Wesfarmers Limited
ABN 28 008 984 049

NEWS

8 February 2005

WESFARMERS ANNOUNCES FIRST HALF PROFIT

The directors of Wesfarmers Limited today announced a profit of $291.2 million for the half-year ended 31 December 2004. The result was slightly below the net profit of $296.7 million (excluding the profit on the sale of the rural services business, Landmark) earned in the corresponding six months last year which included post-tax earnings of $45.1 million from the company's investment in the Gresham Private Equity Fund 1.

Increased earnings for the six month period over last year's first half result were recorded by all major divisions with the exception of the industrial and safety products distribution business which performed slightly below last year's result.

Operating revenue (not including revenue from the sale of Landmark) rose from $3.8 billion to $4.1 billion for the half-year.

The 31 December 2004 half-year result included profit after tax of $2.4 million on the sale of non-current assets compared with $4.3 million (excluding the sale of Landmark), in the same period last year.

Earnings per share (before goodwill amortisation) for the six months were 89.1 cents compared with 90.2 cents (excluding the profit from the sale of Landmark) for the corresponding period last year. Cashflow per share of $1.13 was below the $1.97 reported last year, as a result of the sale of Landmark in the previous corresponding period.

Hardware

Operating revenue of the Bunnings hardware merchandising business increased by seven per cent to $2.1 billion in the first half. Earnings before interest and tax (before goodwill amortisation) of $230.4 million were 11 per cent higher than the $208.7 million earned in the corresponding period last year. Trading earnings before interest and tax (before goodwill amortisation) also increased by 11 per cent.

Cash sales growth of 11 per cent was achieved, with underlying store-on-store cash sales growth (for the six month period) of around 7 per cent. Good results were recorded in Queensland, New South Wales, Western Australia and New Zealand. As previously noted, trading was slower in the first two months of the period before picking up well during September and October, helped in part by good seasonal conditions in these months. Trading in November was weaker, but improved in December. Sales were strongest, relative to the previous corresponding period, in the outdoor and garden product categories.

Trade sales were one per cent lower than in the comparative period last year due to the competitive trading environment and a declining residential building market, particularly in the eastern states.

Store network development activities were ongoing in the period with the opening of four new Bunnings warehouses and the upgrade and refurbishment of a further nine stores. It is expected that another six to eight warehouses will be opened in the second half of the financial year with most of these openings likely to occur in the fourth quarter. The upgrade and refurbishment programme within existing stores is also ongoing, with work at a further four stores scheduled for completion in the second half.

The outlook for hardware is for continued solid retail sales growth and a subdued trade performance.

Energy

Operating revenue of $520.2 million from the group’s energy businesses was above the $478.6 million recorded in the corresponding period last year. Earnings before interest and tax (before goodwill amortisation) of $126.7 million were ten per cent above the $115.1 million earned in the comparative period last year.

Coal

Export sales volumes from the Curragh mine in Queensland for the period were 23 per cent below the comparative six month period last year due to an extended shutdown of the Coal Handling and Preparation Plant (“CHPP”) for an upgrade as a part of the Curragh North development. The extended shutdown and lower than planned production during the recommissioning period resulted in production being approximately 300,000 tonnes below expectations for the six months to 31 December 2004. Domestic sales were in line with last year. Earnings were $2.4 million lower than last year’s as a result of the lower export sales and higher operating costs, offset partially by favourable inventory movements.

Sales volumes from the Premier Coal mine in Western Australia were above those recorded in the comparative period last year due to higher offtake requirements of Western Power. Earnings were lower than the comparative period last year due mainly to higher fuel and maintenance costs, adverse inventory movements and higher market development costs.

The Bengalla coal mine in New South Wales, in which Wesfarmers has a 40 per cent interest, produced sales volumes in line with the corresponding period last year. Earnings were significantly above last year’s result due primarily to higher export sales prices.

Highlights during the six month period included continued progress on the development of the Curragh North project which is on schedule to commence mining in March 2005. Higher than expected outcomes from export coking coal price negotiations were achieved in early 2005. Wesfarmers has agreed commercial terms for the majority of the annually priced coking coal contracts from the Curragh mine. The FOB ($US) prices for Curragh coking coals (excluding PCI coal) have increased by an average of approximately 130 per cent. PCI coal prices are expected to be settled within the next month.

The Curragh CHPP is now performing in line with expectations, but logistics constraints including a lack of available capacity on the rail network will make it difficult to achieve the previously estimated five million tonnes of export sales for the 2004/05 year. Increases in coking coal prices and export tonnage give a positive outlook for coal, particularly in the 2005/06 year when exports are expected to reach seven million tonnes. As previously disclosed, the benefit from the increased tonnages will be offset partially by an export related price rebate payable under Curragh’s domestic coal sales arrangements. Under these arrangements, Curragh’s domestic customer will be entitled to a rebate on its domestic coal purchases when

Curragh's export semi soft coking coal price exceeds approximately A$60 a tonne. This rebate will be equal to 25 per cent of the incremental price, multiplied by Curragh's total export tonnage. Payments for the year ending 30 June 2005 are expected to be less than $5 million; and for the year ending 30 June 2006 between $80 million and $100 million.

