

Financial statements

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Income statement

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2010 \$m	Restated ¹ 2009 \$m
REVENUE			
Sale of goods		49,865	49,023
Rendering of services		1,620	1,618
Interest – other		149	146
Other		193	195
		51,827	50,982
EXPENSES			
Raw materials and inventory		(34,411)	(33,735)
Employee benefits expense	4	(6,828)	(6,535)
Net insurance claims, reinsurance and commissions		(1,165)	(1,203)
Freight and other related expenses		(822)	(802)
Occupancy-related expenses	4	(2,077)	(2,008)
Depreciation and amortisation	4	(917)	(856)
Other expenses	4	(2,982)	(3,015)
		(49,202)	(48,154)
Other income	4	149	169
Finance costs	4	(654)	(951)
Share of profits/(losses) of associates	14	95	(50)
Profit before income tax		2,215	1,996
Income tax expense	5	(650)	(474)
Profit attributable to members of the parent		1,565	1,522
Earnings per share (cents per share)	6		
– basic for profit for the period attributable to ordinary (including partially protected) equity holders of the parent		135.7	158.5
– diluted for profit for the period attributable to ordinary (including partially protected) equity holders of the parent		135.5	158.2

¹ The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of the income statement, and notes to the restated amounts.

Statement of comprehensive income

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED	
		2010 \$m	Restated ¹ 2009 \$m
Profit attributable to members of the parent		1,565	1,522
Other comprehensive income			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		(32)	(10)
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		3	(3)
Tax effect		(1)	1
Cash flow hedge reserve			
Unrealised losses on cash flow hedges		(41)	(863)
Realised losses transferred to net profit		150	331
Realised losses/(gains) transferred to non-financial assets		169	(276)
Ineffective hedge losses transferred to net profit		51	140
Tax effect		(99)	200
Retained earnings			
Actuarial loss on defined benefit plan	24	–	(59)
Tax effect	24	–	18
Other comprehensive income/(loss) for the period net of tax		200	(521)
Total comprehensive income for the period, net of tax, attributable to members of the parent		1,765	1,001

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of profit attributable to members of the parent.

Balance sheet

as at 30 June 2010 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED		
	Note	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
ASSETS				
Current assets				
Cash and cash equivalents	8	1,640	2,124	725
Trade and other receivables	9	2,086	1,893	2,022
Inventories	10	4,658	4,665	4,634
Derivatives	27	75	38	138
Investments backing insurance contracts	11	1,065	1,003	871
Other	12	150	221	211
Total current assets		9,674	9,944	8,601
Non-current assets				
Receivables	9	220	211	135
Available-for-sale investments	13	19	18	36
Investment in associates	14	468	392	465
Deferred tax assets	5	608	766	485
Property, plant and equipment	15	7,542	6,912	6,362
Intangible assets	16	4,328	4,365	4,408
Goodwill	16	16,206	16,273	16,269
Derivatives	27	127	147	149
Other	17	44	34	61
Total non-current assets		29,562	29,118	28,370
Total assets		39,236	39,062	36,971
LIABILITIES				
Current liabilities				
Trade and other payables	18	4,603	4,054	3,909
Interest-bearing loans and borrowings	19	304	634	1,261
Income tax payable		167	27	106
Provisions	20	1,176	1,066	1,083
Insurance liabilities	21	1,307	1,198	1,137
Derivatives	27	107	413	53
Other	22	188	169	176
Total current liabilities		7,852	7,561	7,725
Non-current liabilities				
Payables	18	9	3	25
Interest-bearing loans and borrowings	19	5,049	5,535	8,256
Provisions	20	1,070	1,042	922
Insurance liabilities	21	408	503	340
Derivatives	27	138	153	89
Other	22	16	17	7
Total non-current liabilities		6,690	7,253	9,639
Total liabilities		14,542	14,814	17,364
Net assets		24,694	24,248	19,607
EQUITY				
Equity attributable to equity holders of the parent				
Contributed equity	23	23,286	23,286	18,173
Employee reserved shares	23	(51)	(62)	(76)
Retained earnings	24	1,414	1,179	1,185
Reserves	25	45	(155)	325
Total equity		24,694	24,248	19,607

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of consolidated property, plant and equipment, payables, other liabilities, inventories, deferred tax assets and retained earnings. In accordance with AASB 101.39, a third consolidated balance sheet and notes to the restated amounts have been presented.

Cash flow statement

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED	
	Note	2010 \$m	2009 \$m
Cash flows from operating activities			
Receipts from customers		55,528	54,169
Payments to suppliers and employees		(51,299)	(49,909)
Dividends and distributions received from associates		19	51
Interest received		145	147
Borrowing costs		(616)	(816)
Income tax paid		(450)	(598)
Net cash flows from operating activities	8	3,327	3,044
Cash flows from investing activities			
Net acquisition of insurance deposits		(62)	(132)
Purchase of property, plant and equipment and intangibles	15	(1,656)	(1,503)
Proceeds from sale of property, plant and equipment		30	61
Proceeds from sale of controlled entities		1	9
Net investments in associates and joint ventures		4	(46)
Acquisition of subsidiaries, net of cash acquired		(13)	(16)
Net cash flows from investing activities		(1,696)	(1,627)
Cash flows from financing activities			
Proceeds from borrowings		1,380	2,242
Repayment of borrowings		(2,177)	(5,706)
Proceeds from exercise of in-substance options under the employee share plan	23	7	6
Equity dividends paid		(1,325)	(1,066)
Proceeds from issue of shares	23	–	4,646
Transaction costs from issue of shares		–	(53)
Net cash flows from financing activities		(2,115)	69
Net increase in cash and cash equivalents		(484)	1,486
Cash and cash equivalents at beginning of period		2,124	638
Cash and cash equivalents at end of period	8	1,640	2,124

Statement of changes in equity

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

		Attributable to equity holders of the parent					
CONSOLIDATED	Note	Issued capital \$m	Employee reserved shares \$m	Retained earnings \$m	Hedging reserve \$m	Other reserves \$m	Total equity \$m
Balance at 1 July 2008 – as previously stated		18,173	(76)	1,176	161	164	19,598
Change in accounting policy	2	–	–	9	–	–	9
Restated balance		18,173	(76)	1,185	161	164	19,607
Net profit for the period		–	–	1,522	–	–	1,522
Other comprehensive income							
Exchange differences on translation of foreign operations	25	–	–	–	–	(10)	(10)
Changes in the fair value of available-for-sale assets net of tax	25	–	–	–	–	(2)	(2)
Changes in the fair value of cash flow hedges net of tax	25	–	–	–	(468)	–	(468)
Actuarial loss on defined benefit plan	24	–	–	(41)	–	–	(41)
Total other comprehensive income for the period net of tax		–	–	(41)	(468)	(12)	(521)
Total comprehensive income for the period net of tax		–	–	1,481	(468)	(12)	1,001
Transactions with equity holders in their capacity as equity holders:							
Issue of shares	23	5,150	–	–	–	–	5,150
Transaction costs	23	(37)	–	–	–	–	(37)
Proceeds from exercise of in-substance options	23	–	6	–	–	–	6
Equity dividends	7,23	–	8	(1,487)	–	–	(1,479)
		5,113	14	(1,487)	–	–	3,640
Balance at 30 June 2009		23,286	(62)	1,179	(307)	152	24,248
Balance at 1 July 2009		23,286	(62)	1,179	(307)	152	24,248
Net profit for the period		–	–	1,565	–	–	1,565
Other comprehensive income							
Exchange differences on translation of foreign operations	25	–	–	–	–	(32)	(32)
Changes in the fair value of available-for-sale assets net of tax	25	–	–	–	–	2	2
Changes in the fair value of cash flow hedges net of tax	25	–	–	–	230	–	230
Total other comprehensive income for the period net of tax		–	–	–	230	(30)	200
Total comprehensive income for the period net of tax		–	–	1,565	230	(30)	1,765
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	23	–	7	–	–	–	7
Equity dividends	7,23	–	4	(1,330)	–	–	(1,326)
		–	11	(1,330)	–	–	(1,319)
Balance at 30 June 2010		23,286	(51)	1,414	(77)	122	24,694

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

1: Corporate information

The financial report of Wesfarmers Limited (referred to as 'Wesfarmers' or 'the Company') for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 16 September 2010.

Wesfarmers is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

2: Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has also been prepared on a historical cost basis, except for investments held by associates, financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('the AASB') that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2009. The adoption of these standards gave rise to additional disclosure, and new policies being adopted, but did not have material effect on the financial statements of the Group. Refer to policy note (ah) for the Standards and Interpretations relevant to Wesfarmers that have been adopted.

A number of Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2010. The effect of these new or amended Accounting Standards is not expected to give rise to material changes in the Group's financial statements. Refer to policy note (ai) for the Standards and Interpretations relevant to Wesfarmers that are not yet effective and have not been early adopted.

From 1 July 2009, the Group has elected to change its accounting policy in relation to the rebate payable to Stanwell Corporation for the right to mine the Curragh North deposit so as to better align the timing of the rebate expense with the actual contractual obligations to pay such amount. Refer to policy note (aj) for further details of the change in accounting policy.

(c) Basis of consolidation

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

A list of controlled entities at year end is contained in note 32.

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

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

(d) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

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

Income tax

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

Significant accounting estimates and assumptions

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

Impairment of assets including goodwill and intangibles with indefinite useful lives

The Group determines whether assets including goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The recoverable amounts of the cash generating units have been determined using cash flow projections based on Wesfarmers' corporate plans covering a five year period.

The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

On 2 July 2010, the Australian Government announced the key features of a new Mineral Resource Rent Tax ('MRRT') that is proposed to be applicable to the coal and iron ore sectors from 1 July 2012. The introduction of the MRRT, as currently proposed, is not expected to lead to an impairment of Wesfarmers' coal mining businesses. However, in the event the MRRT is introduced, future impairment outcomes are uncertain as they will depend on the final design.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

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

Insurance liabilities – outstanding insurance claims

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

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

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

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

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

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

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

Refer to note 21 for further details.

Assets arising from reinsurance contracts

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

Inventories

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

Estimation of useful lives of assets

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

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

Customer cards and gift vouchers

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

Long service leave

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

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

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(e) Business combinations

From 1 July 2009, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

In comparison to the above mentioned requirements, the following policies were applied prior to 30 June 2009:

Business combinations were accounted for using the purchase method, with transaction costs directly attributable to the acquisition forming part of the acquisition costs. Non-controlling interests (formerly known as minority interest) were measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised when the Group had a present obligation, and economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

(f) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

The Group operates a loyalty points program, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for products, subject to a minimum number of points being obtained.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Rendering of services

Revenue is recognised for services that have been rendered to a buyer by reference to stage of completion.

Interest

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

Dividends

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

Operating lease rental revenue

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

Insurance premium revenue

Refer to policy note (af) Insurance activities, for treatment of insurance premium revenue.

(g) Finance costs

Finance costs are recognised as an expense when incurred, with the exception of interest charges attributable to major projects with substantial development and construction phases.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate, excluding non-interest costs, applicable to the Group's outstanding borrowings during the period, in this case 8.28 per cent (2009: 8.04 per cent) as disclosed in note 26.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(g) Finance costs (continued)

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

(h) Leases

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

Group as a lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and released to earnings on a straight line basis over the lease term.

Fixed rate increases to lease payments, excluding contingent or index based rental increases, such as Consumer Price Index, turnover rental and other similar increases, are recognised on a straight line basis over the lease term.

An asset or liability is recognised for the difference between the amount paid and the lease expense released to earnings on a straight line basis.

(i) Cash and cash equivalents

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

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

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

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

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

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

(k) Inventories

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

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

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

Volume related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are recognised as a reduction in the cost of inventory.

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

(l) Derivative financial instruments and hedging

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

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

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedging (continued)

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

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

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

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

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

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

Fair value hedges

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

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

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

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that

could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

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

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

(m) Derecognition of financial assets and financial liabilities

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

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

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

(n) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(n) Impairment of financial assets (continued)

Financial assets carried at cost

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

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

(o) Foreign currency translation

Both the functional and presentation currency of Wesfarmers Limited and its Australian subsidiaries is Australian dollars. The functional currency of overseas subsidiaries is listed in note 32.

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

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

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

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

(p) Investment in associates

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

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

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

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

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

(q) Interest in jointly controlled assets

The Group has interests in joint ventures that are jointly controlled assets. The Group recognises its share of the asset, classified as plant and equipment. In addition, the Group recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

(r) Income tax

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognised, other than where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(r) Income tax (continued)

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

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

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

(s) Other taxes

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

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

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

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

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

(t) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

(u) Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

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

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(u) Investments and other financial assets (continued)

Available-for-sale investments

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

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

(v) Goodwill

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

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

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

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

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

Impairment testing is performed each year for cash generating units to which goodwill and indefinite life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16.

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.

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

Impairment losses recognised for goodwill are not subsequently reversed.

