,212	**4,718,118**	4,447,125
Segment result																
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	**299,652**	245,191	**50,608**	37,421	**267,472**	370,271	**57,851**	53,094	**69,721**	67,342	**46,066**	48,491	**34,432**	37,455	**825,802**	859,265
Depreciation and amortisation	**(29,952)**	(24,336)	**(12,540)**	(11,961)	**(99,361)**	(52,505)	**(6,910)**	(7,105)	**(9,645)**	(3,809)	**(18,267)**	(21,770)	**(1,104)**	(968)	**(177,779)**	(122,454)
Earnings before interest, tax (EBIT) and corporate overheads	**269,700**	220,855	**38,068**	25,460	**168,111**	317,766	**50,941**	45,989	**60,076**	63,533	**27,799**	26,721	**33,328**	36,487	**648,023**	736,811
Non Trading Items and Consolidation adjustment															**506**	(2,199)
Finance costs															**(62,687)**	(70,704)
Corporate overheads															**(35,676)**	(27,482)
Profit before income tax expense															**550,166**	636,426
Income tax expense															**(158,275)**	(189,705)
Profit attributable to minority interests															**(31)**	-
Profit attributable to members of the parent															**391,860**	446,721

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

- Home improvement - 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;
- Coal - the majority of the entity's coal contracts are renewed in April each calendar year, 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.

Notes to the Financial Statements

	CONSOLIDATED	
	2006	2005
	$000	$000
5 REVENUE AND EXPENSES		
Finance costs		
Total finance costs (on a historical cost basis)	**63,423**	65,041
Discount adjustment	**4,982**	7,348
Interest capitalised	**(5,718)**	(1,685)
Total finance costs	**62,687**	70,704
Depreciation and amortisation		
Depreciation	**96,495**	94,169
Amortisation of leasehold improvements	**1,912**	1,620
Amortisation of mineral exploration and development costs	**76,751**	26,665
Amortisation of contractual and non contractual relationships	**2,621**	-
	177,779	122,454
Employee benefits expense		
Remuneration, bonuses and on-costs	**569,230**	555,026
Share based payments expense	**29,626**	28,310
	598,856	583,336
Other expenses		
Bad and doubtful debts		
Trade receivables	**282**	348
Finance advances and loans	**-**	477
Minimum lease payments - operating leases	**84,696**	87,492
Writedown of inventory to net realisable value	**7,098**	14,337
Government mining royalties	**35,893**	29,783
Research and developments costs charged to cost of sales	**269**	287
6 DIVIDENDS PAID AND PROPOSED		
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2006: $1.50 (2005: $1.27)	**567,064**	480,114
Proposed and not recognised as a liability (fully franked at 30%)		
Interim franked dividend for 2007: $0.85 (2006: $0.65)	**322,168**	245,727
7 CASH FLOWS		
Reconciliation of cash		
For the purposes of the condensed cash flow statement, cash and cash equivalents are comprised of the following:		
Cash on hand and in transit	**76,420**	55,407
Cash at bank and on deposit	**114,492**	44,554
Broking trust accounts	**92,076**	-
Bank overdraft	**(458)**	(5,180)
	282,530	94,781
Non-cash financing and investing activities		
Issue of share capital under employee long term incentive plans	**33,856**	-
Acquisition of rights to mine via coal rebates payable	**2,492**	(20,753)
Recognition of mineral exploration via mine rehabilitation provision	**2,259**	-

8 INVESTMENTS IN ASSOCIATES

		Ownership		Share of profit/loss	
		2006	2005	**2006**	2005
Associate	**Principal Activity**	**%**	%	**$000**	$000
Air Liquide WA Pty Ltd	Industrial gases	**40.0**	40.0	**2,033**	1,579
Albany Woolstores Pty Ltd	Wool handling	**35.0**	35.0	**-**	-
Australian Railroad Group Pty Ltd	Rail freight	**-**	50.0	**-**	6,457
Bengalla Agricultural Company Pty Ltd	Dairy farming	**40.0**	40.0	**10**	(56)
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	**25,737**	7,957
Centrepoint Alliance Limited	Commercial finance	**25.0**	-	**416**	-
Gresham Partners Group Limited	Investment banking	**50.0**	50.0	**1,405**	1,141
Gresham Private Equity Fund 1	Private equity fund	**50.6**	50.6	**31**	9,394
Gresham Private Equity Fund No. 2	Private equity fund	**67.4**	67.4	**(1,468)**	(942)
Oversea & General Stevedoring Co Pty Limited	Investment	**50.0**	50.0	**-**	-
Queensland Nitrates Management Pty Ltd	Chemical manufacture	**50.0**	50.0	**-**	-
Queensland Nitrates Pty Ltd	Chemical manufacture	**50.0**	50.0	**4,409**	(488)
Unigas	LP gas distribution	**50.0**	50.0	**1,318**	559
Wespine Industries Pty Ltd	Pine sawmillers	**50.0**	50.0	**2,792**	3,554
				36,683	29,155