Gas and power

Kleenheat Gas' sales volumes and earnings for the half-year were slightly below the comparative period last year as a result of lower sales to distributors and margin erosion due to higher LPG prices.

Wesfarmers LPG's export volumes were slightly above the corresponding period last year. Earnings were significantly above last year's result due primarily to higher international LPG prices.

Earnings from StateWest Power and from the 40 per cent-owned Air Liquide W.A. were higher than those recorded in the comparative period last year.

Highlights for the half-year included satisfactory progress on the construction of the HIsmelt project; purchase by Kleenheat Gas of the Mobil LPG business in Tasmania; and commissioning of the Coober Pedy Power Station by StateWest Power.

The outlook for the group's gas activities for 2004/05 remains largely dependent on international LPG price movements.

Insurance

The insurance division achieved a strong result for the half-year with earned premium revenue of $514.3 million and earnings before interest and tax (before goodwill amortisation) of $69.1 million.

The divisional insurance margin was 18.5 per cent and the divisional combined operating ratio ("COR") was 85.1 per cent. This compares with the previous corresponding period where the divisional insurance margin was 18.2 per cent and the divisional COR was 85.3 per cent.

Lumley General (Australia) delivered a solid result, notwithstanding a fall in the insurance margin to 19.4 per cent from 22.7 per cent in the previous corresponding period as a result of higher claims and more competitive premium rates. Similarly the COR increased from 81.2 per cent to 84.6 per cent. Gross written premium ("GWP") for the period increased by 4.6 per cent over the previous corresponding period.

Lumley General (New Zealand) reported a record result despite signs of increasing competition. The COR improved from 87.1 per cent to 86.0 per cent and the insurance margin strengthened to 15.7 per cent from 15.0 per cent in the previous corresponding period. An increase in GWP of 1.0 per cent over the prior comparative period was achieved.

Wesfarmers Federation Insurance reported a record result despite higher than anticipated crop claims. Overall, claims were below expectations, particularly in the liability segment. Results improved significantly compared to the corresponding period, with the insurance margin improving from 13.6 per cent to 19.0 per cent, and the COR improved from 90.0 per cent to 85.2 per cent. GWP increased slightly by 2.4 per cent despite increased competitive conditions and lower than expected crop premium due to seasonal factors.

The immediate outlook for the insurance division is stable. All businesses are performing well notwithstanding the increasingly competitive environment. While claims experience has been favourable over the last 18 months, it is expected that there will be a gradual return to normal long term claim patterns.

Industrial and safety

The industrial and safety business experienced sales growth in the first half with operating revenue of $587.5 million, 2.2 per cent above the $574.9 million recorded in the corresponding period last year. Good sales growth was seen in the Australian industrial products business, the New Zealand safety businesses and Packaging House in New Zealand, which were partially offset by Protector Alsafe and the New Zealand industrial products business, Blackwoods Paykels.

While the Protector Alsafe business is showing positive signs of improvement, sales were around 3.4 per cent below last year's due to the loss of several significant sales contracts during 2003.

Blackwoods Paykels has been the focus of a concerted business improvement effort over the last six months and the benefits of this effort should become evident in the second half of calendar year 2005.

Earnings before interest and tax (before goodwill amortisation) were $51.4 million, 3.2 per cent lower than the $53.0 million recorded in the corresponding period last year. This was a disappointing result given the increased sales and reflects the competitive trading conditions currently being experienced and pressure on profit margins due to rising fuel and material prices, particularly steel.

The second half of the financial year is expected to see continued growth in sales, with initiatives undertaken during the first half expected to result in improved profit margins.

Chemicals and fertilisers

Operating revenue of $217.9 million from CSBP's chemicals and fertiliser businesses for the six month period was 27 per cent higher than for the comparative period last year. Above budget earnings before interest and tax (before goodwill amortisation) of $29.1 million were recorded, an increase of 41 per cent compared with last year's $20.6 million.

Sales volumes from CSBP's ammonium nitrate and sodium cyanide activities were higher than in the corresponding period last year. Ammonia volumes were lower than in the corresponding period last year, due to an export shipment that occurred in October 2003. The sodium cyanide market remains highly competitive although CSBP's return on capital improved as a result of higher production and sales volumes. Overall production performance from the chemicals operations was steady with an upgrade of the sodium cyanide solids plant being completed.

CSBP's returns from its investment in the Queensland Nitrates joint venture were above budget although lower than last year's.

Total earnings from CSBP's chemicals activities exceeded those of the comparative period last year reflecting the strong demand from the mining industry.

The feasibility study into the duplication of CSBP's nitric acid and ammonium nitrate facilities at Kwinana is on track to be completed by mid 2005.

Fertiliser sales tonnages and revenues were significantly higher than in the corresponding period last year due to a number of factors. These include early completion of harvest, forward deliveries of liquid fertilisers, a superphosphate offer which brought forward sales budgeted in the second half and a continued focus on improving delivery to distributors and farmers.

