2005
WESFARMERS ANNUAL REPORT

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CORPORATE DIRECTORY

WESFARMERS LIMITED
ABN 28 008 984 049

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Western Australia 6000

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Website:
www.wesfarmers.com.au

EXECUTIVE DIRECTORS

Richard Goyder
Managing Director and Chief Executive Officer

Gene Tilbrook
Finance Director

David Robb
Executive Director

NON-EXECUTIVE DIRECTORS

Trevor Eastwood AM
Chairman
Colin Carter OAM
Patricia Cross
Trevor Flügge AO
Lou Giglia AM
James Graham
Dick Lester
Charles Macek
David White

COMPANY SECRETARY

Linda Kenyon

FINANCIAL CALENDAR*

Record Date for final dividend
19 August 2005

Final dividend paid **29 August 2005**

Annual general meeting
8 November 2005

Half-year end **31 December 2005**

Half-year profit announcement
February 2006

Record Date for interim dividend
February 2006

Interim dividend payable **March 2006**

Year end **30 June 2006**

** Timing of events is subject to change*

SHARE REGISTRY

Computershare Investor
Services Pty Limited

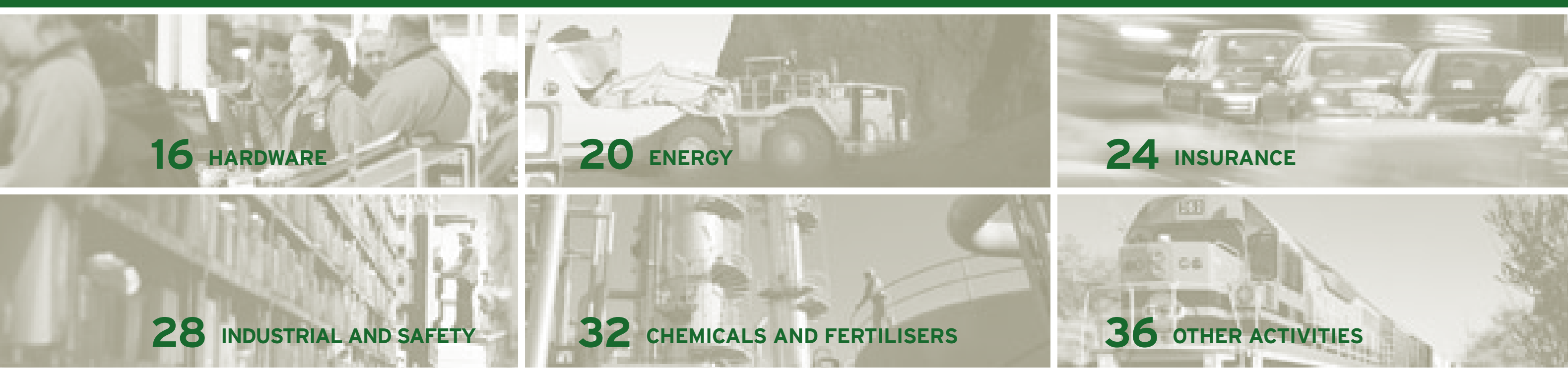
Level 2, 45 St George's Terrace
Perth, WA 6000

Telephone:
Within Australia: 1300 557 010
Outside Australia: (+61 3) 9415 4000

Facsimile:
Within Australia: (08) 9323 2033
Outside Australia: (+61 8) 9323 2033

Website:
www.computershare.com.au

Visit Wesfarmers' website at www.wesfarmers.com.au for shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, including previous year's annual reports.



ANNUAL GENERAL MEETING

The 24th annual general meeting of Wesfarmers Limited will be held at the Burswood Convention Centre, Great Eastern Highway, Burswood, Western Australia on Tuesday 8 November 2005 at 2.00 pm.

Wesfarmers–a diversified corporation

WESFARMERS LIMITED IS A MAJOR DIVERSIFIED AUSTRALIAN PUBLIC COMPANY WITH OPERATING BUSINESS INTERESTS IN HOME IMPROVEMENT PRODUCTS AND BUILDING SUPPLIES, COAL MINING, GAS PROCESSING AND DISTRIBUTION, INDUSTRIAL AND SAFETY PRODUCT DISTRIBUTION, CHEMICALS AND FERTILISERS MANUFACTURE, INSURANCE AND RAIL TRANSPORT. WESFARMERS ALSO HAS INTERESTS IN PRIVATE EQUITY AND OTHER ACTIVITIES.

HEADQUARTERED IN PERTH, WESTERN AUSTRALIA, WESFARMERS' ACTIVITIES ARE CURRENTLY FOCUSED IN AUSTRALIA AND NEW ZEALAND.

SINCE ITS PUBLIC LISTING IN 1984, WESFARMERS' ASSETS HAVE GROWN FROM $400 MILLION TO OVER $7 BILLION AND EARNINGS HAVE INCREASED FROM $9 MILLION TO OVER $600 MILLION.

OPERATING REVENUE	SHAREHOLDERS*	EMPLOYEES*	MARKET CAPITALISATION*
$8.2 billion	125,000	30,000	$15 billion

* As at 30 June 2005

WESFARMERS' OBJECTIVE

To provide a satisfactory return to shareholders

Strategies

To improve the performance of our businesses in line with "best practice" principles

To expand these businesses as opportunities allow

To manage the company's portfolio of businesses and balance sheet actively in order to enhance shareholder value

To ensure the company's sustainability

INTEGRATED SHAREHOLDER - FOCUSED SYSTEMS

OBJECTIVE SETTING

PERFORMANCE TARGETS

MANAGEMENT ACCOUNTS

CASH MANAGEMENT

CORPORATE PLANNING

RISK MANAGEMENT

PEOPLE ALIGNMENT

PROJECT EVALUATION

The primary objective of Wesfarmers is to provide a satisfactory return to shareholders

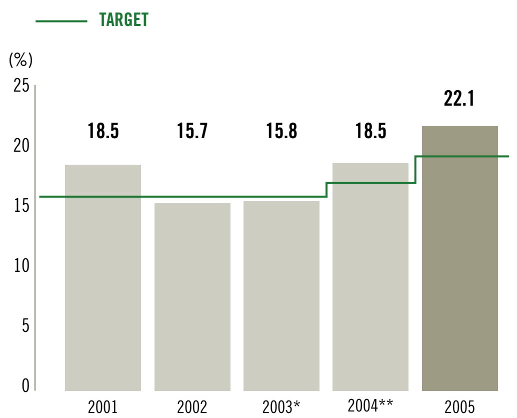
THE COMPANY AIMS TO ACHIEVE THIS BY:

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

GROUP PERFORMANCE

Return on shareholders' equity

(before goodwill amortisation)

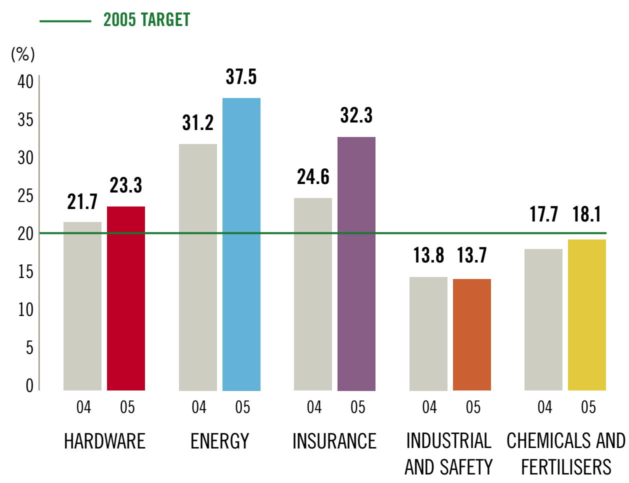


* Excludes sale of Girrah ** Excludes sale of Landmark

DIVISIONAL PERFORMANCE

Return on capital employed

(before goodwill amortisation)



PERFORMANCE HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- Commenced mining at the Curragh North coal development in Queensland's Bowen Basin
- Higher than expected export coal prices
- Opened 10 new Bunnings warehouse stores across Australia and New Zealand
- Completed the integration of Lumley's Australian and New Zealand insurance operations into the new insurance division
- Commenced feasibility study into the duplication of the ammonium nitrate facility at Kwinana, Western Australia
- Secured long-term gas supply arrangement to the LPG extraction plant at Kwinana

Post-30 June

- Secured long term supply of Western Power Corporation's coal requirements from the Premier coal mine at Collie in Western Australia

FINANCIAL HIGHLIGHTS

- Record net profit (after goodwill amortisation) of $618.3 million, up 9 per cent (after adjusting for the impact of the sale of the rural services business, Landmark in 2003/04)
- Capital return to shareholders of $1.00 per ordinary share, amounting to $378 million
- Earnings per share (before goodwill amortisation) up eight per cent to $1.88 excluding the sale of Landmark in 2003/04
- Full-year dividend up 29 per cent to $1.80 per share
- Four out of five business divisions achieved improved earnings:

↑ Hardware, up nine per cent
↑ Energy, up 33 per cent
↑ Insurance, ahead of expectations
↓ Industrial and safety, down two per cent
↑ Chemicals and fertilisers, up four per cent

NET PROFIT

up9%

after goodwill amortisation excluding the sale of Landmark in 2004

EARNINGS PER SHARE

up8%

before goodwill amortisation excluding the sale of Landmark in 2004

DIVIDENDS

$1.80

per share

CASH FLOW

$2.37

per share

FINANCIAL SUMMARY

		2005	2004	% CHANGE	
Operating revenue (excluding the sale of Landmark in 2004)	$m	**8,190**	7,706	6.3	↑
Net profit before interest and tax (excluding the sale of Landmark in 2004)	$m	**949**	882	7.6	↑
Net profit after tax before goodwill amortisation (excluding the sale of Landmark in 2004)	$m	**709**	655	8.2	↑
Net profit after tax and goodwill amortisation (excluding the sale of Landmark in 2004)	$m	**618**	569	8.6	↑
Dividends	$m	**680**	527	29.0	↑
Total assets	$m	**7,314**	7,271	0.6	↑
Net borrowings	$m	**1,720**	1,514	13.6	↑
Shareholders' equity	$m	**3,081**	3,331	7.5	↓
Capital expenditure on property, plant and equipment	$m	**465**	258	80.2	↑
Depreciation and amortisation	$m	**278**	279	0.4	↓
Earnings per share before goodwill amortisation (excluding the sale of Landmark in 2004)	cents	**187.8**	174.2	7.8	↑
Dividends per share	cents	**180**	140	28.6	↑
Net tangible assets per share	$	**4.51**	4.94	8.7	↓
Cash flow per share	$	**2.37**	3.07	22.8	↓
Return on average shareholders' equity	%	**19.3**	24.6	21.5	↓
Gearing (net debt to equity)	%	**55.8**	45.5	22.6	↑
Net interest cover (cash basis)	times	**17.8**	30.9	42.4	↓

A Five Year Financial History appears on page 116 of this report

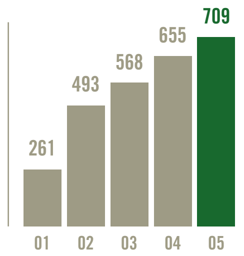
CREATING WEALTH AND ADDING VALUE

		2005	2004
Wealth creation			
Total operating revenue	$m	**8,190**	8,407+
Total cost of materials, goods and services and other external costs	$m	**5,818**	5,772
Total value-added, representing the wealth created by Wesfarmers	$m	**2,372**	2,635
This created wealth was shared as follows:			
- to employees as salaries, wages and other benefits	$m	**950**	866
- to governments as income tax, royalties and other taxes	$m	**424**	536
- to lenders on borrowed funds	$m	**103**	80
- to shareholders as dividends on their investment	$m	**680**	527
- reinvested in the business as depreciation, amortisation and retained earnings	$m	**215**	626

+ includes the sale of Landmark

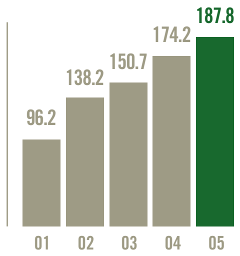
NET PROFIT*
before goodwill amortisation

($m)



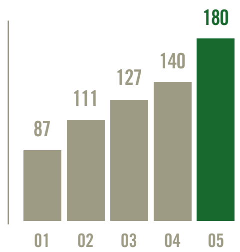
EARNINGS*
per share before goodwill amortisation

(¢)



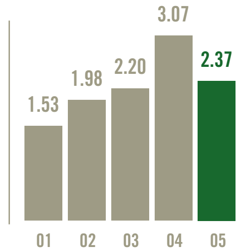
DIVIDENDS
per share

(¢)



CASH FLOW
per share

($)



* excludes earnings from the sale of the Girrah coal deposit in 2003 and the sale of Landmark in 2004

CHAIRMAN'S LETTER TO SHAREHOLDERS

It was another very good year with higher earnings recorded by most of the company's main business divisions

TREVOR EASTWOOD AM
Chairman

DEAR SHAREHOLDER IT IS WITH PLEASURE THAT I PRESENT THE WESFARMERS 2005 ANNUAL REPORT.

It was another very good year with higher earnings recorded by most of the company's main business divisions.

Highlights for the year included an outstanding contribution from the group's energy division due to strong demand and increased prices for coking coal and a significant contribution from the Australian and New Zealand hardware retailing business.

Details of the group's 2004/05 performance and comments on future prospects are included in the reports that follow. I encourage you to read these reports.

MANAGEMENT CHANGES

Since the year end, Mr Michael Chaney, the company's Managing Director for the last 13 years, retired. Michael made a significant contribution to the standing of Wesfarmers Limited as one of the most successful and respected companies in Australia. A tribute to him appears later in this report.

Mr Richard Goyder was appointed to the role of Managing Director in July 2005. He has demonstrated, during the last 18 months as Deputy Managing Director and the previous 11 years with the group, that he is well equipped to take over leadership of the company.

DIVIDEND

The directors declared a fully-franked final dividend of $1.27 per share (last year 92 cents). This was paid on 29 August 2005 and lifted the full-year dividend to $1.80 per share compared to last year's $1.40, an increase of 29 per cent. The total dividend for the year represents 110 per cent of net profit after tax (after goodwill amortisation) and distributes to shareholders a significant proportion of the franking credits available, in line with the group's policies on franking credit distribution and capital management.

At the time of declaring the final dividend, the directors determined to continue the suspension of the company's dividend investment plan.

CAPITAL RETURN

The company made a capital return to shareholders of $1.00 per fully-paid ordinary share during the year. This was done to return surplus funds to shareholders and to ensure that the company maintained an efficient capital structure. The payment, totalling $378 million, was approved by shareholders at a general meeting held on 18 February 2005.

CORPORATE GOVERNANCE

The Board is committed to ensuring that the group's governance framework supports the company's key objective: to provide a satisfactory return to shareholders. Enhancements were made during the year to the company's charters, policies and practices. The Board and management continue to foster the group's culture of integrity and transparency; an integral part of effective governance.

EMPLOYEES

One of the underlying strengths of the group is the quality of its people. Their commitment to Wesfarmers' core values underpins the excellent results achieved this year. On behalf of the Board, I would like to thank all employees for their special efforts and contributions.

Yours sincerely

TREVOR EASTWOOD AM

Chairman

THE BOARD AND MANAGEMENT CONTINUE TO FOSTER THE GROUP'S CULTURE OF INTEGRITY AND TRANSPARENCY; AN INTEGRAL PART OF EFFECTIVE GOVERNANCE

MANAGING DIRECTOR'S REVIEW

Wesfarmers achieved a net profit of $618.3 million for the year ended 30 June 2005

RICHARD GOYDER
Managing Director

IN THIS MY FIRST ANNUAL REVIEW AS MANAGING DIRECTOR, IT IS A GREAT PLEASURE TO REPORT THAT WESFARMERS ACHIEVED A NET PROFIT OF $618.3 MILLION FOR THE YEAR ENDED 30 JUNE 2005.

This represents an increase of nine per cent on the comparable figure for the previous 12 months, excluding the profit from the 2003/04 sale of the Landmark business.

On the same basis, operating revenue of $8.2 billion was up six per cent compared to last year's $7.7 billion.

It is of course the case that the company was led, during the year under review, by Mr Michael Chaney.

His great contribution to Wesfarmers is well summarised on page 13 of this report. To that I want to add my personal thanks for a job wonderfully done and for the support he so generously gave me in the lead up to my assuming this position.

BUSINESS PERFORMANCE

Detailed accounts of the performance of our businesses are given later in the report, but it is appropriate to mention here some aspects of that performance. Overall it was a very good year - thanks to the efforts of our almost 30,000 permanent and casual employees across Australia and New Zealand - with four out of the five main revenue generators delivering improved results.

The Bunnings hardware and home and garden improvement business lifted earnings by about nine per cent, a commendable effort in a contracting retail sector.

Energy's profits increased by 33 per cent, due mainly to higher export coal prices. A huge amount of work resulted in the Curragh North coal mine in Queensland coming into production ahead of schedule, allowing us to gain extra benefit from these favourable market conditions.

Our insurance businesses – Lumley General in Australia and New Zealand and Wesfarmers Federation Insurance - had an outstanding year with profit substantially above expectations in an increasingly competitive market environment.

Chemicals and fertilisers – the CSBP businesses – produced an increased profit for the fifth successive year despite adverse seasonal conditions in June, traditionally the highest volume sales month for fertilisers.

Earnings from the industrial and safety products division were marginally down on the previous period, but the second half of the year showed some improvement and we are looking forward to better results in the years ahead.

In terms of our other business interests, the most relevant factor to note is the absence of any significant divestments from Gresham Private Equity which in the previous year contributed $51.4 million after tax compared to $1.7 million in 2004/05. We expect sales of some of the very good assets held by these funds in the time ahead.

FINANCIAL POSITION

The company's balance sheet remains in good shape with gearing (as measured by the ratio of net debt to equity) of 55.8 per cent at 30 June 2005 being within our preferred range, despite payment of the capital return referred to in the Chairman's letter and one of $2.50 per share in December 2003 which together exceeded $1.3 billion.

The company is well placed to fund any additional investment opportunities that may arise. We outlaid a record amount of $465 million during the year on new and replacement projects, including approximately $140 million for the Curragh North development.

Forecast capital expenditure for 2005/06 exceeds $900 million, the major components of which are more than $300 million at Curragh and Curragh North, around $90 million in other parts of the energy division and almost $250 million at Bunnings. It also allows for about another $100 million if a possible ammonium nitrate expansion goes ahead at CSBP's Kwinana complex in Western Australia.

THE COMPANY IS WELL PLACED TO FUND ANY ADDITIONAL INVESTMENT OPPORTUNITIES THAT MAY ARISE

PROVISION OF SAFE AND REWARDING WORKPLACES IS A KEY PRIORITY FOR WESFARMERS

THE WESFARMERS OBJECTIVE

Wesfarmers has become well known for its focus on providing satisfactory returns to shareholders – our long established primary objective.

The pursuit of that objective remains at the heart of everything we do. All opportunities for growth through acquisitions or other adjustments to our investment portfolio, as well as new capital expenditure directed at expanding existing businesses, are assessed against it. It is the fundamental principle which guides our approach to business.

Not surprisingly, an annual report deals primarily with what has happened during a particular year and the strength or weakness of that performance. But it is well worth taking note, also, of the equally important consideration of how we go about getting to that point.

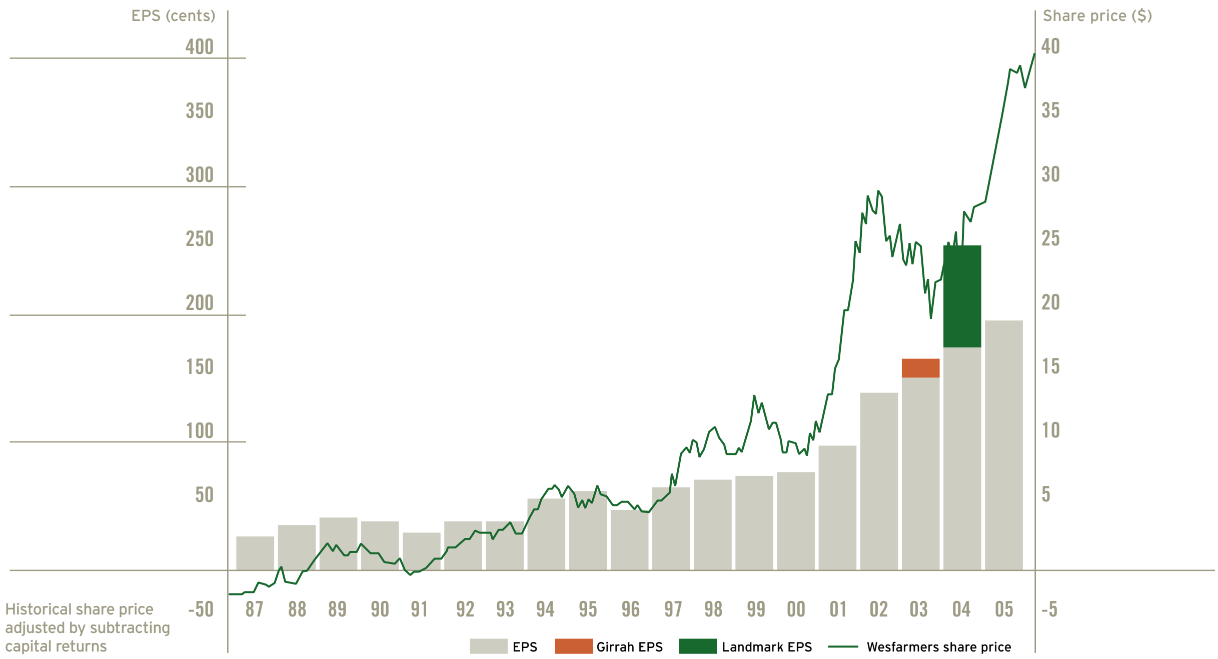
By this I mean the way in which we deal with a broad range of issues directly linked to business success. These include the nature of our relationships with our employees, customers and suppliers and our interaction with the physical environment and the communities in which we operate.

We have an obligation to provide safe workplaces for all our employees and that will always be a key priority for Wesfarmers. As well as being safe, we aim to make the working environment as satisfying and rewarding an experience as possible. Our focus on personal and career development includes initiatives such as the Executive Development Programme which each year brings together high potential individuals from across the group on projects designed to enhance skills and foster teamwork.

Supplying customers with quality goods and a second-to-none service level is vital to our ongoing success, as is the need for our employees to act honestly and ethically in all their business dealings. With respect to the environment, the extremely

SHARE PRICE vs EARNINGS PER SHARE
before goodwill amortisation

1987 - 2005



Historical share price adjusted by subtracting capital returns diverse nature of our operations, both geographically and in terms of industry and business sectors, requires constant vigilance to maintain the highest possible standards.

Wesfarmers puts a lot of effort into getting these things right. We must continue to do so and continue our proud record of community support if we are to ensure that, in all respects, we operate in a truly sustainable way.

MANAGEMENT CHANGES

During the year the company announced that Mr Gene Tilbrook, then Executive Director, Business Development would become Finance Director on my accession to the position of Managing Director. Mr Tilbrook assumed this responsibility in July 2005 while retaining responsibility for the Business Development Department.

Mr David Robb has assumed broader group responsibilities in addition to his positions as an Executive Director and Managing Director of Wesfarmers Energy.

After the end of the financial year the Managing Director of the industrial and safety division, Mr Bob Denby, advised of his decision to retire. On behalf of the company I express our great appreciation to the work he has done in integrating the various businesses in this sector, acquired as part of the Howard Smith takeover, into a new operating division of Wesfarmers. In mid-August 2005, we announced that Mr Terry Bowen, a former senior executive with Wesfarmers Landmark, would take over from Mr Denby in late October.

OUTLOOK

We are expecting a strong performance from the group in 2005/06 with a significant increase in profit due mainly to the impact of high export coal prices.

OUR FOCUS ON PERSONAL AND CAREER DEVELOPMENT INCLUDES INITIATIVES SUCH AS THE EXECUTIVE DEVELOPMENT PROGRAMME

Below - CSBP's Ammonia Plant Operator, Ashley Coulter, practising a confined space entry at the Kwinana works in Western Australia.

Below - One of three teams from the Wesfarmers Executive Development Programme 2005. From left: Bill Moody (Wesfarmers Energy), Steve Hoffman (Bunnings), Ruth Palmer (Corporate Office) and Ian Ireland (Wesfarmers Insurance).

WE ARE EXPECTING A STRONG PERFORMANCE FROM THE GROUP IN 2005/06 WITH A SIGNIFICANT INCREASE IN PROFIT DUE MAINLY TO THE IMPACT OF HIGH EXPORT COAL PRICES

The key to the final level of profit achieved will be our ability to maximise production and deliveries from the Curragh North mine. A target of seven million tonnes of coking coal exports has been set. Its achievement will require consistently high levels of performance at the mine and from the rail and port infrastructure on which we depend to despatch the coal to our customers.

In other areas, there were clear signs at year's end that consumer spending was under some degree of pressure. Any prolonged decrease in discretionary expenditure tends to affect the retail sector, including Bunnings. Nevertheless, we remain very confident of the strength of that business as illustrated by our decisions to continue a robust roll-out of new warehouse stores - between 10 and 14 are planned for 2005/06 - and to accelerate refurbishments of smaller format stores and longer-established warehouses.

Continued innovation is central to the Bunnings approach and in August 2005 we unveiled at the Vermont South store in Melbourne a range of new products designed to freshen up its already highly successful offer to customers.

We are pleased to have been successful in the tender for long-term supply of coal to existing power stations operated in Western Australia by Western Power. These contracts cover the life of the stations through to the year 2030 and underpin the value of the Premier mine for our shareholders and the local community.

The challenge for the insurance division will be to maintain its high levels of performance in an increasingly competitive market.

Strength in infrastructure spending should provide opportunities for the industrial and safety products division during the coming year.

As referred to earlier, we are considering expanding CSBP's ammonium nitrate capacity by doubling its production at Kwinana. If that receives final Board and regulatory approvals, commissioning of the new plant is expected in 2007. We are also looking at the possibility of increasing output from our joint venture Queensland Nitrates plant at Moura.

During the year we were pleased to reach agreement for continued supply of gas to the Wesfarmers LPG plant at Kwinana. With the removal of the minimum LPG requirement in the pipeline from the North West shelf, we will monitor content levels and possibly look to access other sources of supply to enable us to maximise production.

Both CSBP and our joint venture Australian Railroad Group (ARG) should benefit from what is expected to be a good grain harvest in Western Australia.

I look forward to a productive and rewarding year and take this opportunity to thank all our employees and all shareholders for the great support they have given to our company over the past 12 months.

RICHARD GOYDER

Managing Director

MICHAEL CHANEY AO

Managing Director and CEO 1992 - 2005

The company's Managing Director since mid-1992, Mr Michael Chaney AO, retired on 12 July 2005.

During his time as the group's most senior executive, the market value of Wesfarmers increased almost 15-fold and it established a reputation as one of Australia's most successful and respected corporations.

Michael Chaney joined Wesfarmers in 1983 as Company Secretary and Administration Manager. He became Finance Director in 1984 and succeeded Mr Trevor Eastwood as Managing Director eight years later.

Some of the most significant developments in the group's 91 year history occurred under Mr Chaney's leadership.

The acquisition of Bunnings Limited was completed in late 1994 and he oversaw the development of what was predominantly a forest products business into the major home and garden improvements and building supplies operation that has contributed so much to Wesfarmers' success in the last 10 years.

The great expansion of the company's involvement in the coal industry also took place during Michael Chaney's term, particularly the transactions to buy the Curragh coal mine in Queensland in June 2000 and the later negotiations to acquire the rights to the Curragh North deposit.

In 2001 he led projects that had a major impact on the company's standing - the completion of the ownership restructure, which began in 1984, and the takeover of Howard Smith Limited. The former increased the attractiveness of the company's shares to a wide range of investors. The latter provided important scale to the company's hardware operations and elevated its standing on the Australian Stock Exchange.

Another noteworthy achievement was his success in gathering and developing an outstanding management team well equipped to guide the company's future progress.

As Wesfarmers' national profile increased, Michael Chaney also became known as a champion of the cause of good corporate citizenship. He consistently and strongly advocated the case for companies to engage with the community and to contribute above and beyond their primary roles of generating good shareholder returns and helping to forge a stronger economy.

In addition to his work in the company, Michael Chaney served as a senior member of the Business Council of Australia and led its policy development in the important area of workplace relations reform. He also gave generously of his time to the not-for-profit sector in areas such as the arts and to work directed at achieving better outcomes for younger Australians.

His contribution to business and the community were fittingly recognised in 2004 when he was made an Officer in the Order of Australia.

Wesfarmers expresses its great appreciation of Michael Chaney's efforts over the past 22 years and wishes him and his wife Rose a fulfilling and very enjoyable retirement.

SOME OF THE MOST SIGNIFICANT DEVELOPMENTS IN THE GROUP'S 91 YEAR HISTORY OCCURRED UNDER MICHAEL CHANEY'S LEADERSHIP

REVIEW OF OPERATIONS

	HARDWARE	ENERGY: COAL	ENERGY: GAS AND POWER
ACTIVITIES	- Retailing home and garden improvement products and building materials - Servicing project builders and the housing industry	- Operating and developing coal mines in Queensland (Curragh) and Western Australia (Premier Coal); participating in New South Wales coal mine (Bengalla JV) - Supplier of coking coal to export markets and thermal coal to both domestic and export markets	- Production, marketing and distribution of LPG - Manufacture and marketing of industrial and medical gases and equipment - Power generation to the resources industry and regional towns
YEAR IN BRIEF	- 8.6 per cent increase in earnings - 9.1 per cent increase in cash sales - 10 new warehouse stores opened - Improved business effectiveness and efficiency	Coal earnings up 37 per cent - Increased Curragh coal production and sales - Curragh North development on track - Industrial disputes impacted Premier operations - Premier safety performance below target - Premier selected to supply Western Power's long-term coal requirements - Bengalla sales constrained by port restrictions - Bengalla benefited from high export prices for steaming coal	Gas and power earnings up 20 per cent - Kleenheat Gas purchased Mobil's Tasmanian LPG business - Agreement signed to facilitate long-term production from Kwinana LPG plant in Western Australia - Energy Generation (enGen), previously StateWest Power, supplied new 4 MW power station at Coober Pedy in South Australia - New air separation unit started operation at Kwinana - Air Liquide WA achieved a record 13 years without a lost time injury
FUTURE DIRECTIONS	- Continue to open between 10 to 14 warehouse stores per year - Accelerate store network improvement programme - Enhance and expand products and services offered - Expand trade business - Upgrade inventory and business systems - Pursue further business effectiveness and efficiency initiatives	- Continue strong focus on environment, health and safety performance - Complete the Curragh North development - Focus on productivity and cost improvements - Pursue coal developments	- Continue strong focus on environment, health and safety performance - Develop LPG and LNG markets - Expand power generation activities - Pursue new industrial gases projects and power opportunities

INSURANCE

- Provider of general insurance products to select market segments in Australia and New Zealand under WFI and Lumley brands
- Development of general insurance software for Australian and international insurers through Koukia Pty Limited

- Record results achieved in all insurance business units
- Successful completion of the integration of the Lumley businesses
- Continued development of Koukia's new general insurance software technology

- Maintain business focus in various market segments
- Seek opportunities for profitable growth
- Respond to the growing compliance and regulatory environment

INDUSTRIAL AND SAFETY

- Supplier and distributor of maintenance, repair and operating (MRO) products to Australia and New Zealand
- Specialist supplier and distributor of industrial, safety products and services

- Upgraded distribution facilities
- Produced Blackwoods Occupational Health, Safety and Environment catalogue
- Improved safety performance
- Increased sales transacted through e-business

- Continue to develop distribution facilities
- Develop e-business capabilities
- Implement business improvement initiatives

CHEMICALS AND FERTILISERS

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

- 4.3 per cent increase in earnings
- 13.5 per cent increase in operating revenue
- Commenced feasibility study into increasing ammonium nitrate capacity at Kwinana, Western Australia
- Awarded 2004 Premier's Foundation Award for Water Conservation and Management
- Improved safety performance

- Capitalise on strong chemical demand from the resource sector
- Subject to board approval, complete expansion of ammonium nitrate capacity at Kwinana
- Maintain fertiliser volume growth through strong market-focused approach

OTHER ACTIVITIES

RAIL
- 50 per cent interest in Australian Railroad Group Pty Ltd

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

WESPINE
- 50 per cent interest in a softwood mill

RAIL
- Revenue increased due to higher iron ore volumes Earnings constrained by higher fuel and labour costs
- Best practice safety performance for the rail industry

GRESHAM
- No significant divestments made during the year

WESPINE
- Improved earnings from buoyant building industry

RAIL
- Continue to evaluate new freight opportunities
- Improve growth in commodity volumes

GRESHAM
- Sales of fund investments are expected over coming years

WESPINE
- Improvements in yields and quality

HARDWARE

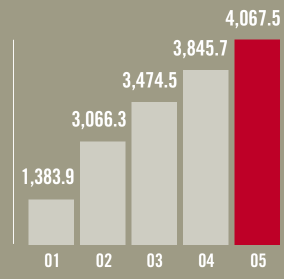
JOHN GILLAM
Managing Director
Bunnings Group Limited

over 22,000 EMPLOYEES
131 WAREHOUSE STORES
99 SMALLER FORMAT STORES
over 45,000 PRODUCT LINES

2005 TOTAL REVENUE

$4,067.5m

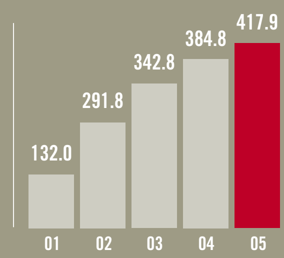
REVENUE
($m)



2005 EBITA

$417.9m

EBITA
($m)



CONTRIBUTION TO GROUP EBITA

37%

MAIN - Team member Sarah Waters at the Bankstown Airport warehouse in New South Wales.