(w) Intangible assets

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

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

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

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

Trade names

Useful lives

Indefinite and finite

Amortisation method used

Amortised over the period of expected future benefit on a straight line basis

Impairment testing

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

Contractual and non-contractual relationships

Useful lives

Finite (up to 15 years)

Amortisation method used

Amortised over the period of expected future benefit on a straight line basis

Impairment testing

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

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(w) Intangible assets (continued)

Software

Useful lives

Finite (up to seven years)

Amortisation method used

Amortised over the period of expected future benefit on a straight line basis

Impairment testing

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

Gaming licences

Useful lives

Indefinite

Amortisation method used

No amortisation

Impairment testing

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

Liquor licences

Useful lives

Indefinite

Amortisation method used

No amortisation

Impairment testing

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

(x) Impairment

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

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

(y) Trade and other payables

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

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

(z) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(aa) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not already reflected in the cash flows.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(aa) Provisions (continued)

Mine and plant rehabilitation

Provision is made for the Group's estimated liability under specific legislative requirements and the conditions of its licences and leases for future costs (at discounted amounts) expected to be incurred rehabilitating areas of operation. The liability includes the cost of reclamation of the site using existing technology, including plant removal and landfill costs. This provision is recognised immediately at the time of disturbance or when development of the asset occurs.

Restructure

A provision for restructuring is recognised for the expected costs associated with restructuring once a present obligation exists.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ab) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in provisions and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit valuation method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Expenses which are consequential to the employment of the employees (for example, payroll tax associated with employee entitlements) are also recognised as a liability and included in the amount for employee entitlements.

(ac) Pensions benefits

Defined contribution plan

Contributions to superannuation funds are charged to the income statement when due.

Defined benefit plan

The Group contributes to a defined benefit pension scheme. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised directly in equity.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

(ad) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently five plans in place to provide these benefits:

- the Wesfarmers Employee Share Plan ('WESP'), which provides benefits to all employees. The last issue under this plan was in December 2004;
- the Wesfarmers Long Term Incentive Plan ('WLTIP'), which provides benefits to senior executives. The first issue under this plan was in October 2005;
- the Coles Long Term Incentive Plan ('CLTIP'), which provides above average rewards for above average performance in turning around the Coles division's performance over the first five years of Wesfarmers' ownership for the Coles' Managing Director and a small number of senior executives;
- the Group Managing Director Long Term Incentive Plan ('Rights Plan'), which provides rewards for exceptional long-term performance for the Group Managing Director only; and
- the Wesfarmers Employee Share Acquisition Plan ('WESAP'), which provides benefits to all qualifying employees. The first allocation under this plan was in October 2009.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Wesfarmers Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity where applicable, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that are expected to ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ad) Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The WESP is accounted for as an 'in-substance' option plan due to the limited recourse nature of the loan. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Shares in the Group held under the WESP are classified and disclosed as employee reserved shares and deducted from equity.

The Group also provides benefits to certain executives under the CLTIP, in the form of cash-settled share-based payments, whereby executives can make an election to receive an award in cash. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the executives, which will be the fair value at settlement date.

(ae) Contributed equity

Ordinary shares and price protected ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

The Group operates a dividend investment plan. An issue of shares under the dividend investment plan results in an increase in contributed equity.

(af) Insurance activities

Insurance premium revenue

Premium revenue comprises amounts charged to policy holders, excluding taxes collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium funding activities is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Unearned premium

Unearned premium is calculated based on the term of the risk which closely approximates the pattern of risks underwritten.

At each balance date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate.

Outwards reinsurance

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

Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported ('IBNR'); claims incurred but not enough reported ('IBNER'); and estimated claims handling costs.

The expected future payments are discounted to present value using a risk-free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85 per cent.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries on paid claims, reported claims not yet paid, IBNR and IBNER are recognised as revenue.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims.

Deferred acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Commissions paid in respect of premium funding activities are amortised over the expected life of the loan using the effective interest rate method. Commissions paid in respect of general insurance activities are capitalised as a deferred acquisition cost and are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(af) Insurance activities (continued)

Insurance investments

As part of its investment strategy the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Group has determined that all bank bills, short-term deposits and trade receivables held by underwriting entities are held to back general insurance contracts. These assets have been valued at fair value through the income statement.

Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(ag) Earnings per share

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ah) New and revised accounting standards and interpretations

From 1 July 2009, the Group has adopted all Australian Accounting Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2009, including:

– AASB 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group has determined that its reportable segments are the same as the business segments previously reported under AASB 114 *Segment Reporting*. Additional disclosures about each of these segments are shown in note 3, including revised comparative information.

– AASB 123 *Borrowing Costs (Revised)*

The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. Under the Group's existing accounting policy, borrowing costs relating to qualifying assets are capitalised, therefore this revision does not result in any change for the Group.

– AASB 101 *Presentation of Financial Statements (Revised)*

The revised standard introduces the requirement to produce a statement of comprehensive income that presents all items of recognised income and expense. Other revisions include effects on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements and changes in the presentation requirements for dividends.

– AASB 2008-1 *Amendments to Australian Accounting Standard Share-based Payments: Vesting Conditions and Cancellations*

The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' and prescribe the accounting treatment of an award where conditions that are neither service nor performance conditions ('non-vesting conditions') are not satisfied. The adoption of this amendment did not have any effect on the financial position or performance of the Group.

– AASB 3 *Business Combinations*

The revised standard introduces a number of changes to the accounting treatment of business combinations, the most significant of which includes the requirement to recognise transaction costs immediately in earnings as an expense and a choice to measure a non-controlling interest in the acquiree (formerly a minority interest) either at its fair value, or at its proportionate interest in the acquiree's net assets. This choice will result in goodwill being recognised on acquisition relating to 100 per cent of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The adoption of this revised standard will affect future earnings and did not have a material effect on the financial position or performance of the Group.

– AASB 127 (Revised) *Consolidated and Separate Financial Statements*

Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. Furthermore, the amended standard changes the accounting treatment of losses incurred by a subsidiary, as well as the loss of control of a subsidiary. The change in AASB 127 (revised 2008) will affect future changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

– AASB 2008-5 and 2008-6 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The improvements project provides a mechanism for making non-urgent amendments to IFRS. The amendments are separated into two parts:

- Part I deals with accounting changes; and
- Part II deals with either terminology or editorial amendments that are expected to have minimal impact.

The adoption of this amendment did not have a material effect on the financial position or performance of the Group.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ah) New and revised accounting standards and interpretations (continued)

– AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The main amendments are those made to AASB 127 *Consolidated and Separate Financial Statements* removing the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements. The distinction between pre- and post-acquisition profits is no longer required, however, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary rather than its fair value. The adoption of this amendment did not have any effect on the financial position or performance of the Group.

– AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items

The amendment to AASB 139 *Financial Instruments: Recognition and Measurement* clarifies how the principles underlying hedge accounting should be applied when:

- a one-sided risk in a hedged item exists; and
- inflation in a financial hedged item existed or was likely to exist.

This change did not have a material effect on the Group's financial statements.

– AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]

The main amendment to AASB 7 *Financial Instruments: Disclosures* requires fair value measurements to be disclosed by the source of inputs, using the following three level hierarchy:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); or
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes from the amendments to AASB 7. The adoption of these amendments resulted in a presentation effect only for the Group's financial statements. Refer to note 26 for additional disclosures arising from the amendments to AASB 7.

– AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]

The main amendment of relevance to the Group is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity within the Group as long as the designation, documentation and effectiveness requirements of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. The adoption of this amendment did not have any effect on the financial position or performance of the Group.

(ai) Australian accounting standards and interpretations issued but not adopted

The standards and interpretations relevant to Wesfarmers that have not been early adopted, which are not expected to give rise to material changes in the Group's financial statements, are:

– AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]: applicable to annual reporting periods beginning on or after 1 July 2010.

The main amendment is that made to AASB 117 *Leases* by removing the specific guidance regarding classifying leases relating to land so that only the general guidance remains. Assessing leases relating to land based on the general criteria may result in more leases being classified as finance leases. These changes are not expected to have a material effect on the Group's financial statements.

– AASB 2009-8 Amendments to Australian Accounting Standards – Group cash-settled share-based payment transactions: applicable to annual reporting periods beginning on or after 1 July 2010.

The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular:

- the scope of AASB 2; and
- the interaction between IFRS 2 and other standards.

An entity that receives goods or services in a share-based payment arrangement must account for those goods or services regardless of which entity in the group settles the transaction, or whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn. These amendments are not expected to have a material effect on the Group's financial statements.

– AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 Financial Instruments [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]: applicable to annual reporting periods beginning on or after 1 July 2013.

The revised standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- two categories for financial assets being amortised cost or fair value;
- removal of the requirement to separate embedded derivatives in financial assets;
- strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows;
- an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition;
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

2: Summary of significant accounting policies (continued)

(ai) Australian accounting standards and interpretations issued but not adopted (continued)

The adoption of Phase I of AASB 9 will affect the Group's classification and measurement of financial assets as described above. The effect of the new standard on the Group's financial statements will continue to be assessed as the standard evolves and each phase is completed and released.

- AASB 2009-12 *Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]*: applicable to annual reporting periods beginning on or after 1 July 2011.

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

- AASB 124 *Related Party Disclosures (Revised)*: applicable to annual reporting periods beginning on or after 1 July 2011.

The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself). This will only affect the disclosure of the Group's financial statements.

- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*: applicable to annual reporting periods beginning on or after 1 July 2010.

This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with paragraph 41 of AASB 139. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. This interpretation is not expected to have a material effect on the Group's financial statements.

- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*: applicable to annual reporting periods beginning on or after 1 July 2011.

These amendments arise from the issuance of *Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)* and relate to defined benefit pension plans. The requirements of IFRIC 14 meant that entities subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.

The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made. The amendment is not expected to have a material effect on the Group's financial statements.

The Group expects to adopt these standards and interpretations in the 2011 and subsequent financial reports, however, they are not expected to have a significant effect on the financial statements of the Group.

(aj) Voluntary change in accounting policy – Coal rebates payable and rights to mine

From 1 July 2009 and as disclosed in the 31 December 2009 Half-Year Financial Statements, the Group has elected to change its accounting policy in relation to the rebate payable to Stanwell Corporation for the right to mine the Curragh North deposit so as to better align the timing of the rebate expense with the actual contractual obligations to pay such amounts. This change will bring the accounting treatment in line with industry practice and simplify the presentation of the financial statements.

Under the previous accounting policy, the Group recognised a provision related to its total expected future rebate obligation and an intangible right to mine asset for the same amount based on the committed contracts on hand. Both the provision and the intangible right to mine asset changed over time as and when Curragh entered into new export contracts or there were changes in contract prices. The Group also recorded a monthly amortisation expense related to the intangible right to mine asset, as well as a finance cost that reflected the unwinding of the discount of the liability.

There has been no change to the contractual arrangements or rebate payments made to Stanwell as a result of this accounting policy change and the net effect on both current and retained earnings for the Group is not material. The effect of the change in accounting policy has been applied retrospectively to previous reporting periods in accordance with Australian Accounting Standards.

In accordance with AASB 101, the Group has presented a third balance sheet and related notes as at 1 July 2008, as the change in accounting policy has been applied retrospectively.

The change in accounting policy has the balance sheet effect at 30 June 2010 of reducing financial liabilities by \$170 million (30 June 2009: \$246 million) offset by a reduction in property, plant and equipment of \$145 million (30 June 2009: \$214 million) and other net assets of \$16 million (30 June 2009: \$36 million).

The change in accounting policy has resulted in a reduction in depreciation and amortisation at 30 June 2010 of \$150 million (year ended 30 June 2009: \$168 million) and a reduction in finance costs of \$10 million (year ended 30 June 2009: \$12 million). The above reduction in expenditure has been largely offset by an increase in royalty and other expenses of \$142 million (year ended 30 June 2009: \$198 million). The net effect of the change in accounting policy on profit after tax at 30 June 2010 is an increase of \$13 million (year ended 30 June 2009: reduction of \$13 million).

The cumulative financial statement effect of the change in accounting policy has resulted in an increase in retained earnings as at 30 June 2010 of \$9 million (30 June 2009: reduction of \$4 million).

The change in accounting policy has resulted in basic earnings per share increasing from 134.6 to 135.7 (2009: decreasing from 160.0 to 158.5) and diluted earnings per share increasing from 134.3 to 135.5 (2009: decreasing from 159.6 to 158.2).

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

3: Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision makers) monitor the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. The types of products and services from which each reportable segment derives its revenues is disclosed below. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is presented differently from operating profit or loss in the consolidated financial statements.

Interest income and expenditure are not allocated to operating segments, as this type of activity is managed on a group basis.

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

- for retail divisions, particularly Kmart and Target, earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period;
- for the Resources division, the majority of the entity's coal contracted tonnages are renewed on an annual basis from April each calendar year and subject to price re-negotiation on a quarterly or annual basis which, depending upon the movement in prevailing coal prices, can result in significant changes in revenue and earnings throughout the financial year; and
- for the Chemicals and Fertilisers division, earnings are typically much greater in the June half of the financial year due to the impact of the Western Australian winter season break on fertiliser sales.

Transfer prices between business segments are set at an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

The operating segments and their respective types of products and services are as follows:

Retail

Coles

- Supermarket retailer, including Coles retail support costs;
- Liquor retailer, including hotel portfolio;
- Retail of fuel and operation of convenience stores; and
- Coles property business operator.

Kmart

- Retail of apparel and general merchandise, including toys, leisure, entertainment, home and consumables; and
- Provision of automotive service, repairs and tyre service.

Target

- Retail of apparel, homewares and general merchandise, including accessories, electricals and toys.

Home Improvement and Office Supplies

- Retail building material and home and garden improvement products;
- Servicing project builders and the housing industry; and
- Office supplies products.