The earnings contribution from the fertiliser business was above the comparative period last year. The Western Australian grain harvest in the 2004/05 season was the fifth largest recorded, albeit below the record harvest last year. Assuming normal autumn weather patterns, this should provide the stimulus for full year fertiliser sales to be in line with expectations.

A major shutdown of the Kwinana nitric acid and ammonium nitrate plants has been scheduled for February 2005 to complete statutory maintenance. While this shutdown will impact earnings in the second half, the outlook for CSBP for the 2004/05 year is for an improved performance over last year's result.

Other operations

The Australian Railroad Group (ARG), of which Wesfarmers owns 50 per cent, has achieved strong revenue growth due to grain haulage levels and full period contributions from new contracts. Earnings have increased with revenue, but are below expectations due largely to high fuel and labour costs over the period.

These fuel costs are now being passed on under contractual arrangements, while grain tonnages for the next six months will be down relative to last year's.

Rationalisation of the forest products business continued, with sale of the jarrah processing business in August 2004.

The group's remaining forest products business is a 50 per cent interest in Wespine, which achieved higher revenue and earnings compared to the previous corresponding period due to strong demand and the achievement of operating efficiencies.

Gresham Partners, the company's partly owned investment house associate, achieved earnings above the previous year due to successful advisory assignments.

The Gresham Private Equity Fund 1 made a contribution post-tax of $1.1 million. Earnings were significantly down from the previous corresponding period when the IPO of Repco generated post-tax earnings of some $44.2 million.

The portfolio of investments in Fund 1 continues to perform in line with plan, with divestments expected over the next several years. Fund 2 has made one investment.

Senior appointments

As previously announced, Mr Richard Goyder, currently Deputy Managing Director and Chief Financial Officer, will become Managing Director and Chief Executive Officer on the retirement in July 2005 of Mr Michael Chaney.

Mr Gene Tilbrook, Executive Director, Business Development, will be appointed Finance Director. Mr Tilbrook will retain responsibility for the company's business development activities and his membership of subsidiary boards.

Mr David Robb, Executive Director and Managing Director of Wesfarmers Energy Limited, will continue in these roles and will broaden his involvement with the wider group by taking on responsibilities at the Corporate Office and by joining the boards of a number of Wesfarmers' subsidiary companies.

Finance

The group's net debt to equity ratio as at 31 December 2004 was 47.9 per cent, up from 45.5 per cent at 30 June 2004.

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

On 14 December 2004, the directors announced their intention to make a capital return of $1.00 per fully-paid ordinary share, to return a total of approximately $378 million to shareholders, as part of the company's capital management strategy to bring Wesfarmers' net debt to equity ratio in line with target levels. A meeting of shareholders to approve the capital return is scheduled for Friday, 18 February 2005.

The directors have decided to continue the share buy-back for a further 12 month period during which time the company may repurchase the balance of up to five per cent of the company's issued capital.

Preparations for the adoption, from 1 July 2005, of the Australian equivalents to the International Financial Reporting Standards are underway and progressing well. Details of the likely impact of these Standards on the Company's financial position are contained in the half-year report (Appendix 4D).

Interim dividend

A fully franked interim dividend of 53 cents per share (last year 48 cents per share) has been declared by the directors. The interim dividend will be paid on 2 March 2005.

The directors have resolved to continue the suspension of the company's dividend investment plan as a measure of balance sheet management.

Outlook

The directors continue to forecast that group revenue and profit on a normalised basis for the full 2004/05 year will, as expected, exceed the results achieved last year.

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WESFARMERS LIMITED

ABN 28 008 984 049

APPENDIX 4D HALF-YEAR REPORT

Information for the half-year ended 31 December 2004 given to ASX under listing rule 4.2A

(Comparative information is for the half-year ended 31 December 2003)

Results for announcement to the market

		$000	
Revenues from ordinary activities	down 9.4% to	4,064,760	*
Profit from ordinary activities after tax attributable to members	down 51.5% to	291,184	**
Net profit for the period attributable to members	down 51.5% to	291,184	**

Dividends	Amount per security	Franked amount per security
Interim dividend	53 cents	53 cents
Previous corresponding period	48 cents	48 cents

Record date for determining entitlements to the dividend 18 February 2005

	2004	**2003**
	$000	*$000*
* Consists of:		
Revenue from operating activities (up 7.4%)	4,064,760	3,786,224
Revenue from sale of rural services business	-	701,629
	4,064,760	4,487,853

** Profit attributable to members is down 1.9% compared to the previous corresponding period excluding the net profit on sale of the rural services business of $304.3 million in 2003

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Wesfarmers Limited as at 30 June 2004 together with any public announcements made by Wesfarmers Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Condensed Statement of Financial Performance