PEOPLE - Team members Bryce Strickland and Jemma Smith at the Botany warehouse in Auckland.

HARDWARE

KEY FINANCIAL INDICATORS	01	02	03	04	05
Operating revenue ($m)	1,383.9	3,066.3	3,474.5	3,845.7	4,067.5
Earnings before interest, tax and goodwill amortisation ($m)	132.0	291.8	342.8	384.8	417.9
Capital employed ($m)	467.1	1,769.7	1,874.2	1,770.4	1,791.5
Return on capital employed (%)	28.3	16.5	18.3	21.7	23.3
Capital expenditure ($m)	60.8	83.7	84.5	97.9	183.6

THE BUSINESS

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

Operating from a network of large warehouse stores and smaller format stores, Bunnings caters predominantly for do-it-yourself customers as well as builders and contractors.

STRATEGY

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

Bunnings continues to develop and improve its store network through new store openings, refits of existing outlets and re-merchandising initiatives. Bunnings actively seeks to widen and improve the range of products and services available to customers. The company is focused on making better use of working capital and lowering its cost of doing business through process and system enhancements. Lower costs and better working capital management support lower prices for customers and improved shareholder returns.

RESULTS

Operating revenue for the Bunnings business increased to $4.1 billion, 5.8 per cent higher than the previous year. Earnings before interest and tax (before goodwill amortisation) of $417.9 million were 8.6 per cent higher. Trade earnings grew by nine per cent.

Store-on-store growth in Bunnings' cash sales for the full year was 5.6 per cent. Growth was strongest in New Zealand, Queensland and Western Australia. Trade sales remained subdued through the year, particularly in the eastern Australian states.

WA Salvage, the bargain hardware and variety retail chain, delivered a disappointing result for the year with sales and earnings below last year.

YEAR IN BRIEF

New store development continued with the opening of 10 new warehouse stores in 2004/05; five in New Zealand, three in Queensland and two in New South Wales. The first of the 3000 series warehouse stores, opened at Naenae in New Zealand.

Four warehouse stores and five smaller format stores were closed during the year as part of the rationalisation of the network to improve performance.

At year end, there were 131 warehouse stores and 99 small format stores (including the Benchmark stores in New Zealand and the WA Salvage stores in Western Australia) operating across Australia and New Zealand and eight warehouse stores under construction.

Sixteen stores (of which 10 are warehouse stores) were upgraded during the year as part of the ongoing store network improvement programme, aimed at bringing current building and merchandising standards into older parts of the network.

A stand-alone trade distribution centre model was developed during the year, aimed at improving performance in both the retail and trade segments of the business. These centres are specifically designed to service delivered-to-site business. At year end, four trade distribution centres had been established with several more planned to open in 2005/06. A new General Manager Trade was appointed in May 2005 to enhance performance in the trade business.

A major new distribution centre was opened at Botany in Auckland and a new purpose-built distribution centre and administration support office was under construction at Rosehill in New South Wales to support the growing store network.

Good progress was made during the year on achieving greater efficiencies in the business. Shrinkage levels continued to reduce, capital management improved through stronger inventory management and programmes to enhance the supply chain were advanced.

In May 2005, a commitment of $55 million was made to a business process and systems upgrade. This upgrade will be implemented over a three year period and is expected to greatly assist in the management of day-to-day operations.

Bunnings' commitment to environmental responsibility and supporting the community continued in 2004/05. In addition to the voluntary 10 cent levy on plastic bags that was introduced last year (with levy proceeds donated in full to Keep Australia Beautiful), programmes are in place to recycle cardboard and shrink wrap packaging and trials continue to recycle excess paint.

Energy and water consumption reduction initiatives have been successfully implemented which have also resulted in cost savings. Bunnings continues to implement its policy, introduced in February 2003, aimed at ensuring wood products are derived from well managed sources.

Bunnings stores supported their local communities in a variety of ways by donations and sponsorships of $1.6 million. Additional fundraising activities, including more than $230,000 toward the Asian Tsunami disaster appeal, exceeded $900,000.

Further information on Bunnings' environmental performance and community involvement is detailed in Wesfarmers' Social Responsibility Report which is published annually and which is available electronically on the company's website at www.wesfarmers.com.au.

PEOPLE

With over 22,000 employees and a continually expanding store network, issues of recruitment, training and development receive a high priority. On-line learning kiosks were piloted in a number of stores in 2004/05 to facilitate in-store training.

There has been a significant effort to improve safety performance within the business following the introduction of the B.S.A.F.E. programme last year. Pleasingly, a 20 per cent improvement in safety performance, year on year, was achieved as measured by a reduction in the lost time injury frequency rate from 14.6 to 11.4.

Further details of Bunnings' safety, training and development programmes are included in Wesfarmers' Social Responsibility Report.

OUTLOOK

The outlook for the Bunnings business in 2005/06 is for continued revenue and earnings growth, despite a less robust retail sales climate. Housing industry activity is expected to contract in some major markets over the next 12 months which may affect trade sales performance.

New warehouse store development is expected to continue at between 10 to 14 stores per year. The store network development programme for the 2005/06 year is progressing satisfactorily with the completion of the largest Bunnings warehouse store which opened at Vermont South in Victoria in August 2005. The store network improvement programme has been accelerated with between 25 to 30 stores scheduled for improvement works in 2005/06.

Work is advanced on a new retailing concept to provide a new direction for the WA Salvage chain in 2005/06.

NEW STORE DEVELOPMENT CONTINUED WITH THE OPENING OF 10 NEW WAREHOUSE STORES IN 2004/05

Above - Bunnings warehouse at Botany, Auckland.

Left - Construction work on the Vermont South warehouse in Victoria.

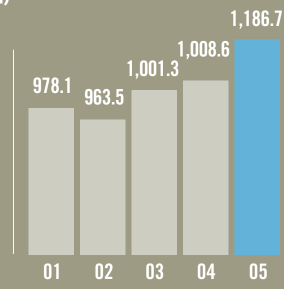
ENERGY

DAVID ROBB
Managing Director,
Wesfarmers Energy Limited

1,431 EMPLOYEES
3 COAL MINES
20 COAL CUSTOMERS
750 GAS LOCATIONS
264,000 GAS CUSTOMERS
14 REMOTE POWER STATIONS

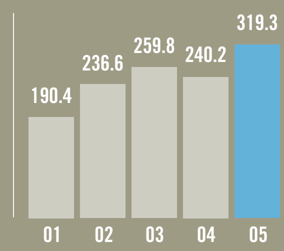
2005 TOTAL REVENUE
$1,186.7m

REVENUE
($m)



2005 EBITA
$319.3m

EBITA
($m)



CONTRIBUTION TO GROUP EBITA
28%

MAIN - Overburden removal operations at the Curragh North coal mine, at Blackwater, Queensland.

PEOPLE - (from left) Curragh coal mine's Senior Environmental Engineer, Josh Lobodin and Curragh North Construction Manager, Stephen Downs.

ENERGY

KEY FINANCIAL INDICATORS	01	02	03	04	05
Operating revenue ($m)	978.1	963.5	1,001.3	1,008.6	1,186.7
Earnings before interest, tax and goodwill amortisation ($m)	190.4	236.6	259.8	240.2	319.3
Capital employed ($m)	778.3	844.9	815.6	774.4	850.9
Return on capital employed (%)	24.5	28.0	31.9	31.0	37.5
Capital expenditure ($m)	133.8	77.6	57.8	86.1	217.9

THE BUSINESS

Wesfarmers Energy comprises three coal companies, three gas companies, a power company and a range of business services to support these companies.

Energy's coal interests include the Curragh mine in Queensland's Bowen Basin (coking coal for export markets and thermal coal for domestic markets), the Premier Coal mine at Collie in Western Australia's south-west (thermal coal for domestic markets), and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales (thermal coal for both export and domestic markets).

Energy's gas and power activities comprise Kleenheat Gas (liquefied petroleum gas "LPG" distribution and marketing), Wesfarmers LPG (LPG production and export) Energy Generation* (enGen - power generation for regional areas) and a 40 per cent interest in Air Liquide WA (industrial and medical gases).

*StateWest Power Pty Ltd changed its name to Energy Generation Pty Ltd during 2005.

STRATEGY

Wesfarmers Energy's objective – to achieve "Profitable Growth over Time"– is aligned to the Wesfarmers group objective of providing a satisfactory return to shareholders.

RESULTS

Operating revenue for Wesfarmers' energy business increased to $1.2 billion, 17.7 per cent above last year with earnings before interest and tax (before goodwill amortisation) of $319.3 million. This was 32.9 per cent higher than the $240.2 million earned last year. Record export coal prices contributed significantly to the improved result in 2004/05.

Coal

Curragh: Overall coal business results were characterised by increased revenues and earnings versus the prior year on comparable volumes.

Total sales volumes from the Curragh coal mine in Queensland's Bowen Basin of 7.1 million tonnes (4.6 million export and 2.5 million domestic) were 2.2 per cent above those achieved in 2003/04. Earnings for the year were 51.1 per cent above last year's, due to higher export coking coal prices and favourable inventory movements, partly offset by higher production and tonnage-related costs. A delay in achieving the targeted performance from the coal handling and preparation plant upgrade required as part of the Curragh North development resulted in lower than expected export sales and a carry over of more than 400,000 tonnes of sales at lower prices to customers in the fourth quarter.

Premier: Premier Coal at Collie in Western Australia, achieved sales volumes of 3.3 million tonnes in 2004/05, slightly below last year's. Earnings for the year were 26.6 per cent below last year's due to lower sales volumes and higher production costs as a result of industrial disputes arising from enterprise bargaining agreement negotiations, concluded in May 2005.

Bengalla: The Bengalla coal mine in New South Wales, in which Wesfarmers holds a 40 per cent interest, achieved joint venture sales volumes of 5.6 million tonnes (4.4 million export and 1.2 million domestic) which were slightly lower than last year's, but earnings increased 178.5 per cent largely as a result of higher export sales prices and lower demurrage costs.

Gas and Power

Kleenheat: Kleenheat Gas' overall sales volumes were slightly below last year's due to the loss of several wholesale customers, partly offset by additional sales from the recently acquired Mobil gas business in Tasmania. Earnings were below last year's; the result of higher international LPG prices and higher operating costs.

LPG: Wesfarmers LPG achieved export volumes of 199,000 tonnes, 10.1 per cent below last year's. This was due to a combination of lower LPG content in the Dampier to Bunbury Natural Gas Pipeline and the rescheduling of a small shipment from June 2005 to July 2005. Despite lower sales volumes, earnings were 40 per cent higher than those recorded in 2003/04 as a result of higher international LPG prices.

Air Liquide WA: Earnings from Air Liquide WA (including the Kwinana Industrial Gases Joint Venture) were above expectations and 78 per cent higher than the previous financial year due primarily to the commencement of supply to HIsmelt's pig iron plant in Kwinana, Western Australia.

enGen: The performance of Energy Generation ("enGen", formerly "StateWest Power") was significantly better than last year, due mainly to a full-year's contribution from the Mid-West Power project and improved performance from other operations.

YEAR IN BRIEF

Curragh: A key milestone was the commencement of mining at the new Curragh North coal development, with first coal exposed earlier than planned in February 2005. The development is progressing to schedule with total project capital expenditure of $360 million. A 22 kilometre conveyor system to transport coal to Curragh from Curragh North is the last major element of the project which is scheduled for completion in September 2006. In anticipation of the Curragh North development, a major upgrade was carried out on the coal handling and preparation plant.

Curragh North will more than double the recoverable coal reserves of the Curragh operation, extending the life of mining operations until at least 2025. Details of coal reserves and resources are included on page 95 of this annual report.

Premier: In August 2005, Premier was successful in its bid to supply Wester Power Corporation's long term coal requirements from 2010 to the year 2030 for its coal-fired power stations at Collie in Western Australia. This achievement, together with its programme to diversify its product range, will underpin the long term future of the Premier mine.

Kleenheat: Kleenheat Gas' purchase of Mobil's Tasmanian-based LPG business introduces Kleenheat as a new LPG supplier to this market, supplying residential, commercial and industrial customers. In addition, Kleenheat Gas will also supply autogas customers in Tasmania, through its 50 per cent interest in Unigas.

Kleenheat introduced a new computerised vehicle tracking system to improve delivery efficiency. It also completed an automated cylinder filling facility at Kwinana.

LPG: In June 2005, Wesfarmers and Alinta Limited executed a deed amending and restating an agreement for the supply of gas by Alinta to Wesfarmers LPG's extraction plant at Kwinana, Western Australia. This agreement provides a long-term basis for Wesfarmers to continue to extract LPG from the Dampier to Bunbury Natural Gas Pipeline.

Air Liquide WA: Air Liquide WA achieved commercial operation of the new $45 million air separation unit at Kwinana, which will supply oxygen and nitrogen to the nearby HIsmelt pig iron project.

enGen: Energy Generation commissioned a new power station at Coober Pedy in South Australia and supplied generators for an expansion of the Sunrise Dam Power Station near Laverton in Western Australia. Energy Generation also commenced construction on the Remote Towns Power Project in Western Australia for Western Power.

PEOPLE

All businesses within Wesfarmers Energy adopt a "safety is our number one priority" goal. During the year a number of programmes were implemented to further advance this objective. In June, Air Liquide WA recorded a significant milestone achieving 13 years without a lost time injury. Strong safety performances were also achieved by Energy Generation and Wesfarmers LPG, recording 875 days and 813 days respectively without a lost time injury.

OUTLOOK

The key areas of focus in 2005/06 will be on improving the energy division's existing operations and delivering targeted sales volumes to capitalise on favourable coal market conditions, while continuing the development of Curragh North.

The export coal businesses will benefit from high coking coal prices and continued volume growth, although achievement of targeted sales volumes will require consistent high levels of performance from both mining operations and rail and port infrastructure.

Earnings from the gas businesses will be dependent upon international LPG prices and production volumes from the Kwinana extraction plant.

RECORD EXPORT COAL PRICES CONTRIBUTED SIGNIFICANTLY TO THE IMPROVED RESULT IN 2004/05

Above - The air separation plant at Air Liquide WA, Kwinana, Western Australia.

Left - A Kleenheat road tanker at Channel Island, Northern Territory.

INSURANCE

BOB BUCKLEY
Managing Director
Wesfarmers insurance division

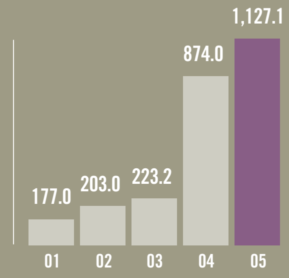
1,463 EMPLOYEES
105 BRANCHES

2005 TOTAL REVENUE

$1,127.1m

REVENUE

($m)

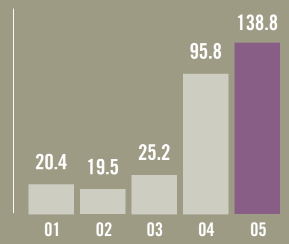


2005 EBITA

$138.8m

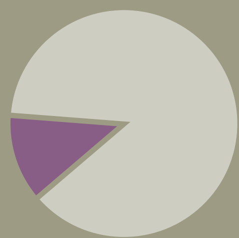
EBITA

($m)



CONTRIBUTION TO GROUP EBITA

12%



MAIN - Lumley General Australia's commercial motor portfolio contributed 38 per cent of that company's total profit during 2004/05.

PEOPLE - (from left) Lumley General Australia's National Motor Manager Michael Girling and National Motor Risk Services Manager Robert O'Shea.

INSURANCE

KEY FINANCIAL INDICATORS	01	02	03	04	05
Operating revenue ($m)	177.0	203.0	223.2	874.0	1,127.1
Earnings before interest, tax and goodwill amortisation ($m)	20.4	19.5	25.2	95.8	138.8
Capital employed ($m)	51.0	42.1	38.3	389.8	430.2
Return on capital employed (%)	40.0	46.3	65.8	24.6	32.3
Capital expenditure ($m)	3.1	2.6	2.6	7.6	13.6

THE BUSINESS

Wesfarmers insurance division was formed in October 2003 following the acquisition of Edward Lumley Holdings. The division comprises three general insurance companies, two premium funding businesses and an insurance software developer.

The insurance operations comprise Wesfarmers Federation Insurance, Lumley General Insurance Australia and Lumley General Insurance New Zealand. The premium funding businesses operate under the Lumley name in both Australia and New Zealand.

The insurance division also includes a specialist general insurance software developer, Koukia, which is majority owned by Wesfarmers.

STRATEGY

In Australia, the group's insurance operations service both the direct and intermediary distribution channels. Wesfarmers Federation Insurance focuses on direct service to rural and provincial Australia whilst Lumley General Australia and Lumley General New Zealand specialise in the fleet and commercial motor, engineering and marine sectors. The premium funding businesses support the general insurance engagement with insurance brokers in Australia and New Zealand.

Koukia aims to provide a world class general insurance software package to insurers world-wide.

All activities are underpinned by the requirement to achieve profitable returns in line with Wesfarmers' key objective.

RESULTS

The 2004/05 results of the insurance division include the first full 12 months ownership of the Lumley group of companies. The results exceeded expectations despite a more competitive environment.

Divisional operating revenue of $1.1 billion was achieved with solid support from all market sectors.

The earnings contribution before interest and tax (before goodwill amortisation) of $138.8 million in 2004/05 was substantially above expectations and for the three insurance businesses represents a record performance.

YEAR IN BRIEF

The major achievement for the 2004/05 year was the completion of the integration of the Lumley businesses into the insurance division whilst maintaining a focus on the achievement of a strong financial performance in all businesses.

The division continued to develop systems and practices to ensure that all businesses meet current and proposed regulatory requirements. In February 2005, Mr David Wills was appointed as an additional independent director to the boards of both Lumley General Insurance and Wesfarmers Federation Insurance.

Lumley General Australia further enhanced its position in niche market segments whilst strengthening risk management, compliance and audit processes. The insurance margin rose to 20.7 per cent compared to 18.7 per cent in the previous corresponding 12 month period. The combined operating ratio ("COR") decreased to 83.2 per cent from 85.1 per cent previously. The result was characterised by a generally benign claims environment primarily due to a continuation of below average rainfall throughout much of Eastern Australia. Net earned premium ("NEP") increased by 10.2 per cent compared to the previous corresponding period.

Lumley General New Zealand achieved commendable growth and consolidated its ranking as the country's third largest insurer. It continued to receive strong support from New Zealand-based intermediaries. The COR increased to 88.0 per cent, up from 86.9 per cent previously. The insurance margin decreased to 14.1 per cent, compared to 14.9 per cent in the previous corresponding period due to increased competition and a severe storm and flooding event in the Bay of Plenty in July 2004. NEP for the full year increased by 31.5 per cent due to business growth and significant reductions in premium ceded to reinsurers.

Wesfarmers Federation Insurance built on its consistently good results of recent years and further improved its national distribution network through the appointment of additional area managers. The strong result in 2004/05 can be attributed to modest revenue growth combined with a favourable claims environment, particularly in relation to the liability portfolio. The result was ahead of expectations with the insurance margin increasing to 18.0 per cent compared to 15.7 per cent the previous year. The COR fell to 86.2 per cent from 88.3 per cent previously and NEP increased 8.4 per cent compared to the corresponding period last year.

The premium funding operations performed credibly in a very competitive environment. In addition to their profit contribution these businesses provide valuable support to insurance operations and enable a broader engagement with supporting intermediaries.

Koukia continued its development of a new general insurance software technology, with a high level of interest from potential Australian and overseas customers. Preparations continued for the introduction of this technology to the Wesfarmers Federation Insurance and Lumley General New Zealand businesses.

PEOPLE

Across the division a substantial pool of talent exists which is encouraging for the future.

The exceptional results achieved over recent years are a direct reflection of the dedication and hard work of all employees.

Substantial progress in aligning remuneration benefits and human resources practices was achieved in the past year.

Considerable training was undertaken to underpin technical competence and to fulfil compliance and governance requirements.

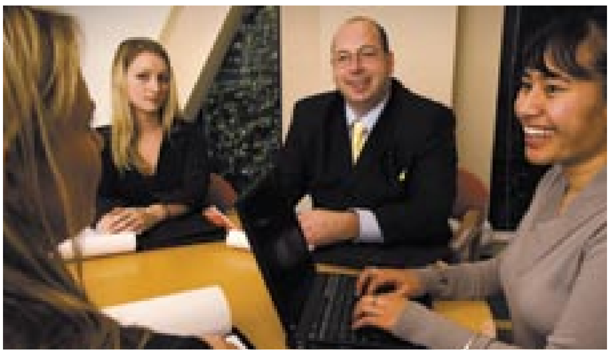
Planning commenced on a detailed leadership and development programme for all levels of management across the division and this programme will be progressively implemented in 2005/06.

OUTLOOK

The outlook for the division in 2005/06 is challenging with all businesses experiencing increased competition in all market segments.

After several years of increasing prices, rates are stabilising with moderate reductions as some classes come under increasing competitive pressure. Against this background, continued NEP growth is expected due to the strategy of reducing the amount of premium ceded in Lumley General Australia and Lumley General New Zealand; but margins are expected to show modest reductions.

RESULTS EXCEEDED EXPECTATIONS DESPITE A MORE COMPETITIVE ENVIRONMENT



Above - Wesfarmers Federation Insurance Accounts and Administration Manager Ian Bruce and Motor Claims Supervisor Susan Orrell at Bassendean, Western Australia.

Left - (from left) Victoria Van Brink, Katie Saunders, Mark Maffey and Joey Litaio at Lumley General Insurance New Zealand's Auckland office.

INDUSTRIAL AND SAFETY

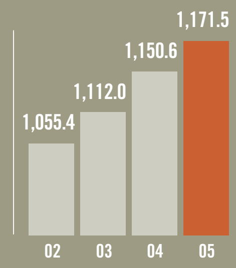
BOB DENBY
Managing Director
Wesfarmers industrial and safety division

3,300 EMPLOYEES
255 LOCATIONS
100,000 CUSTOMERS
400,000 PRODUCT LINES
12,000 VENDORS

2005 TOTAL REVENUE

$1,171.5m

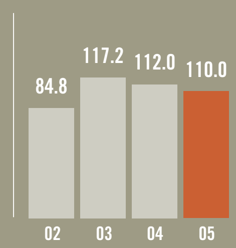
REVENUE
($m)



2005 EBITA

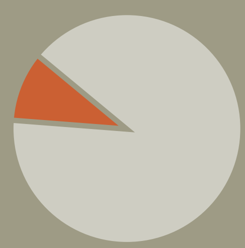
$110.0m

EBITA
($m)



CONTRIBUTION TO GROUP EBITA

10%



MAIN - Warehousing operations at the Wesfarmers industrial and safety New Zealand safety distribution centre, Wiri, Auckland.

PEOPLE - (from left) Wesfarmers industrial and safety New Zealand's Dispatch Supervisor Gread Tiitii and Logistics Manager John Burmester at the safety distribution centre, Wiri, Auckland.

INDUSTRIAL AND SAFETY

KEY FINANCIAL INDICATORS	02*	03	04	05
Operating revenue ($m)	1,055.4	1,112.0	1,150.6	1,171.5
Earnings before interest, tax and goodwill amortisation ($m)	84.8	117.2	112.0	110.0
Capital employed ($m)	708.5	797.3	814.1	801.3
Return on capital employed (%)	12.0	14.7	13.8	13.7
Capital expenditure ($m)	10.9	25.4	23.1	16.6

* 2002 figures include the results for the 11 month period from August 2001 to 30 June 2002

THE BUSINESS

Wesfarmers industrial and safety division comprises 10 different trading businesses and is Australia's and New Zealand's leader in the supply and distribution of maintenance, repair, operating (MRO) products and safety products.

In Australia, the industrial products distribution business is predominantly conducted through Blackwoods, established in 1878, and through four other specialist distribution businesses, trading as Bakers Construction, Atkins, Motion Industries and Mullings Fasteners. The Australian specialist safety distribution business trades as Protector Alsafe.

In New Zealand, the industrial and safety division trades as NZ Safety, Protector Safety Supply, Packaging House and Blackwoods Paykels.

STRATEGY

Wesfarmers industrial and safety aims to achieve satisfactory shareholder returns by being the first choice of every customer through the provision of innovative industrial distribution solutions. It pursues the strategies of growing sales, reducing its expense to sales ratio, optimising working capital levels, continuously improving its safety record and attracting and retaining quality employees.

RESULTS

Operating revenue of $1.2 billion was in line with the result for the 2003/04 year. Earnings before interest and tax (before goodwill amortisation) of $110.0 million were 1.8 per cent below the $112.0 million recorded last year primarily due to continuing pressure on trading margins and a lower than expected performance by the Protector Alsafe business in Australia and the Blackwoods Paykels business in New Zealand.

Blackwoods in Australia had another strong year with solid sales and earnings growth, particularly due to demand from the mining sector in Queensland and Western Australia, while trading conditions were more subdued in New South Wales, Victoria and South Australia.

Protector Alsafe's earnings were down due to the loss of several sales contracts during 2004 and competitive pressure on margins. The second half of 2004/05 saw an improvement in the business and Protector Alsafe was also a beneficiary of the strong demand from the mining sector in Queensland and Western Australia.

Blackwoods Paykels had a disappointing year with sales significantly below expectations due mainly to ongoing integration issues following the acquisition of the Paykels business.

The NZ safety businesses and Packaging House in New Zealand continued to perform satisfactorily and experienced good sales growth over the year.

YEAR IN BRIEF

The division continued to enhance its distribution facilities. Upgrades to improve efficiencies were completed at a number of centres including an upgrade of the largest of such facilities at Smithfield in Sydney, New South Wales. A major distribution centre was opened at Wiri in Auckland, New Zealand to handle safety products for the New Zealand market.

The business improvement programme at Protector Alsafe was completed and the business was fully integrated into the industrial and safety regional structure. The business is now operating effectively and is well placed to regain market share as customers tender safety contracts.

Significant efforts were focused on improving the performance of the Blackwoods Paykels business, including the efficient operation of the distribution centre, rationalising the product range and the training of staff.

Continuing the market success of the Blackwoods catalogue, Blackwoods produced for the first time a specific Occupational Health, Safety and Environment catalogue during the year.

Pleasingly, the proportion of sales transacted through e-business continued to grow which is a significant factor in the strategy of reducing the expense to sales ratio.

PEOPLE

Industrial and safety employs over 3,000 people. The recruitment and retention of quality employees is a major objective of the business. As part of the focus on employee development and performance feedback, a new performance management programme was successfully piloted, and the programme will now be progressively implemented across the division.

The design, implementation and roll-out of a complete learning and development strategy continued. Significant numbers of employees attended the division's cornerstone learning and development modules "growth through service" and "field selling solutions". Also, new programmes were developed and delivered covering "performance and development planning", "point of sale solutions" and "employee equal opportunity".

Resources were devoted to developing the capabilities and effectiveness of sales teams. This year, 19 people were recruited to participate in the division's sales traineeship programme.

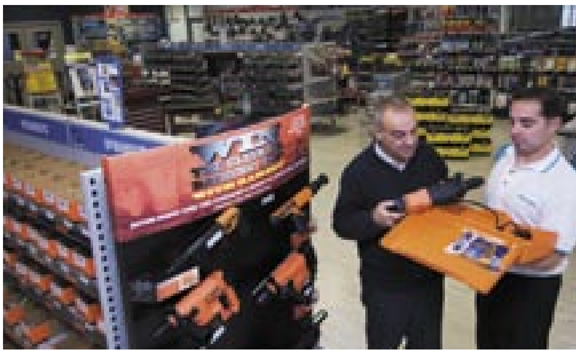
Safety performance continued to improve with the lost time injury frequency rate falling from 5.3 to 4.3. There is an ongoing focus to improve safety performance and throughout the division the importance of working safely is continually reinforced and promoted. Significant efforts were made to address the priorities outlined in Wesfarmers' Social Responsibility Report, including improving safety performance (particularly addressing manual handling injuries), training in the OHSE modules, implementing an energy reduction strategy, establishing measurement systems for waste, identifying recycling opportunities and reviewing dangerous goods storage areas.

OUTLOOK

The industrial and safety division is expected to have moderate profit growth in 2005/06 benefiting from continued strong demand from the mining industry and improvements in the Protector Alsafe and Blackwoods Paykels businesses.

The division will embark on an ambitious programme of business improvement initiatives designed to deliver significant benefits to its customers and the Wesfarmers group. It is expected that the division will continue to develop its e-business capability and its ability to provide suppliers and customers with innovative e-business solutions.

THE DIVISION WILL EMBARK ON AN AMBITIOUS PROGRAMME OF BUSINESS IMPROVEMENT INITIATIVES DESIGNED TO DELIVER SIGNIFICANT BENEFITS TO ITS CUSTOMERS AND THE WESFARMERS GROUP



Above - Bakers Construction and Industrial Trade Centre, Derrimut, Victoria.

Left - Blackwoods head office and distribution centre at Scoresby, Victoria.

CHEMICALS AND FERTILISERS

KEITH GORDON
Managing Director
CSBP Limited

570 EMPLOYEES

360 CHEMICALS CUSTOMERS

2 MAJOR FERTILISER DISTRIBUTORS SERVICING OVER 5,000 FARMERS

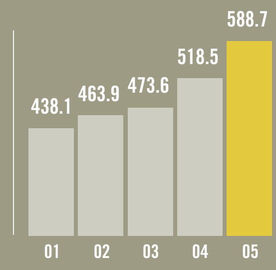
12 OPERATIONAL MANUFACTURING PLANTS

2005 TOTAL REVENUE

$588.7m

REVENUE

($m)

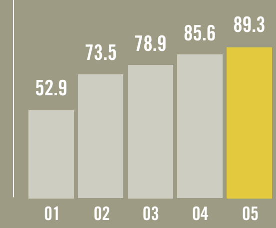


2005 EBITA

$89.3m

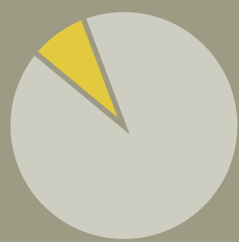
EBITA

($m)



CONTRIBUTION TO GROUP EBITA

8%



MAIN - CSBP's ammonia plant at Kwinana, Western Australia.

PEOPLE - CSBP's Store Person Regan Small and Laboratory Technician Rosemary Strong at Kwinana, Western Australia.

CHEMICALS AND FERTILISERS

KEY FINANCIAL INDICATORS	01	02	03	04	05
Operating revenue ($m)	438.1	463.9	473.6	518.5	588.7
Earnings before interest, tax and goodwill amortisation ($m)	52.9	73.5	78.9	85.6	89.3
Capital employed ($m)	506.2	515.0	491.1	482.6	493.9
Return on capital employed (%)	10.5	14.3	16.1	17.7	18.1
Capital expenditure ($m)	23.6	23.9	19.2	34.6	31.4

THE BUSINESS

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

STRATEGY

In chemicals, CSBP's strategy is to profitably build on existing businesses and use its core competencies to develop new products and move into new markets. CSBP continues to pursue expansion opportunities in its ammonium nitrate and sodium cyanide businesses.

In fertilisers, CSBP strives to provide Western Australian farmers with a wide range of quality fertilisers at competitive prices, supported by leading technical support and high customer service standards. CSBP continues to actively develop markets for manufactured fertiliser products beyond Western Australia.

RESULTS

The chemicals business had an improved profit contribution in 2004/05 due to a buoyant resource sector. The fertilisers business had a similar profit contribution to the prior year.