Mining

Resources

- Coal mining and development; and
- Coal marketing to both domestic and export markets.

Insurance

Insurance

- Supplier of specialist rural and small business regional insurance;
- Supplier of general insurance through broking intermediaries; and
- Supplier of insurance broking services.

Industrial

Chemicals and Fertilisers

- Manufacture and marketing of chemicals for industry, mining and mineral processing; and
- Manufacture and marketing of broadacre and horticultural fertilisers.

Energy

- National marketing and distribution of LPG;
- LPG and LNG extraction for domestic and export markets;
- Manufacture and marketing of industrial gases and equipment; and
- Electricity supply to mining operations and regional centres.

Industrial and Safety

- Supplier and distributor of maintenance, repair and operating (MRO) products; and
- Specialised supplier and distributor of industrial safety products and services.

Other

- Forest products: non-controlling interest in Wespine Pty Ltd, which manufactures products to service the wholesale timber market in Australia;
- Property: includes a non-controlling interest in Bunnings Warehouse Property Trust, which acquires properties suitable for retail property development and investment;
- Investment banking: non-controlling interest in Gresham Partners Group Limited, which is an investment bank providing financial advisory and investment management services; and
- Private equity investment: non-controlling interests in Gresham Private Equity Fund No. 2 and Gresham Private Equity Fund No. 3, which are closed-end private equity funds targeting larger size private equity transactions in the areas of management buy-outs, expansion capital and corporate restructuring.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

3: Segment information (continued)

	COLES ¹		HOME IMPROVEMENT AND OFFICE SUPPLIES		RESOURCES ²		INSURANCE	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m
Segment revenue	30,002	28,799	7,822	7,151	1,416	2,411	1,698	1,720
Segment result								
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	1,364	1,216	916	817	285	990	146	116
Depreciation and amortisation	(402)	(385)	(114)	(93)	(120)	(105)	(24)	(25)
Earnings before interest, tax (EBIT) and corporate overheads	962	831	802	724	165	885	122	91
Finance costs ⁵								
Corporate overheads								
Profit before income tax expense								
Income tax expense ⁶								
Profit attributable to members of the parent								
Assets and liabilities								
Segment assets	18,350	17,995	4,703	4,217	1,657	1,515	3,641	3,561
Investments in associates	32	31	–	–	–	–	–	–
Tax assets								
Total assets								
Segment liabilities	3,113	2,855	752	637	413	426	2,264	2,190
Tax liabilities								
Interest-bearing liabilities								
Total liabilities								
Other segment information								
Capital expenditure ⁷	683	606	446	378	228	252	26	26
Share of net profit or loss of associates included in EBIT	–	–	–	–	–	1	–	–
Non-cash expenses other than depreciation and amortisation	91	122	147	134	69	95	24	24

1 Coles division includes the food, liquor, convenience and Coles property businesses, and Coles retail support costs.

2 Resources prior period results have been restated following a change in accounting policy, as outlined in note 2, reducing prior period EBIT largely due to a reclassification of finance costs. Resources 2010 result includes \$20 million of hedge losses (2009: \$204 million) in relation to foreign exchange forward contracts incurred by Curragh, including \$83 million (2009: \$88 million) of locked-in exchange rate losses and Stanwell rebate expense of \$156 million (2009: \$183 million).

3 On 20 April 2010, Wesfarmers announced that the Chemical and Fertilisers, and Energy divisions will merge to form a new division and Coregas will transfer to the Industrial and Safety division. Reporting of results in accordance with the new structure will commence from 1 July 2010. 2009 results were affected by the gas supply disruption caused by the explosion at Varanus Island during the period. These disruptions are subject to an insurance recovery process which is ongoing.

4 2010 includes interest revenue of \$65 million (2009: \$57 million), share of profit/(loss) of associates of \$77 million (2009: loss of \$60 million), impairment of Coles freehold property of \$10 million (2009: \$82 million), writedown of goodwill of Coregas of \$48 million, Kmart supply chain and restructuring costs of \$33 million (2009: \$70 million) and Chemicals, Energy and Fertilisers division restructuring costs of \$4 million. Prior periods results were also affected by the Coles store exit provision writeback of \$30 million and Insurance restructuring costs and impairment of the Company's investment in Centrepont Alliance Limited of \$15 million.

5 As outlined in note 19, finance costs include \$51 million (2009: \$136 million) relating to the recognition of cumulative losses on hedging instruments transferred from equity as the forecast transactions are no longer expected to occur. This is the result of losses being recognised on interest rate swaps used to hedge the maturity profile of debt facilities repaid during the period.

6 Prior year effective tax rate was affected by finalisation of appropriate deferred tax treatment for leasehold improvements in the former Coles group divisions (2009: \$84 million) and research and development claims (2009: \$26 million). Refer to note 5 for the income tax note.

7 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is \$1,656 million (2009: \$1,503 million).

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	KMART		TARGET		INDUSTRIAL AND SAFETY		ENERGY ³		CHEMICALS AND FERTILISERS ³		OTHER ⁴		CONSOLIDATED	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m
	4,019	3,998	3,825	3,788	1,311	1,294	611	598	1,060	1,162	63	61	51,827	50,982
	254 (58)	171 (62)	449 (68)	417 (60)	125 (14)	127 (13)	153 (51)	122 (47)	183 (62)	115 (63)	7 (4)	(187) (3)	3,882 (917)	3,904 (856)
	196	109	381	357	111	114	102	75	121	52	3	(190)	2,965	3,048
													(654) (96)	(951) (101)
													2,215 (650)	1,996 (474)
													1,565	1,522
	1,487 –	1,444 –	3,930 –	3,886 –	1,005 –	967 –	817 4	894 2	1,106 66	1,262 73	1,464 366	2,163 286	38,160 468 608	37,904 392 766
													39,236	39,062
	624	497	513	487	208	163	112	97	182	139	841	1,127	9,022 167 5,353	8,618 27 6,169
													14,542	14,814
	79 – 4	63 – 8	91 – 48	91 – 11	25 – 21	25 – 21	21 6 57	40 4 6	32 12 4	44 5 3	3 77 12	14 (60) 39	1,634 95 477	1,539 (50) 463

Geographical locations

Revenue by geographical locations is detailed below.
Revenue is attributed to geographic location based on the location of the customers.

Australia	50,623	49,944
New Zealand	1,162	989
Other foreign countries	42	49
Total revenue	51,827	50,982

The analysis of the location of non-current assets other than financial instruments, deferred tax assets and pension assets is as follows:

Australia	27,713	27,122
New Zealand	856	812
Other foreign countries	15	37
Total non-current assets	28,584	27,971

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
4: Revenue and expenses		
Employee benefits expense		
Remuneration, bonuses and on-costs	6,311	6,033
Amounts provided for employee entitlements	441	434
Share-based payments expense	76	68
	6,828	6,535
Occupancy-related expenses		
Minimum lease payments	1,661	1,602
Other	416	406
	2,077	2,008
Depreciation and amortisation		
Depreciation	735	667
Amortisation of intangibles	86	83
Amortisation other	96	106
	917	856
Other expenses included in income statement		
Impairment of freehold property	10	82
Impairment of plant, equipment and other assets	71	36
Total impairment charge	81	118
Government mining royalties	98	208
Stanwell rebate	156	183
Repairs and maintenance	382	378
Utilities and office expenses	900	815
Self-insurance expenses	195	205
Other	1,170	1,108
	2,982	3,015
Other income		
Gains on disposal of property, plant and equipment	4	13
Gain on sale of controlled entities	8	1
Other income	137	155
	149	169
Finance costs		
Interest expense	493	737
Ineffective interest rate swap losses (refer to note 3, footnote (5))	51	136
Discount adjustment	64	41
Amortisation of debt establishment costs	25	21
Other including bank facility and settlement fees	21	16
	654	951
Insurance underwriting result		
Premium revenue	1,386	1,366
Outwards reinsurance premium expense	(297)	(305)
Net premium revenue	1,089	1,061
Claims expense – undiscounted	(929)	(1,144)
Discount effect	2	(16)
Reinsurance and other recoveries revenue – undiscounted	262	406
Discount effect	(5)	5
Net claims incurred	(670)	(749)
Acquisition costs	(236)	(232)
Other underwriting expenses	(124)	(70)
Net underwriting expenses	(360)	(302)
Underwriting result	59	10

Net claims incurred relating to risks borne in previous periods are not material.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
5: Income tax			
The major components of income tax expense are:			
Income statement			
<i>Current income tax</i>			
Current income tax charge	612	583	531
Adjustments in respect of current income tax of previous years	(9)	(67)	(4)
<i>Deferred income tax</i>			
Deferred tax asset not previously recognised	–	(84)	–
Relating to origination and reversal of temporary differences	47	42	(157)
Income tax expense reported in the income statement	650	474	370
Statement of comprehensive income			
<i>Deferred income tax related to items charged or credited directly to equity</i>			
Net gain/(loss) on revaluation of cash flow hedges	99	(212)	23
Actuarial loss on defined benefit plan	–	(18)	–
Equity raising costs	–	(15)	(18)
Income tax expense/(credit) reported in equity	99	(245)	5
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:			
Accounting profit before income tax	2,215	1,996	1,442
At the statutory income tax rate of 30 per cent (2009: 30 per cent)	665	599	433
Adjustments in respect of current income tax of previous years	(9)	(41)	(4)
Carried forward tax losses now recognised	–	–	(24)
Additional Federal Government Investment Allowance deductions	(26)	(11)	–
Non-deductible writedown of investments	17	30	–
Share of associated companies net loss/(profit) after tax	(8)	4	(7)
Tax on undistributed associates profit	4	4	2
Research and development costs	–	(26)	–
Deferred tax asset not previously recognised	–	(84)	–
Finalisation of acquisition accounting adjustment	–	–	(23)
Other	7	(1)	(7)
Income tax expense reported in the consolidated income statement	650	474	370
Deferred income tax			
Deferred income tax at 30 June relates to the following:			
<i>Balance sheet</i>			
Deferred tax assets			
Provisions	256	260	283
Employee benefits	292	257	227
Accrued and other payables	86	75	26
Borrowings	28	38	16
Insurance liabilities	19	31	14
Doubtful debts	14	17	7
Amortisation of intangibles	–	–	46
Derivatives	75	164	43
Deferred income	16	20	20
Trading stock	110	109	104
Fixed assets	188	180	142
Share issue costs	16	24	18
Gross deferred income tax assets	1,100	1,175	946
Amount netted against deferred tax liabilities	(492)	(409)	(461)
Net deferred tax assets	608	766	485

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of deferred tax assets.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
5: Income tax (continued)			
Deferred income tax (continued)			
Deferred tax liabilities			
Accelerated depreciation for tax purposes	197	172	209
Mining assets recognised for accounting purposes	46	33	–
Derivatives	62	52	86
Accrued income and other	63	32	60
Unremitted earnings of associates	–	19	25
Warehouse stock	19	24	16
Intangible assets	104	71	59
Deferred acquisition costs	1	6	6
Gross deferred income tax liabilities	492	409	461
Amount netted against deferred tax assets	(492)	(409)	(461)
Net deferred tax liabilities	–	–	–
<i>Income statement</i>			
Provisions	6	23	(42)
Employee benefits	(22)	(30)	(19)
Doubtful debts	(4)	(10)	–
Depreciation and amortisation	1	(39)	(68)
Derivatives	14	59	(11)
Unremitted earnings of associates	–	(8)	–
Insurance liabilities	3	(17)	1
Intangible assets	31	12	29
Stock	(4)	3	(123)
Mining assets recognised for accounting purposes	3	30	–
Accruals and other	19	19	76
Deferred tax expense/(credit)	47	42	(157)
Unrecognised deferred tax asset in respect of capital losses in Australia			
– available indefinitely subject to meeting relevant statutory tests.	220	218	226

¹ The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of deferred tax assets.

Tax consolidation

Wesfarmers and its 100 per cent owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is considered remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

6: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares (including partially protected shares) outstanding during the year (excluding employee reserved shares).

Diluted earnings per share amounts are calculated as above with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

6: Earnings per share (continued)

Wesfarmers partially protected shares ('PPS') are ordinary shares that confer rights on holders that are the same in all respects to those conferred by other ordinary shares. In addition, PPS provide a level of downside price protection in that they may provide holders with up to an additional 0.25 ordinary shares per PPS, in certain circumstances within a specified period from the date the PPS were issued. Full details and other terms and conditions applicable to the PPS are available from the Company website www.wesfarmers.com.au.

Basic and dilutive earnings per share calculations are as follows:

	CONSOLIDATED	
	2010 \$m	Restated¹ 2009 \$m
Profit attributable to members of the parent	1,565	1,522
	shares (m)	shares (m)
Weighted average number of ordinary shares for basic earnings per share	1,153	932
Effect of dilution – employee reserved shares	2	2
Weighted average number of ordinary shares adjusted for the effect of dilution	1,155	934
	cents	cents
Earnings per share (cents per share)		
– basic for profit for the period attributable to ordinary equity holders of the parent	135.7	158.5
– diluted for profit for the period attributable to ordinary equity holders of the parent	135.5	158.2

Prior period earnings per share have been adjusted by a factor of 1.03, reflecting settlement of the entitlement offer part way through the previous financial year. In January 2009, Wesfarmers announced an equity issue, including a 3 for 7 accelerated pro-rata non-renounceable entitlement offer at an offer price of \$13.50 per share which included a fully underwritten institutional component; and additional proceeds of \$900 million raised by placements to two strategic investors. Details of the shares issued are outlined in note 23.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the normal conversion of employee reserved shares (treated as in-substance options) to unrestricted ordinary shares and the conversion of partially protected ordinary shares to ordinary shares.