FOR THE HALF-YEAR ENDED 31 DECEMBER 2004 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated December 2004 $000	Consolidated December 2003 $000
Revenues from ordinary activities		**4,064,760**	4,487,853
Expenses from ordinary activities		**(3,615,677)**	(3,711,259)
Borrowing expenses		**(50,398)**	(28,991)
Share of net profits of associates	2	**23,257**	83,014
Profit from ordinary activities before income tax expense		**421,942**	830,617
Income tax expense relating to ordinary activities		**(129,699)**	(231,406)
Profit from ordinary activities after income tax expense		**292,243**	599,211
Net (profit)/loss attributable to outside equity interests		**(1,059)**	1,835
Net profit attributable to members of the parent entity	4	**291,184**	601,046
Net increase in asset revaluation reserve relating to associate		**811**	756
Net exchange difference on translation of financial report of foreign controlled entities		**11**	(290)
Total changes in equity other than those resulting from transactions with owners as owners		**292,006**	601,512
Net profit attributable to members of the parent entity consists of:			
Net profit before goodwill amortisation		**335,428**	642,741
Goodwill amortisation		**(44,244)**	(41,695)
Net profit after goodwill amortisation		**291,184**	601,046
Net profit attributable to members of the parent entity includes a significant item – net profit on sale of the rural services business		**-**	304,278
Basic and diluted earnings per share (cents per share)		**77.3¢**	160.2¢
- after goodwill amortisation and before significant item		**77.3¢**	79.1¢
- before goodwill amortisation		**89.1¢**	171.3¢
- before goodwill amortisation and significant item		**89.1¢**	90.2¢
Weighted average number of shares used in the basic and diluted earnings per share calculation		**376,620,000**	375,107,000

The statement of financial performance should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position

AT 31 DECEMBER 2004 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated December 2004 $000	June 2004 $000	December 2003 $000
Current assets				
Cash assets		**134,036**	103,374	124,739
Receivables		**1,196,263**	1,306,186	1,073,147
Inventories		**1,421,328**	1,260,096	1,344,941
Other insurance assets		**643,673**	721,028	513,332
Total current assets		**3,395,300**	3,390,684	3,056,159
Non-current assets				
Receivables		**329,053**	330,843	414,313
Investments accounted for using the equity method		**416,975**	395,375	395,895
Other financial assets		**17,099**	16,602	4,771
Property, plant and equipment		**1,696,911**	1,600,052	1,644,180
Deferred tax assets		**59,014**	65,118	61,001
Intangible assets		**1,427,698**	1,472,724	1,484,917
Other		**-**	2	233
Total non-current assets		**3,946,750**	3,880,716	4,005,310
Total assets		**7,342,050**	7,271,400	7,061,469
Current liabilities				
Interest bearing liabilities		**575,022**	309,822	617,197
Payables		**827,887**	840,681	885,563
Current tax liabilities		**53,853**	121,838	86,133
Provisions		**162,618**	154,894	180,209
Insurance liabilities		**808,857**	806,417	805,912
Total current liabilities		**2,428,237**	2,233,652	2,575,014
Non-current liabilities				
Interest bearing liabilities		**1,155,357**	1,302,096	932,663
Payables		**10,430**	17,612	6,627
Deferred tax liabilities		**108,979**	109,912	107,940
Provisions		**104,399**	111,058	124,403
Insurance liabilities		**192,964**	166,545	85,508
Total non-current liabilities		**1,572,129**	1,707,223	1,257,141
Total liabilities		**4,000,366**	3,940,875	3,832,155
Net assets		**3,341,684**	3,330,525	3,229,314
Shareholders' equity				
Contributed equity	3	**2,410,066**	2,345,633	2,345,633
Reserves		**56,022**	55,200	40,075
Retained earnings	4	**876,717**	931,779	840,360
Shareholders' equity attributable to members of Wesfarmers Limited		**3,342,805**	3,332,612	3,226,068
Outside equity interests in controlled entities		**(1,121)**	(2,087)	3,246
Total shareholders' equity		**3,341,684**	3,330,525	3,229,314

The statement of financial position should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2004 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated December 2004 $000	December 2003 $000
Cash flows from operating activities			
Receipts from customers		**4,471,867**	3,966,051
Payments to suppliers and employees		**(3,937,164)**	(3,580,458)
Dividends and distributions received from associates		**11,047**	71,364
Dividends received from others		**428**	679
Interest received		**20,552**	4,198
Borrowing costs		**(51,440)**	(31,037)
Income tax paid		**(195,346)**	(152,936)
Net cash provided by operating activities		**319,944**	277,861
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(226,589)**	(134,613)
Acquisition of goodwill		**(4,809)**	-
Proceeds from sale of non-current assets		**20,669**	20,434
Disposal of controlled entities		**-**	720,214
Acquisition of controlled entities		**7,802**	(311,066)
Redemption of insurance deposits		**80,350**	7,371
Acquisition of associated entities		**(17,056)**	(13,688)
Repayment of loans from associated entities		**7,700**	-
Return of capital from associated entities		**2,000**	-
Net cash (used in)/provided by investing activities		**(129,933)**	288,652
Cash flows from financing activities			
Proceeds from borrowings		**166,113**	657,370
Repayment of borrowings		**-**	(99,213)
Repayment of employee share plan loans		**56,174**	21,620
Payment of return of capital	3	**-**	(821,168)
Payment for share buyback	3	**-**	(78,891)
Dividends paid to ordinary shareholders		**(333,985)**	(306,478)
Net cash used in financing activities		**(111,698)**	(626,760)
Net increase (decrease) in cash held		**78,313**	(60,247)
Cash at the beginning of the half year		**55,723**	170,247
Cash at the end of the half year		**134,036**	110,000
Reconciliation of cash			
Cash on hand and at bank		**93,287**	49,806
Cash on deposit		**40,749**	74,933
Bank overdraft		**-**	(14,739)
		134,036	110,000