Operating revenue of $588.7 million increased 13.5 per cent with higher sales achieved in both the chemicals and fertilisers activities. Earnings before interest and tax (before goodwill amortisation) of $89.3 million were 4.3 per cent above last year's $85.6 million.

The company's chemicals activities performed well with increased revenues recorded in all product groups. Production volumes improved for all operations, except ammonium nitrate where the plant was subject to a planned maintenance shutdown in February 2005.

Earnings from CSBP's 50 per cent interest in the Queensland Nitrates ammonium nitrate joint venture were below those recorded in 2003/04 due to the need to import high cost ammonium nitrate product to meet customer requirements. At year end, product from the plant was sold to capacity.

Total fertiliser sales of 1.1 million tonnes were achieved, representing an increase of 5.5 per cent. The lift in sales reflects CSBP's stronger market focus and continued growth in demand for liquid fertiliser.

YEAR IN BRIEF

Chemicals

Ammonia/ammonium nitrate

Domestic demand for ammonia was stable in 2004/05. The ammonia plant located at Kwinana in Western Australia performed steadily and CSBP continues to investigate opportunities to increase production from the plant.

Demand for ammonium nitrate was strong, but sales volumes were marginally below last year's due to a production shortfall arising from the planned maintenance plant shutdown of the Kwinana plant. Production of ammonium nitrate from Kwinana was 7.7 per cent below last year's.

A feasibility study is underway into increasing ammonium nitrate capacity by the construction of duplicate nitric acid and ammonium nitrate plants and a new prilling plant at Kwinana. Subject to the completion of the study, Board and regulatory approvals, construction is planned to commence later this year with plant commissioning in the second half of 2007. Demand will be underpinned by the increased requirements of the resource sector for explosive grade ammonium nitrate and as a feedstock for the manufacture of the nitrogenous liquid fertiliser, Flexi-N.

Production performance at the joint venture Queensland Nitrates integrated ammonia/ammonium nitrate facility again exceeded design capacity in 2004/05, but minor unplanned shutdowns resulted in production volumes being 4.4 per cent below last year's. Strong demand for ammonium nitrate has resulted in production from this plant being fully committed. Discussions with customers regarding possible offtake commitments to an expanded facility are continuing.

Sodium cyanide

The 75 per cent-owned Australian Gold Reagents business recorded liquid sodium cyanide sales in line with expectations. Following the expansion of the solid sodium cyanide plant, export volumes into African and South American markets increased strongly for the second consecutive year.

Industrial chemicals
Sales and production of chlorine and derivatives increased slightly. Sales of other traded industrial chemical products were in line with expectations.

Fertilisers

Market and seasonal conditions for fertilisers in Western Australia were strong during 2004/05 but unseasonally high rainfall in June 2005 resulted in lower than normal fertiliser use in that month.

CSBP continued with a strong market-focused approach working with and through distributors - in particular AWB Landmark and Elders - to meet the varied fertiliser and agronomic needs of farmer customers. Product range and technical service improvements, higher service levels and competitive pricing continued to be features of CSBP's approach from which a five per cent increase in sales volumes was achieved.

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

ENVIRONMENT

All plants operated within their environmental licence parameters throughout the year except for 14 minor breaches notified by CSBP to the Department of Environment. CSBP's purpose-built nutrient stripping wetland at Kwinana, which was commissioned in 2004, has operated above expectations with an average reduction in nitrogen and phosphorous concentrations of up to 27 per cent and 67 per cent, respectively.

CSBP was awarded the 2004 Premier's Water Foundation Award in the Western Australian State Environment Awards.

Further information on CSBP's environmental and occupational health and safety issues are included in Wesfarmers' Social Responsibility Report.

PEOPLE

The commitment and effort of CSBP's employees contributed strongly to the continued lift in business performance.

Safety performance improved markedly with a 25 per cent reduction in lost time injuries as well as an absolute reduction in total workplace injuries. This improvement is the result of a stronger safety focus within the business supported by enhancements to safety systems. CSBP's objective is to achieve an accident-free workplace.

As an extension of its role as a major employer and member of many local communities, CSBP continued its support for education, training and a wide range of community activities.

OUTLOOK

The outlook for the CSBP chemicals and fertilisers division in 2005/06 is positive due to strong chemical demand from the resource sector. Good finishing rains will be required for the Western Australian wheat crop to fulfil its early potential.

THE OUTLOOK FOR THE CSBP CHEMICALS AND FERTILISERS DIVISION IN 2005/06 IS POSITIVE

Above - Despatch Operator Malcolm Hayley at the liquid fertiliser storage facility at CSBP's Bunbury works in Western Australia.

Left - A front end loader filling one of the hoppers at the expanded fertiliser blending plant at Bunbury.

OTHER ACTIVITIES

RAIL TRANSPORT

Wesfarmers Limited has a 50 per cent interest in the Australian Railroad Group Pty Ltd (ARG), which is the major provider of rail freight services in Western Australia and South Australia. The main products handled are minerals and grain. ARG has approximately 1,100 employees.

ARG's subsidiary, WestNet Rail Pty Ltd, holds a 49 year lease (from 2000) over the 5,600 kilometre rail network in south-west Western Australia. ARG also holds a 50 year lease (from 1997) over some 1,300 kilometres of track in South Australia. ARG and other rail operators use these lines under regulated open access regimes.

ARG aims to earn satisfactory returns by focusing on efficient operations, working as a team and achieving market growth while maintaining best practice safety standards.

Revenues in 2004/05 were above the previous year due mainly to higher iron ore volumes, third party fuel sales and a full year of contribution from the grain contract in New South Wales.

Pre-tax earnings were below those for the previous year due to the increase in fuel prices, the cost of locomotive operators and the impact of incidents.

Overall volumes hauled, at 51.2 million tonnes, were up from the 2003/04 result.

The 2004/05 grain harvest was close to average in Western Australia but below average in South Australia, resulting in a task of some 9.4 million tonnes, six per cent down from 2003/04. Tonnages for iron ore and products associated with the nickel industry increased as a result of new projects and volume expansion by existing customers.

The lost time injury frequency rate, whilst increasing from 1.0 to 1.7, remains at levels considered best practice for the rail industry, both in Australia and internationally.

ARG continues to evaluate a number of new business opportunities, within its traditional markets and in other regions of Australia.

Capital expenditure included the continued overhaul of locomotives and the commencement of wagon construction to meet the expanding demands of a number of customers.

To meet ongoing operating and safety requirements, WestNet Rail continued a programme of infrastructure upgrades including the laying of new concrete sleepers on the South West Mainline in Western Australia. The acoustic monitoring system installed in early 2004 demonstrated its effectiveness with only one wheel bearing related incident occuring during the year.

ARG continued its involvement with the Alice Springs to Darwin railway as the provider of locomotives, wagons, crews and management services to the rail operator and as a minor equity investor.

GRESHAM PARTNERS

Wesfarmers has a 50 per cent interest in Gresham Partners Group Limited, the holding company for the Australian investment banking activities of Gresham Partners.

With offices in Sydney, Melbourne and Perth, Gresham's main activities are corporate finance, private equity and property investment businesses.

Its corporate finance business is focused upon mergers and acquisitions, industry consolidations and the provision of strategic financial advice to a wide array of Australian businesses. It generated success fees on several major transactions in 2004/05.

Its property activities have seen it establish two funds with committed capital of more than $130 million, engaged in providing mezzanine debt for property projects.

The private equity activities have been centred upon investing in management buy-outs of commercial businesses with development prospects. With aggregate commitments across its two private equity funds exceeding $500 million, Gresham Private Equity has made 10 investments, of which three have been realised, generating significant profits.

Wesfarmers, in addition to its shareholding in the Gresham Partners Group, contributed $100 million to the first Gresham Private Equity Fund, established in 1999, and has committed up to $150 million to the second fund, launched early in 2004. The second fund has made two investments, in the New Zealand electrical appliance retailer Noel Leeming and Melbourne-based Australian Pacific Paper Products.

Wesfarmers is engaged in the Investment and Advisory Committees of these private equity funds, as well as providing a member of its Business Development team on secondment to Gresham Private Equity.

As is typical in the private equity sector, each fund is closed-ended and aims to exit all of its investments, returning net proceeds to investors, within 10 years of inception.

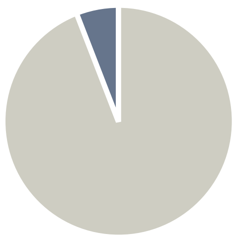
While there were no significant divestments by the funds in 2004/05, Wesfarmers received some income from partial divestments, dividends and deferred payments from previous divestments. Future earnings from the funds, which will depend on the timing of divestments, are expected to make a worthwhile contribution to group earnings.

FOREST PRODUCTS

Following the sale of Sotico's jarrah business assets in August 2004, the group's remaining active involvement in the forest products industry is its 50 per cent interest in Wespine Industries Pty Ltd which operates a plantation softwood sawmill at Dardanup in Western Australia. Wespine generated improved earnings in the 2004/05 year on the strength of the Western Australian housing construction market. Projects to increase the kiln drying capacity and to improve product yields and quality are underway.

CONTRIBUTION TO GROUP EBITA

5%



APPP Australian Pacific Paper Products

RIVIERA

NOEL LEEMING GROUP LIMITED

BOARD OF DIRECTORS

TREVOR EASTWOOD AM

NON-EXECUTIVE CHAIRMAN; CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE; AGE 63

Joined the Board in 1994 and was appointed Chairman in December 2002. Trevor holds a Bachelor of Engineering degree from the University of Western Australia and completed the Advanced Management Program at the Harvard Business School in 1982. He commenced his career with the group as an employee of Westralian Farmers Co-operative Limited in 1963 and held a number of management positions in the group up to his retirement in 1992, including his final eight years as Managing Director of Wesfarmers Limited. The other listed company of which he has been a director in the last three years is Qantas Airways Limited (appointed 18 October 1995 – resigned 31 March 2005). Trevor is also a director of Perron Group Limited, Prestige Motors Pty Ltd, PG Holdings Limited and WCM Group Pty Ltd. He was formerly the Chairman of West Australian Newspapers Holdings Ltd.

RICHARD GOYDER

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER; AGE 45

Joined the Board in 2002. Richard has a Bachelor of Commerce degree from the University of Western Australia and completed the Advanced Management Program at the Harvard Business School in 1998. He joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited. He has held a number of commercial positions in Wesfarmers' Business Development Department including General Manager. In 1999 Richard was Managing Director of Wesfarmers Dalgety Limited, which subsequently became Wesfarmers Landmark Limited, a position he retained until his appointment as Finance Director of Wesfarmers Limited in 2002. He was appointed Deputy Managing Director and Chief Financial Officer of Wesfarmers Limited in May 2004 and assumed the role of Managing Director and Chief Executive Officer on 13 July 2005. Richard is a director of a number of Wesfarmers group subsidiaries. He is also a director of Gresham Partners Holdings Ltd, the Australian Railroad Group Pty Ltd, Wespine Industries Pty Ltd, the Western Australia Symphony Orchestra and a member of the University of Western Australia Business School Advisory Board.

COLIN CARTER OAM

NON-EXECUTIVE DIRECTOR; MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE; AGE 62

Joined the Board in 2002. Colin holds a Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School. He has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas. The other listed companies of which he is or has been a director in the last three years are Origin Energy Limited (appointed 18 February 2000) and SEEK Limited (appointed 22 March 2005). He is also a director of Melbourne 2006 Commonwealth Games Pty Ltd, Chairman of the Indigenous Enterprise Partnerships, a member of the Advisory Board of The Cape York Institute, a Commissioner of the Australian Football League and an adviser to, and former Vice President of The Boston Consulting Group.

PATRICIA CROSS

NON-EXECUTIVE DIRECTOR; MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE; AGE 46

Joined the Board in 2003. Patricia holds a Bachelor of Science (Econ) with Honours from Georgetown University. The other listed companies of which she is or has been a director in the last three years are Qantas Airways Limited (appointed 1 January 2004) and AMP Limited (appointed 30 August 2000 – resigned 26 February 2003). She will also be joining the board of National Australia Bank Limited in early December 2005. Patricia has 25 years experience in international banking and finance, having served two years with the U.S. government, over 15 years in management and executive roles with Chase Manhattan Bank, Banque Nationale de Paris, National Australia Bank and eight years as a non-executive director with organisations including the Transport Accident Commission (Deputy Chairman) and Suncorp-Metway Limited. She was Chairman of Qantas Superannuation Limited and has also served on a variety of not-for-profit boards including the Murdoch Children's Research Institute and as an honorary advisor to the Federal Treasurer on the Financial Sector Advisory Council and the Companies and Securities Advisory Committee.

TREVOR FLÜGGE AO

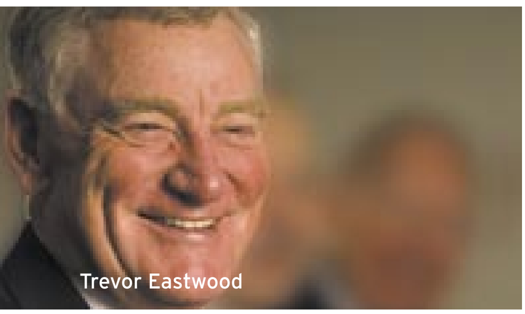
NON-EXECUTIVE DIRECTOR; MEMBER OF THE AUDIT AND NOMINATION AND REMUNERATION COMMITTEES; AGE 58

Joined the Board in 1998. The other listed companies of which he is or has been a director in the last three years are IBT Education Limited of which he is Chairman (appointed 9 November 2004) and ZZB Energy Corporation (appointed 23 March 2005). Trevor is Chairman of Australian Wool Services Limited (AWS) and Andar Holdings Limited and he is a director and Chairman of AWS subsidiaries TWC Holdings Pty Limited and The Woolmark Company Pty Ltd. He is also a director of Automotive Holdings Group Limited, AGF Pty Ltd and Rose Glisten Pty Ltd and a member of the Rabobank Food & Agribusiness Advisory Board. Trevor is a past President of the Grains Council of Australia, a past director of the Grains Research and Development Corporation and a former Chairman of AWB Limited. Trevor received the Monash University/Rabobank Agribusiness Leader of the Year award in 1998 and in 1997 was awarded the Farrer Memorial Medal for his contribution to agriculture.

LOU GIGLIA AM

NON-EXECUTIVE DIRECTOR; MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE; AGE 64

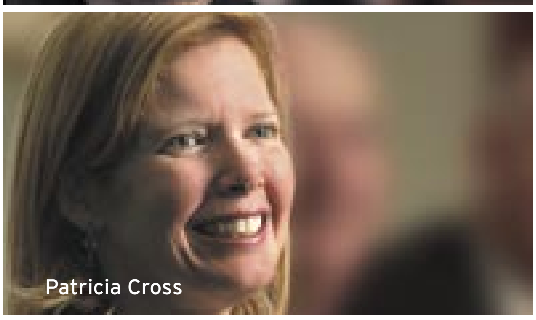
Joined the Board in 1984. Lou is Chairman of Westpork Pty Ltd and a director of Farmwest Services Limited (formerly the

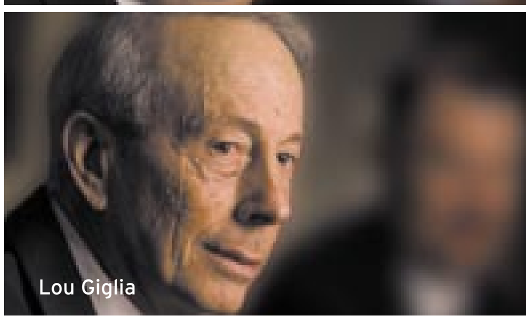

Trevor Eastwood


Colin Carter


Trevor Flügge


Richard Goyder


Patricia Cross


Lou Giglia

Herd Improvement Service Board). He is past President of The Royal Agricultural Society of Western Australia (Inc), a past member of the advisory boards of National Foods Limited, the Dairy Industry Authority of Western Australia and past President of the Holstein Friesian Association of Australia.

JAMES GRAHAM

NON-EXECUTIVE DIRECTOR; MEMBER OF THE AUDIT COMMITTEE; AGE 57

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

DICK LESTER

NON-EXECUTIVE DIRECTOR; MEMBER OF THE AUDIT COMMITTEE; AGE 66

Joined the Board in 1995. Dick is a graduate with Honours from Dookie Agricultural College, Victoria and is a licenced property valuer. He was Principal and Chief Executive Officer of Growth Equities Mutual Limited until he sold his interest in that organisation in 1994. He was an inaugural member of the Companies and Securities Advisory Committee established by the Federal Attorney General to advise the Australian Government on securities industries laws. Dick is actively involved in real estate investment and development in the Perth metropolitan area and regional Western Australia. He is a director of a number of unlisted companies and is Chairman of the Western Australian Institute for Medical Research Inc.

CHARLES MACEK

NON-EXECUTIVE DIRECTOR; MEMBER OF THE AUDIT COMMITTEE; AGE 58

Joined the Board in 2001. Charles holds a Bachelor of Economics degree and a Master of Administration from Monash University. The other listed companies of which he is or was a director in the last three years are Telstra Corporation Limited (appointed 16 November 2001) and IOOF Holdings Ltd of which he was Chairman (appointed 20 August 2002 – resigned 19 August 2003). Charles is Chairman of the Financial Reporting Council and Sustainable Investment Research Institute Pty Ltd and was formerly the Chairman of the Centre for Eye Research Australia Limited. He is a director of Vertex Capital Pty Ltd and Williamson Community Leadership Program Limited. Charles is also a member of the New Zealand Accounting Standards Review Board, the Victorian Council of the Australian Institute of Company Directors and the Investment Committee of Unisuper Limited.

DAVID ROBB

EXECUTIVE DIRECTOR AND MANAGING DIRECTOR OF WESFARMERS ENERGY LIMITED; AGE 51

Joined the Board in July 2004. David holds a Bachelor of Science degree from the University of Western Australia, a Graduate Diploma in Personnel Administration from Deakin University, and completed the Advanced Management Program at the Harvard Business School in 1999. He joined Wesfarmers in 1995 after working in the oil industry in Australia, the UK, the USA and Asia. David was appointed General Manager, Business Development for the group in 1996 and Managing Director, Wesfarmers Energy Limited in 1999. He assumed broader group responsibilities in July 2005 and is a director of a number of Wesfarmers group subsidiaries and associated companies.

GENE TILBROOK

FINANCE DIRECTOR; AGE 54

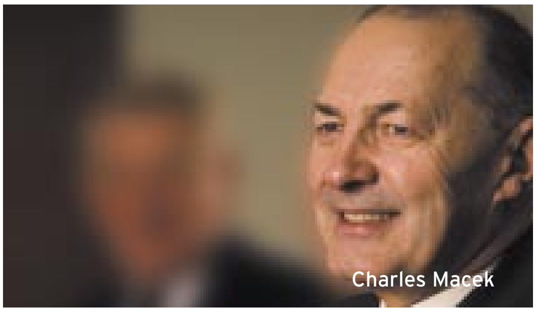
Joined the Board in 2002. Gene holds Bachelor of Science and Master of Business Administration degrees and a Diploma in Computing Science from the University of Western Australia. He completed the Advanced Management Program at the Harvard Business School in 1998. Gene joined Wesfarmers in 1985 and has held a number of commercial positions in its Business Development Department and at Wesfarmers Energy. He previously worked in corporate finance and in systems engineering. He is a director of a number of Wesfarmers group subsidiaries and was Executive Director, Business Development before being appointed Finance Director on 13 July 2005. He is also a director of Gresham Partners Holdings Ltd, Australian Railroad Group Pty Ltd and Bunnings Property Management Limited (appointed 11 July 2001), the responsible entity for the listed Bunnings Warehouse Property Trust.

DAVID WHITE

NON-EXECUTIVE DIRECTOR; CHAIRMAN OF THE AUDIT COMMITTEE; AGE 57

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

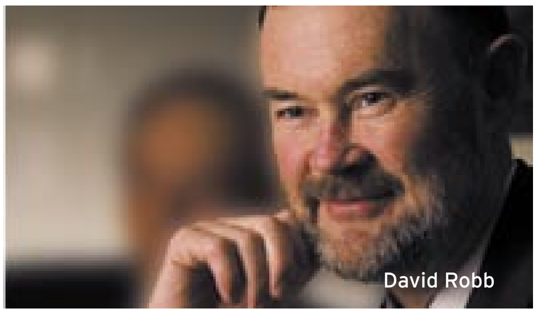
James Graham



Charles Macek

Gene Tilbrook

Dick Lester



David Robb

David White

CORPORATE GOVERNANCE STATEMENT

THE BOARD IS A STRONG ADVOCATE OF GOOD CORPORATE GOVERNANCE AND REGULARLY REVIEWS ITS CORPORATE GOVERNANCE PRACTICES IN ORDER TO ENSURE THE COMPANY IS FULFILLING ITS CORPORATE GOVERNANCE OBLIGATIONS AND RESPONSIBILITIES AND THAT THE EXPECTATIONS OF STAKEHOLDERS ARE BEING MET.

During the year Wesfarmers updated a number of policies to reflect changes in the law and best practice. Wesfarmers considers that it complies with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles").

The Wesfarmers website (www.wesfarmers.com.au) contains copies or summaries of key corporate governance policy documents including:

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

In addition, the website includes discussion on key corporate governance issues such as risk management, director independence and the company's remuneration report.

Details of Wesfarmers' compliance with the ASX Principles and its main corporate governance practices for the year ended 30 June 2005 are disclosed in this statement.

THE ROLES OF THE BOARD AND MANAGEMENT

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

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

The Board is responsible for setting the strategic direction of the company, establishing goals for management and monitoring the achievement of those goals. The Managing Director is responsible to the Board for the day-to-day management of the company.

The roles and responsibilities of the company's Board and management are consistent with those set out in ASX Principle 1.

BOARD STRUCTURE

As foreshadowed by the Board in an ASX announcement made on 5 May 2004, Mr Richard Goyder assumed the role of Managing Director and Chief Executive Officer on 13 July 2005 following the retirement of Mr Michael Chaney. As a result, the Board is currently comprised of nine non-executive directors, including the Chairman, and three executive directors. Total Board membership of 12 is within the company's preferred range of between 8 and 12.

The names of the directors in office at the date of this report, the year of their appointment, their status as non-executive, executive or independent director and whether they are retiring by rotation at the 2005 annual general meeting and seeking re-election are set out in the table on the opposite page.

DIRECTOR INDEPENDENCE

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

The Board Charter requires the Board to include a majority of non-executive independent directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer.

The Board has reviewed the position and associations of each of the 12 directors in office at the date of this report and considers that eight of the directors are independent. In considering whether a director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of the company, the director and the person or entity with which the director has a relationship.

In particular, the Board considered the independence of Messrs Lou Giglia, David White, Trevor Eastwood and Dick Lester, who have been non-executive directors of the company since 1984, 1990, 1994 and 1995 respectively.

In each case, the Board considered that the length of time that the director had been on the Board did not have an adverse impact on the director's ability to bring an independent judgement to bear in decision-making. The Board considers that having some directors who have served on the Board for longer periods helps to ensure continuity of corporate knowledge and experience, provided that the capacity for active contribution and independent judgement is maintained.

The independence of the Chairman, Mr Eastwood, was also considered in light of the fact that he was Chief Executive Officer of the company from 1984 to 1992. In relation to his past executive service, the Board considers that the relevant criteria for independence in ASX Principle 2 is satisfied given the significant passage of time since his retirement from that position.

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

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

- Mr Richard Goyder, *Managing Director and Chief Executive Officer;*
- Mr David Robb, *Executive Director and Managing Director of Wesfarmers Energy Limited;*
- Mr Gene Tilbrook, *Finance Director; and*
- Mr James Graham, *Non-executive director, who is Managing Director of Gresham Partners Limited.*

Mr Graham is technically deemed not to be independent by virtue of his professional association with Gresham Partners Limited, an investment advisor to the company. The Board has, however, determined that the relationship does not interfere with Mr Graham's exercise of independent judgement and believes that his appointment is in the best interests of the group because of the substantial financial knowledge and expertise he brings to the Board;

The Board's structure is consistent with ASX Principle 2.

Board structure

NAME OF DIRECTOR	YEAR APPOINTED	NON-EXECUTIVE	INDEPENDENT	RETIRING AT 2005 AGM	SEEKING RE-ELECTION AT 2005 AGM
T R Eastwood, Chairman	1994	Yes	Yes	Yes#	Yes
C B Carter	2002	Yes	Yes	No	No
P A Cross	2003	Yes	Yes	No	No
T J Flügge	1998	Yes	Yes	No	No
L A Giglia	1984	Yes	Yes	No	No
R J B Goyder, Managing Director	2002	No	No	No	No
J P Graham	1998	Yes	No	No	No
R D Lester	1995	Yes	Yes	Yes#	Yes
C Macek	2001	Yes	Yes	No	No
D A Robb, Executive Director	2004	No	No	No	No
G T Tilbrook, Finance Director	2002	No	No	Yes#	Yes
D C White	1990	Yes	Yes	No	No

Retiring by rotation in accordance with the Constitution and the Listing Rules of the Australian Stock Exchange.
Details of the background, experience and professional skills of each director are set out on pages 38 and 39 of this report.

CORPORATE GOVERNANCE STATEMENT

MEETINGS OF THE BOARD

The Board meets formally at least eight times a year and on other occasions, as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings.

In May 2005, the Board held its annual strategic planning session with management at which the company's five year strategic plans for each operating activity and the group as a whole were presented. At this session, the Board reviewed and endorsed strategies designed to continue the long term profitable growth of the group.

The number of meetings held and attended by each of the directors for the financial year ended 30 June 2005 are set out in the Directors' Report on page 98 of this report.

Non-executive directors meet from time to time without executive directors or management being present.

RETIREMENT AND RE-ELECTION

The Constitution of the company requires one third of the directors, other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board are required to retire from office at the next following annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

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

The Board Charter and the company's letter of appointment for a non-executive director also require a non-executive director to take into account the views of the other non-executive directors of the company when making a decision to stand for re-election as a director of the company. This year, the Nomination and Remuneration Committee assessed the performance of Messrs Eastwood, Lester and Tilbrook, being the directors seeking re-election, and recommended to the Board that their nominations be supported.

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

Recommendations of candidates for new directors are made by the Board's Nomination and Remuneration Committee for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. In some cases, external consultants are engaged to assist in the selection process. If a candidate is recommended by the Nomination and Remuneration Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following annual general meeting and will be eligible for re-election by shareholders at that annual general meeting.

New directors are provided with a letter of appointment setting out the terms and conditions of appointment together with material detailing the operations, policies and practices of the company.

REVIEW OF PERFORMANCE

The Nomination and Remuneration Committee is responsible for the review of Board performance.

In May 2005, the performance and effectiveness of the Board, Audit Committee and Nomination and Remuneration Committee were evaluated through feedback obtained from the completion of a detailed questionnaire by the directors. The questionnaire reviewed:

- the composition of the Board and the adequacy of its policies and procedures;
- Board meetings, including the quality of debate and discussion;
- the quality of information provided to the Board by management;
- the Board's relationship with management;
- the Board's understanding of its duties and responsibilities;
- the Board's understanding of the company's strategies and operations; and
- the effectiveness and performance of the Chairman of the Board, the Chairmen of the Audit and Nomination and Remuneration Committees and the Managing Director.

The responses to the questionnaire were discussed at the Board's annual strategic planning session and recommendations for improvement were considered by the Board and committees.

As referred to above, the performance of individual directors is reviewed upon their nomination for re-election at the conclusion of their three year term.

Details of the review of the performance and remuneration policies for senior executives are set out in the Remuneration Report on pages 101 to 111 of this report.

KNOWLEDGE, SKILLS AND EXPERIENCE

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the company, directors undertake site visits to familiarise themselves with the company's businesses.

Directors are also provided with papers, presentations and briefings on group businesses and on matters which may affect the company. Directors are also encouraged to undertake continuing education relevant to the discharge of their obligations as directors of the company. Subject to prior approval by the Company Secretary, the reasonable cost of such education is met by the company.

BOARD ACCESS TO INFORMATION AND INDEPENDENT ADVICE

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

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

CONFLICTS OF INTEREST

Under the Code of Conduct and guidelines adopted by the Board, directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interests they have, which may result in a conflict. The Board has adopted the use of formal standing notices in which they disclose any material personal interests they may have and the relationship of those interests to the affairs of the company. Directors are required to provide an updated notice if they acquire any new material personal interests or if there is any change in the nature or extent of their previously disclosed interest.

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

COMMITTEES OF THE BOARD

Two standing Board committees assist the Board in the discharge of its responsibilities and are governed by their respective charters, as approved by the Board. These are:

- the Nomination and Remuneration Committee; and
- the Audit Committee.

These committees review matters on behalf of the Board and make recommendations for consideration by the entire Board.

Nomination and Remuneration Committee

The specific responsibilities of the Nomination and Remuneration Committee are set out in the committee's charter, which reflects the requirements of the ASX Principles. The Nomination and Remuneration Committee reviews and makes recommendations to the Board on the Board's operation and performance; reviews Board composition and makes recommendations for new appointments to the Board; establishes an induction programme for directors; and reviews and makes recommendations on remuneration policies for the company including, in particular, those governing the directors, the Managing Director and senior management. The members of the Nomination and Remuneration Committee at the date of this report are:

Mr Trevor Eastwood (Chairman)
Mr Colin Carter
Mrs Patricia Cross
Mr Trevor Flügge
Mr Lou Giglia

The composition, operation and responsibilities of the committee are consistent with ASX Principles 2 and 9.

The committee met three times during the financial year ended 30 June 2005. Details of the meetings attended by each committee member are set out in the Directors' Report on page 98 of this report. Consistent with ASX Principles 2 and 9,

CORPORATE GOVERNANCE STATEMENT

a summary of the committee's role, rights, responsibilities and membership requirements has been posted on the corporate governance section of the company's website.

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4. Among the specific responsibilities set out in its charter, the Audit Committee reviews all published accounts of the group; reviews the scope and independence of external audits; monitors and assesses the systems for internal compliance and control, legal compliance and risk management; reviews and monitors the company's continuous disclosure policies and procedures, and advises on the appointment, performance and remuneration of the external auditors.

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

Mr David White (Chairman)
Mr Trevor Flügge
Mr James Graham
Mr Dick Lester
Mr Charles Macek

The Finance Director; the General Manager, Group Business Services; the General Manager, Group Internal Audit; the Company Secretary; the external auditors; and any other persons considered appropriate, attend meetings of the Audit Committee by invitation.

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

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

The committee met seven times during the financial year ended 30 June 2005. Details of the meetings attended by each committee member are set out in the Directors' Report on page 98 of this report. Consistent with ASX Principle 4, the Audit Committee Charter has been posted on the corporate governance section of the company's website.

FINANCIAL REPORTING

CEO and CFO declaration

Consistent with ASX Principle 4, and in accordance with section 295A of the Corporations Act 2001, the company's financial report preparation and approval process for the financial year ended 30 June 2005, involved both the Chief Executive Officer and Finance Director providing a written statement to the Board that, in their opinion:

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

International Financial Reporting Standards

In July 2002, the Financial Reporting Council announced that Australia would adopt Australian equivalents of International Financial Reporting Standards (AIFRS). Following this announcement the company established a project team to facilitate the transition to AIFRS, and the likely impacts of adoption are appropriately disclosed in note 1(w) to this year's financial statements.

The company will be required to first report under AIFRS in its financial reports for the half-year ending 31 December 2005 and for the full-year ending 30 June 2006.

REMUNERATION

Details of remuneration for non-executive directors and senior executives, are set out in the Remuneration Report on pages 101 to 111 of this report, forming part of the Directors' Report. The Remuneration Report sets out certain prescribed information on the amount of remuneration paid to directors and some senior executives, as well as the company's policy on remuneration in general.

AUDIT GOVERNANCE AND INDEPENDENCE

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

Appointment of auditors

The company's current external auditors are Ernst & Young. The effectiveness, performance and independence of the external auditors is reviewed by the Audit Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the Audit Committee will formalise a procedure and policy for the selection and appointment of new auditors.

Independence declaration

The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 ("CLERP 9") amendments to the Corporations Act 2001 require external auditors to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with CLERP 9 amendments and the rules of the professional accounting bodies.

Ernst & Young has provided such a declaration to the Audit Committee for the financial year ended 30 June 2005.

Rotation of lead external audit partners

In light of the requirements for the rotation of lead audit partners, it is proposed that a new lead audit partner will be appointed for the financial year commencing 1 July 2006.

