



Wesfarmers Limited

A.C.N. 008 984 049

**Report for the six months to
31 December 1996**

WESFARMERS LIMITED
FINANCIAL SUMMARY

		31 Dec 1996	31 Dec 1995	% increase
Operating revenue	\$m	1,271	1,178	7.9
Operating profit after tax	\$m	57.5	38.2	50.5
Interim dividend rate	cents	20	17	17.6
Earnings per share	cents	25.0	17.2	45.3

Dear Shareholder,

The directors of Wesfarmers Limited are pleased to present the consolidated results of the company and its controlled entities for the six months ended 31 December 1996 together with a brief overview of divisional activities.

Operating revenue for the period totalled \$1.3 billion representing an increase of eight per cent compared to the corresponding six months last year.

The group operating profit after tax was \$57.5 million for the half year, an increase of 51 per cent on the previous half year's result of \$38.2 million. Operating profit after tax before goodwill amortisation was \$61.0 million, 54 per cent higher than last year's result of \$39.7 million.

Earnings per share of 25.0 cents increased by 45 per cent from 17.2 cents and cash flow per share was 47.9 cents compared to 38.0 cents per share in the corresponding six months last year.

Substantially higher contributions to group profits were made by Wesfarmers CSBP (fertilisers and chemicals) and Wesfarmers Dalgety (rural and insurance). Wesfarmers Energy (gas and coal) and the hardware retailing arm of Wesfarmers Bunnings each recorded improved results compared to the first half last year but the forest products business of Wesfarmers Bunnings continued to be affected by subdued activity in the house building sector.

The group's strong cash flow and reduced borrowing together with a favourable interest rate climate resulted in a lower interest expense for the half-year of \$14.4 million compared to \$17.2 million last year.

Cash flow for the full year is expected to remain strong notwithstanding the group's ongoing capital investment programme.

The group's gearing remains conservative with a net debt to equity ratio of 38 per cent at the half year end compared with 59 per cent at the same time last year.

The outlook for the full financial year remains very favourable despite subdued conditions in the housing industry and the wool and livestock sectors of the rural industry.

Interim dividend

The established dividend policy of the company is to pay a dividend which distributes accumulated franking credits and, after taking account of dividend reinvestment by shareholders, results in a cash payout ratio of around 50 per cent.

In accordance with this policy, the directors have approved a fully-franked interim dividend of 20 cents per share (last year 17 cents per share) which will be paid to shareholders on 21 April 1997. The interim dividend represents a profit payout ratio of 82 per cent, a level made possible by the high degree of dividend reinvestment by shareholders.

Registrable transfers received by the company up to 5.00 pm on Thursday 27 March 1997 will be registered before entitlements to the interim dividend are determined.

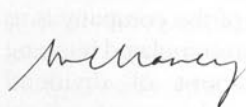
Dividends may be paid directly to a bank, building society or credit union account in Australia. Payments are electronically credited on the dividend date and confirmed by mailed payment advices. Shareholders who want their dividend paid this way should contact the company's share registry.

Dividend reinvestment plan

Shareholders may elect to reinvest all or part of their dividend entitlement in new Wesfarmers Limited shares if they choose to participate in the company's dividend reinvestment plan which continues to be well supported. Shares are issued under this plan at a five per cent discount to the market price.

Those shareholders who are already registered under the plan will automatically receive new shares unless they notify the company's share registry that they wish to withdraw. For other members now wishing to register in time to participate in the plan for the 1997 interim dividend, a completed form will need to be lodged with the company or its share registry prior to 5.00 pm on Thursday 27 March 1997.

Should you wish to obtain an explanatory booklet including an application form or to know more about the plan you are invited to telephone Ernst & Young Registry Services Pty Ltd on (09) 322 1866.



M A CHANEY
MANAGING DIRECTOR



C H PERKINS
CHAIRMAN

Divisional activities

Wesfarmers Energy

Wesfarmers Energy Limited incorporates the group's gas and coal operations.

Operating revenue for the six months to 31 December 1996 totalled \$226.8 million, an increase of 10 per cent compared to the corresponding period last year.

Earnings before interest and tax increased by nine per cent to \$48.1 million.

Gas

The volume of export LPG sales to Japan was 66 per cent higher than last year and exports during the second half are also expected to exceed volumes sold in the second half last year.

Domestic LPG volume sales by Wesfarmers Kleenheat Gas improved by three per cent and appliance sales were also ahead of last year despite the continued downturn in the housing industry. Ongoing national dealer development and the securing of a number of major national accounts has resulted in above-budget bulk and cylinder sales.