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements

31 DECEMBER 2004 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1 BASIS OF PREPARATION OF THE ACCOUNTS

The half-year financial report is a general purpose financial report made out in accordance with the Corporations Act 2001 and applicable Accounting Standards including AASB 1029: "Interim Financial Reporting" and other mandatory reporting requirements (Urgent Issues Group Consensus Views). The half-year financial report has been prepared in accordance with the historical cost convention except for investment properties which are carried at market value in an associated entity. The half-year financial report does not include notes of the type normally included in an annual report.

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Wesfarmers Limited as at 30 June 2004 together with any public announcements made by Wesfarmers Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

The same accounting policies have been applied in this half-year financial report as were applied in the most recent Annual Financial Report.

	Consolidated	
	December 2004 $000	December 2003 $000
2 AGGREGATE SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURE ENTITIES		
Profit from ordinary activities before tax	**29,604**	87,837
Income tax on ordinary activities	**(6,347)**	(4,823)
Share of profits of associates and joint venture entities	**23,257**	83,014
Included in the above is the share of profits of Gresham Private Equity Fund 1, which for 2003 includes the sale of its interest in Repco Corporation Ltd	**1,539**	64,385
3 MOVEMENTS IN CONTRIBUTED EQUITY		
Balance at the beginning of the period	**2,345,633**	3,159,466
Issue of shares under the employee share plan during the period	**64,433**	71,011
Shares repurchased on-market during the period	**-**	(78,891)
Return of capital of $2.50 per share paid on 18 December 2003	**-**	(934,121)
Tax losses in relation to the 2001 ownership simplification plan not previously recognised now brought to account	**-**	128,168
Balance at the end of the period	**2,410,066**	2,345,633
4 MOVEMENTS IN RETAINED EARNINGS		
Balance at the beginning of the period	**931,779**	559,370
Net profit attributable to members of Wesfarmers Limited	**291,184**	601,046
Dividend of 92 cents per share paid on 30 August 2004 (85 cents per share paid on 25 September 2003)	**(346,246)**	(320,056)
Balance at the end of the period	**876,717**	840,360
5 NON CASH FINANCING AND INVESTING ACTIVITIES		
Share capital issues – employee share plan	**64,433**	71,011
Employee share plan loan repayments from:		
Long term incentive plan	**2,632**	-
Dividends	**12,261**	13,578
Return of capital	**-**	37,866
	14,893	51,444
Distribution receivable recorded as acquisitions of investment in associates	**3,952**	3,497

6 NET TANGIBLE ASSET BACKING

	Consolidated	
	December 2004 $000	December 2003 $000
Net tangible asset backing per share	**$5.07**	$4.63

7 SEGMENT INFORMATION

	Earnings before goodwill amortisation		Goodwill amortisation		Earnings after goodwill amortisation	
Segment result	**December 2004 $000**	December 2003 $000	**December 2004 $000**	December 2003 $000	**December 2004 $000**	December 2003 $000
Hardware	**230,407**	208,702	**(24,915)**	(25,038)	**205,492**	183,664
Energy	**126,738**	115,053	**(489)**	(320)	**126,249**	114,733
Industrial and safety	**51,357**	53,032	**(13,062)**	(12,630)	**38,295**	40,402
Insurance	**69,071**	35,848	**(5,647)**	(2,010)	**63,424**	33,838
Chemicals and fertilisers	**29,052**	20,584	**(131)**	(131)	**28,921**	20,453
Rural services	**-**	8,414	**-**	(1,566)	**-**	6,848
Other*	**35,524**	488,550	**-**	-	**35,524**	488,550
	542,149	930,183	**(44,244)**	(41,695)	**497,905**	888,488
Consolidation adjustments	**(180)**	(4,746)	**-**	-	**(180)**	(4,746)
Interest paid and corporate overheads	**(75,783)**	(53,125)	**-**	-	**(75,783)**	(53,125)
Operating profit before income tax	**466,186**	872,312	**(44,244)**	(41,695)	**421,942**	830,617
Income tax expense*	**(129,699)**	(231,406)	**-**	-	**(129,699)**	(231,406)
Net (profit)/loss attributable to outside equity interests	**(1,059)**	1,835	**-**	-	**(1,059)**	1,835
Net profit attributable to members of the parent entity	**335,428**	642,741	**(44,244)**	(41,695)	**291,184**	601,046

	Consolidated	
Segment revenues	**December 2004 $000**	December 2003 $000
Hardware	**2,135,503**	1,993,092
Energy	**520,201**	478,636
Industrial and safety	**587,458**	574,890
Insurance	**563,340**	295,873
Chemicals and fertilisers	**217,928**	171,460
Rural services	**-**	221,563
Other*	**40,332**	752,339
	4,064,762	4,487,853