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

The Audit Committee has implemented a process that requires the prior approval of the Company Secretary for the provision of any non-audit services to the company or its related companies by the external auditors. In cases of uncertainty, the issue is referred to the Audit Committee. The Audit Committee has also approved guidelines to assist in identifying the types of services that may compromise the independence of the external auditors. Examples of services that are considered to potentially compromise independence include valuation services and internal audit services. Details of non-audit services provided to the company are contained on page 99 of the Directors' Report. The Board has considered the nature of the non-audit services provided by the external auditor during the year, and has determined that the services provided and the amount paid for those services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and the auditor's independence has not been compromised. Further disclosure required by the Corporations Act 2001 in relation to the provision of non-audit services by the company's auditor is set out on page 100 of the Directors' Report.

Attendance of external auditors at annual general meetings

In accordance with ASX Principle 6 and the Corporations Act 2001, Ernst & Young attend, and are available to answer questions at the company's annual general meetings. In addition to their right to ask questions at annual general meetings, shareholders may submit written questions for the external auditors to the Company Secretary no later than five business days before an annual general meeting.

RISK IDENTIFICATION AND MANAGEMENT

Consistent with ASX Principle 7, the company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

These include:

- guidelines and limits for approval of capital expenditure and investments;
- a group compliance programme supported by approved guidelines and standards covering such key areas as safety, the environment, legal liability, risk identification, quantification and reporting and financial controls;
- a comprehensive annual insurance programme including external risk surveys;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- a formal dynamic planning process of preparing five year strategic plans each year for all businesses in the group;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the group.

Management is ultimately responsible to the Board for the group's system of internal control and risk management. The Audit Committee assists the Board in monitoring this role. During designated months of the year, each of the main divisions in the group are required to review and report to the Audit Committee on risks associated with legal liability, financial controls and environment, health and safety.

The company has implemented a number of initiatives to identify, manage and report risks, including detailed annual risk reviews by each of the company's divisions. The risk reviews encompass operational, financial, strategic and compliance risk assessment and quantification.

The internal audit function is independent of the external audit function. The General Manager, Group Internal Audit, who reports to the Finance Director, monitors

CORPORATE GOVERNANCE STATEMENT

the internal control framework of the group and provides reports to the Audit Committee. The Audit Committee endorses the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Audit Committee also reviews internal audit reports issued by the General Manager, Group Internal Audit and monitors progress with recommendations made in these reports to ensure ongoing improvement in the internal control environment of the company.

In accordance with ASX Principle 7, the Managing Director and Chief Financial Officer have provided the Board with a written statement that:

- the statement given with respect to the integrity of the financial statements (referred to under the heading "Financial Reporting") was founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system was operating efficiently and effectively in all material respects.

A description of the company's risk management policy and internal compliance and control system is available on the company's website.

SHARE TRADING

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

The company's share trading policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. The policy states that all employees and directors of the company and its related companies are expressly prohibited from trading in the company's shares or other securities if they are in possession of "inside information".

In addition, directors of the company must advise the Company Secretary in advance of their intention to trade and must also have been advised by the Company Secretary that there is no known reason to preclude them trading in the company's shares or other securities. In order for the company to be able to fulfil its ASX reporting obligations relating to the trading of shares by directors, each director has entered into an agreement with the company, which requires the director to notify the company within three business days of any trade in the company's or an associated entity's shares. The company's share trading policy is consistent with ASX Principle 3.

Subject to the requirements above, trading can occur at any time.

A summary of the share trading policy has been posted on the corporate governance section of the company's website.

CONTINUOUS DISCLOSURE

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communication black-out periods and review of briefings and communications. The policy was reviewed following the CLERP 9 amendments to the Corporations Act 2001 and the Board approved a new Market Disclosure Policy in February 2005.

Under the new policy the Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and co-ordinating the disclosure of information with relevant parties including the Australian Stock Exchange and administering the policy and continuous disclosure education programme. The disclosure officer is also responsible for referring information to the Board's disclosure sub-committee to make decisions as to whether an appropriate disclosure should be made to the market, and keeps a record of such information and any decisions made by the disclosure sub-committee. The disclosure sub-committee is comprised of the Managing Director and Finance Director.

The Market Disclosure Policy and the associated training and education programme is reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board. The company's Market Disclosure Policy is consistent with ASX Principle 5. A summary of the policy has been posted on the corporate governance section of the company's website.

ADDITIONAL COMPANY POLICIES

In addition to the market disclosure and share trading policies discussed above, the company has implemented a range of policies which have group wide application. These policies permit divisions to establish policies and procedures governing their own operations while seeking to ensure that a consistent approach and minimum acceptable standards are maintained across the group.

COMMUNICATIONS WITH SHAREHOLDERS

The company places considerable importance on effective communications with shareholders. The company's communications strategy promotes the communication of information to shareholders through the distribution of the annual and half-yearly reports covering profit performance, announcements through the Australian Stock Exchange and the media regarding changes in its businesses and the Chairman's address at the annual general meeting. Wesfarmers also conducts live webcasts of major institutional investor and analysts briefings. These webcasts together with all reports, Australian Stock Exchange and media releases and copies of significant business presentations and speeches are posted on the company's website.

Wesfarmers also provides shareholders with the opportunity to receive e-mail alerts of significant announcements and the availability of reports on the company's website.

The website is regularly updated to ensure the information is current and accurate. During the year the company commissioned a website benchmarking review. The review has resulted in a number of improvements to the website with the aim of providing greater and more easily accessible information for shareholders.

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

A description of the arrangements the company has to promote communication with shareholders is also available on the company's website.

CONDUCT AND ETHICS

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

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

The Code of Ethics and Conduct was amended in December 2004 to include the protections provided to whistleblowers under the Corporations Act 2001. Under the Code, whistleblowers are protected from any disadvantage, prejudice or victimisation for reports of any breaches of the Code or the Corporations Act 2001 that are made in good faith.

Both the Board's Code of Conduct and the Code of Ethics and Conduct are consistent with ASX Principles 3 and 10 and summaries of both Codes have been posted on the corporate governance section of the company's website.

CORPORATE CITIZENSHIP

Above - In January 2005 Bunnings held Australia's biggest sausage sizzle which raised over $236,000 for survivors of the tsunami disaster. Tony Lucev from the Balcatta warehouse in Western Australia accepts donations from local children.

Wesfarmers has become well known for its focus on meeting its primary objective – to provide a satisfactory return to shareholders.

But in its efforts to achieve this goal, the company places great importance on honouring the commitments outlined on page 3 of this report concerning relations with employees, customers and the broader community and the emphasis it places on honest business dealings.

These and many other factors contribute to the way in which a corporation is regarded by society beyond its record as a successful entity in terms of financial performance. They are very important components of that highly valued asset, a good corporate reputation.

Wesfarmers pays particular attention to the way it conducts itself in these areas because of the fundamental correctness of such an approach and because there is a strong business case for having a positive standing in the community.

PEOPLE

At the end of June 2005, almost 30,000 people worked for Wesfarmers with about 90 per cent of employees located in Australia and the balance in New Zealand.

Employee wellbeing is a high priority. Consistent with the Wesfarmers operational philosophy, responsibility for most people issues rests with the business divisions. This includes recruitment, development, management and various strategies which enhance the capability and effectiveness of the company's workforce.

Despite the operational autonomy of the business divisions, a number of people management issues are handled on a group-wide basis. These include remuneration programmes, executive development and some human resources policies.

Wesfarmers places a strong emphasis on the ongoing training and career enhancement of its people. At a group level there is a focus on executive succession planning and the development of internal candidates for senior positions. Initiatives include an Executive Development Programme and a biennial 'Best Practice Conference' featuring contributions from internal and external speakers aimed at broadening the knowledge base and experience of the several hundred attendees.

Business divisions tailor career progression, training and leadership development initiatives to meet their needs and to encourage retention and internal promotion of employees.

The group has adopted a number of human resources policies which promote a good working environment and statutory compliance, including a Code of Ethics and Conduct covering employee behaviour. Business divisions may adopt their own specific standards that best match the circumstances of their activities but such codes must embody the principles laid down in the group Code. The Code is available on the company's Corporate Office intranet and a summary is posted on the company's website.

The group policy manual also requires strict adherence to anti-discrimination legislation and to the provision of equal opportunity workplaces. Each year, the Corporate Solicitors' Office conducts intensive interactive workshops to ensure staff are familiar with the provisions of the Trade Practices Act in Australia and consumer protection legislation in New Zealand.

Wesfarmers recognises the rights of employees to negotiate individually or collectively with or without the involvement of third parties. Employment agreements across the group vary from enterprise-based arrangements negotiated by unions to individual contracts under common law.

All business divisions aim to foster a culture which promotes strong working relationships at all levels so that productivity is enhanced and a healthy working environment exists.

THE COMMUNITY

As mentioned earlier, what might be termed "non-financial accountability" is becoming an increasingly important issue for companies. In addition to employee relations, a number of other aspects are subject to scrutiny by individual investors and by those organisations for which ethical standards and socially responsible behaviour are important determinants of investment strategies.

Amongst these is the way in which a company relates to the physical environments in which it operates. In Wesfarmers' case, the most relevant issues are minesite development and rehabilitation; emissions to air, land and water; waste disposal; and site contamination.

Responsibility for environmental management is devolved to the operating entities in the Wesfarmers group with each of them accountable to subsidiary boards and, through the Audit Committee, to the Board of Wesfarmers Limited. Environmental performance is also disclosed publicly each year through the Social Responsibility Report mentioned later in this section.

The company has an environmental policy which requires businesses to develop environmental management systems designed to meet the particular circumstances of their operations. The business systems and adherence to standards include compliance guidelines which, for Wesfarmers, represent the minimum requirement for each of its activities.

In addition, the company encourages its businesses to be proactive in developing initiatives that positively benefit the environment and the community.

The Bunnings hardware business continues to drive its industry-leading initiative aimed at reducing the use of plastic bags which can have significantly adverse impacts on the environment. Since the introduction of a 10 cents a bag levy in September 2003 and the promotion of alternative carry bags and containers, Bunnings estimates that more than 20 million fewer such bags have been issued to its customers. Proceeds from the levy go the Keep Australia Beautiful Council and are being used to implement that body's national "Clean Site" programme.

Bunnings also continues to implement its wood and wood products procurement policy which will require, over time, that all suppliers are able to produce independently-verified evidence that their products are sourced from legally-operating and well-managed forest areas.

CSBP has established a reputation as a leader in industrial water use management. During the year it connected to the Kwinana water recycling plant and won the 2004

Right - Mark Kennedy from the Leschenault Community Nursery, planting native seedlings as part of CSBP's Preston River rehabilitation at the Bunbury works in Western Australia.

CORPORATE CITIZENSHIP

Premier's Water Foundation Award. CSBP continued the development at Kwinana of a pilot nutrient-stripping wetland aimed at further reducing nitrogen in its wastewater stream.

Financial market indices are being developed to provide guidance to investors on the approach to sustainability issues by corporations. In 2005, Wesfarmers was one of 17 Australian companies included in the Dow Jones Sustainability World Indexes. It is also included in the AuSSI – The Australian SAM Sustainability Index and the RepuTex Socially Responsible Investment (SRI) Share Index.

Safety

Workplace safety is a key issue across the Wesfarmers group. The company has a zero accidents goal and a specific annual target for each operating business of a 50 per cent reduction in injury rates.

In 2004/05, overall safety performance improved with fewer lost time injuries. Part of the remuneration of each divisional managing director and most of those who report to them is tied to safety performance improvement.

Each business unit is required to have a safety management system and to report through its subsidiary board to the Board of Wesfarmers.

Social responsibility reporting

There is no obligation on Australian companies to report in detail on their performance with regard to issues such as those mentioned above. A survey in mid-2005 found that only 24 listed entities produced stand-alone reports on what are often described as sustainability or triple bottom line aspects of their operations.

Wesfarmers believes that its shareholders, employees and the broader community are entitled to be well informed in these areas and has, since 1998, published a comprehensive separate report. The report has developed significantly over the years as business divisions gradually develop the capacity to measure and account for these facets of their operations.

The document is subject to internal and external verification processes before being approved by the Audit Committee of the Board of Wesfarmers. The 2004 report, published to coincide with the company's annual general meeting, contained, for the first time, a comprehensive group-wide summary of activities affecting areas regarded as key indicators of sustainability performance. The summary addresses some of the factors suggested by the Global Reporting Initiative, a developing international benchmark for sustainability reporting. The 2005 report, to be produced in November 2005, will consolidate this advance and the company will continue to strive to improve both the quality of its performance and how that is reported.

The Social Responsibility Report is available electronically at www.wesfarmers.com.au or by contacting the Public Affairs Department on (+61 8) 9327 4251

Below - Members of the Curragh coal mine rescue team during an exercise.

Right - Simon Dow, Artistic Director West Australian Ballet, and Finnish choreographer Jorma Uotinen in Perth as part of the Wesfarmers Arts Commission Series

Community contributions

Wesfarmers is committed to maintaining its proud tradition of contributing to the communities in which it operates. The main way in which it does this is to operate successful businesses which create employment and wealth generation opportunities. The company strongly holds the view that it should go beyond that primary role by providing direct assistance to organisations whose work either currently benefits or has the potential to significantly advantage the society in which we live.
A ceiling of 0.25 per cent of pre-tax profits guides the Board's considerations of these matters but that number is significantly exceeded when direct and indirect contributions from the business units are taken into account. The company believes it can maximise the impact of its contributions by focusing on areas that have very broad application, such as medical research and education. As a result, Wesfarmers tends to concentrate its efforts by providing significant levels of financial support to a relatively small number of areas rather than a wider distribution of smaller amounts.

During the year, a new partnership began with the Western Australian Community Foundation which helps groups raise funds and fosters the development of community-business co-operation.

The company retains the flexibility to respond to particular circumstances which arise unexpectedly. In late December 2004, Wesfarmers was one of the first Australian companies to provide direct assistance to the relief effort following the Asian tsunami disaster through its contribution of $250,000.

As well as donations, the company runs a nationally-awarded arts sponsorship programme, Wesfarmers Arts, which provided about $500,000 to major performing and visual arts organisations and to others centrally involved in fostering the development of the vibrant culture which is such an important part of a creative and tolerant society. The first work from Wesfarmers' ground-breaking project with the Perth International Arts Festival, under which the company will help fund five major new works, was performed by the West Australian Ballet at the 2005 festival.

WESFARMERS IS COMMITTED TO MAINTAINING ITS PROUD TRADITION OF CONTRIBUTING TO THE COMMUNITIES IN WHICH IT OPERATES

INVESTOR INFORMATION

Shareholder inquiries

If you have questions about your shareholding or dividends please contact the company's share registry.

Computershare Investor Services Pty Limited, Level 2, 45 St George's Terrace Perth, Western Australia 6000

Investor inquiries:
Within Australia: 1300 557 010
Outside Australia: (+61 3) 9415 4000

Facsimile:
Within Australia: (08) 9323 2033
Outside Australia: (+61 8) 9323 2033

Website:
www.computershare.com.au

When communicating with the share registry, it will assist if you can quote your current address together with your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

Wesfarmers website

Wesfarmers website address is:
www.wesfarmers.com.au

Stock exchange listing

Wesfarmers shares are listed on the Australian Stock Exchange and reported in the industrial section in daily newspapers - code WES. Share prices can also be accessed on the Wesfarmers website or at www.asx.com.au.

Dividend investment plan

The company's dividend investment plan has been suspended while the company's debt levels remain low. The plan is expected to be reinstated when gearing has risen to target levels.

Shareholders will be advised when the plan is to be recommenced. Shareholders who were participants in the plan when it was suspended will automatically be reinstated unless they have advised the share registry that they do not wish to participate in the plan.

Details of the plan can be obtained from the share registry or the Wesfarmers website.

Electronic payment of dividends

Shareholders may nominate a bank, building society or credit union account for the payment of dividends by direct credit. Payments are electronically credited on the dividend payment date and confirmed by a mailed payment advice. Shareholders wishing to take advantage of payment by direct credit should contact the share registry. An appropriate form can be downloaded from the share registry website.

Uncertificated share register

The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

Issuer sponsored holdings. These holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker.

Broker sponsored holdings. Shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement. This type of holding is attractive to regular stockmarket traders or those shareholders who have their share portfolio managed by a stockbroker.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings through the share registry website.

Change of address or banking details

Shareholders should immediately notify the share registry in writing of any changes of address or banking details for dividends electronically credited to a bank account. Appropriate forms can be downloaded from the share registry website.

Change of name

Shareholders should notify the share registry in writing, if they change their name. The required form can be downloaded from the share registry website. Certified copies of the relevant marriage certificate, deed poll or other supporting documentation should be provided with the notice.

Amalgamation of holdings

Shareholders with multiple shareholdings in Wesfarmers who would prefer to consolidate them into one holding, should contact the share registry. The required form can be downloaded from the share registry website.

Tax file numbers

While it is not compulsory to provide a tax file number (TFN), if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate. TFN forms can be obtained by contacting the share registry or by downloading the form from the share registry website.

Removal from annual and half-yearly reports mailing list

Shareholders can choose not to receive the annual and half-yearly reports by contacting the share registry. Shareholders can also download the appropriate form or change their preferences online by going to the share registry website. Shareholders who choose not to receive the annual and half-yearly reports will continue to receive all other information, including the notice of annual general meeting and proxy form.

Privacy

A copy of the Wesfarmers privacy policy is available on the Wesfarmers website.

Publications

The annual report is the main source of information for shareholders. Shareholders are also sent a half-year report which reviews, in summary, the six months to December.

Other publications available on request include the Chairman's address given at the most recent annual general meeting and the latest edition of the Social Responsibility Report.

Further information and publications about the company's operations are available from the Public Affairs Department, telephone (08) 9327 4251 (if you are within Australia) or (+61 8) 9327 4251 (from outside Australia) or from the Wesfarmers website.

Electronic communications

Shareholders can elect to receive electronic notifications of annual and half-yearly reports, notice of meeting, electronic proxy voting and other important company announcements. Shareholders can register for this service by accessing the "Shareholders & Investors" tab on the Wesfarmers website then following the prompts under "Company E-News". Shareholders who encounter any problems in registering for electronic communications should contact the share registry.

FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	NOTE	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
Revenues from ordinary activities	3	**8,190,389**	8,407,492	**789,112**	997,095
Expenses from ordinary activities	4	**(7,156,621)**	(7,123,952)	**(146,871)**	(309,856)
Amortisation of goodwill		**(90,430)**	(85,536)	**-**	-
Borrowing expenses	4	**(102,837)**	(80,296)	**(99,108)**	(72,741)
Share of net profits of associates	12	**39,803**	114,683	**-**	-
Profit from ordinary activities before income tax expense		**880,304**	1,232,391	**543,133**	614,498
Income tax (expense) benefit relating to ordinary activities	6	**(261,430)**	(363,812)	**48,234**	(11,480)
Profit from ordinary activities after income tax expense		**618,874**	868,579	**591,367**	603,018
Net (gain) loss attributable to outside equity interests		**(574)**	4,535	**-**	-
Net profit attributable to members of the parent entity	22	**618,300**	873,114	**591,367**	603,018
Net increase in asset revaluation reserve relating to associate	22	**8,949**	11,492	**-**	-
Movement in capital reserve	22	**(53)**	-	**-**	-
Net exchange difference on translation of financial report of foreign controlled entities	22	**313**	4,064	**-**	-
Total revenue, expenses and valuation adjustments attributable to members and recognised directly in equity		**9,209**	15,556	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the parent entity		**627,509**	888,670	**591,367**	603,018
Net profit attributable to members of the parent entity consists of:					
Net profit before goodwill amortisation		**708,730**	958,650	**591,367**	603,018
Goodwill amortisation		**(90,430)**	(85,536)	**-**	-
Net profit after goodwill amortisation		**618,300**	873,114	**591,367**	603,018
Net profit attributable to members of the parent entity includes significant items:					
Net profit on sale of the rural services business		**-**	303,950	**-**	201,257
Basic and diluted earnings per share (cents per share)		**163.9**	232.4		
After goodwill amortisation and before significant items		**163.9**	151.5		
Before goodwill amortisation		**187.8**	255.1		
Before goodwill amortisation and significant items		**187.8**	174.2		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation ('000 shares)		**377,326**	375,727		

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

STATEMENT OF FINANCIAL POSITION

at 30 June 2005 - Wesfarmers Limited and its controlled entities

		CONSOLIDATED		WESFARMERS LIMITED	
	NOTE	**2005 $000**	2004 $000	**2005 $000**	2004 $000
CURRENT ASSETS					
Cash assets	8	**83,846**	103,374	**27,601**	59,291
Receivables	9	**1,234,508**	1,306,186	**2,206,360**	2,422,910
Inventories	10	**1,248,001**	1,260,096	**-**	-
Other insurance assets	11	**633,894**	721,028	**-**	-
Total current assets		**3,200,249**	3,390,684	**2,233,961**	2,482,201
NON-CURRENT ASSETS					
Receivables	9	**270,299**	330,843	**189,108**	252,701
Investments accounted for using the equity method	12	**430,935**	395,375	**-**	-
Other financial assets	13	**17,092**	16,602	**4,457,416**	4,424,389
Property, plant and equipment	14	**1,961,395**	1,600,052	**23,478**	23,751
Deferred tax assets		**57,867**	65,118	**54,806**	60,118
Intangible assets	15	**1,376,511**	1,472,724	**-**	-
Other		**-**	2	**-**	-
Total non-current assets		**4,114,099**	3,880,716	**4,724,808**	4,760,959
Total assets		**7,314,348**	7,271,400	**6,958,769**	7,243,160
CURRENT LIABILITIES					
Interest bearing liabilities	16	**574,906**	309,822	**428,445**	219,878
Payables	17	**777,525**	840,681	**2,493,436**	2,727,286
Current tax liabilities		**98,870**	121,838	**106,175**	116,780
Provisions	18	**167,306**	154,894	**18,202**	17,404
Insurance liabilities	19	**836,580**	806,417	**18,034**	5,286
Other	20	**79,960**	-	**-**	-
Total current liabilities		**2,535,147**	2,233,652	**3,064,292**	3,086,634
NON-CURRENT LIABILITIES					
Interest bearing liabilities	16	**1,221,722**	1,302,096	**1,220,345**	1,206,445
Payables	17	**15,204**	17,612	**-**	-
Deferred tax liabilities		**101,652**	109,912	**92,104**	83,034
Provisions	18	**102,501**	111,058	**7,333**	6,276
Insurance liabilities	19	**195,245**	166,545	**-**	-
Other	20	**61,858**	-	**-**	-
Total non-current liabilities		**1,698,182**	1,707,223	**1,319,782**	1,295,755
Total liabilities		**4,233,329**	3,940,875	**4,384,074**	4,382,389
Net assets		**3,081,019**	3,330,525	**2,574,695**	2,860,771
SHAREHOLDERS' EQUITY					
Contributed equity	21	**2,014,799**	2,345,633	**2,014,799**	2,345,633
Reserves	22	**64,409**	55,200	**58,067**	58,067
Retained earnings	22	**1,003,470**	931,779	**501,829**	457,071
Shareholders' equity attributable to members of Wesfarmers Limited		**3,082,678**	3,332,612	**2,574,695**	2,860,771
Outside equity interests in controlled entities	23	**(1,659)**	(2,087)	**-**	-
Total shareholders' equity		**3,081,019**	3,330,525	**2,574,695**	2,860,771

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	NOTE	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**9,081,164**	8,146,065	**178,110**	177,736
Payments to suppliers and employees		**(7,825,273)**	(7,220,780)	**(148,692)**	(158,549)
Dividends and distributions received from associates		**24,108**	85,959	**-**	-
Dividends received from controlled entities		**-**	-	**630,896**	394,209
Dividends received from others		**1,487**	1,006	**-**	-
Interest received		**53,951**	20,478	**12,541**	32,743
Borrowing costs		**(104,145)**	(79,133)	**(99,108)**	(72,741)
Income tax (paid) refunded		**(296,342)**	(243,062)	**28,811**	7,437
Net cash provided by operating activities	24	**934,950**	710,533	**602,558**	380,835
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(465,260)**	(258,198)	**(2,074)**	(3,496)
Acquisition of investments		**(25,662)**	(22,574)	**-**	-
Redemption (acquisition) of insurance deposits		**94,285**	(304,522)	**-**	-
Disposal of controlled entities	25	**-**	703,443	**-**	411,818
Acquisition of controlled entities	25	**-**	(303,829)	**-**	-
Advances to controlled entities		**-**	-	**(52,038)**	(230,205)
Proceeds from sale of non-current assets		**35,817**	157,624	**274**	4,379
Return of capital received from associates		**5,376**	20,985	**-**	-
Other items		**12,878**	(12,623)	**(3,808)**	1,236
Net cash (used in) provided by investing activities		**(342,566)**	(19,694)	**(57,646)**	183,732
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**286,007**	696,490	**264,865**	772,409
Repayment of borrowings		**(60,454)**	(99,213)	**-**	-
Repayment of employee share plan loans		**98,040**	51,918	**95,791**	51,408
Payment of return of capital		**(366,473)**	(896,021)	**(366,473)**	(896,021)
Payment for share buyback		**-**	(78,891)	**-**	(78,891)
Dividends paid to ordinary shareholders		**(528,189)**	(479,646)	**(528,189)**	(479,646)
Net cash used in financing activities		**(571,069)**	(805,363)	**(534,006)**	(630,741)
Net increase (decrease) in cash held		**21,315**	(114,524)	**10,906**	(66,174)
Cash at the beginning of the financial year		**55,723**	170,247	**16,695**	82,869
Cash at the end of the financial year	24	**77,038**	55,723	**27,601**	16,695

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company and the consolidated accounts are a general purpose financial report which has been drawn up in accordance with applicable accounting standards and the requirements of the Corporations Act 2001 and other mandatory professional reporting requirements (Urgent Issues Consensus Views). They have been prepared in accordance with the historical cost convention except for investment properties which are carried at market value in an associated entity. Cost in relation to assets represents the cash amount paid or the fair value of the assets given in exchange.

(a) Changes in accounting policies

There have been no changes to accounting policies during the year.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Wesfarmers Limited (the parent company) and all entities which Wesfarmers Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All significant inter-entity balances, transactions and unrealised profits arising from inter-entity transactions have been eliminated in full.

The consolidated entity's proportion of the assets, liabilities and expenses of joint venture operations is included in the accounts under the relevant items. The consolidated entity's interest in joint venture operations is shown in note 26.

The consolidated entity has accounted for its investments in associates in accordance with the equity method of accounting in its consolidated accounts. The cost method of accounting has continued to be applied in Wesfarmers Limited's accounts. The consolidated entity's interest in associated entities is shown in note 12.

(c) Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange applicable at the date of each transaction. Foreign currency balances arising from these transactions are translated at the rate of exchange at balance date. To the extent that such balances are hedged, the effect of the hedging is taken into account. Gains and losses arising from these transactions are taken directly to the Statement of Financial Performance.

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of the purchase or sale are included with the purchase or sale.

Assets and liabilities of foreign controlled entities that are outstanding at balance date are converted at the rates of exchange ruling at balance date. The resulting translation gains or losses on capital invested are transferred to the foreign currency translation reserve.

(d) Revenue recognition

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

Sale of goods

Control of goods sold has passed to a buyer.

Rendering of services

Services have been rendered to a buyer.

Interest

Control of the right to receive the interest payment.

Dividends

Control of the right to receive the dividend payment.

(e) Taxes

Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or deferred tax liability. The net deferred tax asset relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Taxes (continued)

Goods and services tax (GST) (continued)

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

(f) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days (excluding deposits held as investments by the insurance businesses), net of outstanding bank overdrafts.

(g) Receivables

Receivables are carried at nominal amounts less any allowance for doubtful debts. An estimate of doubtful debts is recognised when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

Employee share plan

Employee share plan loans are repayable from dividends or proceeds from the sale of the shares by employees.

Trade debtors

Credit sales are normally on 2 to 30 day terms.

(h) Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. For manufactured inventory, cost is derived on an absorption costing basis, which includes the cost of direct materials and labour and a proportion of fixed and variable overheads based on normal operating capacity. For other inventories, cost is determined on a weighted average basis or using the retail inventory method.

(i) Investments

The consolidated entity's interests in companies, other than controlled entities and associated entities, are included in the accounts as investments and only dividend income received or receivable is taken into profits. Associated entities are those in which the consolidated entity holds a significant shareholding of the issued ordinary share capital and participates in commercial and policy decision making. Particulars of associated entities are set out in note 12.

Long term investments are stated at the lower of cost and their recoverable amount.

(j) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining the recoverable amount, the expected net cash flows to be generated from the non-current asset have not been discounted.

(k) Property, plant and equipment

Buildings, plant and equipment are depreciated on a straight line basis so as to write off the cost of each asset less estimated residual value at the end of the life of the asset over its anticipated useful life. The major depreciation periods are:

Plant and equipment	3 – 15 years
Buildings	20 – 40 years

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

(l) Mining, exploration and development costs

Accumulated exploration and evaluation expenditure on areas where activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves or where such costs are expected to be recouped through successful exploitation or sale, is carried forward. All other exploration and evaluation expenditure is either provided for or written off.

Expenditure carried forward in respect of areas of interest in which production has commenced is amortised over the life of the mine based on the rate of depletion of the economically recoverable reserves.

Amortisation is not charged on expenditure carried forward in respect of areas of interest in the development phase in which production has not yet commenced.

(m) Capitalisation of interest

Interest charges on funds invested in major projects with substantial development and construction phases are capitalised to the project until such time as the project becomes operational.

(n) Leases

The consolidated entity leases certain land and buildings and plant and equipment. The cost of improvements to or on leasehold property is disclosed as leasehold improvements and amortised over the unexpired period of the lease or the anticipated useful life of the improvements, whichever is shorter.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

(o) Deferred expenditure

Significant items of expenditure on new projects having a benefit or relationship to more than one period are carried forward and written off over the periods to which the benefit of the expenditure relates.

(p) Intangibles

Trade names

The trade names of the consolidated entity are considered to be identifiable assets and are included in the financial accounts at the lower of cost of acquisition or recoverable amount.

The residual value of these assets is such that there is no depreciable amount to be amortised and accordingly no amortisation has been provided against the carrying value of these assets.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Intangibles (continued)

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is assessed at the time of acquisition and is amortised over a period not exceeding 20 years.

(q) Interest bearing liabilities

Bank overdraft

The bank overdraft is carried at its principal amount subject to set-off arrangements. Interest is charged on a monthly basis as an expense at the banks' benchmark rate as it accrues.

Bank and other loans

Bank loans, promissory notes, corporate bonds, commercial paper and other loans are carried at their principal amount less any unexpired discount for bank bills and medium term notes. These loans are generally borrowed for short terms under long term facilities. The loans are allocated between current and non-current based on the repayment period for the facilities. Interest is charged as an expense at short term commercial rates as it accrues.

(r) Payables

Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the consolidated entity. These liabilities are normally settled on 30 day terms.

Coal rebates payable are recognised where a present obligation exists, which may extend for up to a five year period. The amounts payable are discounted to present value. The liability crystallises on a monthly basis based on export coal sales and is payable on standard commercial terms.

(s) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the obligation.

Employee benefits

Provision is made against profits for amounts expected to be paid to employees for accrued annual leave, long service leave and retirement entitlements. Expenses which are consequential to the employment of the employees (for example payroll tax associated with employee entitlements) are also recognised as a liability and included in the amount for employee entitlements.

The benefit to employees of the Wesfarmers Limited employee share plan described in note 32 is not recognised as an employee benefits expense.

Contributions to superannuation funds are charged to the Statement of Financial Performance when due.

Mine rehabilitation

Provision is made for the consolidated entity's estimated liability under specific legislative requirements and the conditions of its mining leases for future costs (at undiscounted amounts) expected to be incurred rehabilitating areas of interest. The liability includes the cost of reclamation of the site using existing technology, including plant removal and landfill costs. These costs are recognised gradually over the life of each mine and any changes to the total estimated liability are recognised on a prospective basis.

Restructure

A provision for restructuring is recognised for the expected costs associated with restructuring upon the acquisition of an entity. The provision is based on the best estimate of the direct expenditures to be incurred which are both directly and necessarily caused by the restructuring and not associated with the on-going activities of the consolidated entity.

(t) Insurance activities

Insurance premium revenue

Direct premium comprises amounts charged to the policyholder or other insurers, including fire service levies, but excluding stamp duties collected on behalf of third parties. The earned portion of premiums received and receivable including unclosed business is recognised as revenue. Premium is treated as earned from the date of attachment of risk.

The pattern of recognition of income over the policy or indemnity periods is based on time, which closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premium written in the year on a daily pro rata basis for direct business.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a receivable.