The international price of LPG increased significantly during the period. This had a direct impact on Kleenheat's cost of product and resulted in lower domestic margins, particularly in the Autogas sector. A partial recovery of margins is expected in the second half as the international LPG price moves into the downward part of its seasonal cycle.

The business benefited fully during the period from the upgraded LPG extraction plant at Kwinana in Western Australia. Full-year LPG production is expected to exceed budget expectations and to be well ahead of the previous record production level set in 1995/96.

A new seaboard terminal at Brisbane in Queensland was commissioned in October 1996 and has already resulted in lower cost of product and distribution. Kleenheat was the successful tenderer for the Armidale Council reticulated gas works in New South Wales with handover expected to occur during March 1997.

Air Liquide WA Pty Ltd is a 40 per cent owned company which produces and markets a range of process, industrial and medical gases. Sales in the six months to 31 December 1996 showed strong growth on the comparative period last year. A number of onsite oxygen manufacturing plants installed by Air Liquide at remotely located gold mines in Western Australia helped overcome product shortages from the Kwinana plant and resulted in improved earnings.

Coal

The wet weather experienced in the south-west of Western Australia in July and August resulted in slightly lower coal sales and production, but earnings were higher due to lower production costs at Western Collieries new open cut Premier mine at Collie. About 70 per cent of coal produced in the first half was extracted from the Premier mine.

Overburden removal was also affected by heavy rainfall but most of the shortfall that occurred in the first half is expected to be recovered by the end of the financial year.

Infrastructure development at the Premier mine continues on schedule. A new administration building and road access are near completion and contracts have been let for the design and construction of a new coal handling plant, stacker/reclaimer, maintenance workshop and associated facilities. A programme has also been implemented to upgrade the fleet of mobile plant operated by Western Collieries to meet the future needs of the Premier mine. This includes a second P & H electric shovel and other items of heavy mobile plant.

Western Collieries has tendered for the supply of up to 1.2 million tonnes of coal to Western Power's new Collie Power Station.

Wesfarmers CSBP

Wesfarmers CSBP Limited is a significant supplier of fertilisers and chemicals to Western Australia's agricultural, mining and industrial sectors.

Operating revenue for the six months to 31 December 1996 increased by 65 per cent to \$201.4 million, including \$41.6 million from the sale of the company's 50 per cent shareholding in explosives company Dyno Wesfarmers Limited. Revenue from the sale of fertiliser and chemical products totalled \$159.4 million, an increase of 33 per cent compared to the corresponding period last year. Both sectors of the business achieved higher sales volumes.

Earnings before interest and tax of \$21.4 million (including a one-off profit of \$2.8 million from the sale of Dyno Wesfarmers) compared to earnings of \$7.3 million in the comparative period last year. Of particular significance was the strong contribution from the expanded ammonium nitrate facilities at Kwinana in Western Australia.

Fertilisers

The volume of fertiliser sales in the first half was nine per cent higher than in the same period last year, mainly due to the late break in the 1996 growing season in Western Australia which caused a spill-over of urea sales into the current financial year. Sales of most other products were in line with expectations. The Wesfarmers CSBP special purchase programme offering discounts to farmers for early delivery of fertilisers was again enthusiastically supported.

Wesfarmers CSBP continued to demonstrate to its cropping customers the significant benefits of a well researched and implemented fertiliser programme to maximise the yields achievable by farmers. Extensive field trials have supported these initiatives. Additionally, the short and long term benefits of pasture topdressing have been actively promoted with emphasis placed on the value of nitrogen fixation in a crop rotation programme.

Record grain deliveries, albeit at prices below those anticipated some twelve months ago, are expected to underwrite continuing strong demand for Wesfarmers CSBP's premium cropping fertilisers in the second half, when most sales are made. Sales of pasture products, however, are likely to remain subdued due to the continued depression of wool and beef cattle prices.

Chemicals

Demand for chemicals was strong throughout the first half and volume sales were 23 per cent higher than in the corresponding six months last year.

In this period Wesfarmers CSBP benefited fully from the increased capacity and greater efficiency of its expanded and upgraded ammonium nitrate production facility at Kwinana in Western Australia, completed in April 1996. Deliveries of porous prill increased by over 90 per cent in the period compared to 1995, replacing significant tonnages of imported product. The new plant ensures that a reliable supply of locally manufactured quality product is available to Western Australia's mining industry. Demand for mining and industrial chemicals is expected to remain strong for the remainder of the financial year.