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 amounts to 67.4%, it is not a controlled entity as the consolidated entity does not have the capacity to dominate decision-making in relation to its financial and operating policies. Such control requires a unitholders' resolution of 75% of votes pursuant to the Fund's trust deed.

9 CONTRIBUTED EQUITY

Movement in ordinary shares on issue	Thousands	$000
At 1 July 2005 and 31 December 2005	378,042	1,901,164
Adjustment in relation to 2001 ownership simplification plan	-	358
At 30 June 2006	378,042	1,901,522
Issue of shares under employee long term incentive plans at $34.565 per share	**979**	**33,856**
At 31 December 2006	**379,021**	**1,935,378**

Movement in employee reserved shares on issue	Thousands	$0
At 1 July 2005	10,494	215,354
Exercise of in-substance options	(1,511)	(21,278)
Dividends applied	-	(12,450)
At 31 December 2005	8,983	181,626
Exercise of in-substance options	(759)	(15,218)
Dividends applied	-	(5,723)
Foreign currency translation adjustment	-	(1,193)
At 30 June 2006	8,224	159,492
Exercise of in-substance options	**(910)**	**(16,859)**
Dividends applied	**-**	**(11,392)**
Foreign currency translation adjustment	**-**	**526**
At 31 December 2006	**7,314**	**131,767**

10 BUSINESS COMBINATIONS

Acquisition of OAMPS Limited and its controlled entities ("OAMPS")

On 1 November 2006, Wesfarmers Limited, through its controlled entity Wesfarmers Insurance Investments Pty Ltd ("WIIPL"), acquired, through an on-market cash offer, 90% of the voting shares of OAMPS, a publicly listed company and subsidiaries based in Australia operating in the insurance broking and underwriting business in Australia and the United Kingdom. At 90% the offer became unconditional and enabled WIIPL to compulsorily acquire the remaining voting shares resulting in it holding an interest of 100% at balance date. Due to the timing of the acquisition and access to books and records of OAMPS by the Group occurring late in the period, the initial accounting for the business combination has been determined only on a provisional basis.

Details of the provisional fair value of the identifiable assets and liabilities of OAMPS and the cost of the acquisition as at the date of acquisition are:

	CONSOLIDATED	
	Recognised on acquisition $000	Book carrying value $000
Assets		
Cash and cash equivalents	93,065	93,065
Trade and other receivables	255,048	255,048
Financial assets	32,248	32,248
Insurance assets	157,306	147,916
Investment in associate	29,809	19,510
Property plant and equipment	13,124	13,124
Contractual and non-contractual relationships	91,000	7,527
Deferred tax assets	11,731	9,835
	683,331	578,273
Liabilities		
Trade and other payables	230,903	230,903
Interest-bearing loans and borrowings	42,081	42,081
Income tax payable	4,080	4,080
Provisions	14,937	14,937
Insurance liabilities	228,897	228,897
Deferred tax liabilities	46,624	12,447
Contingent liabilities	3,085	-
	570,607	533,345
Fair value of identifiable net assets	112,724	44,928
Goodwill arising on acquisition	557,370	
	670,094	
Cost of the combination		
Cash paid to OAMPS shareholders	646,368	
Costs associated with the acquisition	23,726	
	670,094	
Cash outflow on acquisition		
Net cash acquired - operating accounts	7,485	
Net cash acquired - broking trust accounts	85,580	
Cash paid	(670,094)	
Net cash outflow	(577,029)	

From the date of acquisition, OAMPS contributed $5.6 million to the net profit of the Group.

If the combination had taken place at the beginning of the period, the revenue from continuing operations for the Group would have been $4,801.5 million. It is not practicable to determine the profit of the Group had the combination taken place at 1 July 2006, as the fair value of identifiable assets and liabilities of OAMPS is not known at that date. Assuming that the same fair values detailed above applied at 1 July 2006, the net profit for the Group would not have been materially different from that reported.