* Includes the following items in respect of the sale of the rural services business in the prior period:

Revenue	701,629
Earnings before and after goodwill amortisation	401,171
Income tax expense	(96,893)
Net profit on sale	304,278

8 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity will be required to adopt Australian Accounting Standards Board (AASB) equivalents to International Financial Reporting Standards (IFRSs), for its financial reporting at the half-year ending 31 December 2005 and the full year ending 30 June 2006. At these dates a first time adopter of Australian equivalent IFRSs will be required to restate its comparative financial statements using all IFRSs, except for AASB132 Financial Instruments: Disclosure and Presentation, AASB139 Financial Instruments: Recognition and Measurement, AASB 4 Insurance Contracts and AASB 1023 General Insurance Contracts. For the consolidated entity this means the preparation of an opening balance sheet in accordance with IFRSs as at 1 July 2004, with the majority of restatement adjustments being made, retrospectively, against opening retained earnings. For those standards for which comparative information is not required, transitional adjustments will be made as at 1 July 2005.

Wesfarmers established an IFRS Project Team to manage the transition to Australian equivalent IFRSs at the end of 2003. This project team comprises a Project Sponsor, a Steering Committee, a full time Project Accountant and a Project Working party. The project accountant and working party members, together with guidance from the steering committee, have been working on the project for over 12 months and have achieved the following key milestones:

- identification of all key accounting policy changes;
- quantification of the majority of financial impacts, with the exception of those which have a transition date other than 1 July 2004 and those requiring interpretation by external parties;
- provision of training to all relevant staff;
- communication of IFRS impacts to relevant stakeholders within the Group;
- modification of internal reporting systems to cater for IFRS reporting; and
- commencement of an external review of quantitative impacts.

Key aspects of the project yet to be finalised include a review of contracts for embedded derivatives; external review of hedging documentation; quantification of mine rehabilitation impacts; interpretation by the standard setters of the treatment of the employee share plan; and, finalisation of the external review of quantitative impacts.

The figures disclosed below are the best estimates as at the date of these half-year financial statements; however, they could change due to further work being undertaken by the IFRS project team and any potential amendments to IFRSs and interpretations thereof being issued by the standard setters.

Subject to the above, key accounting policy changes, their financial impacts on transition and to comparatives for the half-year ended 31 December 2004, and likely impacts in future periods are as set out below:

AASB 2 Share Based Payments

Policy changes – currently, employee loans issued under the employee share plan are recognised at full nominal value as a receivable asset. There is currently no charge to the Statement of Financial Performance in relation to the issue of shares under the plan or the granting of a limited recourse, interest-free loan to the employee. Wesfarmers Limited is currently seeking clarification from the Urgent Issues Group on the treatment of its employee share plan under IFRS. Under the new Australian equivalents to IFRS there appears to be two alternative accounting treatments. The first alternative applies AASB 2 to the share issue component and the benefit to the employee from the arrangement, with the loan component accounted for under the requirements of AASB 139. The second alternative treats the entire arrangement as an in-substance grant of options under AASB 2.

Transition adjustment – the impact on transition if the component approach is adopted will be to reduce the value of the loan receivable asset at 1 July 2005 to reflect the discounting of the interest free loan to fair value, and to recognise a put option liability to reflect the limited recourse nature of the loans. There will be a corresponding increase in deferred remuneration expense and a reduction in retained earnings for the effect of these two adjustments, based upon the expected average period of employee participation in the plan. These transition adjustments will be made under AASB 139 as all shares issued under the plan are fully vested at 1 January 2005, and the exemption available under AASB 1 in relation to application of AASB 2 will be utilised. If the employee share plan is treated as an in-substance grant of options the transition entry will de-recognise the balance of the employee share plan loan receivable asset of $281.4 million at 1 July 2004, and correspondingly reduce contributed equity. No adjustment will be made to retained earnings, as a result of the exemption available in AASB 1 for fully vested share issues at 1 January 2005.

Current half-year impact – under both alternative treatments there will be no charge to the Statement of Financial Performance for the half-year ended 31 December 2004 due to the exemption under AASB 1 for fully vested share issues.

Ongoing impact – in future years if the current share plan arrangements remain in place, under the component approach there will be changes in the fair value of the put option liability each year which will be recorded through the Statement of Financial Performance. The loan balance will also be re-measured each reporting date to reflect the passage of time and any potential variations from initial recognition assumptions. Any new issues will result in a remuneration benefits expense being recorded in the Statement of Financial Performance over the vesting period, reflecting the difference in fair value between the shares issued, the put option liability incurred and the loan receivable received. Treating future issues under the employee share plan as in-substance grants of options, on the other hand, will result in a remuneration benefits expense being recorded in the Statement of Financial Performance over the vesting period equivalent to the option value of the in-substance calls issued to employees to subscribe for shares.