Reinsurance recoveries are recognised as revenue for claims incurred. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Insurance claims

Claims expense and a liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported ("IBNR") claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating unnotified claims and settlement costs using statistics based on past experience and trends. Outstanding claims are subject to independent actuarial assessment.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Insurance activities (continued)

Insurance claims (continued)

The liability for outstanding claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is effected by factors arising during the period of settlement such as normal and "superimposed" inflation. The expected future payments are discounted to present value at balance date. Prudential margins are included for uncertainties and latency claims.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable in relation to "long-tail" risk classes are measured as the present value of the expected future receipts, and calculated on the same basis as the liability for outstanding claims.

Deferred acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the financial years expected to benefit from the expenditure.

Insurance investments

Investments take the form of short-term deposits and are measured at cost.

(u) Comparatives

Where necessary, comparatives are reclassified and repositioned for consistency with current year disclosures.

(v) Rounding

The amounts contained in this report are rounded to the nearest thousand dollars under the option available to the company under ASIC Class Order 98/100.

(w) Impact of adopting Australian equivalents to IFRS

The company is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. Since late 2003, the company has allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, the company established project teams to address each of the areas in order of priority. An AIFRS steering committee was established to oversee the progress of each of the project teams and make necessary decisions. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the company's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the company prepares its first fully AIFRS compliant annual financial report for the year ending 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are the company's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by the AIFRS project teams, potential amendments to AIFRS and interpretations thereof being issued by the standard-setters and International Financial Reporting Interpretations Committee, and emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group Interpretations.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Impact of adopting Australian equivalents to IFRS (continued)

Reconciliation of equity as presented under AGAAP to that under AIFRS

	NOTE	CONSOLIDATED 2005** $000	2004* $000	WESFARMERS LIMITED 2005** $000	2004* $000
Total equity under AGAAP		**3,081,019**	3,330,525	**2,574,695**	2,860,771
Derecognition of employee share plan loan receivable	(i)	**(215,354)**	(281,428)	**(204,512)**	(273,661)
Impairment of assets including goodwill	(ii)	**(17,282)**	(16,185)	**-**	-
Write-back of goodwill amortisation	(iii)	**90,430**	-	**-**	-
Tax effect of untaxed undistributed earnings of associates	(iv)	**(31,647)**	(22,720)	**-**	-
Tax effect of fair value adjustments on acquisition	(iv)	**(17,389)**	(17,825)	**-**	-
Recognition of rehabilitation provisions	(v)	**(55,632)**	(55,486)	**-**	-
Derecognition of pre-opening store costs	(vi)	**(12,353)**	(8,540)	**-**	-
Other minor adjustments		**(832)**	(1,222)	**-**	-
Total equity under AIFRS		**2,820,960**	2,927,119	**2,370,183**	2,587,110

* This column represents the adjustments as at the date of transition to AIFRS

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005

(i) Under AASB 2 *Share-based Payments*, it is likely that the employee share loan plan arrangements will be treated as an in-substance grant of options because of the limited recourse nature of the loans. This treatment would require the balance of the employee share loan plan receivable asset to be derecognised against contributed equity, and diluted earnings per share will be adjusted accordingly. No adjustment will be made to retained earnings, as a result of the exemption available in AASB 1 for fully vested option issues;

(ii) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The group's current accounting policy is to determine the recoverable amount of an asset on the basis of nominal cash flows. The group's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This would result in impairment losses being recognised under AIFRS;

(iii) Under AASB 3 *Business Combinations,* goodwill would not be permitted to be amortised but instead would be subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises goodwill over its useful life but not exceeding 20 years. The group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition;

(iv) Under AASB 112 *Income Taxes,* the group would be required to use a balance sheet liability method, rather the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in 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, and a deferred tax liability in relation to fair value adjustments of assets recognised in a business combination which had not been previously tax effected;

(v) Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the group would be required to recognise as a provision an estimate of the present value of the costs to rehabilitate mining and production areas at the end of the mine life or plant life where such an obligation exists to the owner. These provisions are recognised on an incremental basis over the asset life under AGAAP. A corresponding asset would also be recognised under AIFRS in accordance with AASB 116 *Property, Plant and Equipment* to the extent that the asset has a remaining useful life. To the extent that either the asset has been amortised or where the asset has been acquired by the consolidated entity at fair value, the adjustment in recognising the provision goes to retained earnings; and

(vi) Under AASB 138 *Intangible Assets*, certain costs incurred in the pre-opening phase of a retail store development would be expensed. The group's current accounting policy allows for the capitalisation of such costs in line with common industry practice.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Impact of adopting Australian equivalents to IFRS (continued)

Reconciliation of net profit under AGAAP to that under AIFRS

	NOTE	CONSOLIDATED 2005 $000	WESFARMERS LIMITED 2005 $000
Net profit as reported under AGAAP		**618,874**	**591,367**
Amortisation of goodwill	(i)	**90,430**	**-**
Adjustment for pre-opening store expenses	(ii)	**(3,813)**	**-**
Adjustment for impairment losses	(iii)	**(1,097)**	**-**
Adjustment for rehabilitation expenses	(iv)	**(146)**	**-**
Other		**(571)**	**-**
Tax effect of above adjustments		**1,829**	**-**
Adjustment for associate's revaluation of investment properties	(v)	**8,949**	**-**
Tax effect of untaxed undistributed earnings of associates	(vi)	**(8,927)**	**-**
Net profit under AIFRS		**705,528**	**591,367**

(i) Under AASB 3 *Business Combinations,* goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the group amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired;

(ii) Under AASB 138 *Intangible Assets*, costs incurred in the pre-opening phase of retail store development would be expensed. The group's current accounting policy allows for the capitalisation of such costs in line with common industry practice. The adjustment represents lower depreciation due to capitalised costs being written off on transition to AIFRS, offset by costs incurred during the year being fully expensed;

(iii) Under AASB 136 *Impairment of Assets*, the group's assets including goodwill would be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement. The adjustment represents lower amortisation and depreciation due to assets being written down on transition to AIFRS, offset by impairment losses recognised during the year;

(iv) Under AASB 116 *Property, Plant and Equipment*, the group would depreciate any capitalised rehabilitation costs relating to its mineral properties and plant and equipment, resulting in a charge to the income statement. In addition, under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the increase in the rehabilitation provision relating to the unwinding of the discount would be recognised in the income statement. These adjustments are offset by the reversal of periodic rehabilitation provisioning charged under AGAAP for the year;

(v) Under AASB 140 *Investment Property*, an associate, Bunnings Warehouse Property Trust, would recognise revaluations of investment properties through profit and loss, rather than through a revaluation reserve. This would result in a reclassification of the share of reserves at transition being reclassified to share of retained earnings, and the current share of revaluation increments being recognised as associate earnings in the profit and loss; and

(vi) Under AASB 112 *Income Taxes*, the group would be required to use a balance sheet liability method, rather the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in 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, and a deferred tax liability in relation to fair value adjustments of assets recognised in a business combination which had not been previously tax effected.

Other impacts

(i) Under AASB 139 *Financial Instruments: Recognition and Measurement,* the group will use the available-for-sale classification for investments in listed shares and other investments on transition to AIFRS, 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. The financial impacts of these changes at date of transition for this standard, being 1 July 2005, are as follows:

- increase in investments in associates by $22.1 million;
- increase in other investments by $2.6 million;
- increase in deferred tax liability by $7.4 million; and
- increase in equity reserve by $17.3 million;

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Impact of adopting Australian equivalents to IFRS (continued)

Other impacts (continued)

(ii) Under AASB 139 *Financial Instruments: Recognition and Measurement,* the group 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 impacts of these changes at date of transition for this standard, being 1 July 2005, are as follows:
- increase in hedge receivables by $133.3 million;
- increase in hedge payables by $15.5 million;
- increase in deferred tax liability by $35.3 million; and
- increase in equity reserve by $82.5 million;

(iii) Under AASB 4 *Insurance Contracts*, the group will conduct liability adequacy testing on a class of insurance business basis, rather than in aggregate. This will result in any deficiency in a particular class of business being written off to the Statement of Financial Performance, rather than potentially being offset by a surplus in a different class of business. The financial impact of these changes is yet to be determined as details of liability adequacy testing by class of business at date of transition for this standard, being 1 July 2005, are not yet known. If an adjustment is required, the liability for outstanding insurance claims will increase and retained profits, after allowing for the deferred tax asset created, will reduce accordingly; and

(iv) No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

2 SEGMENT INFORMATION

The consolidated entity is comprised of the undermentioned business segments, operating predominantly in Australia. Revenue, expenses and results between segments are not considered material.

Hardware

Retail building material and home and garden improvement products;

Servicing project builders and the housing industry; and

Bargain hardware and variety.

Energy

Coal mining and development;

Coal marketing to both domestic and export markets;

National marketing and distribution of LPG;

LPG extraction for domestic and export markets;

Manufacture and marketing of industrial gases and equipment; and

Electricity supply to mining operations and regional centres.

Insurance

Wesfarmers Federation Insurance is a supplier of specialist rural and small business regional insurance; and Lumley Insurance group was acquired on 14 October 2003 and provides general insurance in Australia and New Zealand. Information for the prior year includes results from the Lumley Insurance group for the eight and a half months since acquisition.

Industrial and safety distribution

Supplier and distributor of maintenance, repair and operating (MRO) products; and

Specialised supplier and distributor of industrial safety products and services.

Chemicals and fertilisers

Manufacture and marketing of chemicals for industry, mining and mineral processing;

Manufacture and marketing of broadacre and horticultural fertilisers; and

Soil and plant testing and agronomy advisory services.

Other

Rail transport

Fifty per cent ownership in Australian Railroad Group Pty Ltd which:
- has an interest in the South Australian and Western Australian rail freight businesses;
- provides rail services for bulk commodities and associated retail logistics operations; and
- owns track infrastructure under a 49 year lease.

Forest products

Manufacture of products to service the wholesale timber market in Australia; and

Forestry and timber operations.

Property investment

Non-controlling interest in Bunnings Warehouse Property Trust, which acquires quality properties suitable as a Bunnings warehouse.

Gresham Partners Group Limited

Fifty per cent ownership in Gresham Partners Group Limited which:
- is an investment bank providing financial advisory and investment management services; and
- operates three separate units including Corporate Advisory, Private Equity and Specialist Funds.

Gresham Private Equity Funds
- Fifty per cent ownership in Gresham Private Equity Fund 1 which is a 10 year closed-end private equity fund targeting larger size private equity transactions in the areas of management buy-outs, expansion capital and corporate restructuring; and
- $150 million commitment to Gresham Private Equity Fund No. 2, which at 30 June 2005 had total direct and indirect commitments of $325 million. This represents approximately 67% of the units in Gresham Private Equity Fund No. 2 and some 46% of the overall funds committed through Gresham Private Equity Fund No. 2 and the Gresham Private Equity Co-Investment Fund, which two funds invest in parallel.

Rural services

Supplier of rural merchandise and fertilisers to cotton, cropping, viticulture, horticulture and grazing industries; and

Provider of:
- wool and livestock marketing services;
- real estate and rural property sales;
- seasonal finance, term loans and deposit facilities; and
- rural, domestic and commercial insurance.

Wesfarmers Landmark, the rural services business, was sold with effect from 29 August 2003. Information shown for the prior year covers only the period from 1 July to 29 August 2003.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

2 SEGMENT INFORMATION (continued)

	HARDWARE		ENERGY		INDUSTRIAL AND SAFETY	
	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000
Operating revenue	**4,067,456**	3,845,707	**1,186,737**	1,008,557	**1,171,519**	1,150,601
Earnings						
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	**464,680**	436,116	**395,240**	319,039	**125,055**	124,397
Depreciation and amortisation of property, plant and equipment	**(46,797)**	(51,302)	**(75,914)**	(78,821)	**(15,020)**	(12,386)
Earnings before interest, tax, amortisation (EBITA) and corporate overheads	**417,883**	384,814	**319,326**	240,218	**110,035**	112,011
Amortisation of goodwill	**(52,332)**	(50,074)	**(1,071)**	(835)	**(26,128)**	(25,258)
Earnings before interest paid, tax (EBIT) and corporate overheads	**365,551**	334,740	**318,255**	239,383	**83,907**	86,753
Consolidation adjustment						
Borrowing expenses						
Corporate overheads						
Profit from ordinary activities before income tax expense						
Income tax expense						
Profit from ordinary activities after income tax expense						
Share of net profit or loss of associates included in earnings before interest paid, tax and corporate overheads	**-**	-	**4,451**	3,759	**-**	-
Non cash expenses other than depreciation and amortisation	**35,128**	67,033	**30,999**	21,826	**13,299**	15,882
Assets and liabilities						
Segment assets	**2,225,318**	2,248,446	**1,363,040**	1,024,553	**924,385**	934,019
Tax assets						
Consolidation adjustment						
Consolidated assets						
Segment liabilities	**324,024**	349,544	**403,861**	258,462	**143,896**	133,045
Tax liabilities						
Interest bearing liabilities						
Consolidated liabilities						
Investments accounted for using the equity method included in segment assets above	**-**	-	**17,268**	18,683	**-**	-
Acquisition of non-current assets	**183,902**	97,911	**219,984**	93,652	**16,598**	33,091

On 29 August 2003 the consolidated entity sold 100% of the capital of Wesfarmers Rural Holdings Limited, an Australian company owning the rural services segment of the group known as Landmark. Segment information for the prior year covers only the period from 1 July to 29 August 2003 and has been included in the "Other" segment. Disposal proceeds and gains have also been included in the "Other" segment.

On 14 October 2003 the consolidated entity acquired 100% of the capital of Edward Lumley Holdings Limited, a UK company with insurance businesses in Australia and New Zealand. Information for the prior year includes in the "Insurance" segment the results from Lumley Insurance group for the eight and a half months since acquisition. Acquisition of non-current assets by the consolidated entity upon acquisition of the controlled entity have been included in acquisition of non-current assets above and are shown in note 25.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

2 SEGMENT INFORMATION (continued)

	INSURANCE		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED	
	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000
	1,127,054	874,000	**588,657**	518,505	**48,966**	1,010,122	**8,190,389**	8,407,492
	147,152	102,008	**128,003**	123,369	**52,820**	538,893	**1,312,950**	1,643,822
	(8,374)	(6,211)	**(38,660)**	(37,720)	**(2,338)**	(7,408)	**(187,103)**	(193,848)
	138,778	95,797	**89,343**	85,649	**50,482**	531,485	**1,125,847**	1,449,974
	(10,636)	(7,541)	**(263)**	(262)	**-**	(1,566)	**(90,430)**	(85,536)
	128,142	88,256	**89,080**	85,387	**50,482**	529,919	**1,035,417**	1,364,438
							(4,523)	(5,047)
							(102,837)	(80,296)
							(47,753)	(46,704)
							880,304	1,232,391
							(261,430)	(363,812)
							618,874	**868,579**
	-	-	**3,819**	6,192	**31,533**	104,732	**39,803**	114,683
	10,037	2,132	**4,996**	3,672	**17,980**	329,847	**112,439**	440,392
	1,588,005	1,666,495	**571,591**	566,648	**669,066**	793,847	**7,341,405**	7,234,008
							57,867	65,118
							(84,924)	(27,726)
							7,314,348	7,271,400
	1,173,048	1,162,159	**100,329**	110,484	**91,021**	83,513	**2,236,179**	2,097,207
							200,522	231,750
							1,796,628	1,611,918
							4,233,329	3,940,875
	-	-	**30,525**	26,706	**361,709**	321,723	**409,502**	367,112
	14,125	308,614	**31,437**	48,297	**34,188**	16,435	**500,234**	598,000

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

2 SEGMENT INFORMATION (continued)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
Insurance segment disclosures				
Direct premium revenue[1]	**1,069,033**	825,218		
Reinsurance premiums expense	**(335,596)**	(287,662)		
Retained premiums	**733,437**	537,556		
Direct claims expense	**(658,335)**	(469,182)		
Claims settlement expense	**(23,377)**	(18,326)		
Reinsurance and other recoveries	**246,265**	173,493		
Net incurred claims	**(435,447)**	(314,015)		
Acquisition costs expense	**(139,332)**	(107,344)		
Earned exchange commissions	**80,857**	59,564		
General and administration expenses	**(53,255)**	(36,338)		
Other underwriting expenses[2]	**(90,206)**	(69,441)		
Net underwriting expenses	**(201,936)**	(153,559)		
Underwriting result	**96,054**	69,982		
Investment and other income	**42,724**	25,815		
Amortisation of goodwill	**(10,636)**	(7,541)		
Earnings before interest and tax	**128,142**	88,256		

[1]Direct premium revenue includes $33,110,000 of fire services levy (2004: $29,418,000).
[2]Other underwritting expenses includes $32,752,000 of fire services charges (2004: $24,411,000).

3 REVENUE FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
Revenue from the sale of goods	**6,858,310**	6,464,358	**122,048**	141,095
Revenue from insurance premiums	**1,069,033**	825,218	**18,764**	9,788
Revenue from other services	**98,977**	151,963	**-**	-
Proceeds on sale of non-current assets	**35,817**	157,624	**274**	4,379
Proceeds on sale of controlled entities	**-**	703,443	**-**	411,818
Dividends				
Controlled entities	**-**	-	**630,896**	394,209
Other corporations	**1,487**	1,061	**-**	-
Interest received				
Controlled entities	**-**	-	**9,999**	29,202
Associated entities	**19**	23	**19**	23
Other persons/corporations	**52,757**	25,761	**2,523**	3,518
Rent received	**2,025**	2,774	**-**	-
Other income	**71,964**	75,267	**4,589**	3,063
Total revenue from ordinary activities	**8,190,389**	8,407,492	**789,112**	997,095

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

4 EXPENSES AND OTHER GAINS/LOSSES

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
Expenses				
Cost of goods sold	**4,523,007**	4,424,907	**82,618**	89,074
Distribution expenses	**189,471**	153,181	**-**	-
Sales and marketing expenses	**1,222,676**	1,178,973	**-**	-
Direct selling expenses	**798,872**	652,651	**-**	-
Administration expenses	**343,229**	289,436	**53,712**	52,507
Cost of rural services business sold	**-**	300,237	**-**	168,275
Other expenses	**79,366**	124,567	**10,541**	-
Total expenses from ordinary activities	**7,156,621**	7,123,952	**146,871**	309,856
Borrowing expenses				
Interest paid				
Controlled entities	**-**	-	**3,613**	9,805
Other persons/corporations	**100,916**	76,267	**92,207**	59,261
Other borrowing costs	**3,504**	4,029	**3,288**	3,675
	104,420	80,296	**99,108**	72,741
Less borrowing expenses capitalised	**(1,583)**	-	**-**	-
Total borrowing costs expensed	**102,837**	80,296	**99,108**	72,741
Bad and doubtful debts				
Controlled entities	**-**	-	**10,541**	-
Trade debtors	**2,427**	9,657	**-**	-
Finance advances and loans	**(554)**	295	**-**	-
Employee share plan loans	**14**	334	**14**	334
	1,887	10,286	**10,555**	334
Depreciation and amortisation				
Depreciation - buildings	**10,616**	10,789	**106**	53
- plant and equipment	**161,423**	168,744	**2,036**	2,962
Amortisation - leasehold improvements	**3,011**	3,620	**24**	23
- mineral exploration and development costs	**12,053**	10,695	**-**	-
- goodwill	**90,430**	85,536	**-**	-
	277,533	279,384	**2,166**	3,038
Write down of non-current assets				
Property, plant and equipment	**451**	2,355	**-**	-
Operating lease rentals	**177,186**	164,409	**1,776**	1,481
Provision charged against profits				
Employee benefits	**69,956**	66,611	**9,199**	12,781
Mine rehabilitation obligations	**8,752**	9,032	**-**	-
Restructure	**682**	-	**-**	-
Government mining royalties	**37,450**	34,274	**-**	-
Gains (before income tax)				
Profit on sale of property, plant and equipment	**8,842**	11,991	**102**	1,669
Profit on sale of rural services business	**-**	400,700	**-**	243,072

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
5 AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
Audit or review of the financial reports	**1,876**	1,747	**534**	627
Other services - tax compliance	**843**	879	**797**	864
- other	**393**	847	**141**	660
	3,112	3,473	**1,472**	2,151
Amounts received or due and receivable by related practices of Ernst & Young Australia for:				
Audit or review of the financial reports of subsidiary entities	**261**	212	**-**	-
Other services - tax compliance	**163**	7	**54**	-
- other	**12**	13	**16**	-
Amounts received or due and receivable by auditors other than Ernst & Young for:				
Audit or review of the financial reports of subsidiary entities	**13**	9	**-**	-
	3,561	3,714	**1,542**	2,151
6 INCOME TAX				
The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements as follows:				
Prima facie tax at 30% on profit from ordinary activities	**264,091**	369,717	**162,940**	184,349
Tax effect on permanent differences:				
Non-assessable dividends	**(1,322)**	(910)	**(189,268)**	(118,262)
Share of associated companies' net profit after tax	**(8,126)**	(10,390)	**-**	-
Non-assessable capital gains	**(318)**	(11,840)	**-**	(20,162)
Depreciation and amortisation	**28,996**	27,342	**25**	48
Other non-deductible expenses	**1,208**	1,171	**126**	76
Other items	**4,228**	2,253	**68**	(9,766)
Recognition of tax benefit upon formation of a tax consolidation group and resetting tax values	**-**	(14,777)	**-**	(26,230)
Adjustment relating to previous year excluding tax consolidation adjustments	**(27,327)**	1,246	**(22,125)**	1,427
Total income tax expense	**261,430**	363,812	**(48,234)**	11,480
Total income tax comprises:				
Amount set aside to provision for income tax	**264,838**	341,936	**(30,224)**	10,473
Amount (withdrawn from) set aside to deferred tax liabilities	**(8,500)**	(2,239)	**(14,848)**	1,007
Amount withdrawn from (set aside to) deferred tax assets	**5,092**	24,115	**(3,162)**	-
	261,430	363,812	**(48,234)**	11,480

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000

6 INCOME TAX (continued)

Income tax losses

Future income tax benefit arising from tax losses of the consolidated entity not recognised at balance date because the realisation of the benefit is not regarded as virtually certain	**100,224**	71,963	**-**	-

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation legislation

Effective for the tax year ended 30 June 2003, for the purposes of income tax, Wesfarmers Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group during the financial year ended 30 June 2004. Members of the group have entered into a tax sharing arrangement whereby the head entity, Wesfarmers Limited, meets the tax obligations on behalf of its wholly owned Australian subsidiaries, which are then on-charged.

As a consequence, Wesfarmers Limited, as the head entity in the tax consolidated group, recognised current tax amounts relating to its wholly-owned Australian controlled entities in this group as if those amounts were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable and payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

As a result of the revised tax legislation and the election made during the year ended 30 June 2004 to form a tax consolidated group, the following adjustments have been made to timing differences recognised in the financial statements:

Deferred tax assets				
Tax losses not previously recognised now brought to account via:				
Income tax expense	**-**	26,230	**-**	26,230
Contributed equity (related to the 2001 ownership simplification plan)	**-**	128,168	**-**	128,168
	-	154,398	**-**	154,398
Deferred tax liabilities				
Cost base of property, plant and equipment	**-**	11,453	**-**	-

The net impact on the result for the prior period of the above adjustments was to increase the consolidated entity's profit from ordinary activities after income tax expense by $14,777,000, including $10,945,000 increase in the profit on sale of the rural services business.

The Australian Tax Office is currently reviewing the group's implementation of the taxation consolidation rules including a review of the capital losses generated.

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
7 DIVIDENDS PAID				
Final 2004 fully franked dividend of 92 cents per share (2004: 85 cents) paid on ordinary shares	**346,246**	320,055	**346,246**	320,055
Interim 2005 fully franked dividend of 53 cents per share (2004: 48 cents) paid on ordinary shares	**200,363**	180,650	**200,363**	180,650
	546,609	500,705	**546,609**	500,705
Franking credits surplus (shortfall) for subsequent financial years	**33,501**	(2,911)	**33,501**	(2,911)
8 CASH ASSETS				
Cash on hand	**7,332**	5,361	**6**	6
Cash on deposit and at bank	**76,514**	98,013	**27,595**	59,285
	83,846	103,374	**27,601**	59,291
9 RECEIVABLES				
Current				
Finance advances and loans	**92,438**	90,973	**-**	-
Less allowance for doubtful debts	**(806)**	(1,683)	**-**	-
	91,632	89,290	**-**	-
Employee share plan loans	**15,404**	20,960	**15,404**	20,960
	107,036	110,250	**15,404**	20,960
Trade debtors	**725,421**	758,670	**8,146**	5,372
Less allowance for doubtful debts	**(9,031)**	(12,097)	**-**	-
	716,390	746,573	**8,146**	5,372
Reinsurance and other recoveries receivable	**241,753**	278,189	**-**	-
Amounts from:				
Controlled entities	**-**	-	**2,188,267**	2,392,189
Less allowance for doubtful debts	**-**	-	**(10,541)**	-
	-	-	**2,177,726**	2,392,189
Associated entities	**4,239**	3,859	**19**	-
Other debtors and prepayments	**165,090**	167,315	**5,065**	4,389
	169,329	171,174	**2,182,810**	2,396,578
	1,234,508	1,306,186	**2,206,360**	2,422,910
Non-current				
Employee share plan loans	**199,950**	260,468	**189,108**	252,701
Reinsurance and other recoveries receivable	**69,468**	61,204	**-**	-
Other debtors and prepayments	**881**	9,171	**-**	-
	270,299	330,843	**189,108**	252,701

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
10 INVENTORIES				
Raw materials:				
At cost	**64,540**	52,265	**-**	-
At net realisable value	**6,234**	6,014	**-**	-
	70,774	58,279	**-**	-
Work in progress:				
At cost	**106,625**	105,044	**-**	-
Finished goods:				
At cost	**1,068,331**	1,093,928	**-**	-
At net realisable value	**2,271**	2,845	**-**	-
	1,070,602	1,096,773	**-**	-
Total inventories at lower of cost and net realisable value	**1,248,001**	1,260,096	**-**	-
11 OTHER INSURANCE ASSETS				
Deposits at cost	**534,598**	629,361	**-**	-
Deferred acquisition costs	**99,296**	91,667	**-**	-
	633,894	721,028	**-**	-
12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Units in listed property trust at cost	**65,022**	60,433	**-**	-
Shares at cost	**234,325**	207,333	**-**	-
	299,347	267,766	**-**	-
Share of retained earnings and reserves of associated entities	**110,155**	99,346	**-**	-
Total investment in associated entities	**409,502**	367,112	**-**	-
Loans to associated entities at cost	**21,433**	28,263	**-**	-
	430,935	395,375	**-**	-
Aggregate quoted market value at balance date of units listed on a prescribed stock exchange	**128,993**	103,219	**-**	-

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

ASSOCIATED ENTITY	PRINCIPAL ACTIVITY	BENEFICIAL INTEREST		CONSOLIDATED CARRYING AMOUNT		CONTRIBUTION TO CONSOLIDATED PROFIT	
		2005 %	2004 %	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Air Liquide WA Pty Ltd	Industrial gases	**40**	40	**4,458**	3,980	**3,553**	2,933
Albany Woolstores Pty Ltd	Wool handling	**35**	35	**376**	376	**-**	-
Arcadian Wool Brokers Limited	Wool handling	**-**	-	**-**	-	**-**	3
Australian Railroad Group Pty Ltd	Rail freight	**50**	50	**184,516**	171,667	**12,849**	13,591
Bengalla Agricultural Company Pty Limited	Dairy	**40**	40	**(211)**	(225)	**14**	(179)
Bunnings Warehouse Property Trust	Property	**23**	22	**88,462**	77,275	**6,053**	7,242
Gresham Partners Group Limited	Investment banking	**50**	50	**23,328**	24,856	**3,323**	4,265
Gresham Private Equity Fund 1	Private equity fund	**50**	50	**36,399**	37,104	**5,915**	74,100
Gresham Private Equity Fund No. 2	Private equity fund	**67**	76	**20,198**	344	**(3,436)**	(656)
Queensland Nitrates Management Pty Ltd	Chemical manufacture	**50**	50	**-**	-	-	-
Queensland Nitrates Pty Ltd	Chemical manufacture	**50**	50	**30,525**	26,706	**3,819**	6,192
Unigas	LP gas distribution	**50**	50	**13,021**	14,928	**884**	1,006
Wespine Industries Pty Ltd	Pine sawmillers	**50**	50	**8,430**	10,101	**6,829**	6,400
Wooldumpers Australia Pty Ltd	Wool handling	**-**	-	**-**	-	**-**	(214)
				409,502	367,112	**39,803**	114,683

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 amounts to 67%, 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.

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Additional disclosures				
Share of associates' profits:				
Profit before income tax expense	**50,842**	125,897		
Income tax expense	**(11,039)**	(11,214)		
Net profit	**39,803**	114,683		
Carrying amount of investment in associates:				
Balance at the beginning of the year	**367,112**	346,006		
Acquisition of associates during the year	**29,730**	22,218		
Disposal of associates during the year	**-**	(9,709)		
Return of capital	**(5,376)**	(20,985)		
Internal profit on disposal of warehouses	**(1,044)**	-		
Movements in share of associates' reserves for the year	**8,949**	11,492		
Adjustments for ownership changes	**(1,348)**	-		
Share of associates' profits for the year	**39,803**	114,683		
Dividends and distributions received from associates	**(28,324)**	(96,593)		
Carrying amount of investment in associates	**409,502**	367,112		

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)				
Additional disclosures (continued)				
Share of associates' assets and liabilities:				
Current assets	**126,098**	150,831		
Non-current assets	**766,771**	687,733		
Current liabilities	**(76,225)**	(96,851)		
Non-current liabilities	**(407,142)**	(399,922)		
Net assets	**409,502**	341,791		
Retained earnings of the consolidated entity attributable to associates:				
Balance at the beginning of the year	**81,294**	60,974		
Disposal of associates during the year	**-**	2,230		
Share of associates' profits for the year	**39,803**	114,683		
Dividends and distributions received from associates	**(28,324)**	(96,593)		
Balance at the end of the year	**92,773**	81,294		
Reserves of the consolidated entity attributable to associates:				
Balance at the beginning of the year	**18,052**	6,560		
Movements in share of associates' reserves for the year	**8,949**	11,492		
Balance at the end of the year	**27,001**	18,052		

The consolidated entity's share of associates' commitments and contingent liabilities are included in notes 28 and 29 where material.