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of earnings per share.

	CONSOLIDATED	
	2010 \$m	2009 \$m
7: Dividends paid and proposed		
Declared and paid during the period (fully franked at 30 per cent)		
Final franked dividend for 2009: \$0.60 (2008: \$1.35)	694	1,079
Interim franked dividend for 2010: \$0.55 (2009: \$0.50)	636	408
	1,330	1,487
Proposed and not recognised as a liability (fully franked at 30 per cent)		
Final franked dividend for 2010: \$0.70 (2009: \$0.60)	810	694
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for debits and credits arising from the payment of income tax payable and from recognised dividends receivable or payable	144	262
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	(347)	(297)

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares, which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
8: Cash and cash equivalents		
Cash on hand and in transit	237	311
Cash at bank and on deposit	1,318	1,734
Insurance broking trust accounts	85	79
	1,640	2,124
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.		
Reconciliation to cash flow statement		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	237	311
Cash at bank and on deposit	1,318	1,734
Insurance broking accounts	85	79
	1,640	2,124
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	1,565	1,522
<i>Adjustments</i>		
Depreciation and amortisation	917	856
Impairment and writedowns of assets	81	118
Net loss on disposal of property, plant and equipment	56	55
Share of associates' net (profits)/losses	(95)	50
Dividends and distributions received from associates	19	51
Discount adjustment in borrowing costs	64	41
Amortisation of debt establishment costs net of amounts paid	18	(7)
Ineffective interest rate swap losses net of amounts paid	13	98
Non-cash issue of shares recognised in earnings	21	66
Other	(25)	(28)
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in inventories	2	(49)
(Increase)/decrease in trade and other receivables	(225)	73
Decrease/(increase) in prepayments	42	(14)
Increase in trade and other payables	596	131
Decrease/(increase) in deferred tax assets	58	(35)
Increase in other assets	(2)	(67)
Increase in provisions	65	39
Increase in other liabilities	17	228
Decrease/(increase) in current tax payable	140	(84)
Net cash from operating activities	3,327	3,044
Non-cash financing and investing activities		
Issue of share capital under employee incentive plans recognised in earnings	21	66
Issue of share capital under dividend investment plan	–	415

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
9: Trade and other receivables		
Current		
Trade receivables	1,373	1,324
Allowance for credit losses	(52)	(50)
Reinsurance and other recoveries receivable	319	295
Finance advances and loans	195	134
Related party receivables – associates	1	5
Other debtors	250	185
	2,086	1,893
Non-current		
Reinsurance and other recoveries receivable	192	203
Finance advances and loans	22	3
Other debtors	6	5
	220	211
Refer to note 26 for information on the risk management policy of the Group and the credit quality of the Group's trade receivables.		
Impaired trade receivables		
As at 30 June 2010, current trade receivables of the Group with a nominal value of \$52 million (2009: \$50 million) were impaired. The amount of the allowance account was \$52 million (2009: \$50 million).		
Movements in the allowance account for credit losses were as follows:		
Carrying value at beginning of year	50	39
Allowance for credit losses recognised during the year	13	23
Receivables written off during the year as uncollectable	(7)	(5)
Unused amount reversed	(4)	(7)
Carrying value at end of year	52	50
Trade receivables past due but not impaired		
As at 30 June 2010, trade receivables of \$268 million (2009: \$381 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or other indicators of impairment.		
The ageing analysis of these trade receivables is as follows:		
Under 3 months	185	330
3 to 6 months	63	35
Over 6 months	20	16
	268	381

With respect to trade receivables which are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

9: Trade and other receivables (continued)

Reinsurance and other recoveries receivable

The Group reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. The Group's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the Group's reinsurance management strategy;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on the Group's maximum event retention; and
- exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

The reinsurance counterparty risk is managed with reference to an analysis of an entity's credit rating. Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a strong credit rating. Credit risk exposures are calculated regularly and ratings are reviewed by management on a regular basis.

The following table provides information about the quality of the Group's credit risk exposure in respect of reinsurance recoveries on outstanding claims at the balance date. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

	CREDIT RATING					
	AAA \$m	AA \$m	A \$m	BBB \$m	Not rated \$m	Total \$m
YEAR ENDED 30 JUNE 2010						
Reinsurance recoveries on outstanding claims	–	164	152	–	77	393
Amounts due from reinsurers on paid claims	–	9	14	–	–	23
	–	173	166	–	77	416
YEAR ENDED 30 JUNE 2009						
Reinsurance recoveries on outstanding claims	29	146	150	–	67	392
Amounts due from reinsurers on paid claims	–	6	6	–	–	12
	29	152	156	–	67	404

The remaining reinsurance and other recoveries receivable relate to the reinsurers share of the unearned premium provisions. All reinsurance and other recoveries receivable are current and not impaired.

Finance advances and loans

Finance advances and loans consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A risk assessment process is used for new loan applications which ranges from conducting credit assessments to relying on the assessments of financial risk provided by credit insurers.

All finance advances and loans are current and not impaired.

Related party receivables

For terms and conditions of related party receivables, refer to note 34.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
10: Inventories			
Raw materials	78	75	73
Work in progress	93	75	75
Finished goods	4,487	4,515	4,486
Total inventories at the lower of cost and net realisable value	4,658	4,665	4,634

Inventories recognised as an expense for the year ended 30 June 2010 totalled \$36,887 million (2009: \$36,182 million).

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of consolidated inventories.

	CONSOLIDATED	
	2010 \$m	2009 \$m
11: Investments backing insurance contracts		
Investments backing insurance contracts are all financial assets at fair value through profit or loss and include the following:		
Bank bills	359	491
Term deposits	705	511
Other	1	1
	1,065	1,003

12: Other current assets

Deferred acquisition costs	125	135
Prepayments	25	68
Assets held for sale	–	18
	150	221
Movements in deferred acquisition costs		
Carrying value at beginning of year	135	127
Acquisition costs deferred	117	143
Costs charged to profit and loss	(119)	(126)
Other movements	(8)	(9)
Carrying value at end of year	125	135

13: Available-for-sale investments

Shares in listed companies at fair value	2	1
Shares in unlisted companies at fair value	17	17
	19	18

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value for listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

There are no individually material investments at 30 June 2010.

The fair value of the unlisted available-for-sale investments has been estimated using appropriate valuation techniques based on assumptions where the fair value cannot be determined by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in reserves are reasonable and the most appropriate at balance sheet date. Management also believes that changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
14: Investments in associates		
Shares and units in associates	459	373
Loans to associates at cost	9	19
	468	392
Fair value of listed investments in associates		
Bunnings Warehouse Property Trust	183	151
Share of associates' commitments		
Capital commitments	11	12
Lease commitments	6	7
Other commitments	9	10

Associate	Principal activity	OWNERSHIP	
		2010 %	2009 %
Air Liquide WA Pty Ltd	Industrial gases	40.0	40.0
Albany Woolstores Pty Ltd	Wool handling	35.0	35.0
Bengalla Agricultural Company Pty Limited	Agriculture	40.0	40.0
Bengalla Coal Sales Company Pty Limited	Sales agent	40.0	40.0
Bengalla Mining Company Pty Limited	Management company	40.0	40.0
Bunnings Warehouse Property Trust	Property investment	23.1	22.7
Gresham Partners Group Limited	Investment banking	50.0	50.0
Gresham Private Equity Funds	Private equity fund	(a)	(a)
HAL Property Trust	Property ownership	50.0	50.0
Queensland Nitrates Management Pty Ltd	Chemical manufacture	50.0	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	50.0	50.0
Wespine Industries Pty Ltd	Pine sawmillers	50.0	50.0

Each of the above entities is incorporated in Australia and has a reporting date of 30 June with the exception of Gresham Partners Group Limited which has a reporting date of 30 September and the Bengalla companies that have a reporting date of 31 December.

(a) Gresham Private Equity Funds

Whilst the consolidated entity's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 and 3 amounts to greater than 50.0 per cent, they are not controlled entities 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 75.0 per cent of votes pursuant to the Funds' trust deeds. Gresham Private Equity Fund No. 3 is subject to future capital calls and the consolidated entity's interest is expected to reduce over time.

Resolutions to terminate Gresham Private Equity Fund No. 1 were passed on 28 February 2010 by unitholders in the fund.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

SHARE OF REVENUES		SHARE OF PROFIT/(LOSS)		SHARE OF ASSETS		SHARE OF LIABILITIES		CARRYING AMOUNT	
2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m	2010 \$m	2009 \$m
23	21	6	4	11	12	6	8	5	4
–	–	–	–	–	–	–	–	–	–
–	–	–	1	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
22	12	27	(8)	233	250	52	95	168	142
34	31	1	1	54	57	15	16	26	27
1	3	43	(57)	184	126	4	9	179	121
–	–	–	–	14	14	–	–	15	14
–	–	–	–	–	–	–	–	–	–
70	56	12	5	124	137	61	85	56	54
47	35	6	4	35	36	25	25	10	11
197	158	95	(50)	655	632	163	238	459	373

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
15: Property, plant and equipment			
Freehold land			
Cost	1,040	748	678
Net carrying amount	1,040	748	678
Net carrying amount at beginning of year	748	678	168
Additions	177	127	162
Transfers	131	32	(5)
Transfers to inventory	(4)	(1)	(28)
Disposals	(3)	(13)	(6)
Acquisitions of controlled entities	–	7	397
Impairment charge	(10)	(82)	–
Exchange differences	1	–	(10)
Net carrying amount at end of year	1,040	748	678
Buildings			
Cost	715	571	477
Accumulated depreciation and impairment	(103)	(93)	(84)
Net carrying amount	612	478	393
Net carrying amount at beginning of year	478	393	203
Additions	118	74	119
Transfers	42	53	20
Transfers to inventory	(10)	(17)	(66)
Disposals	(3)	(14)	(1)
Acquisitions of controlled entities	–	–	129
Depreciation expense	(14)	(11)	(9)
Exchange differences	1	–	(2)
Net carrying amount at end of year	612	478	393
Assets in course of construction included above	71	1	3
Leasehold improvements			
Cost	689	592	500
Accumulated depreciation and impairment	(215)	(151)	(79)
Net carrying amount	474	441	421
Net carrying amount at beginning of year	441	421	52
Additions	91	89	69
Transfers	20	12	13
Rehabilitation provision asset increment	–	1	–
Disposals	(4)	(5)	(5)
Acquisitions of controlled entities	–	–	343
Impairment charge	(2)	3	(6)
Amortisation expense	(72)	(80)	(45)
Net carrying amount at end of year	474	441	421
Assets in course of construction included above	28	12	2

¹ The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of property, plant and equipment.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
15: Property, plant and equipment (continued)			
Plant, vehicles and equipment			
Cost	8,031	7,300	6,454
Accumulated depreciation and impairment	(3,128)	(2,533)	(1,981)
Net carrying amount	4,903	4,767	4,473
Net carrying amount at beginning of year	4,767	4,473	1,798
Additions	1,142	1,123	910
Transfers	(198)	(93)	(37)
Rehabilitation provision asset increment	–	–	1
Disposals	(75)	(75)	(41)
Acquisitions of controlled entities	1	–	2,381
Impairment charge	(14)	(8)	(53)
Depreciation expense	(721)	(656)	(474)
Exchange differences	1	3	(12)
Net carrying amount at end of year	4,903	4,767	4,473
Assets in course of construction included above	466	587	747
Mineral lease and development costs			
Cost	683	624	517
Accumulated depreciation and impairment	(170)	(146)	(120)
Net carrying amount	513	478	397
Net carrying amount at beginning of year	478	397	422
Additions	48	90	10
Transfers	(1)	–	(13)
Rehabilitation provision asset increment	12	17	–
Amortisation expense	(24)	(26)	(22)
Net carrying amount at end of year	513	478	397
Assets in course of construction included above	3	65	1
Total			
Cost	11,158	9,835	8,626
Accumulated depreciation and impairment	(3,616)	(2,923)	(2,264)
Net carrying amount	7,542	6,912	6,362

¹ The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of property, plant and equipment.

Refer to note 19 for assets pledged as security.