8 INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

AASB 3 Business Combinations

Policy changes – goodwill is currently amortised over a period not exceeding 20 years. With the introduction of AASB 3, goodwill will no longer be amortised, but subject to annual impairment testing. Goodwill will be written down to the extent that it is impaired. Another significant change to arise from AASB 3 is in respect of restructuring provisions. A provision for restructure is currently recognised for the expected costs associated with restructuring upon acquisition of a business. Under IFRSs a provision for restructure will only be recognised if there is an existing provision in the books of the acquiree at the date of acquisition. In practice it is unlikely that a provision for restructure will be raised in these circumstances.

Transition adjustment – results from goodwill impairment testing as at 1 July 2004 have shown that there will be a write down of goodwill of $6.5 million on adoption of this standard.

Current half-year impact – there will be an increase in profit reflecting the discontinuation of amortisation expense, which for the half-year ended 31 December 2004, was $44.2 million. Further impairment testing of goodwill was not conducted at the half-year, as testing is only required annually unless there are changes in events or circumstances since the last reporting date that indicate it may be impaired.

Ongoing impact – reliable estimation of the financial effects in future years of the change in accounting policy from amortising goodwill to annual impairment testing is impracticable because conditions under which impairment will be assessed are not yet known. The change in accounting policy in respect of the recognition of restructuring provisions on acquisition is likely to result in a lower goodwill figure than that which would be recorded under existing policy, and also has the potential to result in significant charges to the Statement of Financial Performance in the first years of acquisition as restructuring costs are incurred.

AASB 112 Income Taxes

Policy changes – currently, tax effect accounting is applied using the liability method, taking account of timing and permanent differences between accounting profit and taxable income. Under AASB 112 a balance sheet approach is required which focuses on the tax effect of transactions which affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the share of undistributed earnings of associated entities upon which income tax has not been paid.

Transition adjustment – a deferred tax liability of $22.7 million will be recognised at 1 July 2004, which will reduce retained earnings accordingly.

Current half-year impact – a deferred tax liability and equivalent income tax expense of $3.6 million will be recognised for the half-year to 31 December 2004.

Ongoing impact – a liability and an expense will be recognised each reporting period for untaxed undistributed earnings. Upon distribution of these earnings by the associate, the liability will be extinguished by payment of income tax with any variation adjusted against income tax expense.

AASB 136 Impairment of Assets

Policy changes – existing accounting policy is for non-current assets to be carried on the balance sheet at an amount not greater than their recoverable amount. Recoverable amount of an asset is determined using a nominal cash flow basis, and the expected net cash flows to be generated from the non-current assets are not discounted. If the carrying amount exceeds the recoverable amount the asset is written down. AASB 136 requires the recoverable amount of an asset to be determined as the higher of net selling price or value in use. Net selling price is determined by reference to an active market. Value in use is calculated using a discounted cash flow method. If the net selling price or value in use is less than the carrying amount, an impairment loss will be recorded and the asset will be written down. The level at which impairment testing is conducted is at the individual cash generating asset level, or the lowest level of a group of assets to which independent cash flows can be ascribed. These groups of assets are called Cash Generating Units (CGUs). This change in accounting policy has resulted in the classification of CGUs which are at a lower asset level than was previously used to carry out impairment testing.

Transition adjustment – the results of impairment testing across the Wesfarmers Group as at 1 July 2004 will result in a write down of property, plant and equipment assets totalling $11.1 million. The balance after tax will reduce retained earnings, and also reduce outside equity interests for their share of write downs by partly-owned controlled entities.

Current half-year impact – no further asset impairment write downs are required for the half-year ended 31 December 2004.

Ongoing impact – the ongoing impact of this change in method for calculating recoverable amount is likely to mean that impairment of assets is recognised sooner and that the amount of write downs will be greater. Reliable estimation of this change in accounting policy is impracticable because conditions under which impairment will be assessed in the future are not known.

8 INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

Policy changes – mine rehabilitation provisions to rehabilitate mine site areas of interest are recognised under current Australian accounting standards at undiscounted amounts over the life of each mine, with changes to the total estimated liability being recognised on a prospective basis. Mine rehabilitation provisions under IFRS will be required to be recognised on a discounted cash flow basis in the year the obligation first arises, and as the obligation varies over time. An asset equal to the value of the mine rehabilitation provision will be raised and amortised over the expected life of the mine. The provision balance will be decreased as costs are incurred, and the asset balance will be credited with amortisation expense. The periodic unwinding of the discount will be recognised in the Statement of Financial Performance as a finance cost.

Transition adjustment – changes to the recognition of mine rehabilitation provisions under IFRS will result in the recognition at 1 July 2004 of a large increment to the provision. Against this provision Wesfarmers will increase the value of its mine development assets to the extent of the amortised cost of the related rehabilitation asset, with the remaining difference being adjusted against retained earnings. Wesfarmers is still assessing the impact on the asset and retained earnings from this increase in liability.