Sodium cyanide is produced and marketed by Australian Gold Reagents Pty Ltd (AGR) a 60 per cent owned joint venture company. Sales of sodium cyanide were 12 per cent higher than in the corresponding period last year, reflecting both continuing strong demand from the gold miners of Western Australia and the increased supply capability of the AGR plant at Kwinana. Since the commissioning of modifications in early 1996, the plant has continued to set new production records. Further significant expansion of this business has been announced by the joint venture partners.

Wesfarmers Bunnings

Wesfarmers Bunnings Limited is a diversified business with interests in hardware retailing and in the production and marketing of timber and forest products.

Operating revenue for the six months to 31 December 1996 totalled \$403.1 million, an increase of two per cent compared to the corresponding period last year.

Earnings before interest and tax increased by seven per cent to \$31.4 million.

Home and hardware products

The hardware retailing business performed strongly with sales growth of 11 per cent. Most of the increase

was generated from the warehouse stores operated by Bunnings in Victoria, Western Australia and South Australia.

During the six months, four new warehouse retail outlets were opened – at Croydon, Broadmeadows and Northland in Victoria and Maddington in Western Australia. Bunnings now has 11 of these superstores and has plans to open a further seven during 1997.

Trading at Bunnings conventional hardware stores also improved in the first half with satisfactory retail sales growth in all States.

The outlook for the hardware business in the second half of the 1996/97 financial year is positive. Continued strong contributions are expected from warehouse stores, a slight improvement is expected in trade sales to the housing industry in Western Australia and further retail sales growth is expected in conventional hardware stores in Western Australia and South Australia.

The bargain hardware and variety business trading as WA Salvage in Western Australia reported satisfactory sales in the period. The business has now been expanded into Victoria, operating from six outlets trading as McEwans Variety Bargains where sales have not yet reached expectations.

Forest products

The forest products business continued to be affected by the subdued Western Australian housing market and earnings for the half were lower than for the comparative six month period last year.

The timber market in Western Australia has been extremely competitive resulting in significantly reduced margins although Bunnings has managed to increase its market share slightly by introducing an improved total service package to project builders.

While it is generally accepted that the house building industry has now hit the bottom of its cycle, the timber market for the next six months is expected to remain fairly flat with any upturn unlikely at least until the next financial year.

Wesfarmers Dalgety

Wesfarmers Dalgety Limited – also encompassing Wesfarmers Federation Insurance – is Australia's largest provider of rural services.

First half earnings of \$8.7 million compared very favourably with a loss of \$0.3 million incurred in the comparative period last year. The improved earnings were despite a five per cent decrease in operating revenue, substantially as a result of an earlier decision to wind down the company's wool trading activity. Cattle and wool prices remained weak, but a focus on overhead costs and core business activity produced the improved result.

Income from the wool broking activity improved and the number of bales handled increased on the comparative period last year, but the average price per bale sold was below last year's levels. Livestock revenues were affected by low cattle prices. Fertiliser sales were excellent, aided by the late break in the season in Western Australia. Merchandise sales also exceeded last year's figures.

Wesfarmers Federation Insurance continued to perform strongly with earnings in line with budget.

With the exception of Queensland, seasonal conditions were generally better in the first half and recent rain across the north of Australia has restored confidence and boosted the outlook for the remainder of the year.

A gradual improvement in wool prices is anticipated during the second half in response to lower production and a lift in demand from overseas processors. Cattle prices are not expected to recover dramatically during the next six months from the present low levels.

Wesfarmers service businesses

Transport

Operating revenue from the group's transport businesses increased by 20 per cent as a result of new contracts and higher volumes of general freight. Earnings were 12 per cent higher than the comparative period last year.

Wesfarmers Transport has expanded its services to the mining and resource sector and now has a major presence in this expanding market. The Niteroad Express business has consolidated its position as a market leader in Western Australia, providing a reliable overnight express freight service to over 350 country destinations.

Wesfarmers Transport has relocated its operations in refurbished premises at Kewdale in Western Australia, providing the business with a high quality freight terminal and administration facility.

Country supermarkets

Operating revenue from the Charlie Carters and Xtra Valu country supermarkets and Archie Martin Vox electrical/furniture stores decreased by six per cent during the period and margins were lower due to intense competition in the retailing sector.

The upgrade and refurbishment of the Albany Spencer Park supermarket has been completed and the Australind supermarket will be extended by 1,000 square metres by April 1997.