Property, plant and equipment impairments recognised

During the period a \$10 million (2009: \$82 million) impairment charge has been recognised in relation to freehold property held by the Coles division as a result of a decline in rental yields used to determine the recoverable amount.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

16: Intangible assets and goodwill

	Goodwill \$m	Trade names \$m	Contractual and non-contractual relationships \$m	Software \$m	Gaming and liquor licences \$m	Total \$m
YEAR ENDED 30 JUNE 2010						
Cost	16,258	3,799	122	482	149	20,810
Accumulated amortisation and impairment	(52)	(5)	(36)	(183)	–	(276)
Net carrying amount	16,206	3,794	86	299	149	20,534
Net carrying amount at beginning of year	16,273	3,795	100	320	150	20,638
Additions	–	1	1	50	6	58
Transfers	–	–	–	3	–	3
Acquisitions of controlled entities	10	–	–	–	–	10
Amortisation for the year	–	(2)	(10)	(74)	–	(86)
Impairment charge	(48)	–	–	–	(7)	(55)
Effect of movements in exchange rates	(29)	–	(5)	–	–	(34)
Net carrying amount at end of year	16,206	3,794	86	299	149	20,534
YEAR ENDED 30 JUNE 2009						
Cost	16,277	3,798	126	429	150	20,780
Accumulated amortisation and impairment	(4)	(3)	(26)	(109)	–	(142)
Net carrying amount	16,273	3,795	100	320	150	20,638
Net carrying amount at beginning of year	16,269	3,797	108	364	139	20,677
Additions	–	–	–	28	11	39
Disposals	(8)	–	–	(1)	–	(9)
Acquisitions of controlled entities	10	–	2	–	–	12
Disposals of controlled entities	–	(2)	–	–	–	(2)
Amortisation for the year	–	–	(10)	(71)	–	(81)
Effect of movements in exchange rates	2	–	–	–	–	2
Net carrying amount at end of year	16,273	3,795	100	320	150	20,638

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

16: Intangible assets and goodwill (continued)

	CONSOLIDATED	
	2010 \$m	2009 \$m
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of intangibles		
Home Improvement and Office Supplies		
– Bunnings	1	–
– Officeworks	160	160
Industrial and Safety	9	9
Coles	2,953	2,953
Kmart	268	268
Target	531	531
	3,922	3,921
Trade names: the brand names included above have been assessed as having indefinite lives on the basis of strong brand strength, ongoing expected profitability and continuing support.		
Gaming and liquor licences: gaming and liquor licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.		
Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Energy		
– Coregas	252	300
– Other	13	13
Home Improvement and Office Supplies		
– Bunnings	848	848
– Officeworks	799	799
Industrial and Safety		
– Blackwoods Australia	308	308
– Other	149	149
Insurance		
– Lumley Australia	434	434
– Other	493	517
Coles	10,216	10,211
Kmart	273	273
Target	2,419	2,419
Other	2	2
	16,206	16,273

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

16: Intangible assets and goodwill (continued)

Key assumptions used in impairment calculations

The recoverable amounts of the cash generating units have been determined using cash flow projections based on Wesfarmers' corporate plans and business forecasts using a fair value less costs to sell or value in use methodology as required by Australian Accounting Standards. Wesfarmers' corporate plans are developed annually with a five year outlook. Supplemental business forecasts are also used where appropriate in determining the recoverable value of a business unit.

Where a value in use methodology has been used, these plans have been adjusted to exclude the costs and benefits of expansion capital and have been prepared on the understanding that many actual outcomes will differ from assumptions used in the calculations.

Cash flows beyond the five year period are extrapolated using the estimated growth rates, which are based on the Group's estimates taking into consideration past historical performance as well as expected long-term operating conditions. Growth rates do not exceed the long-term average growth rate for the business in which the cash generating unit operates.

Discount rates are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs.

Other assumptions are determined with reference to external sources of information and use consistent and conservative estimates for such variables such as terminal cash flow multiples.

The impairment calculations have been prepared for the purpose of determining whether the cash generating units' carrying value does not exceed its recoverable amount, but does not purport to be a market valuation of the relevant business operations.

Outlined below are the key assumptions used for cash generating units with significant goodwill balances. As outlined below, changes in discount rates used for Coles division impairment testing could cause the carrying value to exceed its recoverable amount. Such an increase in the discount rates could arise, for example, following an increase in prevailing risk-free and borrowing rates.

The Group considers that for other cash generating units, any reasonably possible change in key assumptions would not cause the carrying amount to exceed the recoverable amount. However, future increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, could cause the carrying values of cash generating units to exceed their recoverable amounts. Although this would not be expected to result in a significant writedown to goodwill or intangible assets, there may be an impact on future earnings.

	CONSOLIDATED	
	2010	2009
Key assumptions used in fair value less costs to sell calculations		
<i>Coles</i>		
Discount rate (post-tax)	9.2%	9.2%
Growth rate beyond five year financial plan	2.9%	3.2%
Perpetuity factor for calculation of terminal value (1/(discount rate – growth rate))	16.0	16.7
Other key assumptions include retail sales, EBIT margin and inflation rate (which are based on past experience and external sources of information) and a program of business improvement strategies, including store upgrades (which are based on management projections).		
The recoverable amount of the Coles division currently exceeds its carrying value by \$2,422 million (2009: \$2,359 million). This excess in recoverable amount could be reduced should changes in the following key assumptions occur:		
i. Trading conditions – The cash flows are based on the forecast improved operating and financial performance of the Coles division, which have been derived from the 2010 Wesfarmers' Corporate Plan. Although the timing of the cash flows arising from this improvement are influenced by general market conditions, Wesfarmers believes the magnitude of the longer-term cash flows will be far less affected. This view is based on the likely longer-term trends in the business (i.e. steadily rising market demand) and the inherent value of the network, especially once such a network has been revitalised. Notwithstanding this, should such an improvement not occur, the impact on the cash flows could result in a reduction of the recoverable amount to below the carrying value.		
ii. Discount rate – The discount rate for the Coles division has been determined based on the weighted average cost of capital with reference to the prevailing risk-free and borrowing rates, and with consideration to the risk associated with the Coles turnaround. Consequently, should these rates increase, the discount rate would also increase. An increase in the discount rate of over 1.0 per cent (2009: 0.9 per cent) would result in a reduction of the recoverable amount to below the carrying value.		
<i>Target</i>		
Discount rate (post-tax)	9.5%	10.4%
Growth rate beyond five year financial plan	3.2%	3.2%
Perpetuity factor for calculation of terminal value (1/(discount rate – growth rate))	15.9	13.9

Other key assumptions include retail sales, EBIT margin and inflation rate (which are based on past experience and external sources of information) and a program of business improvement strategies, including store upgrades (which are based on management projections).

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
17: Other non-current assets		
Deferred acquisition costs	9	–
Defined benefit asset	4	5
Investment property	6	6
Prepaid rent	14	15
Other	11	8
	44	34
Movements in deferred acquisition costs		
Carrying amount at beginning of year	–	6
Acquisition costs deferred during the period	9	–
Costs charged to profit and loss	–	(6)
Carrying amount at the end of the year	9	–

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
18: Trade and other payables			
Current			
Trade payables	4,603	4,054	3,909
Non-current			
Other creditors and accruals	9	3	25

¹ The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of trade and other payables.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
19: Interest-bearing loans and borrowings		
Current		
Secured		
Bank loans	–	2
Unsecured		
Term loans (a), (b)	99	437
Other bank loans	205	194
Other loans	–	1
	304	634
Non-current		
Unsecured		
Term loans (a), (b)	2,607	4,318
Corporate bonds (c)	2,442	1,217
	5,049	5,535
Total interest-bearing loans and borrowings	5,353	6,169
Financing facilities available		
Total facilities		
Term loans (a), (b)	2,728	4,787
Other bank loans	515	214
Commercial paper	350	320
Bank bills	600	1,082
	4,193	6,403
Facilities used at balance date		
Term loans (a), (b)	2,728	4,787
Other bank loans	205	194
	2,933	4,981
Facilities unused at balance date		
Other bank loans	310	20
Commercial paper	350	320
Bank bills	600	1,082
	1,260	1,422
Total facilities	4,193	6,403
Facilities used at reporting date	2,933	4,981
Facilities unused at reporting date	1,260	1,422

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

19: Interest-bearing loans and borrowings (continued)

Repayment obligations in respect of the amount of the facilities utilised are included in maturities of financial liabilities tables in note 26.

Funding activities

In the period ended 30 June 2010, domestic and European bond issuance combined with cash on hand was utilised to further reduce gross debt to \$5,353 million (\$6,169 million at 30 June 2009). Wesfarmers' syndicated credit facility contains financial covenants that are required to be met. As at 30 June 2010, Wesfarmers has complied with these covenants.

The syndicated credit facility requires that wholly owned subsidiaries of Wesfarmers representing at least five per cent of EBITDA or total assets of the Wesfarmers Group are guarantors and that the guarantor group represents at least 85 per cent of the Group's total assets and 85 per cent of the EBITDA of the Group. Insurance underwriting subsidiaries are not permitted to guarantee the senior debt facility due to insurance regulatory restrictions.

The carrying amount of the syndicated bank loan is net of remaining capitalised debt fees directly attributable to the establishment of the facility. These will be released to earnings based on the effective interest rate while the loan remains outstanding.

(a) Term loan – bilateral facility

Committed bilateral bank facilities of \$1,214 million were entered into in 2008. These facilities were partially refinanced during the period ended 30 June 2009, resulting in facilities fully drawn to \$787 million. During the period ended 30 June 2010, Wesfarmers fully repaid and cancelled the remaining outstanding facilities.

(b) Term loan – syndicated facility

As at 30 June 2009, \$4,000 million was fully drawn against the syndicated facility. Of this facility, \$1,803 million had been extended from 1 October 2010 to 31 December 2011, another \$1,803 million had been extended to 31 December 2012 and a further \$222 million had been extended to 27 February 2015. The balance of \$171 million was payable at the original maturity date in October 2010. During the year ended 30 June 2010 a further \$1,400 million of this facility was repaid, leaving \$111 million payable in October 2010, \$1,641 million maturing in December 2011, \$703 million maturing in December 2012 and the balance in February 2015. Brought forward interest rate hedge close out costs of \$51 million were recognised as a result of the repayment. Interest is payable at a rate calculated as the Australian bank bill swap yield plus a margin. The margin is subject to change based on the Company's Standard & Poor's credit rating.

(c) Corporate bonds

Wesfarmers issued \$400 million fixed rate domestic bonds and \$100 million floating rate domestic bonds in September 2009. Both domestic bonds mature in September 2014. Interest is charged semi-annually in arrears on the fixed rate domestic bonds, at 8.25 per cent per annum. Interest is charged quarterly in arrears on the floating domestic bonds at the Australian bank bill swap yield plus a margin of 260 basis points.

On 4 March 2010, Wesfarmers announced the issue of \$756 million (€500 million) of bonds maturing on 10 July 2015 under its Euro Medium Term Note program with pricing after the effect of hedging of 228 basis points over the average mid three month Bank Bill Reference Rate (BBSW). Settlement of the transaction was on 10 March 2010.

Proceeds from the Euro bond issue and an additional \$250 million of surplus cash were applied towards repayment of part of the syndicated bank facility maturing in December 2012.

As a result of the acquisition of the Coles group, Wesfarmers entered into financing arrangements with Coles group's note holders during the period ending 30 June 2008. The medium-term fixed rate notes outstanding have a principal of \$400 million and mature on 25 July 2012. Interest on these notes is payable semi-annually in arrears at six per cent per annum.

Wesfarmers issued US bonds in April 2008, with a face value of \$711 million (US\$ 650 million), maturing on 10 April 2013. Interest on these bonds is payable semi-annually in arrears at 6.998 per cent per annum. If both Moody's and Standard & Poor's cease to rate the notes (excluding Coles notes) investment grade during a change of control transaction, each holder of the notes has the right to require Wesfarmers to purchase all or a portion of the holder's notes at a purchase price equal to 101 per cent of the principal amount thereof plus accrued and unpaid interest. In addition, if there is a downgrade to the credit ratings assigned to the notes (excluding Coles notes) by Moody's or Standard & Poor's (to BBB- or Baa3 or below), the interest rate on the notes will increase.

Derivative contracts are held to hedge future foreign exchange translation and currency interest rate risks in relation to US and European bonds. Refer to note 27 for further details.

Assets pledged as security

A controlled entity has issued a floating charge over assets, capped at \$80 million, as security for payment obligations to a trade creditor. The assets are excluded from financial covenants in all debt documentation.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
20: Provisions		
Current		
Employee benefits	827	745
Workers' compensation	89	85
Self-insured risks	58	42
Mine and plant rehabilitation	3	3
Restructuring and make good	101	63
Surplus leased space	9	9
Off-market contracts	54	74
Other	35	45
	1,176	1,066
Non-current		
Employee benefits	146	147
Workers' compensation	256	251
Self-insured risks	69	62
Mine and plant rehabilitation	172	144
Restructuring and make good	19	34
Surplus leased space	17	14
Off-market contracts	321	349
Other	70	41
	1,070	1,042
Total provisions	2,246	2,108

Provisions have been calculated using discount rates between five per cent and six per cent (2009: between five per cent and six per cent), except as outlined below.

Workers' compensation and self-insured risks

The Group is self-insured for costs relating to workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported, prior to reporting date.

These provisions are determined on a discounted basis, using an actuarially determined method, which is based on various assumptions including, but not limited to, future inflation, investment return, average claim size and claim administration expenses. These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers' compensation or claims expense (either increasing or decreasing the expense).

Mine and plant rehabilitation

In accordance with mining lease agreements and Group policies, obligations exist to remediate areas where mining activity has taken place. Work is ongoing at various sites and in some cases will extend over periods beyond 20 years. Provisions have generally been calculated assuming current technologies. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates to aid with comparability.

Restructuring and make good

These provisions relate principally to:

- the closure of retail outlets or distribution centres;
- the disaggregation of shared services and supply chain within the former Coles group divisions;
- restructuring; and
- associated redundancies.

Provisions are recognised where steps have been taken to implement the restructuring plan, including discussions with affected personnel.