Current half-year impact – as a result of the change in accounting policy for mine rehabilitation provisions, there will be an increase in amortisation expense relating to the additional mine development asset recognised on transition. There will also be a charge to the Statement of Financial Performance relating to the unwinding of the discounting effect on the provision. The amounts are not yet determinable as the transition adjustment has not yet been finalised, but are not likely to be material. Provisions for mine rehabilitation amounting to $3.0 million previously charged to the Statement of Financial Performance during the half-year will be reversed. A large increment to the asset “production mineral reserves” and correspondingly to the rehabilitation provision will be recognised during the half in respect of the Curragh North development, consequent upon the granting of a mining lease and commencement of development activities during the half.

Ongoing impact – each reporting period a charge for amortisation of the asset and a charge relating to the unwinding of the discounting effect on the provision will be recognised. Adjustments to the provision to reflect changes in anticipated costs or scope of future rehabilitation will be adjusted to an amount not exceeding the carrying amount of the related asset. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in the Statement of Financial Performance. Rehabilitation assets and liabilities will be recognised for any new mining developments.

AASB 138 Intangible Assets

Policy changes – Wesfarmers’ current accounting policy regarding expenditure incurred relating to the opening of new stores is to carry forward the costs and write them off over the periods to which the benefit of the expenditure relates. Under AASB 138 pre-opening store costs will be immediately expensed.

Transition adjustment – as a result of the above change in accounting policy Wesfarmers will de-recognise $13.6 million of pre-opening store costs on transition to IFRS. The balance after tax will reduce retained earnings.

Current half-year impact – the impact of the above change in accounting policy will result in $5.7 million of extra costs for the half-year ended 31 December 2004 being expensed under IFRS, being the difference between pre-opening costs incurred during the period of $8.4 million less amortisation of previously incurred costs charged during the period of $2.7 million.

Ongoing impact – all pre-opening costs will be written off to the Statement of Financial Performance as incurred, rather than being deferred and amortised.

8 INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

AASB 139 Financial Instruments : Recognition and Measurement

Policy changes – current measurement of financial instruments is at amortised cost, with certain derivative financial instruments (including embedded derivatives) not being recognised on the Statement of Financial Position. Financial instruments under AASB 139 are required to be classified into one of four categories, which will in turn determine the accounting treatment of the item. The classifications are:
- loans and receivables - measured at amortised cost;
- held to maturity - measured at amortised cost;
- held for trading - measured at fair value with fair value changes reflected in the Statement of Financial Performance; and
- available for sale - measured at fair value with fair value changes taken to equity.

This will result in a change in the current accounting policy that does not classify financial instruments. Hedging activities will also be affected by the new IFRS. Hedging activities under existing accounting policies are monitored off balance sheet with any gains or losses on settlement recognised through the Statement of Financial Performance. In order to achieve hedge accounting for its derivate financial instruments under AASB 139 the Wesfarmers consolidated entity will be required to meet the following criteria:
- identify the type of hedge – fair value or cash flow;
- identify the hedged item or transaction;
- identify the nature of the risk being hedged;
- demonstrate that the hedge has and will continue to be highly effective; and
- document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

Where effective cash flow hedges exist, fair value adjustments will be made at each balance sheet date, with the effective portion of the hedge going to a hedge reserve in equity, and any ineffective portion adjusted against profit in the Statement of Financial Performance. On settlement of the hedge the accumulated balance in the hedge reserve will be recognised through the Statement of Financial Performance.

Embedded derivatives in host contracts in certain circumstances are required to be separately identified and measured at fair value through profit and loss.

Transition adjustment (1 July 2005) – Wesfarmers will use the available for sale classification for investments in listed shares and other investments on transition to IFRS, including accounting for such investments through holdings by associated entities. This will result in those investments being restated to fair value (where appropriate through the investment in associates) and the creation of an equity reserve in the Statement of Financial Position. Wesfarmers expects that its interest rate swap agreements and foreign exchange contracts will qualify for hedge accounting, with the majority of fair value adjustments being reflected in the hedge reserve and the related hedge receivable or payable being recognised as an asset or liability. The financial impact of these changes is yet to be determined as fair values at date of transition for this standard, being 1 July 2005, are not yet known.

Current half-year impact – there will be no charge to the Statement of Financial Performance during the period as the transition date for AASB 139 is 1 July 2005.

Ongoing impact – changes in the fair value of assets available for sale and hedging assets and liabilities will increase volatility in the Statement of Financial Position from one year to another. The future financial effect of these changes cannot be quantified as conditions under which measurement will occur are not yet known. Significant changes are not expected in the way earnings from financial instruments are reported in the Statement of Financial Performance.

9 CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

10 CHANGES IN THE COMPOSITION OF ENTITY

During the period there were no material acquisitions or disposals of controlled entities by the consolidated entity.

11 SUBSEQUENT EVENTS

	Consolidated	
	December 2004 $000	December 2003 $000
An interim dividend of 53 cents per share has been declared after reporting date payable on 2 March 2005 in respect of the year ending 30 June 2005 (2004: 48 cents)	**200,362**	180,650
On 14 December 2004 Wesfarmers Limited announced its intention to pay a capital return of $1.00 per share to all shareholders registered as at 25 February 2005. Subject to shareholder approval at an extraordinary general meeting to be held on 18 February 2005, the total payment on 2 March 2005 will be:	**378,042**	-