13 OTHER FINANCIAL ASSETS

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
Investments in listed entities:				
Shares at cost	**10,198**	10,198	**-**	-
Investments in controlled entities				
Shares at cost (refer note 34)	**-**	-	**2,934,067**	2,930,259
Loans at cost	**-**	-	**1,517,149**	1,487,830
	-	-	**4,451,216**	4,418,089
Other investments:				
Shares at cost	**6,894**	6,404	**6,200**	6,300
	17,092	16,602	**4,457,416**	4,424,389
Aggregate quoted market value at balance date of investments in shares listed on a prescribed stock exchange	**12,807**	13,043	**-**	-

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

14 PROPERTY, PLANT AND EQUIPMENT

	2005 GROSS VALUE OF ASSETS $000	2005 PROVISION FOR DEPRECIATION/ AMORTISATION $000	2005 NET FIXED ASSETS $000	2004 GROSS VALUE VALUE OF ASSETS $000	2004 PROVISION FOR DEPRECIATION/ AMORTISATION $000	2004 NET FIXED ASSETS $000
Consolidated						
Freehold land:						
At cost	**167,911**	**-**	**167,911**	134,817	-	134,817
Buildings:						
At cost	**296,973**	**(67,931)**	**229,042**	242,936	(59,920)	183,016
Leasehold improvements:						
At cost	**117,375**	**(22,591)**	**94,784**	65,198	(19,712)	45,486
Plant, vehicles and equipment:						
At cost	**2,103,014**	**(1,068,585)**	**1,034,429**	1,867,000	(904,474)	962,526
Under construction at cost	**40,859**	**-**	**40,859**	60,837	-	60,837
	2,143,873	**(1,068,585)**	**1,075,288**	1,927,837	(904,474)	1,023,363
Mineral exploration and development costs:						
Rights to mine at cost	**150,704**	**(5,102)**	**145,602**	-	-	-
Production mineral reserves at cost	**308,554**	**(65,411)**	**243,143**	259,661	(58,461)	201,200
Exploration and evaluation expenditure at cost	**772**	**-**	**772**	6,866	-	6,866
	460,030	**(70,513)**	**389,517**	266,527	(58,461)	208,066
Plantations:						
At cost	**4,853**	**-**	**4,853**	5,304	-	5,304
	3,191,015	**(1,229,620)**	**1,961,395**	2,642,619	(1,042,567)	1,600,052
Wesfarmers Limited						
Freehold land:						
At cost	**1,051**	**-**	**1,051**	1,051	-	1,051
Buildings:						
At cost	**3,195**	**(1,372)**	**1,823**	3,195	(1,266)	1,929
Leasehold improvements:						
At cost	**1,864**	**(309)**	**1,555**	1,311	(285)	1,026
Plant, vehicles and equipment:						
At cost	**29,857**	**(10,808)**	**19,049**	32,162	(12,417)	19,745
	35,967	**(12,489)**	**23,478**	37,719	(13,968)	23,751

Current values of land and buildings

The current value of the Wesfarmers Limited controlled entities' land and buildings at 30 June 2005 was $424 million, (2004: $362 million) based on valuations as at 30 June 2003 adjusted for subsequent acquisitions at cost and disposals. Such valuations were performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at valuation date.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Movements during the year				
Freehold land:				
Carrying amount at the beginning of the year	**134,817**	155,936	**1,051**	1,379
Additions	**53,562**	22,955	**-**	-
Transfers	**(15,848)**	(17,388)	**-**	(212)
Disposals	**(4,620)**	(20,406)	**-**	(116)
Disposals through sale of entities	**-**	(6,280)	**-**	-
Carrying amount at the end of the year	**167,911**	134,817	**1,051**	1,051
Buildings:				
Carrying amount at the beginning of the year	**183,016**	210,163	**1,929**	2,966
Additions	**54,809**	12,971	**-**	-
Transfers	**8,897**	3,857	**-**	(984)
Disposals	**(5,969)**	(22,816)	**-**	-
Additions (adjustments) through acquisition of entities	**(1,095)**	-	**-**	-
Disposals through sale of entities	**-**	(10,370)	**-**	-
Depreciation expense	**(10,616)**	(10,789)	**(106)**	(53)
Carrying amount at the end of the year	**229,042**	183,016	**1,823**	1,929
Leasehold improvements:				
Carrying amount at the beginning of the year	**45,486**	37,460	**1,026**	1,047
Additions	**35,828**	958	**553**	-
Transfers	**16,666**	15,559	**-**	2
Disposals	**(185)**	(81)	**-**	-
Additions through acquisition of entities	**-**	1,358	**-**	-
Disposals through sale of entities	**-**	(6,148)	**-**	-
Amortisation expense	**(3,011)**	(3,620)	**(24)**	(23)
Carrying amount at the end of the year	**94,784**	45,486	**1,555**	1,026
Plant, vehicles and equipment:				
Carrying amount at the beginning of the year	**1,023,363**	1,053,170	**19,745**	22,640
Additions	**260,926**	210,719	**1,521**	3,496
Transfers	**(32,803)**	(14,854)	**(9)**	(835)
Disposals	**(16,201)**	(18,585)	**(172)**	(2,594)
Additions (adjustments) through acquisition of entities	**1,426**	10,399	**-**	-
Disposals through sale of entities	**-**	(48,742)	**-**	-
Depreciation expense	**(161,423)**	(168,744)	**(2,036)**	(2,962)
Carrying amount at the end of the year	**1,075,288**	1,023,363	**19,049**	19,745
Mineral exploration and development costs:				
Carrying amount at the beginning of the year	**208,066**	224,395	**-**	-
Additions	**60,135**	10,595	**-**	-
Transfers	**(17,135)**	(16,229)	**-**	-
Recognition of right to mine	**150,504**	-	**-**	-
Amortisation expense	**(12,053)**	(10,695)	**-**	-
Carrying amount at the end of the year	**389,517**	208,066	**-**	-
Plantations at cost:				
Carrying amount at the beginning of the year	**5,304**	7,517	**-**	-
Write down	**(451)**	(2,213)	**-**	-
Carrying amount at the end of the year	**4,853**	5,304	**-**	-

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	WESFARMERS LIMITED 2005 $000	WESFARMERS LIMITED 2004 $000
15 INTANGIBLE ASSETS				
Trade names at cost	**41,600**	41,600	**-**	-
Goodwill at cost	**1,728,215**	1,733,998	**-**	-
Less provision for amortisation	**(393,304)**	(302,874)	**-**	-
	1,334,911	1,431,124	**-**	-
	1,376,511	1,472,724	**-**	-
16 INTEREST BEARING LIABILITIES				
Current				
Secured				
Bank loans	**4,810**	5,641	**-**	-
Unsecured				
Bank loans	**138,537**	71,500	**27,000**	23,000
Commercial paper	**94,649**	-	**71,343**	-
Bank bills	**230,102**	154,282	**230,102**	154,282
Bank overdrafts	**6,808**	47,651	**-**	42,596
Corporate bonds	**100,000**	-	**100,000**	-
Other loans	**-**	30,748	**-**	-
	574,906	309,822	**428,445**	219,878
Non-current				
Secured				
Bank loans	**1,377**	1,660	**-**	-
Unsecured				
Bank loans	**-**	93,631	**-**	-
Bank bills	**520,686**	656,945	**520,686**	656,945
Corporate bonds	**699,659**	549,500	**699,659**	549,500
Other loans	**-**	360	**-**	-
	1,221,722	1,302,096	**1,220,345**	1,206,445

Secured loans

Specific and floating charges over the assets of Wesfarmers Kleenheat Elpiji Limited and Energy Generation Pty Ltd (formerly StateWest Power Pty Ltd).

Terms and conditions

Secured bank loans have an average term of 0.6 years and an average effective interest rate of 9.32% per annum, payable semi-annually. The loans are denominated in Bangladeshi taka and Australian dollars (AUD).

Bank loans denominated in AUD and New Zealand dollars (NZD) are drawn on an overnight basis and have an average effective interest rate of 6.84% per annum.

Commercial paper denominated in AUD and NZD have terms of 1 to 2 months with an average term of 2 months, and effective interest rates of 5.72% to 7.06% with an average rate of 6.05% per annum.

Bank bills have maturities ranging from 1 month to 4 months with an average term of 2 months, with effective interest rates of 5.73% to 6.16% and an average of 5.90% per annum.

Bank overdrafts do not bear interest as they are part of a cash offset arrangement.

Corporate bonds have maturities ranging from August 2005 to March 2009, with an average maturity of 2.1 years. Effective interest rates range from 5.94% to 6.29% with an average of 6.08% per annum.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
17 PAYABLES				
Current				
Trade creditors and accruals	**777,525**	840,681	**21,355**	15,549
Amounts other than trade creditors payable to controlled entities	**-**	-	**2,472,081**	2,711,737
	777,525	840,681	**2,493,436**	2,727,286
Non-current				
Trade creditors and accruals	**15,204**	17,612	**-**	-
18 PROVISIONS				
Current				
Employee benefits	**130,590**	123,547	**18,202**	17,404
Mine rehabilitation	**10,856**	7,402	**-**	-
Restructure	**25,860**	23,945	**-**	-
	167,306	154,894	**18,202**	17,404
Non-current				
Employee benefits	**34,857**	31,798	**7,333**	6,276
Mine rehabilitation	**61,524**	57,507	**-**	-
Restructure	**6,120**	21,753	**-**	-
	102,501	111,058	**7,333**	6,276
Movements during the year				
Mine rehabilitation				
Carrying amount at the beginning of the year	**64,909**	59,136	**-**	-
Additional provisions recognised	**8,752**	9,032	**-**	-
Amounts utilised during the year	**(1,281)**	(3,259)	**-**	-
Carrying amount at the end of the year	**72,380**	64,909	**-**	-
Restructure				
Carrying amount at the beginning of the year	**45,698**	72,954	**-**	-
Additions (adjustments) through acquisition of entities	**546**	10,086	**-**	-
Disposal of rural services business	**-**	(5,429)	**-**	-
Amounts utilised during the year	**(14,264)**	(31,913)	**-**	-
Carrying amount at the end of the year	**31,980**	45,698	**-**	-

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
19 INSURANCE LIABILITIES				
Current				
Unearned insurance premiums	**524,062**	541,831	**8,930**	5,286
Outstanding insurance claims	**312,518**	264,586	**9,104**	-
	836,580	806,417	**18,034**	5,286
Non-current				
Outstanding insurance claims	**195,245**	166,545	**-**	-
Outstanding insurance claims				
Expected future claims payments – undiscounted	**553,091**	471,725		
Discount to present value	**(45,328)**	(40,594)		
Liability for outstanding claims	**507,763**	431,131		

The weighted average expected term from balance date to settlement date of outstanding claims is estimated to be 1.9 years (2004: 2.2 years).

The following average inflation and discount rates were applied to measure the liability for outstanding claims:

	2005	2004
Claims expected to be paid not later than one year:		
Inflation rate	**2.5 - 10.8%**	2.0 - 8.0%
Discount rate	**5.2 - 5.8%**	5.5 - 5.7%
Claims expected to be paid later than one year:		
Inflation rate	**2.5 - 10.8%**	2.0 - 10.0%
Discount rate	**5.2 - 5.8%**	5.5 - 5.7%

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
20 OTHER LIABILITIES				
Current				
Coal rebates payable	**77,751**	-	**-**	-
Deferred revenue	**2,209**	-	**-**	-
	79,960	-	**-**	-
Non-current				
Coal rebates payable	**39,461**	-	**-**	-
Deferred revenue	**22,397**	-	**-**	-
	61,858	-	**-**	-

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
21 CONTRIBUTED EQUITY				
Issued and paid up capital:				
378,042,439 (2004: 376,354,416) ordinary shares	**2,014,799**	2,345,633	**2,014,799**	2,345,633

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to vote, either in person or by proxy, at a meeting of the company.

	WESFARMERS LIMITED			
	2005		2004	
	NUMBER OF SHARES '000	**$000**	NUMBER OF SHARES '000	$000
Movement in capital during the year:				
Balance at the beginning of the year	**376,354**	**2,345,633**	376,536	3,159,466
Employee share plan – issue price $38.17 (2004: $26.24) per share	**1,688**	**64,432**	2,706	71,011
Return of capital – $1.00 (2004: $2.50) per share	**-**	**(378,042)**	-	(934,121)
Tax losses in relation to the 2001 ownership simplification plan not previously recognised now brought to account (adjusted)	**-**	**(17,224)**	-	128,168
Shares repurchased during the year – average cost nil (2004: $27.32)	**-**	**-**	(2,888)	(78,891)
Balance at the end of the year	**378,042**	**2,014,799**	376,354	2,345,633

On 3 December 2004 1,688,023 ordinary shares were issued to employees at $38.17 per share pursuant to the employee share plan – refer note 32 for further details.

On 2 March 2005 a return of capital of $1.00 per share was paid on 378,042,439 shares, being all ordinary shares on issue at the entitlement date of 25 February 2005.

During the year no ordinary shares were bought back on-market by Wesfarmers Limited. The buy back was announced on 11 February 2003 commencing 26 February 2003 and the maximum number of shares the company specified to buy back was 19,000,000 during the initial 12 month period. The buy back was extended by 12 months to 25 February 2005 on 11 February 2004, and by a further 12 months to 25 February 2006 on 9 February 2005.

22 RESERVES AND RETAINED EARNINGS

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Capital reserve	**24,117**	24,170	**-**	-
Asset revaluation reserve	**36,449**	27,500	**58,067**	58,067
Foreign currency translation reserve	**3,843**	3,530	**-**	-
	64,409	55,200	**58,067**	58,067

Capital reserve

Nature and purpose of reserve

The capital reserve is used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.

Movements in reserve

Balance at the beginning of the year	**24,170**	24,170	**-**	-
Movement during the year	**(53)**	-	**-**	-
Balance at the end of the year	**24,117**	24,170	**-**	-

Asset revaluation reserve

Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Movements in reserve

Balance at the beginning of the year	**27,500**	16,008	**58,067**	58,067
Share of associates' reserve movements during the year	**8,949**	11,492	**-**	-
Balance at the end of the year	**36,449**	27,500	**58,067**	58,067

Foreign currency translation reserve

Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

Movements in reserve

Balance at the beginning of the year	**3,530**	(534)	**-**	-
Net exchange difference on translation of statements of foreign controlled entities	**313**	4,064	**-**	-
Balance at the end of the year	**3,843**	3,530	**-**	-

Retained earnings

Balance at the beginning of the year	**931,779**	559,370	**457,071**	354,758
Net profit attributable to members of Wesfarmers Limited	**618,300**	873,114	**591,367**	603,018
Total available for appropriation	**1,550,079**	1,432,484	**1,048,438**	957,776
Dividends paid	**(546,609)**	(500,705)	**(546,609)**	(500,705)
Balance at the end of the year	**1,003,470**	931,779	**501,829**	457,071

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
23 OUTSIDE EQUITY INTEREST				
Issued capital	**5,690**	5,651		
Reserves	**(1,360)**	(1,076)		
Retained earnings	**(5,989)**	(6,662)		
	(1,659)	(2,087)		
24 CASH FLOWS				
Non cash financing and investing activities:				
Acquisition of rights to mine via recognition of coal rebates payable and deferred revenue	**150,704**	-	**-**	-
Share capital issued during the year – employee share plan	**64,432**	71,011	**58,083**	62,837
Dividends declared recorded as employee share plan repayments	**18,411**	20,821	**17,947**	20,673
Return of capital recorded as employee share plan repayments	**11,545**	38,100	**11,150**	38,100
Dividends receivable recorded as acquisitions of investment in associates	**-**	6,775	**-**	-
Reconciliation of net cash provided by operating activities to operating profit after income tax:				
Operating profit after income tax	**618,874**	868,579	**591,367**	603,018
Depreciation and amortisation	**277,533**	279,384	**2,166**	3,038
Provisions charged against profits	**79,390**	75,642	**19,740**	12,781
Profit on sale of non-current assets and controlled entities	**(8,842)**	(412,691)	**(102)**	(244,741)
Share of associates' profit after tax	**(39,803)**	(114,683)	**-**	-
Dividends and distributions received from associates	**24,108**	86,965	**-**	-
Write down of non-current assets	**451**	2,355	**-**	-
Other items	**8,015**	(12,508)	**943**	9,737
Changes in assets and liabilities net of effects of acquisitions of entities and businesses:				
Decrease (increase) in accounts receivable	**46,884**	(257,988)	**(3,354)**	(30,589)
Decrease (increase) in inventories	**49,403**	(85,530)	**-**	-
Increase (decrease) in accounts payable	**(71,727)**	309,489	**5,810**	35,425
Increase (decrease) in insurance provisions	**58,863**	(48,969)	**12,748**	(1,862)
Provisions applied	**(73,287)**	(100,262)	**(7,337)**	(10,015)
Increase in deferred taxes payable	**1,010**	14,723	**-**	-
Increase (decrease) in income tax payable	**(35,922)**	106,027	**(19,423)**	4,043
Net cash provided by operating activities	**934,950**	710,533	**602,558**	380,835
Reconciliation of cash:				
Cash on hand	**7,332**	5,361	**6**	6
Cash on deposit and at bank	**76,514**	98,013	**27,595**	59,285
Bank overdrafts	**(6,808)**	(47,651)	**-**	(42,596)
	77,038	55,723	**27,601**	16,695

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

25 CHANGES IN THE COMPOSITION OF ENTITY

Disposals of controlled entities

On 29 August 2003 the consolidated entity sold 100% of the capital of Wesfarmers Rural Holdings Limited, an Australian company owning the rural services segment of the group known as Landmark.

Financial information relating to the discontinuing operation for the period to the date of disposal is set out below. Further information is set out in note 2 – segment information.

	CONSOLIDATED 2005 $000	2004 $000
Financial performance information for the period from 1 July to 29 August 2003		
Revenue from ordinary activities	-	221,563
Expenses from ordinary activities (including borrowing costs)	-	(216,759)
Profit from ordinary activities before related income tax	-	4,804
Income tax expense	-	(2,568)
Net profit after tax	-	2,236
Cash flow information for the period from 1 July to 29 August 2003		
Net cash outflow from operating activities	-	(2,974)
Net cash outflow from investing activities	-	(3,894)
Net decrease in cash generated by the division	-	(6,868)
Details of the disposal, which represents a discontinuing operation, were as follows:		
Carrying amount of assets and liabilities as at 29 August 2003		
Total assets	-	815,549
Total liabilities	-	(515,312)
Net assets	-	300,237
Profit on disposal		
Proceeds on disposal - cash	-	700,937
Carrying amount of assets and liabilities disposed	-	(300,237)
Profit on disposal	-	400,700
Applicable income tax expense	-	(96,750)
Profit on disposal after tax	-	303,950
Net cash effect		
Cash proceeds	-	829,537
Cash balance disposed	-	(128,600)
Cash effect from the disposal of Wesfarmers Rural Holdings Limited as reflected in the consolidated statement of cash flows	-	700,937
Other minor disposals of controlled entities	-	2,506
Total cash proceeds from disposals of controlled entities	-	703,443

25 CHANGES IN THE COMPOSITION OF ENTITY (continued)

Acquisitions of controlled entities

On 14 October 2003 the consolidated entity acquired 100% of the capital of Edward Lumley Holdings Limited, a UK company with insurance businesses in Australia and New Zealand.

The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

	CONSOLIDATED 2005 $000	2004 $000
Fair value of identifiable net assets of controlled entity acquired:		
Cash	-	44,301
Receivables	-	801,941
Insurance investments	-	324,839
Plant and equipment	-	11,757
Deferred tax assets	-	23,769
Goodwill	-	9,589
Payables	-	(243,456)
Interest bearing liabilities	-	(49,450)
Current tax liabilities	-	(17,369)
Deferred tax liabilities	-	(2,879)
Insurance liabilities	-	(700,330)
Provisions	-	(18,995)
	-	183,717
Goodwill on consolidation	-	175,391
Total consideration	-	359,108
The components of the acquisition cost were as follows:		
Cash paid	-	345,302
Cash deferred	-	12,744
Payable due to vendor	-	1,062
Total consideration	-	359,108
Net cash effect		
Cash paid	-	345,302
Cash balance acquired	-	(44,301)
Cash effect from the acquisition of Edward Lumley Holdings Limited as reflected in the consolidated statement of cash flows	-	301,001
Other minor acquisitions of controlled entities	-	2,828
Total cash outflows on acquisitions of controlled entities	-	303,829

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

26 INTERESTS IN JOINT VENTURE OPERATIONS

	CONSOLIDATED 2005 $000	2004 $000
Assets employed in joint venture operations:		
Current assets		
Cash assets	**3,585**	2,720
Receivables	**8,965**	8,481
Inventories	**17,119**	19,084
Total current assets	**29,669**	30,285
Non-current assets		
Property, plant and equipment	**229,603**	224,150
Total non-current assets	**229,603**	224,150
Total assets	**259,272**	254,435

JOINT VENTURE	PRINCIPAL ACTIVITY	INTEREST 2005 %	2004 %
Sodium Cyanide JV	Sodium cyanide manufacture	**75**	75
Bengalla JV	Coal mining	**40**	40
Kwinana Industrial Gases JV	Nitrogen manufacture	**40**	40

27 SUBSEQUENT EVENTS

A dividend of 127 cents per share resulting in a dividend payment of $480,113,000 was declared on 9 August 2005, for payment on 29 August 2005.

28 CONTINGENT ASSETS AND LIABILITIES

Wesfarmers Limited and all the controlled entities marked "+" in note 34 have entered into a deed of cross guarantee pursuant to the ASIC Class Orders, whereby they covenant with a trustee for the benefit of each creditor, that they guarantee to each creditor payment in full of any debt in the event of any entity, including Wesfarmers Limited, being wound up.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

29 COMMITMENTS

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Lease commitments (substantially in connection with leased property)				
Amounts due under operating leases:				
Within 1 year	**183,849**	152,204	**1,708**	1,495
Within 1-5 years	**491,293**	415,151	**115**	67
Over 5 years	**262,009**	191,992	**-**	-
	937,151	759,347	**1,823**	1,562
Commitments arising from contracts for capital expenditure contracted for at balance date but not provided for:				
Due within 1 year	**45,328**	44,731	**-**	-
Commitments arising from agreements to invest in Gresham Private Equity Fund No. 2 contracted for at balance date but not provided for:				
Due within 1 year	**30,000**	25,000	**-**	-
Within 1-5 years	**95,000**	75,000	**-**	-
	125,000	100,000	**-**	-

Operating leases relate to the lease of buildings, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings the lease terms range from one year to 24 years and have various renewal options, termination rights and residual liability clauses.

30 FINANCING ARRANGEMENTS

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
The consolidated entity has unrestricted access to the following finance facilities:				
Overdraft	**6,547**	5,000	**5,000**	5,000
Multi-purpose facilities	**180,000**	180,000	**180,000**	180,000
Term loan	**124,134**	127,094	**-**	-
Bank bill lines	**1,130,000**	1,130,000	**1,130,000**	1,130,000
Committed standby lines to support commercial paper programme	**300,000**	300,000	**300,000**	300,000
	1,740,681	1,742,094	**1,615,000**	1,615,000
Amount of credit unused	**840,952**	820,635	**765,600**	795,000
The unused amounts of the facilities have the following terms:				
Within 1 year	**683,952**	800,635	**608,600**	775,000
Within 1-2 years	**-**	-	**-**	-
Within 2-5 years	**157,000**	20,000	**157,000**	20,000
	840,952	820,635	**765,600**	795,000

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

31 FINANCIAL INSTRUMENTS

Interest rate risk exposure

The consolidated entity enters into various derivative transactions with the objective of obtaining lower funding costs and a more stable and predictable interest cost outcome principally employing the use of interest rate swaps. In addition, forward interest rate agreements, caps and floors are utilised. For interest rate swaps and forward rate agreements, the consolidated entity agrees with counterparties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Any amounts paid or received relating to interest rate swaps and forward rate agreements are recognised as adjustments to interest expense over the life of each contract swap, thereby adjusting the effective interest rate on the underlying obligations. At 30 June 2005 the fixed rates varied from 4.9% to 6.7% (2004: 4.9% to 6.7%) and the majority of the floating rates were at bank bill rates.

The consolidated entity's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below.

	FLOATING $000	FIXED INTEREST MATURING IN: 1 YEAR OR LESS $000	OVER 1 TO 5 YEARS $000	MORE THAN 5 YEARS $000	NON-INTEREST BEARING $000	TOTAL $000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
2005							
Financial assets							
Cash assets	**56,815**	**-**	**-**	**-**	**27,031**	**83,846**	**3.40%**
Receivables	**-**	**91,632**	**-**	**-**	**1,413,175**	**1,504,807**	**19.75%**
Insurance deposits	**534,598**	**-**	**-**	**-**	**-**	**534,598**	**5.67%**
Other financial assets	**-**	**-**	**-**	**-**	**17,092**	**17,092**	**-**
	591,413	**91,632**	**-**	**-**	**1,457,298**	**2,140,343**	
Interest swaps (notional principal amounts):							
- floating to fixed	**(93,520)**	**-**	**7,000**	**86,250**	**-**	**-**	
Financial liabilities							
Secured bank loans	**6,187**	**-**	**-**	**-**	**-**	**6,187**	**9.32%**
Unsecured bank loans	**138,537**	**-**	**-**	**-**	**-**	**138,537**	**6.84%**
Commercial paper	**94,649**	**-**	**-**	**-**	**-**	**94,649**	**6.05%**
Bank bills	**750,788**	**-**	**-**	**-**	**-**	**750,788**	**5.90%**
Bank overdrafts	**-**	**-**	**-**	**-**	**6,808**	**6,808**	**-**
Corporate bonds	**799,659**	**-**	**-**	**-**	**-**	**799,659**	**6.08%**
Payables	**-**	**-**	**-**	**-**	**792,729**	**792,729**	**-**
	1,789,820	**-**	**-**	**-**	**799,537**	**2,589,357**	
Interest swaps (notional principal amounts):							
- floating to fixed	**(490,000)**	**230,000**	**260,000**	**-**	**-**	**-**	
- fixed to floating	**360,000**	**-**	**(360,000)**	**-**	**-**	**-**	

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

31 FINANCIAL INSTRUMENTS (continued)

	FLOATING $000	1 YEAR OR LESS $000	OVER 1 TO 5 YEARS $000	MORE THAN 5 YEARS $000	NON-INTEREST BEARING $000	TOTAL $000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
2004							
Financial assets							
Cash assets	18,307	-	-	-	85,067	103,374	4.20%
Receivables	-	89,290	-	-	1,547,739	1,637,029	15.60%
Insurance deposits	629,361	-	-	-	-	629,361	5.20%
Other financial assets	-	-	-	-	16,602	16,602	-
	647,668	89,290	-	-	1,649,408	2,386,366	
Interest swaps (notional principal amounts):							
- floating to fixed	(55,000)	-	-	55,000	-	-	
Financial liabilities							
Secured bank loans	7,301	-	-	-	-	7,301	7.00%
Unsecured bank loans	165,131	-	-	-	-	165,131	5.47%
Bank bills	811,227	-	-	-	-	811,227	5.65%
Bank overdrafts	42,596	-	-	-	5,055	47,651	10.38%
Corporate bonds	549,500	-	-	-	-	549,500	5.81%
Other unsecured loans	31,108	-	-	-	-	31,108	-
Payables	-	-	-	-	858,293	858,293	-
	1,606,863	-	-	-	863,348	2,470,211	
Interest swaps (notional principal amounts):							
- floating to fixed	(488,000)	98,000	390,000	-	-	-	
- fixed to floating	360,000	-	(360,000)	-	-	-	

Foreign exchange risk exposure

The consolidated entity enters into foreign exchange contracts and currency options to hedge capital obligations, expenses and revenues denominated in foreign currencies (principally US dollars). Benefits or costs arising from currency hedges for expense and revenue transactions are brought to account in the statement of financial performance at the same time as the hedged transaction is brought to account. For transactions to hedge specific capital or borrowing commitments any cost or benefit resulting from the hedge forms part of the initial asset or liability carrying value.

The following table sets out the gross value to be received/paid under foreign currency contracts, the weighted average contracted exchange rates and the range of settlement dates of outstanding contracts.

	AVERAGE EXCHANGE RATE		CONSOLIDATED	
	2005	2004	**2005 $000**	2004 $000
Buy US dollars				
Within 1 year	**0.7626**	0.7100	**107,656**	92,656
Sell US dollars				
Within 1 year	**0.7008**	0.6469	**624,418**	299,051
Within 1 - 2 years	**0.6520**	0.6323	**228,216**	257,134
Within 2 - 3 years	**0.6839**	0.6340	**200,652**	169,314
Within 3 - 4 years	**0.7129**	0.6482	**107,594**	99,900
Over 5 years	**0.7109**	0.6709	**18,340**	25,800

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

31 FINANCIAL INSTRUMENTS (continued)

As these contracts are hedging future sales, purchases and capital commitments any unrealised gains and losses on the contracts, together with the costs of the contract, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised position on hedges of future foreign currency purchases and sales (that is, assuming no matching of physical transactions are taken into account) as at balance date was a gain of $120.7 million (2004: $48.8 million gain).

Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount, net of any allowance for doubtful debts, of those assets as indicated in the statement of financial position.

In relation to derivatives, credit risk arises from the potential failure of counterparties to meet their obligation under the contract or arrangement. Credit risk on financial position derivative contracts is minimised because counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The consolidated entity's maximum credit risk exposure in relation to these is as follows:

(i) Forward exchange contracts - the full amount of the foreign currency it will be required to pay when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the consolidated entity. These amounts have been outlined above; and

(ii) Interest rate swap and forward rate agreements - is limited to the net amounts to be received on contracts that are favourable to the consolidated entity, being nil.

Concentration of credit risk

The consolidated entity minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within each industry. The majority of customers are concentrated in Australia. The consolidated entity is not materially exposed to any individual overseas country or individual customer.

Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the consolidated entity as follows:

Cash assets - the carrying amount approximates fair value.

Trade debtors – the carrying amount approximates fair value.

Finance advances and loans – the carrying amount approximates fair value.

Other receivables – the carrying amount approximates fair value.

Insurance deposits – the carrying amount approximates fair value because the maturity periods are generally short term in nature (less than three months).

Listed investments – fair values are based on the final share prices quoted on the Australian Stock Exchange at balance date.

Employee share plan loans – fair value is equal to the discounted expected future loan repayments, which differs from recoverable amount which is determined on an undiscounted cash flow basis.

Accounts payable – the carrying amount approximates fair value.

Interest bearing liabilities – the carrying amount approximates fair value because the repayment periods are generally short term in nature (less than three months) with the split between current and non-current based on the term of the facility under which the borrowing is held.

Derivatives – fair value is based on independent market quotations and determined using standard valuation techniques.

Financial position of financial instruments

The valuation of financial instruments detailed below reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates at balance date.

The carrying amounts and net fair values of financial assets and liabilities where the carrying value does not approximate the fair value are as follows:

	2005		2004	
	CARRYING AMOUNT $000	**NET FAIR VALUE $000**	CARRYING AMOUNT $000	NET FAIR VALUE $000
Assets				
Listed shares	**10,198**	**12,807**	10,198	13,043
Forward foreign exchange contracts	**-**	**120,670**	-	48,818
Employee share plan loans	**215,354**	**162,258**	281,428	205,366
Liabilities				
Interest rate swaps	**-**	**2,902**	-	931

32 OWNERSHIP REMUNERATION SCHEME

The Wesfarmers Limited employee share plan (the "Plan") was approved by shareholders in April 1985. Under the Plan all employees who have permanent conditions of employment who have been continuously employed by Wesfarmers Limited or its subsidiaries for a minimum period of one year and who are 18 years or older are invited annually to apply for fully paid ordinary shares in the company. All eligible employees receive a general invitation to apply for a specified number of shares. Senior executives may receive invitations to apply for additional shares as and when they reach certain remuneration levels and periods of service within the consolidated entity.

Shares can be allotted under the Plan at a price being not less than 90% of the weighted average market price of Wesfarmers Limited fully paid shares during the one week period up to and including the day of allotment. During the current and prior years the shares were allotted at the full weighted average price of Wesfarmers Limited shares posted on the Australian Stock Exchange one week up to and including the day of allotment.

Employees are provided with interest-free loans to purchase the shares and the total number of shares for which there are outstanding loans under the Plan cannot exceed 10% of the issued capital of the company from time to time. The number of shares issued to current employees who have a loan outstanding was 10,494,283 (2004: 14,325,566), which is equivalent to 2.8% (2004: 3.8%) of the issued capital of the company.

The employee's obligation for repayment of the loans is limited to the dividends declared and capital returns by the company and in the event the employee ceases employment, the market price achieved on the sale of the shares held as security by the company for the loans. The loans are recorded at cost and no provision has been made in respect to any shortfall between the remaining loan balance and the current market value of the shares as it is considered the majority of these loans will be paid from future dividends and capital returns or in due course from the proceeds from the sale of the shares.

Movements in the loan balance was as follows:

	CONSOLIDATED		WESFARMERS LIMITED	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Balance at the beginning of the year	**281,428**	321,339	**273,661**	321,339
Loans for shares issued during the year	**64,432**	71,011	**58,083**	62,837
Repayment of loans from dividends paid and capital return	**(29,956)**	(58,921)	**(29,097)**	(58,773)
Repayment of loans on sale of shares	**(98,040)**	(51,918)	**(95,791)**	(51,408)
Repayment of loans from entitlements under the Long Term Incentive Programme	**(2,632)**	-	**(2,330)**	-
Foreign currency translation adjustment	**136**	251	**-**	-
Bad debts written off	**(14)**	(334)	**(14)**	(334)
Balance at the end of the year	**215,354**	281,428	**204,512**	273,661
Market value of shares held as security	**422,144**	421,172	**405,395**	412,746

33 DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

The following persons were directors of Wesfarmers Limited during the financial year:

Chairman – non-executive

T R Eastwood

Executive directors

M A Chaney, Managing Director and Chief Executive Officer – retired on 12 July 2005

R J B Goyder, Deputy Managing Director and Chief Financial Officer – appointed Managing Director and Chief Executive Officer on 13 July 2005

G T Tilbrook, Executive Director, Business Development – appointed Finance Director on 13 July 2005

D A Robb, Executive Director – appointed on 6 July 2004

Non-executive directors

C B Carter
P A Cross
T J Flügge
L A Giglia
J P Graham
R D Lester
C Macek
D C White

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

33 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the consolidated entity ("Specified Executives") during the financial year:

NAME	POSITION	DIVISION
R J Buckley	Managing Director	Insurance
P J C Davis	Managing Director, Chief Operating Officer	Hardware
R M Denby	Managing Director	Industrial and Safety
J C Gillam	Managing Director	Chemicals and Fertilisers, Hardware
K D Gordon	Managing Director	Chemicals and Fertilisers

Remuneration

The company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures in relation to their Specified Directors and Specified Executives in their annual financial reports by Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities". These remuneration disclosures are provided in sections three, four (excluding Table 1), six and seven of the Remuneration Report on pages 101 to 111 of this annual report designated as audited and forming part of the Directors' Report.