Surplus leased space

The surplus leased space provision covers future payments for leased premises, which are onerous, net of actual and expected sub-leasing revenue, and relates to commitments of up to seven years (2009: eight years). Actual lease payments may vary from the amounts provided where alternate uses are found for these premises, including attraction of new tenants.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

20: Provisions (continued)

Off-market contracts

In existence at the date of acquisition of the Coles group by Wesfarmers were a number of contracts. Changes in market conditions had resulted in the original terms of the contract becoming unfavourable in comparison to market supply conditions present at the date of acquisition. The obligation for the discounted future above market payments has been provided for, calculated using a discount rate of nine per cent. The value of the contract is updated for key underlying assumptions, such as volume/capacity factors, as these become known and is released to earnings over the period of the contract.

CONSOLIDATED	Workers' compensation \$m	Self-insured risks \$m	Mine and plant rehabilitation \$m	Restructuring and make good \$m	Surplus leased space \$m	Off-market contracts \$m	Other \$m	Total \$m
YEAR ENDED 30 JUNE 2010								
Carrying amount at beginning of year	336	104	147	97	23	423	86	1,216
Arising during year	91	59	15	68	10	22	70	335
Utilised	(99)	(42)	(8)	(32)	(6)	(70)	(49)	(306)
Unused amounts reversed	–	–	–	(17)	(2)	–	(2)	(21)
Discount rate adjustment	17	6	9	4	1	–	–	37
Fair value adjustment	–	–	12	–	–	–	–	12
Carrying amount at end of year	345	127	175	120	26	375	105	1,273
YEAR ENDED 30 JUNE 2009								
Carrying amount at beginning of year	317	91	120	113	29	472	48	1,190
Arising during year	71	35	1	22	–	17	50	196
Utilised	(89)	(27)	(7)	(38)	(6)	(66)	(2)	(235)
Unused amounts reversed	–	–	–	–	–	–	(11)	(11)
Acquisition of controlled entities	2	–	–	–	–	–	–	2
Discount rate adjustment	32	5	8	–	–	–	–	45
Fair value adjustment	–	–	25	–	–	–	–	25
Exchange differences	3	–	–	–	–	–	1	4
Carrying amount at end of year	336	104	147	97	23	423	86	1,216

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
21: Insurance liabilities		
Unearned insurance premiums		
Current	762	718
Non-current	35	66
	797	784
Carrying amount at beginning of year	784	750
Deferral of premium on contracts written during year	694	728
Earning of premiums deferred in prior years	(681)	(694)
Carrying amount at end of year	797	784
Outstanding insurance claims		
Current	545	480
Non-current	373	437
	918	917
Outstanding insurance claims		
Gross central estimate of outstanding claims liabilities	885	887
Discount to present value	(66)	(61)
Claim handling expenses	34	33
Risk margin	65	58
	918	917
Total insurance liabilities		
Current	1,307	1,198
Non-current	408	503
	1,715	1,701

The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimate for each class. The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency between 85 per cent and 90 per cent. The probability of adequacy at 30 June 2010 is approximately 85 per cent (2009: 85 per cent), which is within the Group's internal target range of 85 per cent to 90 per cent.

The risk margin included in net outstanding claims is 15.7 per cent of the central estimate (2009: 13.0 per cent). The discount rate used is 4.2 per cent (2009: 4.3 per cent).

	CONSOLIDATED			
	Gross \$m	Reinsurance \$m	2010 Net \$m	2009 Net \$m
Movement in outstanding insurance claims				
Carrying amount at beginning of year	917	(404)	513	448
Incurred claims recognised in profit and loss	927	(258)	669	749
Net claim payments	(927)	246	(681)	(788)
Acquisition of companies	–	–	–	124
Other	1	–	1	(20)
Carrying amount at end of year	918	(416)	502	513

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

21: Insurance liabilities (continued)

Liquidity risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Group is exposed to daily calls on its available cash resources from policy claims. The Group manages this risk in accordance with the Group's liquidity policy whereby investments are held in liquid, short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations.

The Group limits the risk of liquidity shortfalls resulting from a mismatch in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

The maturity profile of the Group's discounted net outstanding claims provision is analysed below.

CONSOLIDATED	<3 months, or on demand \$m	>3-<6 months \$m	>6-<12 months \$m	>1-<2 years \$m	>2-<3 years \$m	>3-<4 years \$m	>4-<5 years \$m	>5 years \$m	Total contractual cash flows \$m	Carrying amount (assets)/ liabilities \$m
YEAR ENDED 30 JUNE 2010										
Gross outstanding claims	254	120	171	128	81	53	36	75	918	918
Reinsurance recoveries	(114)	(51)	(52)	(69)	(39)	(24)	(17)	(50)	(416)	(416)
Net outstanding claims provision	140	69	119	59	42	29	19	25	502	502
YEAR ENDED 30 JUNE 2009										
Gross outstanding claims	241	122	117	151	89	66	44	87	917	917
Reinsurance recoveries	(79)	(58)	(64)	(69)	(35)	(26)	(20)	(53)	(404)	(404)
Net outstanding claims provision	162	64	53	82	54	40	24	34	513	513

Claims development table

The following table shows the development of the estimated ultimate incurred cost for the public liability and workers' compensation classes of business in Australia for the five most recent accident years. The estimated ultimate incurred cost at each point in time consists of the payments to date plus the actuarial estimate of outstanding claims. The subsequent components in the table provide a breakdown of the current estimate of ultimate incurred cost between payments to date and the various components of the outstanding claims liability.

	CONSOLIDATED ACCIDENT YEAR					Total
Ultimate claims cost estimate	2006 \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	\$m
At end of accident year	62	69	88	91	90	400
One year later	56	75	91	89	–	311
Two years later	60	76	82	–	–	218
Three years later	66	71	–	–	–	137
Four years later	59	–	–	–	–	59
Current estimate of ultimate claims cost	60	71	83	89	90	393
Cumulative payments	(43)	(39)	(35)	(29)	(10)	(156)
Undiscounted central estimate	17	32	48	60	80	237
Discount to present value	(2)	(3)	(5)	(7)	(9)	(26)
Discounted central estimate	15	29	43	53	71	211
Claims handling expense	1	2	3	3	4	13
Risk margin	2	5	7	9	12	35
Net outstanding claims liabilities	18	36	53	65	87	259
Liabilities and other recoveries	6	19	18	30	26	99
Gross outstanding claims liabilities	24	55	71	95	113	358

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recovery bases to give the most meaningful insight into the impact on the income statement.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	Restated ¹ 2009 \$m
22: Other liabilities		
Deferred coal revenue		
Current	7	2
Non-current	2	9
	9	11
Other		
Current	181	167
Non-current	14	8
	195	175
Total		
Current	188	169
Non-current	16	17
	204	186

¹ The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of other liabilities. Coal rebates payable reduced from \$220 million to nil as at 1 July 2008 as a result of the restatement.

	CONSOLIDATED	
	2010 \$m	2009 \$m
23: Contributed equity		
Ordinary shares (a)	23,286	23,286
Employee reserved shares (b)	(51)	(62)
	23,235	23,224

(a) Ordinary shares

All ordinary shares are fully paid. Fully paid ordinary shares (including employee reserved shares) carry one vote per share and carry the right to dividends.

Each partially protected ordinary share confers rights on a partially protected shareholder that are the same in all respects to those conferred by an ordinary share on an ordinary shareholder on an equal basis. In addition, partially protected ordinary shares provide a level of downside share price protection. Refer to note 6 for key terms and conditions. Full terms and conditions are available from the Company website www.wesfarmers.com.au.

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares, which has been applied to the dividends payable from March 2007. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Wesfarmers shares sold on the Australian Securities Exchange calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

23: Contributed equity (continued)

(a) Ordinary shares (continued)

Movement in ordinary shares on issue	CONSOLIDATED	
	Thousands	\$m
At 1 July 2008	647,183	11,785
Issue of shares under non-executive director plan at \$31.82 per share	5	–
Issue of shares under salary sacrifice share plan at \$29.09 per share	57	2
Issue of shares under dividend investment plan at \$30.46 per share	11,230	342
Issue of shares under employee long-term incentive plans at \$18.11 per share	4,575	83
Issue of shares under salary sacrifice plan at \$16.25 per share	141	2
Issue of shares under salary sacrifice plan at \$18.72 per share	87	2
Issue of shares under placement at \$14.25 per share	63,158	900
Issue of shares under institutional book build at \$15.00 per share	30,153	452
Issue of shares under institutional entitlement offer at \$13.50 per share	115,282	1,556
Issue of shares under non-executive director plan at \$16.86 per share	9	–
Issue of shares under retail entitlement offer at \$13.50 per share	128,661	1,737
Issue of shares under dividend investment plan at \$17.37 per share	4,217	73
Issue of shares under retail entitlement offer at \$13.50 per share	59	1
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	310	13
Transaction costs associated with entitlement offer (net of tax)	–	(37)
At 30 June 2009	1,005,127	16,911
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	41	2
At 30 June 2010	1,005,168	16,913

Movement in partially protected ordinary shares on issue

At 1 July 2008	152,255	6,388
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	(310)	(13)
At 30 June 2009	151,945	6,375
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	(41)	(2)
At 30 June 2010	151,904	6,373
Total contributed equity	1,157,072	23,286

(b) Employee reserved shares

Movement in employee reserved shares on issue

At 30 June 2008	5,270	76
Exercise of in-substance options	(497)	(6)
Dividends applied	–	(8)
At 30 June 2009	4,773	62
Exercise of in-substance options	(468)	(7)
Dividends applied	–	(4)
At 30 June 2010	4,305	51

Shares issued to employees under the share loan plan referred to in note 36 (termed as 'employee reserved shares') are fully paid via a limited recourse loan to the employee from the parent and a subsidiary, and as such the arrangement is accounted for as in-substance options. Loans are repaid from dividends declared, capital returns and cash repayments. Once the loan is repaid in full, the employee reserved shares are converted to unrestricted ordinary shares.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

23: Contributed equity (continued)

(c) Capital management

The Board is responsible for approving and monitoring the progress of capital management. Wesfarmers defines capital as shareholders' equity and net debt. When managing capital, the objective is to ensure that Wesfarmers continues as a going concern as well as maintaining optimal returns to shareholders and benefits for other stakeholders. Wesfarmers also aims to maintain a stable investment grade capital structure, ensuring low cost of capital is available to the Group.

In order to manage the short and long-term capital structure, the Group adjusts the amount of ordinary dividends paid to shareholders, maintains a dividend reinvestment plan, returns capital to shareholders and arranges debt to fund new acquisitions. Wesfarmers' dividend policy reflects cash flow requirements, profit generation, availability of franking credits and seeks to deliver growing dividends over time.

Wesfarmers continues to maintain investment grade credit ratings, following the credit rating downgrade announced on completion of the Coles group acquisition. These ratings allow Wesfarmers to access global debt capital markets as required.

Some subsidiaries in the Insurance division are general insurance companies, which are subject to externally imposed capital requirements set and monitored by regulatory bodies. These subsidiaries have been ring-fenced and maintain a level of solvency deemed sufficient by Standard & Poor's to support at least an A- rating.

Wesfarmers monitors capital on the basis of the ratios of net debt to total equity and cash interest cover. Net debt is calculated as total interest-bearing debt less cash at bank and on deposit. Total equity is as shown in the balance sheet. Interest cover is calculated as earnings before interest, tax, depreciation and amortisation divided by net cash interest paid (excluding interest revenue earned in any Insurance business).

Net debt to total capital and cash interest cover were as follows:

	CONSOLIDATED	
	2010 \$m	2009 \$m
Total interest-bearing debt	5,353	6,169
Less: cash at bank and on deposit	1,318	1,734
Net financial debt	4,035	4,435
Total equity	24,694	24,248
Net debt to equity	16.3%	18.3%
Profit before income tax	2,215	1,996
Borrowing costs	654	951
Depreciation and amortisation	917	856
Earnings before interest, tax, depreciation and amortisation	3,786	3,803
Net cash interest paid	553	762
Cash interest cover	6.8	5.0

Details of externally imposed capital requirements are contained in note 19.

	CONSOLIDATED		
	2010 \$m	Restated ¹ 2009 \$m	Restated ¹ 2008 \$m
24: Retained earnings			
Balance as at 1 July	1,179	1,185	1,131
Net profit	1,565	1,522	1,072
Dividends	(1,330)	(1,487)	(997)
Actuarial loss on defined benefit plan	–	(41)	(21)
Balance as at 30 June	1,414	1,179	1,185

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of retained earnings.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

25: Reserves

	CONSOLIDATED					
	Restructure tax reserve \$m	Capital reserve \$m	Foreign currency translation reserve \$m	Hedging reserve \$m	Available- for-sale reserve \$m	Total \$m
Balance at 1 July 2008	150	24	(14)	161	4	325
Revaluation of financial instruments	–	–	–	(863)	(3)	(866)
Tax effect of revaluation	–	–	–	259	1	260
Realised losses transferred to balance sheet/net profit	–	–	–	55	–	55
Tax effect of transfers	–	–	–	(17)	–	(17)
Ineffective hedge losses transferred to net profit – gross	–	–	–	140	–	140
Tax effect of ineffective cash flow hedges	–	–	–	(42)	–	(42)
Currency translation differences	–	–	(10)	–	–	(10)
Balance at 30 June 2009	150	24	(24)	(307)	2	(155)
Revaluation of financial instruments	–	–	–	(41)	3	(38)
Tax effect of revaluation	–	–	–	12	(1)	11
Realised losses transferred to balance sheet/net profit	–	–	–	319	–	319
Tax effect of transfers	–	–	–	(96)	–	(96)
Ineffective hedge losses transferred to net profit – gross	–	–	–	51	–	51
Tax effect of ineffective cash flow hedges	–	–	–	(15)	–	(15)
Currency translation differences	–	–	(32)	–	–	(32)
Balance at 30 June 2010	150	24	(56)	(77)	4	45

Nature and purpose of reserves

Restructure tax reserve

The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 ownership simplification plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.