The goodwill arising on consolidation is attributable to various factors, including synergistic savings arising from combining underwriting and administrative activities with existing Group operations; savings from delisting OAMPS and inseparable intangible assets such as employee skills and experience.

10 BUSINESS COMBINATIONS (continued)

Acquisition of Bullivants Pty Limited ("Bullivants")

On 19 December 2006, Wesfarmers Limited, through its controlled entity J Blackwood & Son Limited, agreed to acquire 100% of the voting shares of Bullivants, an unlisted private company based in Australia which is a leading supplier of lifting, rigging and materials handling products and services. Total consideration paid for the acquisition was $37.0 million, with the book carrying value of the acquiree's assets and liabilities being $20.9 million at acquisition date.

Due to the timing of the acquisition and access to books and records of Bullivants by the Group occurring late in the period, the initial accounting for the business combination has been determined only on a provisional basis. The goodwill which will arise on consolidation, however, is attributable to various factors, including the ability to provide improved products and services to customers, the value of future growth opportunities, intangible assets (such as employee skills and experience and customer relationships) and synergistic saving opportunities.

Detailed disclosure of this allocation has not been included as the acquisition is not material to the results or net assets of the group.

11 CONTINGENCIES

Tax consolidation review

The Group is undergoing a review by the Australian Taxation Office of the implementation of the taxation consolidation rules in relation to the generation of capital losses of approximately $500 million in relation to the 2001 restructure of the Group. Since 2004 the Group has utilised for accounting purposes approximately $370 million of these losses against taxable gains, resulting in an increase in the restructure tax reserve of $110 million and a reduction in tax payable of an equivalent amount. Based on independent expert legal advice management believes that the Group's treatment is correct and will prevail. Should this not be the case, an indeterminable amount of the capital losses previously recognised would be reversed resulting in the payment of income tax and a decrease in the restructure tax reserve. Such an amount could only be determined once the matter is resolved. The only impact on profit and loss of such an outcome would be the expensing of any penalties which may arise.

There has been no change in the accounting position of this contingency since the last balance date.

12 EVENTS AFTER THE BALANCE SHEET DATE

A fully franked dividend of 85 cents per share resulting in a dividend payment of $322.2 million was declared on 15 February 2007 for payment on 30 March 2007. The dividend has not been provided for in the 31 December 2006 half-year financial statements.

Acquisition of Crombie Lockwood Holdings (NZ) Limited and its controlled entities ("Crombie Lockwood")

On 6 December 2006, Wesfarmers Limited, through its controlled entity Wesfarmers Insurance Investments Pty Ltd ("WIIPL") agreed to acquire 100% of the voting shares of Crombie Lockwood, an unlisted private company based in New Zealand which provides insurance broking services. At the date of this report the acquisition has not been finalised. The consideration payable to the shareholders of Crombie Lockwood comprises an initial payment, plus an as yet undetermined adjustment based on the increase in net assets from an agreed date to completion, with four deferred payments over the next three years and a further three contingent consideration payments payable over the next two and a half years depending upon the operating performance of the company and retention of key employees. The exact details of the consideration are confidential and immaterial to the Group. Other costs associated with the acquisition amount to approximately $0.4 million.

As settlement of the transaction will not occur until after balance date, and access to books and records was not granted until very recently, it is impracticable to provide further information in relation to this acquisition.

Acquisition of Linde Gas Pty Ltd and its controlled entity ("Linde")

On 1 February 2007, Wesfarmers Limited, through its controlled entity Wesfarmers Energy Limited acquired 100% of the voting shares of Linde, from Linde AG a publicly listed German company. Linde is an Australia based private company which manufactures, wholesales and retails industrial and specialty gases. The consideration paid to the shareholders of Linde amounted to $500 million, plus an as yet undetermined adjustment based on the increase in net assets from an agreed date to completion. Other costs associated with the acquisition amount to approximately $5.0 million.

Due to the timing of the acquisition and access to books and records of Linde by the Group, the initial accounting for the business combination has not yet been determined. The goodwill which will arise on consolidation, however, is attributable to various factors, including the ability to provide improved products and services to customers, the value of future growth opportunities, intangible assets (such as employee skills and experience and customer relationships) and synergistic savings opportunities.

As settlement of the transaction did not occur until after balance date, and access to books and records was not granted until very recently, it is impracticable to provide further information in relation to this acquisition.