Other transactions with directors and Specified Executives

Fees charged to the consolidated entity during the year for services provided by an associated entity, Gresham Partners Group Limited group of companies, of which J P Graham is a director, totalled $298,000 (2004: $2,990,000).

From time to time, directors of the Company or its controlled entities, or their director-related entities, may purchase goods or services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Loans to directors and executives

Details of loans made under the employee share plan to directors of Wesfarmers Limited and the Specified Executives of the consolidated entity, including their personally related entities, are set out below.

	BALANCE AT THE BEGINNING OF THE YEAR $000	INTEREST CHARGED $000	INTEREST NOT CHARGED OFFSET AGAINST LTI $000	BALANCE AT THE END OF THE YEAR $000	HIGHEST INDEBTEDNESS DURING THE YEAR $000
Specified Directors					
M A Chaney	789	-	46	38	789
Specified Executives					
R J Buckley	53	-	3	-	53
R M Denby	636	-	64	459	636
K D Gordon	164	-	9	-	164
Total	853	-	76	459	853
Total Specified Directors and Specified Executives	1,642	-	122	497	1,642

The above loans are made to the directors and executives under the employee share plan, and are for an unspecified period. No interest is charged on the loans but a notional interest charge of 11.85% on the outstanding balance reduces the executives' entitlements to the payment of long-term incentives ("LTI"). The loans are limited recourse to the shares issued and are repayable from dividends and capital returns. No write-downs or allowances for doubtful receivables have been recognised in relation to any of the above loans.

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

33 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Shareholdings

The number of shares in the company held during the financial year by each director of Wesfarmers Limited and each of the Specified Executives of the consolidated entity, including their personally related entities, are set out below.

	BALANCE AT THE BEGINNING OF THE YEAR	RECEIVED DURING THE YEAR AS REMUNERATION	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Specified Directors				
C B Carter	4,000	-	-	4,000
M A Chaney	445,663	-	-	445,663
P A Cross	2,000	-	-	2,000
T R Eastwood	878,694	-	-	878,694
T J Flügge	4,417	-	-	4,417
L A Giglia	16,120	-	-	16,120
R J B Goyder	101,871	-	4,177	106,048
J P Graham	982,504	-	(6,748)	975,756
R D Lester	44,614	-	-	44,614
C Macek	5,000	-	-	5,000
D A Robb	110,123	-	3,817	113,940
G T Tilbrook	138,866	-	4,042	142,908
D C White	39,184	-	845	40,029
Specified Executives				
R J Buckley	50,930	-	2,643	53,573
P J C Davis	64,010	-	3,044	67,054
R M Denby	30,368	-	-	30,368
J C Gillam	44,754	-	3,377	48,131
K D Gordon	18,271	-	-	18,271

34 PARTICULARS RELATING TO CONTROLLED ENTITIES

	BENEFICIAL INTEREST 2005 %	BENEFICIAL INTEREST 2004 %
Parent entity:		
Wesfarmers Limited		
Controlled entities:		
Aben Pty Ltd	100	100
A.C.N. 003 921 873 Pty Limited	100	100
A.C.N. 082 931 486 Pty Ltd	100	100
Alsafe Safety Industries Pty Limited +	100	100
Australian Gold Reagents Pty Ltd	75	75
BBC Hardware Limited +	100	100
BBC Hardware Properties (NSW) Pty Ltd	100	100
BBC Hardware Properties (Vic) Pty Ltd	100	100
BBC Hardware Purchasing Pty Limited *	-	100
Bunnings (Northern Territory) Pty Ltd	100	100
Bunnings Chip Mill Pty Ltd +	100	100
Bunnings Limited #	100	100
Bunnings Management Services Pty Ltd +	100	100
Bunnings Manufacturing Pty Ltd	100	100
Bunnings Properties Pty Ltd +	100	100
Bunnings Property Management Limited	100	100
Bunnings Pty Ltd +	100	100
Bunnings Pulp Mill Pty Ltd	100	100
C S Holdings Pty Limited +	100	100
Campbells Hardware & Timber Pty Limited	100	100
Chemical Holdings Kwinana Pty Ltd +	100	100
Co-operative Wholesale Services Ltd	100	100
Credit Management Pty Ltd +	100	100
CSBP Ammonia Terminal Pty Ltd	100	100
CSBP Limited +	100	100
Cuming Smith and Company Limited +	100	100
Curragh Coal Sales Co Pty Ltd	100	100
Curragh Queensland Mining Pty Ltd	100	100
Dairy Properties Co-operative Limited	100	100
Danlan Pty Limited	100	100
Eastfarmers Pty Ltd +	100	100
Edward Lumley & Sons (Vic) Proprietary Limited	100	100
ELH Services Limited #	100	100
ELOL Limited #	100	100

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

34 PARTICULARS RELATING TO CONTROLLED ENTITIES (continued)

	BENEFICIAL INTEREST 2005 %	BENEFICIAL INTEREST 2004 %
Energy Generation Pty Ltd (formerly StateWest Power Pty Ltd) +	**100**	100
FIF Investments Pty Limited	**100**	100
FPT (Australia) Pty Limited	**100**	100
GPML Pty Ltd	**100**	100
HouseWorks Co Pty Ltd	**100**	-
Howard Smith Limited +	**100**	100
Howard Smith Nominees Pty Limited	**100**	100
Ibert Pty Limited	**100**	100
Interfix Gold Coast Pty Ltd *	**-**	100
Interline Pty Ltd *	**-**	100
J Blackwood & Son Limited +	**100**	100
J Blackwood & Son Steel & Metals Pty Ltd	**100**	100
Kleenheat Autogas Pty Ltd	**100**	100
Kleenheat Gas House Franchising Pty Ltd	**100**	100
Koukia Pty Limited	**70**	53
Kwinana Nitrogen Company Proprietary Limited	**100**	100
Loggia Pty Ltd +	**100**	100
Lumley Corporation Pty Limited	**100**	100
Lumley Finance Limited	**100**	100
Lumley Finance (NZ) Limited #	**100**	100
Lumley General Insurance Limited	**100**	100
Lumley General Insurance (NZ) Limited #	**100**	100
Lumley Insurance Group Limited	**100**	100
Lumley Investments (NZ) Limited #	**100**	100
Lumley Life (NZ) Limited #	**100**	100
Lumley Management Services Pty Limited	**100**	100
Lumley Risk Consultants Ltd	**100**	100
Lumley Securities Limited	**100**	100
Lumley Services (NZ) Limited #	**100**	100
Lumley Superannuation Pty Limited	**100**	100
Lumley Technology (India) Pte Limited #	**100**	100
Lumley Technology Limited	**100**	100
Lumley Technology (NZ) Limited #	**100**	100
Mandate Management Consultants Pty Ltd	**100**	100
Millars (WA) Pty Ltd +	**100**	100
Motion Industries Pty Ltd	**100**	100
NEGF Power Management Pty Ltd	**100**	100
NEGF Power Sales Pty Ltd	**100**	100
NZ Finance Holdings Pty Limited #	**100**	100
Packaging House Limited #	**100**	100
Pailou Pty Ltd +	**100**	100
Patrick Operations Pty Ltd	**100**	100
Petersen Bros Pty Ltd	**100**	100
Powertrain Pty Limited	**100**	100
R & N Palmer Pty Ltd +	**100**	100
SBS Rural IAMA Pty Limited	**100**	100
Sellers (SA) Pty Ltd	**100**	100
Share Nominees Limited	**100**	100
Sotico Pty Ltd +	**100**	100
StateWest Power Pty Ltd (formerly StateWest.com.au Pty Ltd)	**100**	100

	BENEFICIAL INTEREST 2005 %	BENEFICIAL INTEREST 2004 %
Stores Realty Pty Ltd *	**-**	100
The Builders Warehouse Group Pty Limited	**100**	100
The Franked Income Fund	**100**	100
Torque Underwriting Pty Ltd	**100**	100
Ucone Pty Ltd +	**100**	100
Valley Investments Pty Ltd +	**100**	100
WA Salvage Pty Ltd +	**100**	100
Wesfarmers Agribusiness Limited +	**100**	100
Wesfarmers Bangladesh Gas Pty Ltd	**100**	100
Wesfarmers Bengalla Limited +	**100**	100
Wesfarmers Bunnings Limited +	**100**	100
Wesfarmers Coal (Indonesia) Pty Ltd +	**100**	100
Wesfarmers Coal Superannuation Pty Ltd +	**100**	100
Wesfarmers Curragh Pty Ltd +	**100**	100
Wesfarmers Energy Limited +	**100**	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	**100**	100
Wesfarmers Federation Insurance Limited	**100**	100
Wesfarmers Fertilizers Pty Ltd +	**100**	100
Wesfarmers Finance Pty Ltd	**100**	100
Wesfarmers Gas Limited +	**100**	100
Wesfarmers Holdings Pty Ltd	**100**	100
Wesfarmers Industrial & Safety Holdings NZ Limited #	**100**	100
Wesfarmers Industrial & Safety NZ Limited #	**100**	100
Wesfarmers Insurance Investments Pty Ltd +	**100**	100
Wesfarmers Insurance Pty Ltd	**100**	100
Wesfarmers Investments Pty Ltd	**100**	100
Wesfarmers Kleenheat Elpiji Limited <	**55**	55
Wesfarmers Kleenheat Gas Pty Ltd +	**100**	100
Wesfarmers LNG Pty Ltd	**100**	100
Wesfarmers LPG Pty Ltd +	**100**	100
Wesfarmers Premier Coal Limited +	**100**	100
Wesfarmers Private Equity Pty Ltd	**100**	100
Wesfarmers Provident Fund Pty Ltd +	**100**	100
Wesfarmers Queensland Coal Pty Ltd	**100**	100
Wesfarmers Railroad Holdings Pty Ltd	**100**	100
Wesfarmers Resources Pty Ltd +	**100**	100
Wesfarmers Retail Pty Ltd +	**100**	100
Wesfarmers Risk Management Limited #	**100**	100
Wesfarmers Securities Management Pty Ltd	**100**	100
Wesfarmers Sugar Company Pty Ltd	**100**	100
Wesfarmers Superannuation Pty Ltd +	**100**	100
Wesfarmers Transport Indonesia Pty Ltd	**100**	100
Wesfarmers Transport Limited +	**100**	100
Weskem Pty Ltd	**100**	100
West Africa Power Company Pty Ltd	**100**	100
Westralian Farmers Co-operative Limited	**100**	100
Westralian Farmers Superphosphates Limited +	**100**	100
WFCL Investments Pty Ltd	**100**	100
WTL Asia Pty Ltd *	**-**	100
Wyper Brothers Pty Limited	**100**	100
XCC (Retail) Pty Ltd	**100**	100

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

34 PARTICULARS RELATING TO CONTROLLED ENTITIES (continued)

With the exception of Wesfarmers Risk Management Limited incorporated in Bermuda; Wesfarmers Kleenheat Elpiji Limited incorporated in Bangladesh; Bunnings Limited (formerly Benchmark Building Supplies Limited), Lumley Finance (NZ) Limited, Lumley General Insurance (NZ) Limited, Lumley Investments (NZ) Limited, Lumley Life (NZ) Limited, Lumley Services (NZ) Limited, Lumley Technology (NZ) Limited, NZ Finance Holdings Pty Limited, Packaging House Limited, Wesfarmers Industrial & Safety Holdings NZ Limited and Wesfarmers Industrial & Safety NZ Limited, incorporated in New Zealand; ELH Services Limited and ELOL Limited incorporated in the UK; and Lumley Technology (India) Pte Limited incorporated in India; all other companies in the consolidated entity are incorporated in Australia.

* Entity deregistered or liquidated during the year.

\# Audited by firms of Ernst & Young International.

< Audited by other firms of accountants.

\+ An approved deed of cross guarantee in accordance with the ASIC Class Order 98/1418 (as amended) has been entered into by Wesfarmers Limited and these entities. As a result, these entities have been provided relief from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

For entities within the consolidated entity which have entered into deeds of cross guarantee, the consolidated Statement of Financial Performance and Statement of Financial Position are as follows:

	2005 $000	2004 $000
Consolidated Statement of Financial Performance		
Profit from ordinary activities before income tax	**689,492**	1,019,313
Income tax expense relating to ordinary activities	**(202,994)**	(294,224)
Net profit after tax	**486,498**	725,089
Retained earnings at the beginning of the year	**654,380**	403,089
Adjustment for companies transferred into Class Order group	**409,301**	26,907
Total available for appropriation	**1,550,179**	1,155,085
Dividends provided for or paid	**(546,609)**	(500,705)
Retained earnings at the end of the year	**1,003,570**	654,380
Consolidated Statement of Financial Position		
Current assets		
Cash assets	**56,231**	89,445
Receivables	**819,635**	1,041,222
Inventories	**1,127,305**	1,147,502
Total current assets	**2,003,171**	2,278,169
Non-current assets		
Receivables	**189,770**	253,061
Other financial assets	**3,115,615**	3,148,911
Property, plant and equipment	**1,768,075**	1,228,573
Deferred tax assets	**50,443**	55,238
Intangible assets	**1,203,108**	1,290,277
Other	**2,532**	68,387
Total non-current assets	**6,329,543**	6,044,447
Total assets	**8,332,714**	8,322,616

NOTES TO AND FORMING PART OF THE ACCOUNTS

for the year ended 30 June 2005 - Wesfarmers Limited and its controlled entities

34 PARTICULARS RELATING TO CONTROLLED ENTITIES (continued)

Consolidated Statement of Financial Position (continued)

	2005 $000	2004 $000
Current liabilities		
Interest bearing liabilities	**587,182**	361,728
Payables	**2,837,947**	3,230,099
Current tax liabilities	**101,215**	121,413
Provisions	**146,501**	134,476
Other	**98,156**	5,268
Total current liabilities	**3,771,001**	3,852,984
Non-current liabilities		
Interest bearing liabilities	**1,216,355**	1,206,801
Payables	**9,623**	7,442
Deferred tax liabilities	**96,757**	103,412
Provisions	**98,556**	99,656
Other	**61,858**	-
Total non-current liabilities	**1,483,149**	1,417,311
Total liabilities	**5,254,150**	5,270,295
Net assets	**3,078,564**	3,052,321
Shareholders' equity		
Contributed equity	**2,014,799**	2,345,633
Reserves	**60,195**	52,308
Retained earnings	**1,003,570**	654,380
Total shareholders' equity	**3,078,564**	3,052,321

35 RELATED PARTIES DISCLOSURES

Transactions by the parent entity within the wholly-owned group include investments in controlled entities, and loans made and received with controlled entities, which are generally on interest-free terms. In addition the parent entity purchases coal from a controlled entity, and incurs and recovers costs and charges in relation to various minor expenditures in the normal course of business and on normal terms and conditions.

The total rental paid by the consolidated entity to an associated entity, the Bunnings Warehouse Property Trust, for rental of properties was $50,512,000 (2004: $44,269,000). The total management fee paid by the Bunnings Warehouse Property Trust to the consolidated entity was $3,485,000 (2004: $2,987,000). The total net profit before tax on sale of properties sold to the Bunnings Warehouse Property Trust brought to account by the consolidated entity was $3,568,000 (2004: $5,547,000).

Management fees paid by associated entities, Air Liquide WA Pty Ltd and Australian Railroad Group Pty Ltd, to the consolidated entity totalled $1,162,000 (2004: $1,011,000) and $1,709,000 (2004: $1,412,000) respectively.

A loan of $19,500,000 (2004: $19,500,000) has been made to an associated entity, Queensland Nitrates Pty Ltd. The loan is subordinated to a syndicate of project financing banks and is neither repayable nor interest-bearing until a number of financial covenants have been achieved.

SUPPLEMENTARY STATEMENT OF COAL RESOURCES AND RESERVES

as at 30 June 2005

COAL RESOURCES AND RESERVES

The table below details the coal resources and reserves of the Wesfarmers group, as at 30 June 2005.

Mine	Ownership	Beneficial interest	Location of tenements	Mining method	Coal type	Coal reserves Tonnes (millions)			Coal resources Tonnes (millions)			
						Proved	Probable	Total	Measured	Indicated	Inferred	Total
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	108	21	**129**	300	52	8	**360**
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and Steaming	215	8	**223**	371	131	166	**668**
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut	Steaming	47	30	**77**	31	44	-	**75**

Premier and Curragh coal resources include coal reserves whereas Bengalla coal resources are in addition to coal reserves.

CHARACTERISTICS OF COAL RESOURCES AND RESERVES

PREMIER

The coal is sub-bituminous and is used in the domestic market both as a thermal coal and in industrial processes. The resource is contained in 65 seams of varying coal quality characteristics. Coal is currently produced from 12 of these seams. Coal is extracted by open cut methods, currently to depths less than 140 metres below the ground surface.

CURRAGH

The coal is bituminous and is used for power generation (principally domestic) and metallurgical processes (primarily steel production overseas). The resource is contained in five seams of varying thickness and quality characteristics. Coal is produced from all of these seams. Coal is extracted by open cut methods to depths of less than 100 metres below the ground surface, and processed through a wash plant using dense medium cyclones and froth flotation.

The large increase in coal reserves and coal resources at Curragh is due to the issue of a mining lease over Curragh North, effective from 1 August 2004.

BENGALLA

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from up to eight seams ranging in thickness from 1.5m up to 13m. These seams produce high yielding, high energy, generally low sulphur coals which are well suited to export and domestic power generation. The seams occur at relatively shallow depths and dip gently to the west.
Coal is extracted by open cut methods.

JORC CODE COMPLIANCE

The statement of coal resources and reserves presented in this report has been produced in accordance with the Australasian Code of reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code').

The information in this report relating to coal resources and reserves is based on information compiled by Competent Persons (as defined in the JORC Code, and listed below). All Competent Persons have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

COMPETENT PERSONS

PREMIER – Mr David Chapman, a full time employee of Wesfarmers Premier Coal Limited.
Member AusIMM

CURRAGH – Mr Barry Lay, a full time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd.
Member AusIMM

BENGALLA – Mr Mal Scott, a full time employee of Rio Tinto Coal Australia Pty Limited.
Member AusIMM

– Mr Ken Preston, a full time employee of Rio Tinto Coal Australia Pty Limited.
Fellow AusIMM

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

The information appearing on pages 4 to 47 forms part of the Directors' Report for the year ended 30 June 2005 and is to be read in conjunction with the following information:

	2005 $000	2004 $000
RESULTS AND DIVIDENDS		
Operating profit		
Profit from ordinary activities after income tax expense	**618,874**	868,579
Net (profit) loss attributable to outside equity interests	**(574)**	4,535
Net profit attributable to members of the parent entity	**618,300**	873,114
Dividends		
The following dividends have been paid by the company or declared by the directors since the commencement of the financial year ended 30 June 2005:		
(a) out of the profits for the year ended 30 June 2004 on the fully-paid ordinary shares:		
fully franked final dividend of 92 cents per share paid on 30 August 2004 as disclosed in last year's directors' report	**346,246**	
(b) out of the profits for the year ended 30 June 2005 and retained earnings on the fully-paid ordinary shares:		
(i) fully franked interim dividend of 53 cents per share paid on 2 March 2005	**200,363**	
(ii) fully franked final dividend of 127 cents per share paid on 29 August 2005	**480,113**	

Principal activities

The principal activities of entities within the consolidated entity during the year were:

- retailing of home and garden improvement products and building materials;
- coal mining and production;
- gas processing and distribution;
- insurance;
- industrial and safety product distribution;
- chemicals and fertilisers manufacture;
- rail transport; and
- investments.

There have been no significant changes in the nature of those activities during the year.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

DIRECTORS

Information on directors

The names and details of the directors of the company in office as at the date of this report appear on pages 38 and 39. Mr M A Chaney, who has been a director since 1988, resigned as a director on 12 July 2005.

Directors' shareholdings

Securities in the company or in a related body corporate in which directors have a relevant interest as at the date of this report were:

	BUNNINGS WAREHOUSE PROPERTY TRUST UNITS	WESFARMERS LIMITED ORDINARY SHARES
C B Carter	-	4,000
P A Cross	-	2,000
T R Eastwood	-	878,694
T J Flügge	-	4,417
L A Giglia	23,386	11,516
R J B Goyder	-	99,693
J P Graham	9,334	966,959
R D Lester	-	44,614
C Macek	-	5,000
D A Robb	22,308	112,026
G T Tilbrook	22,779	142,908
D C White	-	9,243

Insurance and indemnification of directors and officers

During or since the end of the financial year, the company has paid premiums in respect of a contract insuring all directors and officers of Wesfarmers Limited and its related entities against liability incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

In accordance with the company's Constitution, the company has entered into Deeds of Indemnity, Insurance and Access with each of the directors of the company. These deeds:

- indemnify a director to the full extent permitted by law against any liability incurred by the director:
  - as an officer of the company or of a related body corporate; and
  - to a person other than the company or a related body corporate, unless the liability arises out of conduct on the part of the director which involves a lack of good faith;
- provide for insurance against liability incurred as a director; and
- provide a director with continuing access while in office and for a specified period after the director ceases to be a director, to certain company documents which relate to the director's period in office.

In addition, the company's Constitution provides for the indemnity of officers of the company or its related bodies corporate from liability incurred by a person in that capacity unless the liability arises out of conduct involving a lack of good faith by the person.

No indemnity payment has been made under any of the documents referred to above during or since the end of the financial year.

Auditor

The company's auditor is Ernst & Young.

The company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young. Otherwise the company has not given or agreed to give any indemnity to any current or past auditor.

During the financial year:

- the company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young; and
- there were no officers of the company who were former partners or directors of Ernst & Young, whilst Ernst & Young conducted audits of the company.

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the Remuneration Report on pages 101 to 111 of this report together with details of the remuneration paid to each director and to the five officers of the company receiving the highest remuneration.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

Options

No options over unissued shares in the company were in existence at the beginning of the financial year or granted during or since the end of the financial year.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2005 and the number of meetings attended by each director.

	BOARD		AUDIT COMMITEE		NOMINATION AND REMUNERATION COMMITTEE	
DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
T R Eastwood	9	9			3	3
M A Chaney	9	9				
C B Carter	9	8			3	3
P A Cross	9	9			3	3
T J Flügge	9	9	7	7	3	3
L A Giglia	9	8			3	3
R J B Goyder	9	9				
J P Graham	9	9	7	7		
R D Lester	9	8	7	6		
C Macek	9	9	7	6		
D A Robb	9	9				
G T Tilbrook	9	9				
D C White	9	9	7	7		

COMPANY SECRETARIES

The qualifications and experience of each individual who was a company secretary of Wesfarmers Limited as at the end of the financial year are set out below.

Linda Kenyon Age: 46

Appointed Company Secretary of Wesfarmers Limited in April 2002. Linda holds a Bachelor of Laws and Bachelor of Jurisprudence degrees from the University of Western Australia and is a Fellow of Chartered Secretaries Australia. She joined Wesfarmers in 1987 as legal counsel and held that position until 2000 when she was appointed Manager of Bunnings Property Management Limited, the responsible entity for the listed Bunnings Warehouse Property Trust. Linda is also Company Secretary of a number of Wesfarmers group subsidiaries.

Paul Gardiner Age: 53

Paul, who holds a Bachelor of Laws from the University of Western Australia, joined the Wesfarmers group in 1978 as the Assistant Company Secretary of Westralian Farmers Co-operative Limited. He was Company Secretary of Wesfarmers Limited from December 1984 to July 1986 and has been Assistant Company Secretary since that date. Paul is also Company Secretary of a number of Wesfarmers group subsidiaries.

REVIEW OF RESULTS AND OPERATIONS

The operations of the consolidated entity during the financial year and the results of those operations are reviewed on pages 4 to 37 of this report and in the accompanying financial statements. This review includes information on the financial position of the consolidated entity and its business strategies and prospects for future financial years. In the opinion of directors, disclosure of further material relating to those matters is likely to result in unreasonable prejudice to the interests of the company and the consolidated entity. That material has therefore been omitted from the review.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Particulars of the significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- operating revenue from ordinary activities (excluding the sale of Landmark in 2004) up 6.3 per cent to $8.2 billion — see pages 5 and 9
- net profit for the financial year attributable to members (excluding the sale of Landmark in 2004) up 8.6 per cent to $618 million — see pages 5 and 9
- dividends per share paid or payable up 28.6 per cent to $1.80 — see pages 5 and 7
- total assets up 0.6 per cent to $7.3 billion — see page 5
- shareholders' equity down 7.5 per cent to $3.1 billion — see page 5
- net borrowings up 13.6 per cent to $1.7 billion — see page 5
- in July 2004, the company was granted a mining lease for the development of its Curragh North coal resource and capital expenditure of up to $360 million was approved to develop the Curragh North mine — see page 23
- a capital return to shareholders of $1.00 per share amounting to $378 million was paid in March 2005 — see page 7

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following significant events have arisen since the end of the financial year:

- on 13 July 2005, Mr R J B Goyder assumed the role of Managing Director and Chief Executive Officer following the retirement of Mr M A Chaney;
- on 16 August 2005, Wesfarmers Premier Coal Limited was selected to supply Western Power Corporation's coal requirements from 2010 through to 2030, for its existing coal-fired power stations at Muja C and D, and Collie A in Western Australia; and
- on 29 August 2005, a dividend of $1.27 per share was paid, resulting in the payment of $480,113,000.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to elsewhere in this report, particularly on pages 8 to 37. In the opinion of the directors, disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the company and the consolidated entity. That material has therefore been omitted from this report.

NON-AUDIT SERVICES

The following non-audit services were provided to the consolidated entity during the year ended 30 June 2005 and Ernst & Young received or is due to receive the following amounts for the provision of these services:

	$000
Income tax compliance and advice	362
Assistance with preparation of applications for government tax concessions	203
Advice on compliance with taxation laws in relation to transfer pricing	301
GST related services	58
Benchmarking studies	42
AIFRS advice	59
Employee share plan advice	16
APRA review services for insurance subsidiaries	139
Other sundry services	56
Total	1,236

The Audit Committee has, following the passing of a resolution of the committee, provided the Board with written advice in relation to the provision of non-audit services by Ernst & Young.

The Board has considered the Audit Committee's advice, and the non-audit services provided by Ernst & Young, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act 2001 for the following reasons:

- the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the company;
- all non-audit services were subject to the corporate governance procedures and policies adopted by the company and have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- there is no reason to question the veracity of the auditor's independence declaration, a copy of which has been reproduced on page 100 of this report.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

AUDITOR INDEPENDENCE

The directors received the following declaration from the external auditor:

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

The Board of Directors
Wesfarmers Limited
12th Floor, Wesfarmers House
40 The Esplanade
PERTH WA 6000

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
PARTNER
Perth, 6 September 2005

ENVIRONMENTAL REGULATION AND PERFORMANCE

The activities of the consolidated entity are subject to environmental regulation by various authorities throughout Australia and New Zealand.

Licences granted to the consolidated entity regulate the management of air and water quality, the storage and carriage of hazardous materials, the disposal of wastes and other environmental matters associated with the consolidated entity's operations.

During the year there have been no known material breaches of the consolidated entity's licence conditions.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the company, nor have any applications been made in respect of the company under section 237 of the Corporations Act 2001.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited support and have adhered to the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. The company's corporate governance statement is on pages 40 to 47 of this annual report.

CORPORATE INFORMATION

Wesfarmers Limited is a company limited by shares that is incorporated and domiciled in Australia. The registered office and principal business address of Wesfarmers Limited is 11th floor, Wesfarmers House, 40 The Esplanade, Perth, Western Australia.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

REMUNERATION REPORT

This report provides details of Wesfarmers' policy for determining the remuneration of directors and senior executives; the relationship between the policy and the performance of the company during the financial year; and the remuneration of board members and senior executives.

It includes information on the remuneration for the 2004/05 financial year of:

- the non-executive directors of Wesfarmers Limited ("Non-executive Directors") being:
  - C B Carter
  - P A Cross
  - T R Eastwood
  - T J Flügge
  - L A Giglia
  - J P Graham
  - R D Lester
  - C Macek
  - D C White
- the executive directors of Wesfarmers Limited ("Executive Directors") being:
  - M A Chaney (group Managing Director – retired 12 July 2005)
  - R J B Goyder (group Managing Director – appointed 13 July 2005)
  - D A Robb
  - G T Tilbrook
- the specified executives with the greatest authority for the strategic direction and management of the Wesfarmers group during 2004/05, who are also the five company executives receiving the highest remuneration ("Specified Executives"), being:
  - R J Buckley
  - P J C Davis
  - R M Denby
  - J C Gillam
  - K D Gordon
- senior managers who, during 2004/05:
  - made, or participated in making, decisions that affected the whole, or a substantial part, of the business of the Wesfarmers group; or
  - who had the capacity to significantly affect the Wesfarmers group's financial standing;

  including the Company Secretary of Wesfarmers Limited ("Senior Managers").

1 REMUNERATION POLICIES

The remuneration policies of Wesfarmers are directed at attracting, motivating and retaining quality people. Key principles in developing the remuneration structure and levels are: creation of shareholder value; market competitiveness; and recognition of individual performance.

Alignment with these principles is achieved through a variable pay structure. Annual incentives are heavily weighted to return on capital and earnings before interest and tax measures, and long term incentives have a return on equity hurdle. These are the key measures that Wesfarmers uses at a business unit and corporate level to assess the achievement of the company's corporate objective of providing a satisfactory return to shareholders.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

1 REMUNERATION POLICIES (continued)

In the opinion of the directors the company's remuneration policies have contributed to the company's success in creating shareholder value in 2004/05 and the previous four financial years, as demonstrated by the following table which tracks key measures of earnings and total shareholder returns.

	2005	2004	2003	2002	2001
Dividends ($)	**1.80**	1.40	1.27	1.11	0.87
Closing share price ($ as at 30 June)	**40.01**	29.40	25.30	27.20	27.11
Earnings per share before goodwill amortisation (cents)	**187.8**	174.2*	150.7#	138.2	96.2
Net profit after tax attributable to members ($ million)	**618**	569*	482#	414	251
Return on average shareholders' equity (%)	**19.3**	16.1*	13.5#	16.6	17.8
Capital returns ($ per share)	**1.00**	2.50	-	-	-

* excluding the sale of Landmark
# excluding the sale of Girrah

2 NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration policies for the company including, in particular, those governing the directors, the group Managing Director, Executive Directors and Senior Managers. The Nomination and Remuneration Committee seeks independent advice in setting the structure and levels of remuneration.

3 NON-EXECUTIVE DIRECTORS

The company's Non-executive Directors receive fees (including statutory superannuation) for their services plus the reimbursement of reasonable expenses. The fees paid to Non-executive Directors reflect the demands on and responsibilities of those directors. The advice of independent remuneration consultants is taken to ensure that the directors' fees are in line with market levels. Non-executive Directors do not receive any shares, options or other securities as part of their remuneration nor are they eligible to participate in the company's employee share plan or any other incentive plan. They do not receive any retirement benefits other than statutory superannuation.

The Board aims to set the aggregate remuneration at a level which provides the ability for Wesfarmers to attract and retain highly competent directors. The aggregate remuneration level is determined from time to time by shareholders in general meeting, in accordance with the company's Constitution. The aggregate amount is then apportioned between the directors as agreed, taking into account market comparisons provided by independent remuneration consultants. An aggregate remuneration limit, for Non-executive Directors of Wesfarmers Limited, of $2.25 million was approved by shareholders at the annual general meeting in November 2004 of which $1.67 million is currently committed.

The Chairman is paid $408,900 (2004: $346,500) per annum and other Non-executive Directors receive $136,300 (2004: $115,500) per annum each. The Chairman of the Audit Committee receives an additional $40,000 (2004: $40,000) and each of the other Audit Committee members receives an additional $20,000 (2004: $20,000). The Chairman of the Nomination and Remuneration Committee receives an additional $20,000 (2004: $20,000) and each of the other members of this committee receives an additional $10,000 (2004: $10,000). Mr J P Graham also receives separate fees, totalling $60,000, for services provided as a director of Wesfarmers Federation Insurance Limited and Lumley General Insurance Limited.

Remuneration of Non-executive Directors for the period ended 30 June 2005 is detailed in Table 3 on pages 108 and 109.

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SPECIFIED EXECUTIVES

The remuneration structure for Executive Directors and Specified Executives has three main components: fixed annual remuneration ("FAR"); annual incentive; and long term incentive. A retention incentive may also be provided, payable only on termination of employment.