Capital reserve

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

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Available-for-sale reserve

The available-for-sale reserve records fair value changes on available-for-sale investments.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies

Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise syndicated and other bank loans, bank accepted bills, commercial paper, corporate bonds and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period, the Group's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are:

- liquidity risk;
- market risk (including foreign currency, interest rate and commodity price risk); and
- credit risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 2 to the financial statements.

(a) Liquidity risk

Wesfarmers maintains a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of the principal. Wesfarmers aims to spread maturities to avoid excessive refinancing in any period.

Liquidity risk is managed centrally by Group Treasury, by considering over a period of time the operating cash flow forecasts of the underlying businesses and accessing the debt and equity capital markets. Wesfarmers continues to maintain investment grade credit ratings from Moody's and Standard & Poor's.

Wesfarmers aims to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. At 30 June 2010, the Group had unutilised committed debt facilities of \$1,260 million (2009: \$1,422 million). Unutilised committed debt facilities includes backup liquidity for the Group's commercial paper programs through committed commercial paper standby facilities, of which \$350 million was available at 30 June 2010 (2009: \$320 million). Refer to note 19 for the financing facilities used and unused. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets.

Liquidity risk disclosures for insurance liabilities are included in note 21.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid.

For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables, and have been estimated using forward interest rates applicable at the reporting date.

Derivative cash flows exclude accruals recognised in trade and other payables.

The carrying values of financial guarantee contracts have been assessed as nil based on the probability of default.

Refer to note 28 for further details on contingent liabilities.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(a) Liquidity risk (continued)

CONSOLIDATED	<3 months, or on demand \$m	>3–<6 months \$m	>6–<12 months \$m	>1–<2 years \$m	>2–<3 years \$m	>3–<4 years \$m	>4–<5 years \$m	>5 years \$m	Total contractual cash flows \$m	Carrying amount (assets)/ liabilities \$m
YEAR ENDED 30 JUNE 2010										
Non-derivatives										
Trade and other payables ¹	4,412	181	10	6	1	1	–	1	4,612	4,612
Loans and borrowings before swaps	208	111	–	1,641	1,869	–	772	718	5,319	5,353
Expected future interest payments on loans and borrowings	31	86	183	330	240	123	95	15	1,103	–
Total non-derivatives	4,651	378	193	1,977	2,110	124	867	734	11,034	9,965
Derivatives										
Hedge interest rate swaps (net settled)	17	14	30	41	25	2	–	–	129	95
Non-hedge interest rate swaps (net settled)	13	15	5	8	2	–	–	–	43	28
Cross currency interest rate swap (gross settled)										
– (inflow)	–	(27)	(27)	(96)	(922)	(32)	(33)	(869)	(2,006)	(73)
– outflow	28	30	59	117	813	58	59	746	1,910	–
Net cross currency interest rate swaps	28	3	32	21	(109)	26	26	(123)	(96)	(73)
Hedge foreign exchange contracts (gross settled)										
– (inflow)	(32)	(19)	(16)	(7)	(8)	(3)	(1)	–	(86)	(6)
– outflow	13	6	11	25	21	6	–	–	82	–
Non-hedge foreign exchange contracts (gross settled)										
– (inflow)	(2)	–	–	–	–	–	–	–	(2)	(1)
– outflow	1	–	–	–	–	–	–	–	1	–
Net foreign exchange contracts	(20)	(13)	(5)	18	13	3	(1)	–	(5)	(7)
Total derivatives	38	19	62	88	(69)	31	25	(123)	71	43
YEAR ENDED 30 JUNE 2009										
Non-derivatives										
Trade and other payables ¹	3,572	447	35	2	–	–	–	1	4,057	4,057
Loans and borrowings before swaps	114	518	–	171	2,153	3,039	–	222	6,217	6,169
Expected future interest payments on loans and borrowings	70	88	158	356	338	182	22	18	1,232	–
Total non-derivatives	3,756	1,053	193	529	2,491	3,221	22	241	11,506	10,226
Derivatives										
Hedge interest rate swaps (net settled)	45	41	70	84	25	7	1	–	273	263
Non-hedge interest rate swaps (net settled)	15	14	28	29	3	–	–	–	89	74
Cross currency interest rate swap (gross settled)										
– (inflow)	–	(28)	(28)	(55)	(54)	(784)	–	–	(949)	(137)
– outflow	12	13	25	57	64	640	–	–	811	–
Net cross currency interest rate swaps	12	(15)	(3)	2	10	(144)	–	–	(138)	(137)
Hedge foreign exchange contracts (gross settled)										
– (inflow)	(572)	(406)	(515)	(444)	(122)	(44)	–	–	(2,103)	91
– outflow	600	435	533	448	127	46	–	–	2,189	–
Non-hedge foreign exchange contracts (gross settled)										
– (inflow)	(259)	(127)	(126)	–	–	–	–	–	(512)	90
– outflow	300	153	146	–	–	–	–	–	599	–
Net foreign exchange contracts	69	55	38	4	5	2	–	–	173	181
Total derivatives	141	95	133	119	43	(135)	1	–	397	381

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of trade and other payables.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk

Foreign currency risk

The Group's primary currency exposures are in relation to US dollars and arise from sales or purchases by a division in currencies other than the division's functional currency.

As a result of operations in New Zealand, the Group's balance sheet can be affected by movements in the AUD/NZD exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in NZ dollars in New Zealand.

The Group requires all divisions to hedge foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. Before hedging, the divisions are also required to take into account their competitive position. The hedging instrument must be in the same currency as the hedged item. Divisions are not permitted to speculate on future currency movements.

The objective of Wesfarmers' policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons:

- protection of competitive position; and
- greater certainty of earnings due to protection from sudden currency movements.

The Group aims to hedge approximately 45 per cent to 55 per cent (over five years) of its foreign currency sales for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to January 2015. Such foreign currency purchases arise predominantly in the Resources division.

The Group aims to hedge approximately 70 per cent to 100 per cent (up to 12 months) of its foreign currency purchases for which firm commitments or highly probable forecast transactions existed at the balance sheet date. The current hedge contracts extend out to October 2012. Such foreign currency purchases arise predominantly in the retail, Chemicals and Fertilisers, and Industrial and Safety divisions.

Refer to note 27 for details of outstanding foreign exchange derivative contracts used by the Group to manage exposure to foreign exchange risk as at 30 June 2010.

The Group's exposure of its financial instruments to the US dollar, Euro and NZ dollar (prior to hedging contracts) at the reporting date were as follows:

CONSOLIDATED	USD A\$m	2010		2009	
		EUR A\$m	NZD A\$m	USD A\$m	NZD A\$m
Financial assets					
Cash and cash equivalents	64	–	52	61	71
Trade and other receivables	93	2	205	77	149
Amounts due from reinsurers on paid claims	–	–	48	–	65
Finance advances and loans	–	–	71	–	65
Cross currency interest rate swap	103	–	–	137	–
Hedge foreign exchange derivative assets	86	–	–	–	–
Financial liabilities					
Trade and other payables	117	7	157	76	136
Interest-bearing loans and borrowings	809	733	208	831	194
Cross currency interest rate swap	–	30	–	–	–
Insurance liabilities	–	–	216	–	218
Hedge foreign exchange derivative liabilities	74	3	–	91	–
Non-hedge foreign exchange derivative liabilities	1	–	–	83	–

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange risk exposures existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current period's sensitivity analysis. Past movements are not necessarily indicative of future movements.

The following rates have been used in performing the sensitivity analysis:

		2010			2009	
	Balance sheet date	+10%	-10%	Balance sheet date	+15%	-20%
US dollar	0.85	0.94	0.77	0.81	0.93	0.65
Euro	0.70	0.77	0.63	–	–	–

The impact on profit and equity is estimated by relating the hypothetical changes in the US and Euro exchange rate to the balance of financial instruments at the reporting date. Foreign currency risks, as defined by AASB 7 *Financial Instruments: Disclosures*, arise on account of financial instruments being denominated in a currency that is not the functional currency in which the financial instrument is measured.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration and the impact is not material to the Group. Therefore, no sensitivity analysis is performed for exposure to the NZ dollar as the amount is immaterial to the Group.

The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

- the impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit;
- to the extent that the foreign currency denominated derivatives on balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not impact profit; and
- movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

At 30 June 2010, had the Australian dollar moved against the US dollar and the Euro, as illustrated in the table above, with all other variables held constant, Group profit after tax and other equity would have been affected as follows:

CONSOLIDATED	AUD/USD +10%		AUD/USD -10%		AUD/EUR +10%		AUD/EUR -10%			
	USD exposure A\$m	Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m	EUR exposure A\$m	Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m
YEAR ENDED 30 JUNE 2010										
Financial assets										
Cash and cash equivalents	64	(4)	–	5	–	–	–	–	–	–
Trade and other receivables	93	(6)	–	7	–	2	–	–	–	–
Financial liabilities										
Trade and other payables	117	7	–	(9)	–	7	1	–	(1)	–
Interest-bearing loans and borrowings	809	(54)	–	73	–	733	(49)	–	62	–
Cross currency interest rate swap	(103)	54	–	(73)	–	30	49	–	(62)	–
Hedge foreign exchange derivative liabilities	(10)	–	107	–	(133)	3	–	(3)	–	4
De-designated foreign exchange derivative liabilities*	(1)	(2)	–	2	–	–	–	–	–	–
Net impact		(5)	107	5	(133)		1	(3)	(1)	4

* Non-hedge foreign exchange derivative liabilities do not impact profit or equity as there are equal and opposite derivatives in place.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

CONSOLIDATED	AUD/USD +15%		AUD/USD -20%	
	USD exposure A\$m	Impact on profit A\$m	Impact on equity A\$m	Impact on equity A\$m
YEAR ENDED 30 JUNE 2009				
Financial assets				
Cash and cash equivalents	61	(6)	–	–
Trade and other receivables	77	(7)	–	–
Financial liabilities				
Trade and other payables	76	7	–	(13)
Interest-bearing loans and borrowings	831	93	–	(112)
Cross currency interest rate swap	(137)	(93)	–	112
Hedge foreign exchange derivative assets	91	–	30	–
De-designated foreign exchange derivative liabilities*	83	–	–	–
Net impact		(6)	30	(55)

* Non-hedge foreign exchange derivative liabilities do not impact profit or equity as there are equal and opposite derivatives in place.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.

The Group's policy is to limit the Group's exposure to adverse fluctuations in interest rates which could erode Group profitability and adversely affect shareholder value. The policy requires that an interest rate risk management (IRRM) plan be developed based on cash flow forecasts. A committee comprising senior management meets periodically to review the IRRM plan and make interest rate hedging recommendations, which are provided to the Finance Director for approval. The Group's interest rate hedging profile is regularly reported to the Wesfarmers Board and senior executives.

To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. At 30 June 2010, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 25 per cent of the Group's core borrowings are exposed to movements in variable rates (2009: approximately 18 per cent). Refer to note 27 for details of outstanding interest rate swap derivative contracts used to manage the Group's interest rate risk as at 30 June 2010.

From a Group perspective, any internal contracts are eliminated as part of the consolidation process, leaving only the external contracts in the name of Wesfarmers Limited.

Although Wesfarmers has issued US and Euro bonds, cross currency swaps are in place which remove any exposure to US and Euro interest rates. These cross currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.

As at the reporting date, the Group had the following financial assets and liabilities with exposure to interest rate risk. Interest on financial instruments, classified as floating rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. Other financial instruments of the Group that are not included in the table below are non-interest bearing and are therefore not subject to interest rate risk.

The weighted average interest rate, as shown in the table below, is calculated after taking into account the impact of interest rate swaps.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

	CONSOLIDATED			
	2010		2009	
	Balance \$m	Weighted average interest rate %	Balance \$m	Weighted average interest rate %
Financial assets				
<i>Fixed rate</i>				
Finance advances and loans	217	9.75	137	20.20
Loans to associates	9	7.00	19	7.00
Weighted average effective interest rate on fixed rate assets		9.64		18.59
<i>Floating rate</i>				
Investments backing insurance contracts	1,065	4.94	1,003	5.27
Cash assets	1,403	4.45	1,813	3.05
Weighted average effective interest rate on floating rate assets		4.66		3.84
Total weighted average effective interest rate on financial assets at balance date		5.08		4.62
Financial liabilities				
<i>Fixed rate</i>				
Term loans	2,525	9.65	4,473	8.72
Corporate bonds	392	6.00	386	6.54
Weighted average effective interest rate on fixed rate liabilities		9.16		8.55
<i>Floating rate</i>				
Secured bank loan	–	–	2	12.17
Term loans	181	7.05	282	4.73
Other unsecured bank loan	205	4.67	194	4.48
Corporate bonds	2,050	7.84	831	7.12
Weighted average effective interest rate on floating rate liabilities		7.51		6.22
Total weighted average effective interest rate on financial liabilities at balance date		8.41		8.05
Total weighted average effective interest rate on financial liabilities during the period		8.28		8.04

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(b) Market risk (continued)

The sensitivity analysis below demonstrates the impact that a reasonably possible change in interest rates would have on Group profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements.