PROFIT AND LOSS ACCOUNT

For the half-year ended 31 December 1996

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 1996 \$000	December 1995 \$000
OPERATING REVENUE	<u>1,270,955</u>	<u>1,177,599</u>
OPERATING PROFIT BEFORE INCOME TAX	90,337	61,134
Income tax attributable to operating profit	<u>32,609</u>	<u>22,470</u>
OPERATING PROFIT AFTER INCOME TAX	57,728	38,664
Outside equity interests in operating profit after income tax	<u>180</u>	<u>418</u>
OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF WESFARMERS LIMITED	57,548	38,246
Retained profits at the beginning of the half-year	204,651	195,949
Aggregate of amounts transferred from reserves	<u>-</u>	<u>20</u>
TOTAL AVAILABLE FOR APPROPRIATION	262,199	234,215
Dividends provided for or paid	<u>47,384</u>	<u>38,439</u>
RETAINED PROFITS AT THE END OF THE HALF-YEAR	<u>214,815</u>	<u>195,776</u>

BALANCE SHEET

At 31 December 1996

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 1996 \$000	June 1996 \$000
CURRENT ASSETS		
Cash	49,854	54,831
Receivables	298,670	364,410
Inventories	<u>387,910</u>	<u>332,641</u>
TOTAL CURRENT ASSETS	<u>736,434</u>	<u>751,882</u>
NON-CURRENT ASSETS		
Receivables	76,907	36,369
Investments	55,157	101,754
Property, plant and equipment	972,176	941,193
Intangibles	156,023	159,548
Other	<u>14,173</u>	<u>13,831</u>
TOTAL NON-CURRENT ASSETS	<u>1,274,436</u>	<u>1,252,695</u>
TOTAL ASSETS	<u>2,010,870</u>	<u>2,004,577</u>
CURRENT LIABILITIES		
Accounts payable	276,645	342,732
Borrowings	245,895	199,772
Provisions	124,003	141,274
Other	<u>102,316</u>	<u>96,287</u>
TOTAL CURRENT LIABILITIES	<u>748,859</u>	<u>780,065</u>
NON-CURRENT LIABILITIES		
Accounts payable	2,367	2,270
Borrowings	177,933	230,623
Provisions	90,712	80,467
Other	<u>17,268</u>	<u>17,268</u>
TOTAL NON-CURRENT LIABILITIES	<u>288,280</u>	<u>330,628</u>
TOTAL LIABILITIES	<u>1,037,139</u>	<u>1,110,693</u>
NET ASSETS	<u>973,731</u>	<u>893,884</u>
SHAREHOLDERS' EQUITY		
Share capital	118,460	114,251
Reserves	639,628	574,202
Retained profits	<u>214,815</u>	<u>204,651</u>
Shareholders' equity attributable to members of Wesfarmers Limited	972,903	893,104
Outside equity interests in controlled entities	<u>828</u>	<u>780</u>
TOTAL SHAREHOLDERS' EQUITY	<u>973,731</u>	<u>893,884</u>

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 1996

WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December	December
	1996	1995
	\$000	\$000
Cash flows from operating activities:		
Receipts from customers	1,259,343	1,207,617
Payments to suppliers and employees	(1,156,972)	(1,141,141)
Dividends received	1,915	2,681
Interest received	5,935	7,681
Interest paid	(15,286)	(20,380)
Income tax paid	(45,490)	(42,220)
Net cash provided by operating activities	<u>49,445</u>	<u>14,238</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(84,948)	(142,850)
Acquisition of investments	(153)	(7,823)
Proceeds from sale of non-current assets	51,433	33,234
Loans to other entities	-	(5,000)
Loans repaid by other entities	8,400	-
Other	-	(293)
Net cash used in investing activities	<u>(25,268)</u>	<u>(122,732)</u>
Cash flows from financing activities:		
Net (repayments) proceeds of borrowings	(6,594)	132,306
Dividends paid	(21,959)	(29,770)
Net cash (used in) provided by financing activities	<u>(28,553)</u>	<u>102,536</u>
Net (decrease) in cash held	(4,376)	(5,958)
Cash at the beginning of the half-year	54,230	57,198
Cash at the end of the half-year	<u>49,854</u>	<u>51,240</u>



Wesfarmers Limited

Registered Office:

11th Floor, Wesfarmers House
40 The Esplanade
Perth, Western Australia 6000
Telephone: (09) 327-4211
Facsimile: (09) 327-4216

Share Registry:

Ernst & Young Registry Services Pty Ltd
Level 36, Central Park
152 St George's Terrace
Perth, Western Australia 6000
Telephone: (09) 322-1866
Facsimile: (09) 322-7620