4.1 Fixed annual remuneration

The base component of remuneration for Executive Directors and Specified Executives is FAR. They may elect to have a combination of benefits, including superannuation, company-paid travel and the provision of a motor vehicle, provided out of their FAR. The value of any of the non-cash benefits provided to them includes the costs of any fringe benefits tax payable by the company as a result of providing the benefit. The amount of FAR for each Executive Director and Specified Executive is approved annually by the Board with consideration given to business and individual performance and market relativity.

FAR includes the minimum superannuation contribution required by law and in 2004/05 this amount was paid into the Wesfarmers Superannuation Fund. Executive Directors and Specified Executives may choose to have the company contribute beyond the minimum level, by sacrificing part of their FAR. A compulsory minimum level of life insurance is set for Wesfarmers Superannuation Fund members, with the premiums being deducted from members' superannuation fund accounts.

4.2 Annual incentive

The annual incentive is linked to group and individual business unit financial and operational performance. All Executive Directors and Specified Executives (other than the group Managing Director), are invited to participate in an annual incentive scheme which provides cash incentives where specified criteria are met. These include annual profit and return on capital targets, individual goals and where appropriate, safety targets for business operations for which they are responsible. These measures were chosen because of their impact on return on equity ("ROE"), which is a key group measure of annual achievement of satisfactory return to shareholders. Executive Directors and Specified Executives are rewarded for the performance of both the business they manage and the group as a whole. The specific measures and weightings vary for Executive Directors and Specified Executives within the following ranges:

MEASURES	WEIGHTING
Financial	50% to 70%
• Group net profit after tax	
• Divisional earnings before interest, tax and goodwill amortisation	
• Divisional return on capital before goodwill amortisation	
Non-financial	30% to 50%
• Safety measures	
• Discretionary	
Total	100%

Financial targets are set so that participants receive a nil payment at 92.5 per cent of budget performance, increasing on a pro rata basis to two-thirds of the maximum for achieving 100 per cent of budget and a maximum payment for achieving 110 per cent or more of budget. The annual divisional and group budgets are subject to Board approval. The target for safety measures, such as lost time injury frequency rate ("LTIFR") is normally set so that a 50 per cent improvement on the previous year provides half of the maximum payment. For divisions and businesses with low LTIFR, incentives may be paid for maintaining that performance.

Subject to reaching the minimum performance measures and hurdles, a cash payment totalling between 0 per cent and 60 per cent of the executive's FAR is made. Incentive payments are determined after the preparation of the financial statements each year and a review of performance against non-financial measures by the group Managing Director.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SPECIFIED EXECUTIVES (continued)

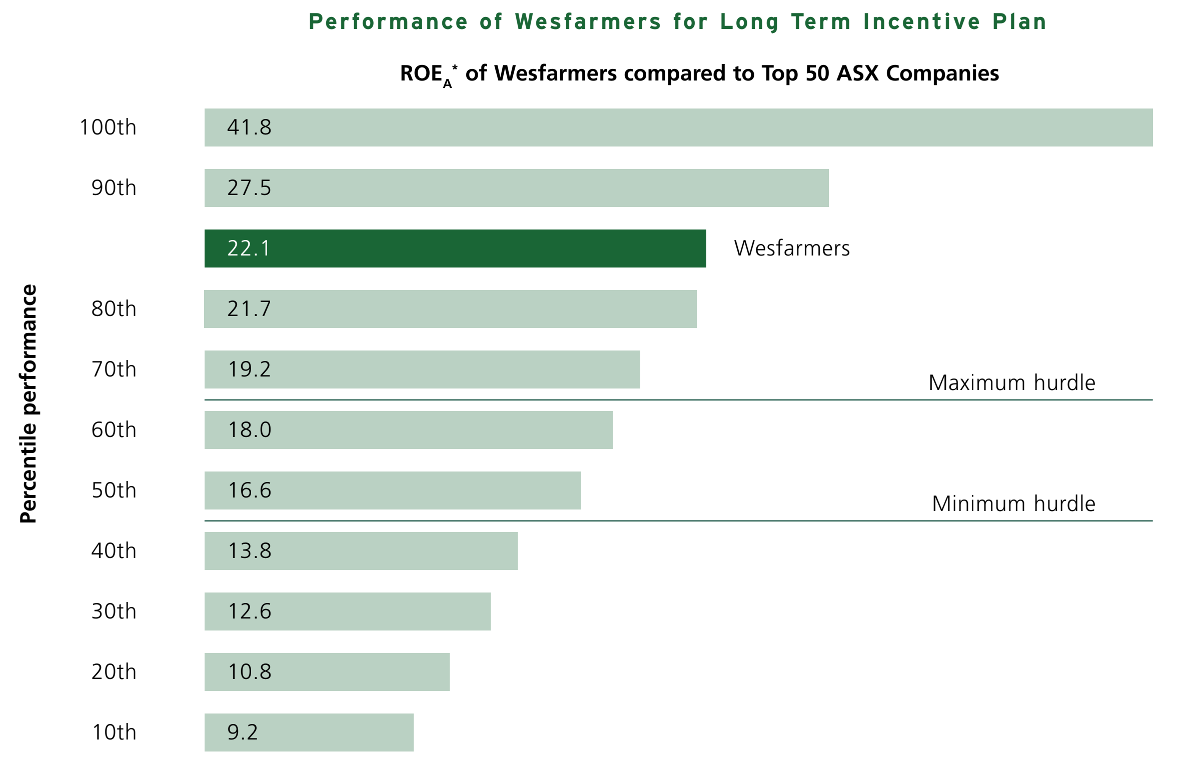
4.3 Long term incentive for 2004/05

Executive Directors and Specified Executives are invited to participate in the Wesfarmers Long Term Incentive Plan ("WLTIP") under which the participants receive shares in the company. The WLTIP provides for the award of shares with a three-year trading lock on each award, designed to foster long term alignment of performance with the corporate objective of providing a satisfactory return to shareholders. Arrangements for Executive Directors will change for 2005/06 as described in paragraph 4.4 on the following page.

WLTIP awards may be made annually. The WLTIP provides for up to 50 per cent of FAR to be awarded if a hurdle is achieved. The hurdle is reviewed annually by the Board and currently requires the Wesfarmers group's ROE to be above the 60th percentile ROE of a comparative group of companies in the previous financial year. No incentive is payable if the group's ROE is below the 40th percentile and payments are increased pro rata between the 40th and 60th percentiles. ROE was chosen as the measure because it is the key group measure of achievement of satisfactory return to shareholders. In 2004/05 the hurdle for a maximum incentive was achieved, and this will be provided in the form of a tax-deferred award of Wesfarmers shares at market price.

The comparative group used in the calculation of the WLTIP is the 50 largest companies by market capitalisation in the Standard & Poor's ASX 100 Index, as at 30 June for the relevant year. Incentive awards are determined after the preparation of the financial statements each year. Awards are made once the financial performance has been verified by the company's external auditor and approved by the Board. Wesfarmers' 2004/05 performance relative to the performance of the comparative group for 2003/04 is illustrated in Table 1 below.

Table 1



*Return on equity (before goodwill amortisation).

4 REMUNERATION OF EXECUTIVE DIRECTORS AND SPECIFIED EXECUTIVES (continued)

4.4 *Executive Directors' long term incentive in 2005/06*

From July 2005 the amount of the long term incentive award provided for participation in the WLTIP for the Executive Directors will be determined on a different basis to that outlined above. The award will be based on the achievement of long term increases in shareholder wealth, which will be measured by a combination of net cash flows to shareholders and the change in shareholders' equity each year, subject to the company having an efficient level of gearing. A proportion of the pool created will be provided annually to each Executive Director to purchase shares under the rules of the WLTIP. Each Executive Director will receive up to 70 per cent of their respective pool funds each year, with the balance at the end of each year carried forward.

The award of shares will be capped at two times FAR, except in the year that the Executive Director's employment terminates, in which case the cap is four times FAR and that final award is provided as a gross cash payment. Given good performance the amount available annually under the incentive plan could be expected to be of a similar order of magnitude to each Executive Director's FAR. The WLTIP provides that at no time can this amount exceed twice the value of the FAR, except in the final year of the contract when it may not exceed four times FAR.

4.5 *At risk remuneration*

The proportion of at risk remuneration for each Executive Director and Specified Executive in 2004/05 was 52.4 per cent of their maximum remuneration, being the sum of FAR, maximum short term incentive and maximum long term incentive.

4.6 *Retention incentive*

Each Executive Director and Specified Executive is entitled to a retention incentive which accrues over the first five years of their employment contract and is payable on termination. This incentive is important to the retention strategy for key executives. The amount is determined by multiplying the payout factor by the total target remuneration at the time of termination. The payout factor increases proportionately from 0.2 after one year to 1.0 after five years. If the company initiates the termination, other than for reasons related to serious misconduct, the payout factor is 1.0. Total target remuneration means FAR plus target annual incentive (40 per cent of FAR) and target long term incentive (50 per cent of FAR). The amounts that would have been payable to the recipients (if those arrangements had applied for 2004/05) under these arrangements at 30 June 2005 total, in aggregate, $7.1 million (2004: $5.2 million). The increase in the accrued expense for the year is disclosed under "Post Employment: Other Benefits" in Table 3 on page 109.

Following Mr Goyder's appointment as group Managing Director his retention incentive is calculated on the basis described at paragraph 6.3.4.

5 REMUNERATION OF SENIOR MANAGERS

The remuneration structure for Senior Managers also has three main components: FAR; annual incentive; and long term incentive.

5.1 *Fixed annual remuneration*

The base component of remuneration for Senior Managers is FAR. They may elect to have a combination of benefits, including superannuation and the provision of a motor vehicle, provided out of their FAR. The value of any of the non-cash benefits provided to them includes the costs of any fringe benefits tax payable by the company as a result of providing the benefit. The amount of FAR is approved for Senior Managers annually by the group Managing Director with consideration given to business and individual performance and market relativity.

FAR includes the minimum superannuation contribution required by law and this amount was paid into the Wesfarmers Superannuation Fund. Senior Managers may choose to have the company contribute beyond the minimum level, by sacrificing part of their FAR. A compulsory minimum level of life insurance is set for Wesfarmers Superannuation Fund members, with the premiums being deducted from members' superannuation fund accounts.

5.2 *Annual incentive*

The annual incentive is linked to group and individual business unit financial and operational performance. All Senior Managers are invited to participate in an annual incentive scheme which provides cash incentives where specified criteria are met; these include annual profit and return on capital targets, individual goals and, where appropriate, safety targets for business operations under their control. These measures were chosen because of their impact on ROE, which is a key group measure of annual achievement of satisfactory return to shareholders. Senior Managers are rewarded for the performance of both the business they manage and the group as a whole. The specific measures and weightings vary for Senior Managers within the following ranges:

MEASURES	WEIGHTING
Financial	50% to 70%
• Group net profit after tax	
• Divisional earnings before interest, tax and goodwill amortisation	
• Divisional return on capital before goodwill amortisation	
Non-financial	30% to 50%
• Safety measures	
• Discretionary	
Total	100%

5 REMUNERATION OF SENIOR MANAGERS (continued)

5.2 Annual incentive (continued)

Financial targets are set so that participants receive a nil payment at 92.5 per cent of budget performance, increasing on a pro rata basis to half of the maximum for achieving 100 per cent of budget and a maximum payment for achieving 110 per cent or more of budget. The annual divisional and group budgets are subject to Board approval. The target for safety measures, such as LTIFR is normally set so that a 50 per cent improvement on the previous year provides half of the maximum payment. For divisions and businesses with a low LTIFR, incentives may be paid for maintaining that performance.

Subject to reaching the minimum performance measures and hurdles and depending upon the seniority of the manager, a cash payment totalling between 0 per cent and 40 per cent of the executive's FAR is made. Incentive payments are determined after the preparation of the financial statements each year, and performance against non-financial measures is reviewed, and subject to approval by the appropriate business unit managing director or executive director.

5.3 Long term incentive

Senior Managers are invited to participate in the WLTIP under which the participants receive shares in the company. The WLTIP provides for the award of shares with a three-year trading lock on each award, designed to foster long term alignment of performance with the corporate objective of providing a satisfactory return to shareholders.

WLTIP awards may be made annually. They have a value up to a fixed amount based on the seniority of the role, if a hurdle is achieved. The hurdle requires the Wesfarmers group's ROE to be above the 60th percentile ROE of a comparative group of companies in the previous financial year. No incentive is payable if the group's ROE is below the 40th percentile and payments are increased pro-rata between the 40th and 60th percentiles. ROE was chosen as the measure because it is the key group measure of achievement of satisfactory return to shareholders. In 2004/05 the hurdle for a maximum incentive was achieved, and this will be provided in the form of a tax-deferred award of Wesfarmers shares at market price.

The comparative group used in the calculation of the WLTIP is the 50 largest companies by market capitalisation in the Standard & Poor's ASX 100 Index, as at 30 June for the relevant year. Incentive awards are determined after the preparation of the financial statements each year. Awards are made once the financial performance has been verified by the company's external auditor and approved by the Board. Wesfarmers' 2004/05 performance relative to the performance of the comparative group for 2003/04 is illustrated in Table 1 on page 104.

6 EMPLOYMENT CONTRACTS

6.1 Executive Directors and Specified Executives

A summary of the key employment contract terms for the Executive Directors and the Specified Executives is provided in Table 2 below. The Executive Directors and the Specified Executives are employed by Wesfarmers Limited. Details of the employment contracts of Mr M A Chaney and Mr R J B Goyder are disclosed separately on the following page.

Table 2

TERM	NOTICE PERIOD	TERMINATION PROVISIONS
• Employment contracts do not have a specified term.	• Three months' notice of termination must be provided by either party. In the event of redundancy, the company must provide six months' notice. • The company may terminate immediately for issues related to serious misconduct.	• A retention incentive of up to one times total target remuneration may be made as described at paragraph 4.6. • No further payment is provided in the event of redundancy.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

6 EMPLOYMENT CONTRACTS (continued)

6.2 Group Managing Director's remuneration - Mr M A Chaney (retired 12 July 2005)

Mr Chaney retired as group Managing Director and Chief Executive Officer on 12 July 2005. He initially entered into a 10 year contract upon his appointment in 1992.

6.2.1 Remuneration

His remuneration comprised a salary and allowances package supplemented by incentive plans.

Prior to the tenth anniversary of his contract on 30 June 2002, Mr Chaney and the Board agreed terms for an extension of the contract to 30 June 2005. These terms included a contract extension payment of $2 million per annum, plus an additional amount up to $500,000 per annum, dependent on an earnings per share growth hurdle being met after the financial year ended 30 June 2002. Mr Chaney also participated in a long term cash incentive plan.

Under Mr Chaney's long term incentive plan, he was entitled, subject to the group exceeding a ROE hurdle, to incentive payments calculated on the basis of increases in the shareholders' equity of the group and ROE. The payments accrued in a pool whereby each year Mr Chaney was entitled to draw on a specified portion of the funds.

As a result of the significant growth in the company in recent years, in particular following the takeover of Howard Smith Limited, the payments due to Mr Chaney under this component of his incentive plan would have risen to levels beyond those originally envisaged for excellent performance. As a result, Mr Chaney offered to cap such payments at $2 million per annum for the financial years ended 30 June 2003, 2004 and 2005. For the financial year ended 30 June 2005, the cap applied and Mr Chaney's cash incentive payment was $2 million.

Mr Chaney also participated in the long term incentive plan for Senior Executives referred to in section 4.3. Under the terms of the plan, for the financial year ended 30 June 2005 no long term incentive was payable, as his employment contract ceased prior to the payment period.

6.2.2 Termination benefit

As reported in the 2004 Annual Report Mr Chaney had accrued a termination benefit under his employment contract which amounted to $5.3 million. In addition, he was eligible to purchase his motor vehicle at written down value on termination, which was a gross benefit of $75,000 to Mr Chaney.

6.3 New group Managing Director's contract – Mr R J B Goyder (appointed 13 July 2005)

Mr Goyder was appointed group Managing Director and Chief Executive Officer on 13 July 2005. Key features of Mr Goyder's employment contract, details of which were contained in an ASX announcement on 12 July 2005, include:

6.3.1 Term

The contract commenced on 13 July 2005 and continues until either party terminates the contract.

6.3.2 Termination

The contract may be terminated by either party with 12 months' notice, or immediately by the company in the event of issues related to serious misconduct, breach of contract, bankruptcy or mental incapacity.

6.3.3 Remuneration

The remuneration comprises two components: FAR and long term incentive. It has no fixed term and contains no short term incentive component as the Board is of the view that the Chief Executive Officer should be judged and rewarded based on performance over an extended period.

6.3.3.1 Fixed annual remuneration

The commencing FAR is $2.25 million and will be reviewed annually by the Board.

From this amount, the minimum statutory superannuation amount is deducted, and Mr Goyder may choose to salary sacrifice for additional superannuation, motor vehicle and other benefits.

6.3.3.2 Long term incentive

An explanation of Mr Goyder's long term incentive is provided above in sections 4.3 (for 2004/05) and 4.4 (for 2005/06).

6.3.4 Termination benefit

Mr Goyder's entitlement to a retention incentive under his previous contract with the company has been incorporated into a service payment in the new contract which will provide one year's FAR on cessation other than for reasons of serious misconduct or other grounds specified in the contract.

No other amount is payable on termination, other than pay in lieu of notice, in the event that the company does not wish for Mr Goyder to work out the required notice period.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION

The following tables provide full details of remuneration provided to Executive and Non-executive Directors and Specified Executives of Wesfarmers Limited for the financial year ended 30 June 2005.

Table 3

DIRECTORS

SPECIFIED DIRECTORS (EXECUTIVE AND NON-EXECUTIVE DIRECTORS)	YEAR	PRIMARY			
		SALARY AND FEES $000	CASH BONUS (ANNUAL INCENTIVE) $000	LONG TERM INCENTIVE $000	NON-MONETARY BENEFITS $000
C B Carter	**2005**	**125**	**-**	**-**	**-**
Director (non-executive)	2004	116	-	-	-
M A Chaney	**2005**	**1,292**	**-**	**2,046**	**208**
Managing Director and Chief Executive Officer (retired 12 July 2005)	2004	1,216	-	2,655	189
P A Cross	**2005**	**124**	**-**	**-**	**-**
Director (non-executive)	2004	115	-	-	-
T R Eastwood	**2005**	**367**	**-**	**-**	**-**
Chairman (non-executive)	2004	337	-	-	-
T J Flügge	**2005**	**142**	**-**	**-**	**-**
Director (non-executive)	2004	131	-	-	-
L A Giglia	**2005**	**98**	**-**	**-**	**-**
Director (non-executive)	2004	78	-	-	-
R J B Goyder	**2005**	**773**	**386**	**-**	**87**
Managing Director and Chief Executive Officer (appointed 13 July 2005 previously Deputy Managing Director and Chief Financial Officer)	2004	566	413	-	88
J P Graham	**2005**	**206**	**-**	**-**	**-**
Director (non-executive)	2004	167	-	-	-
R D Lester	**2005**	**133**	**-**	**-**	**-**
Director (non-executive)	2004	119	-	-	-
C Macek	**2005**	**135**	**-**	**-**	**-**
Director (non-executive)	2004	120	-	-	-
D A Robb(4)	**2005**	**656**	**323**	**-**	**65**
Managing Director, energy division (appointed as an Executive Director on 6 July 2004)					
G T Tilbrook(5)	**2005**	**895**	**302**	**-**	**95**
Finance Director (appointed 13 July 2005, previously Executive Director, Business Development)	2004	509	413	-	99
D C White	**2005**	**118**	**-**	**-**	**-**
Director (non-executive)	2004	106	-	-	-
Total remuneration -	**2005**	**5,064**	**1,011**	**2,046**	**455**
Specified Directors (Executive and Non-executive Directors)	2004	3,580	826	2,655	376

All Specified Directors have held their position for the entire reporting period unless otherwise indicated above.

(1) This is the proportion by which the accrual of the Retention Incentive described at paragraph 4.6 increased during the year.

(2) Shares which will be awarded to Messrs Goyder, Tilbrook and Robb under the 2005 WLTIP will be expensed over the vesting period, commencing after the end of the 2004/05 financial year. Consequently no amount is shown for 'Equity: Long Term Incentive' in 2005, which is why the total remuneration for Mr Robb and Mr Tilbrook has decreased from 2004 to 2005.

(3) 'Other' benefits include contract extension amounts payable to the Managing Director and Chief Executive Officer (Mr Chaney), and amounts paid in respect of indemnity insurance premiums.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION (continued)

POST EMPLOYMENT		EQUITY	OTHER		TOTAL
SUPERANNUATION BENEFITS	OTHER BENEFITS(1)	LONG TERM INCENTIVE(2)	TERMINATION BENEFITS	OTHER(3)	
$000	$000	$000	$000	$000	$000
12	**-**	**-**	**-**	**8**	**145**
11	-	-	-	9	136
-	**75**	**-**	**-**	**2,508**	**6,129**
-	170	-	-	2,509	6,739
14	**-**	**-**	**-**	**8**	**146**
12	-	-	-	9	136
36	**-**	**-**	**-**	**8**	**411**
32	-	-	-	9	378
16	**-**	**-**	**-**	**8**	**166**
14	-	-	-	9	154
39	**-**	**-**	**-**	**8**	**145**
49	-	-	-	9	136
39	**475**	**-**	**-**	**8**	**1,768**
39	-	350	-	9	1,465
-	**-**	**-**	**-**	**8**	**214**
-	-	-	-	9	176
15	**-**	**-**	**-**	**8**	**156**
13	-	-	-	9	141
13	**-**	**-**	**-**	**8**	**156**
12	-	-	-	9	141
11	**80**	**-**	**-**	**8**	**1,143**
38	**80**	**-**	**-**	**8**	**1,418**
75	-	350	-	9	1,455
50	**-**	**-**	**-**	**8**	**176**
43	-	-	-	9	158
283	**710**	**-**	**-**	**2,604**	**12,173**
300	170	700	-	2,608	11,215

(4) Mr D A Robb - the following amounts included in the total remuneration for Mr Robb relate to income as a 'Specified Executive', prior to his appointment as an Executive Director:

Primary: $7,891, Post Employment: $1,053, Equity: $0, Other: $88 Total: $9,032.

(5) Mr G T Tilbrook - 'Salary and Fees' include the sum of $285,384 in lieu of 100 days of annual leave.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION (continued)

Table 4

SPECIFIED EXECUTIVES

		PRIMARY			
	YEAR	SALARY AND FEES $000	CASH BONUS (ANNUAL INCENTIVE) $000	LONG TERM INCENTIVE $000	NON-MONETARY BENEFITS $000
M C Allison(4) Managing Director Rural services division (ceased employment on 29 August 2003)	2004	97	-	-	36
R J Buckley	**2005**	**438**	**240**	**3**	**72**
Managing Director Insurance division	2004	338	293	-	60
P J C Davis	**2005**	**569**	**140**	**-**	**31**
Chief Operating Officer Hardware division (appointed 10 August 2004, previously Managing Director, Hardware division)	2004	510	287	-	37
R M Denby(5)	**2005**	**504**	**86**	**64**	**64**
Managing Director Industrial and safety division	2004	474	185	288	64
J C Gillam(6)	**2005**	**594**	**250**	**-**	**128**
Managing Director Hardware division (appointed 10 August 2004, previously Managing Director Chemicals and fertilisers division)	2004	363	261	-	72
K D Gordon(4)	**2005**	**328**	**177**	**8**	**59**
Managing Director Chemicals and fertilisers division (appointed 10 August 2004)					
D A Robb Managing Director Energy division (appointed as an Executive Director on 6 July 2004)	2004	597	412	-	75
Total remuneration –	**2005**	**2,433**	**893**	**75**	**354**
Specified Executives	2004	2,379	1,438	288	344

The remuneration of Specified Executives includes amounts provided in 2003/04 to Specified Executives who have ceased employment with the company. All Specified Executives have held their position for the entire reporting period unless otherwise indicated above.

(1) This is the proportion by which the accrual of the retention incentive described at paragraph 4.6 increased during the year.

(2) Shares which will be awarded under the 2005 WLTIP will be expensed over the vesting period, commencing after the end of the 2004/05 financial year. Consequently no amount is shown for 'Equity: Long Term Incentive' in 2005, which is the reason why the total remuneration for some Specified Executives decreased from 2004 to 2005.

(3) 'Other' benefits include amounts paid in respect of indemnity insurance premiums.

DIRECTORS' REPORT

Wesfarmers Limited and its controlled entities

7 DETAILS OF REMUNERATION (continued)

POST EMPLOYMENT		EQUITY	OTHER		TOTAL
SUPERANNUATION BENEFITS	OTHER BENEFITS(1)	LONG TERM INCENTIVE(2)	TERMINATION BENEFITS	OTHER(3)	
$000	$000	$000	$000	$000	$000
10	-	-	981	2	1,126
24	**223**	**-**	**-**	**8**	**1,008**
86	169	247	-	9	1,202
21	**251**	**-**	**-**	**8**	**1,020**
43	228	300	-	9	1,414
32	**241**	**-**	**-**	**8**	**999**
31	219	-	-	9	1,270
37	**389**	**70**	**-**	**8**	**1,476**
44	186	245	-	9	1,180
35	**157**	**-**	**-**	**7**	**771**
11	-	350	-	9	1,454
149	**1,261**	**70**	**-**	**39**	**5,274**
225	802	1,142	981	47	7,646

(4) Only remuneration received during the period in which the employee acted as a Specified Executive has been included in the disclosure.

(5) An amount of $288,000 was shown against 'Equity: Long Term Incentive' for Mr Denby in the 2004 annual report. This value has been transferred to 'Primary: Long Term Incentive' in 2004 as a share loan repayment was made instead of a share purchase.

(6) The 'Equity: Long Term Incentive' provided to Mr Gillam in 2004 was higher than the amount accrued in the 2003/04 year by $70,000 and this figure has been included in his 2005 disclosure. Mr Gillam also received a total of $112,651 in cash and housing assistance during the year following his relocation to Melbourne.

8 INDEPENDENT AUDIT OF REMUNERATION REPORT

Required disclosures pursuant to AASB 1046: Director and Executive Disclosures by Disclosing Entities, included in sections 3, 4 (excluding Table 1), 6 and 7 to this Remuneration Report have been audited by Ernst & Young.

This Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.

T R Eastwood
CHAIRMAN
Perth, 6 September 2005

R J B Goyder
MANAGING DIRECTOR

DIRECTORS' DECLARATION

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:
   (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2005.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group comprising the company and the controlled entities marked "+" as identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee referred to in note 28.

On behalf of the Board

T Eastwood

T R Eastwood

CHAIRMAN

Perth, 6 September 2005

Richard Goyder

R J B Goyder

MANAGING DIRECTOR

INDEPENDENT AUDIT REPORT

to members of Wesfarmers Limited

SCOPE

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Wesfarmers Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information regarding the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "Remuneration Report" in sections 3, 4, 6 and 7 on pages 101 to 111 forming part of the Directors' Report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the Directors' Report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard 1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company and the consolidated entity, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion:

1. the financial report of Wesfarmers Limited is in accordance with:
   (a) the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position of Wesfarmers Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
   (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in sections 3, 4, 6 and 7 on pages 101 to 111 forming part of the Directors' Report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Ernst & Young

G H Meyerowitz
PARTNER
Perth, 6 September 2005

SHAREHOLDER INFORMATION

Wesfarmers Limited and its controlled entities

SUBSTANTIAL SHAREHOLDERS

Substantial shareholder details as declared in substantial shareholding notices received to 6 September 2005 were:

HOLDERS OF RELEVANT INTEREST	NUMBER OF ORDINARY SHARES IN WHICH INTEREST HELD
The Capital Group Companies, Inc.	26,865,671

VOTING RIGHTS

Ordinary fully-paid shares, carry voting rights of one vote per share.

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

SIZE OF HOLDINGS			NUMBER OF ORDINARY SHAREHOLDERS
1	-	1,000	87,621
1,001	-	5,000	32,489
5,001	-	10,000	4,346
10,001	-	100,000	2,739
100,001	-	and over	130
			127,325

There were 610 holders holding less than a marketable parcel of ordinary shares.

Less than two per cent of shareholders have registered addresses outside Australia.

SHAREHOLDER INFORMATION

Wesfarmers Limited and its controlled entities

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders of ordinary shares on the company's register as at 6 September 2005 were:

NAME	NUMBER OF SHARES	% OF ISSUED CAPITAL(*)
J P Morgan Nominees Australia Limited	44,130,814	11.7
National Nominees Limited	32,512,572	8.6
Westpac Custodian Nominees Limited	25,736,088	6.9
ANZ Nominees Limited (Cash Income A/C)	10,408,470	2.8
Citicorp Nominees Pty Limited	6,873,872	1.8
Queensland Investment Corporation	6,544,210	1.7
Australian Foundation Investment Company Limited	4,905,928	1.3
Cogent Nominees Pty Limited	3,424,065	0.9
AMP Life Limited	2,991,392	0.8
HSBC Custody Nominees (Australia) Limited	2,890,722	0.8
Argo Investments Limited	2,438,293	0.6
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund A/C)	2,070,899	0.5
Australian Executor Trustees Limited	1,418,420	0.4
Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	1,375,137	0.4
Perpetual Trustee Company Limited	1,308,742	0.3
Milton Corporation Limited	1,168,242	0.3
Cogent Nominees Pty Limited (SMP Accounts)	1,094,103	0.3
Citicorp Nominees Pty Limited (CFS WSLE Geared Share Fund A/C)	896,992	0.2
RBC Global Services Australia Nominees Pty Limited (MLCI A/C)	886,327	0.2
Government Superannuation Office (A/C State Super Fund)	732,879	0.2

* The percentage holding of the twenty largest shareholders was 40.7.

FIVE YEAR FINANCIAL HISTORY

Wesfarmers Limited and its controlled entities

(All figures in $ millions unless shown otherwise)

	2005	2004	2003	2002	2001
Summarised statement of financial performance					
Sales revenue	**8,047**	7,441	7,426	7,193	4,243
Other operating revenue	**143**	966	327	193	146
Operating revenue	**8,190**	8,407	7,753	7,386	4,389
Operating profit before depreciation, net interest paid and income tax	**1, 226**	1,562	1,146	976	588
Depreciation and amortisation (excluding goodwill)	**(187)**	(194)	(206)	(213)	(154)
Net interest paid	**(69)**	(50)	(65)	(77)	(54)
Income tax expense	**(261)**	(364)	(251)	(193)	(118)
	709	954	624	493	262
Outside equity interests	**(1)**	5	-	-	(1)
Operating profit after income tax before goodwill amortisation	**708**	959	624	493	261
Goodwill amortisation	**(90)**	(86)	(86)	(79)	(10)
Operating profit after income tax attributable to members of Wesfarmers Limited	**618**	873	538	414	251
Capital and dividends					
Ordinary shares on issue (number of millions)	**378**	376	377	372	282
Paid up ordinary capital	**2,015**	2,346	3,159	3,027	1,234
Ordinary dividends in respect of year	**680**	527	480	413	245
Dividend per ordinary share	**180.0c**	140.0c	127.0c	111.0c	87.0c
Percentage franked	**100%**	100%	100%	100%	100%
Financial performance					
Before goodwill amortisation					
Earnings per ordinary share (weighted average)	**187.8c**	255.1c	165.7c	138.2c	96.2c
After goodwill amortisation					
Earnings per ordinary share (weighted average)	**163.9c**	232.4c	142.9c	116.0c	92.4c
Return on average ordinary shareholders' funds	**19.3%**	24.6%	15.0%	16.6%	17.8%
Net interest cover – profit basis (times)	**13.8**	25.4	13.1	8.9	7.9
Net interest cover – cash basis (times)	**17.8**	30.9	17.6	12.7	10.9
Income tax expense (effective rate)	**29.7%**	29.5%	31.8%	31.8%	32.0%
Financial position as at 30 June					
Total assets	**7,314**	7,271	6,418	6,613	4,004
Total liabilities	**4,233**	(3,941)	(2,653)	(3,203)	(2,386)
Net assets	**3,081**	3,330	3,765	3,410	1,618
Outside equity interests in controlled entities	**2**	2	(7)	(10)	(24)
Shareholders' equity attributable to members of Wesfarmers Limited	**3,083**	3,332	3,758	3,400	1,594
Net tangible asset backing per ordinary share	**$4.51**	$4.94	$5.95	$4.83	$4.61
Net financial debt to net tangible assets	**100.9%**	81.5%	39.7%	73.2%	77.6%
Net financial debt to equity	**55.8%**	45.5%	23.7%	38.8%	63.4%
Total external liabilities/total assets*	**57.9%**	54.2%	40.3%	47.3%	57.9%
Stock market capitalisation as at 30 June	**15,125**	11,065	9,526	10,126	7,638

*Excluding project financing

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