The results of the sensitivity analysis are driven by three main factors, as outlined below:

- for unhedged floating rate financial instruments, any increase or decrease in interest rates will impact profit;
- to the extent that derivatives form part of an effective cash flow hedge relationship, there will be no impact on profit and any increase/(decrease) in the fair value of the underlying derivative instruments will be deferred in equity; and
- movements in the fair value of derivatives in an effective fair value hedge relationship will be recognised directly in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. If interest rates had moved and with all other variables held constant, profit after tax and equity would have been affected as follows:

CONSOLIDATED	2010		2009	
	Impact on profit A\$m	Impact on equity A\$m	Impact on profit A\$m	Impact on equity A\$m
Australian variable interest rate +100bps (2009: +75bps)	(3)	32	(7)	82
Australian variable interest rate –100bps (2009: –50bps)	3	(32)	4	(54)

The sensitivity is lower in 2010 than in 2009 because of the decrease in debt due to recent equity raisings undertaken by the Group, the majority of the proceeds of which were used to reduce overall debt of the Group, as outlined in note 23.

Commodity price risk

The Group's exposure to commodity price risk arises largely from coal price fluctuations which impact its coal mining operations. Excluding the foreign exchange risk component, which is managed as part of the Group's overall foreign exchange risk management policies and procedures referred to above, this exposure is not hedged as the coal type predominantly sold by the Group is not a readily traded commodity on a market exchange.

No sensitivity analysis is provided for the Group's coal and gas 'own use contracts' as they are outside the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. Such contracts are to buy or sell non-financial items and were entered into, and continue to be held, for the purpose of the receipt or delivery of the non-financial item, in accordance with the division's expected purchase, sale or usage requirements.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk related to receivables

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties. Depending on the division, credit terms are generally 14 to 30 days from date of invoice. It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis.

An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. The Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of receivables past due is included in note 9. The carrying amounts of the Group's trade receivables are denominated in Australian dollars, US dollars or NZ dollars. Since the Group trades only with recognised third parties, no requests or requirement for collateral covering trade receivable balances have been made.

The following concentrations of the maximum credit exposure of current receivables are as follows for the consolidated entity:

	2010	2009
Chemicals and Fertilisers	5.7%	7.5%
Resources	6.3%	6.3%
Corporate	4.5%	1.2%
Energy	3.1%	3.6%
Home Improvement	9.1%	10.6%
Industrial and Safety	9.0%	10.1%
Insurance	53.9%	50.7%
Coles	6.9%	7.9%
Kmart	1.3%	1.6%
Target	0.2%	0.5%
	100.0%	100.0%

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with Board-approved policy. Investments of surplus funds are made only with counterparties rated above AA- by Standard & Poor's and within credit limits assigned to each counterparty, unless appropriate approval is provided. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. In the current period, Wesfarmers increased the percentage of its portfolio invested with Australia's four major banks, and credit limits and ratings of counterparty financial institutions have continued to be monitored closely.

The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when the Group provides a guarantee to another party. Details of contingent liabilities are disclosed in note 28. There are no significant concentrations of credit risk within the Group.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(d) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are as follows:

CONSOLIDATED	Note	CARRYING AMOUNT		FAIR VALUE	
		2010 \$m	Restated ¹ 2009 \$m	2010 \$m	Restated ¹ 2009 \$m
Financial assets					
Cash	8	1,640	2,124	1,640	2,124
Trade receivables	9	1,321	1,274	1,321	1,273
Amounts due from reinsurers on paid claims	9	23	12	23	12
Finance advances and loans	9	217	137	217	137
Receivables from associates	9	1	5	1	5
Other debtors	9	256	190	256	190
Investments backing insurance contracts					
Bank bills	11	359	491	359	491
Term deposits	11	705	511	705	511
Other	11	1	1	1	1
Available-for-sale investments	13	19	18	19	18
Loans to associates	14	9	19	9	19
Forward currency contracts	27	85	42	85	42
Interest rate swaps	27	14	6	14	6
Cross currency interest rate swaps	27	103	137	103	137
Financial liabilities					
Trade payables	18	4,603	4,054	4,603	4,054
Other creditors and accruals	18	9	3	9	3
Interest-bearing loans and borrowings:					
Secured bank loans	19	–	2	–	2
Syndicated bank loans	19	2,706	4,755	2,706	4,753
Unsecured bank loans	19	205	194	205	194
Corporate bonds	19	2,442	1,217	2,468	1,261
Other loans	19	–	1	–	1
Forward currency contracts	27	78	223	78	223
Interest rate swaps	27	137	343	137	343
Cross currency interest rate swaps	27	30	–	30	–

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Other financial assets/liabilities

Market values have been used to determine the fair value of listed available-for-sale investments using a quoted market price. The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or valued based on discounting expected future cash flows at market rates.

1 The Group has a change in accounting policy that, as outlined in note 2, has resulted in a restatement of trade and other payables.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

26: Financial risk management objectives and policies (continued)

(d) Fair values (continued)

Hierarchy

For financial instruments measured at fair value, the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments, as well as the methods used to estimate fair value, are summarised in the table below:

	Quoted market price (Level 1) \$m	Valuation technique – market observable inputs (Level 2) \$m	Valuation technique – non-market observable inputs (Level 3) \$m	Total \$m
CONSOLIDATED				
YEAR ENDED 30 JUNE 2010				
Financial assets measured at fair value				
Available-for-sale financial investments				
Shares in listed companies at fair value	2	–	–	2
Shares in unlisted companies at fair value	–	–	17	17
Investments backing insurance contracts				
Bank bills	–	359	–	359
Term deposits	–	705	–	705
Other	–	1	–	1
Derivative instruments				
Forward currency contracts	–	85	–	85
Interest rate swaps	–	14	–	14
Cross currency interest rate swaps	–	103	–	103
Total financial assets measured at fair value	2	1,267	17	1,286
Financial liabilities measured at fair value				
Interest-bearing loans and borrowings				
Corporate bonds	–	1,950	–	1,950
Derivative instruments				
Forward currency contracts	–	78	–	78
Interest rate swaps	–	137	–	137
Cross currency interest rate swaps	–	30	–	30
Total financial liabilities measured at fair value	–	2,195	–	2,195

There were no transfers between Level 1 and Level 2 during the year.

There have been no Level 3 fair value movements during the year.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

27: Hedging activities

Foreign exchange contracts

The terms of the forward currency contracts have been negotiated to match the terms of the underlying hedged items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in the foreign exchange rates. Note, de-designated hedges that have equal and opposite offsetting hedges are not disclosed below.

Instrument	Notional amount	Average rate	Expiry	Hedge type	FAIR VALUE	
					2010 \$m	2009 \$m
Foreign exchange forwards	2010: US\$2,197.8 million (2009: US\$934.7 million)	AUD/USD = 0.8665 (2009: AUD/USD = 0.7795)	July 2009 to January 2015	Cash flow hedge – forward sales contracts relating mainly to USD coal and LPG sales and have maturities out to January 2015	(22)	7
	2010: US\$887.8 million (2009: US\$678.5 million)	AUD/USD = 0.8822 (2009: AUD/USD = 0.7230)	July 2010 to October 2012	Cash flow hedges – forward purchases contracts relating mainly to capital expenditure or the purchase of inventory and have maturities out to October 2012	31	(93)
	2010: EUR€49.0 million (2009: EUR€17.9 million)	AUD/EUR = 0.6558 (2009: AUD/EUR = 0.5518)	July 2009 to March 2011		(3)	(1)
	2010: NZ\$19.0 million (2009: NZ\$19.0 million)	NZD/USD = 0.6950 (2009: NZD/USD = 0.5701)	July 2009 to April 2011		–	(4)
					6	(91)

Interest rate swap contracts

The terms of the interest rate contracts match the terms of the underlying debt items and, as such, the hedges are expected to be highly effective in offsetting changes in cash flows attributable to movements in interest rates. Note, de-designated hedges that have equal and opposite offsetting hedges are not disclosed below.

Instrument	Notional amount	Average rate	Expiry	Hedge type	FAIR VALUE	
					2010 \$m	2009 \$m
Interest rate swaps	AUD 2010: \$2,525 million (2009: \$4,600 million)	Receive BBSW or BBSY floating Pay 7.1% fixed (2009: 7.4%)	October 2010 to July 2013	Cash flow hedge – to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to floating rate bank bill, term loans or commercial paper debt	(93)	(259)
	AUD 2010: \$400 million (2009: \$650 million)	Receive BBSW or BBSY floating Pay 6.6% fixed (2009: 6.7%)	October 2012 to October 2013	Cash flow hedge – delay start interest rate swaps to hedge exposures to variability in AUD cash flows attributable to movements in the three month benchmark reference rate (BBSW or BBSY) in relation to term loan debt starting from 1 October 2010	(16)	(10)
	AUD 2010: \$400 million (2009: nil)	Receive 8.25% fixed (2009: nil) Pay BBSW floating	September 2014	Fair value hedge – to swap the 2014 \$400 million AUD bond from a fixed rate to floating rate exposure	8	–
	AUD 2010: \$436 million (2009: \$229 million)	Receive 6.0% fixed (2009: 6.4%) Pay BBSW floating	July 2011 to June 2021	Other hedge – to hedge the exposure to changes in the fair value of the outstanding insurance claims (a recognised liability) attributable to changes in fixed interest rates	6	6
					(95)	(263)

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

27: Hedging activities (continued)

Cross currency interest rate swap contracts

Instrument	Notional amount	Rate	Expiry	Hedge type	FAIR VALUE	
					2010 \$m	2009 \$m
Fixed for floating cross currency interest rate swap	USD 2010: US\$650 million (2009: US\$650 million)	Receive 6.998% fixed (2009: 6.998%) Pay BBSW plus 3.979% floating	April 2013	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the US dollar LIBOR benchmark curve for the term of the hedge bond and cross currency interest rate swap ('CCIRS')	(1)	7
				Fair value hedge – to eliminate variability in the changes in the fair value of the remaining portion of coupon and principal cash flows of the US dollar bond, due to changes in spot foreign exchange rates and currency interest rates	104	130
					103	137
Fixed for floating cross currency interest rate swap	EUR 2010: EUR€500 million (2009: nil)	Receive 3.875% fixed (2009: nil) Pay BBSW plus 2.295% floating	July 2015	Cash flow hedge – to eliminate variability in cash flows due to foreign exchange risk on the margin or portion of the interest coupon on the debt above the Euribor benchmark curve for the term of the hedge bond and cross currency interest rate swap ('CCIRS')	(7)	–
				Fair value hedge – to eliminate variability in the changes in the fair value of the portion of coupon based on the Euribor benchmark curve due to changes in spot foreign exchange rates and interest rates	(23)	–
					(30)	–
Total derivatives in effective hedge relationships					(16)	(217)

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

27: Hedging activities (continued)

	FAIR VALUE	
	2010 \$m	2009 \$m
Total derivatives comprise:		
Current assets		
Forward currency contracts – cash flow hedges	68	30
Forward currency contracts classified as held for trading*	1	2
Interest rate swaps – fair value hedges	6	6
Total current assets	75	38
Non-current assets		
Forward currency contracts – cash flow hedges	16	10
Cross currency interest rate swap – cash flow hedge	(1)	7
Cross currency interest rate swap – fair value hedge	104	130
Interest rate swaps – cash flow hedges	8	–
Total non-current assets	127	147
Current liabilities		
Forward currency contracts – cash flow hedges	(31)	(110)
Forward currency contracts classified as held for trading*	–	(92)
Interest rate swaps – cash flow hedges	(57)	(167)
Interest rate swaps classified as held for trading*	(19)	(44)
Total current liabilities	(107)	(413)
Non-current liabilities		
Forward currency contracts – cash flow hedges	(47)	(21)
Cross currency interest rate swap – cash flow hedge	(7)	–
Cross currency interest rate swap – fair value hedge	(23)	–
Interest rate swaps – cash flow hedges	(52)	(102)
Interest rate swaps classified as held for trading*	(9)	(30)
Total non-current liabilities	(138)	(153)
Total derivatives	(43)	(381)

* Derivative instruments classified as held for trading primarily consist of derivatives previously in effective hedge relationships but no longer satisfy the requirements for hedge accounting. These derivative instruments are in offsetting relationships to minimise the effect on earnings.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

28: Commitments and contingencies

	CONSOLIDATED	
	2010 \$m	2009 \$m
Operating lease commitments – Group as lessee		
The Group has entered into commercial leases on office, retail and distribution properties, motor vehicles and office equipment. The lease terms and implicit interest rates vary significantly. For the lease of buildings, the lease terms range from one year to 25 years and have various renewal or purchase options, escalation clauses, termination rights and residual liability clauses.		
Future minimum rentals payable under non-cancellable operating leases not included within this financial report were as follows:		
Within one year	1,477	1,473
Greater than one year but not more than five years	4,776	4,738
More than five years	4,882	5,067
	11,135	11,278
Operating lease commitments – Group as lessor		
Contracted non-cancellable future minimum lease payments expected to be received in relation to non-cancellable sub-leases not included in this financial report were as follows:		
Within one year	19	12
Greater than one year but not more than five years	42	32
More than five years	15	13
	76	57
Capital commitments		
Commitments arising from contracts for capital expenditure contracted for at balance date not included in this financial report were as follows:		
Within one year	236	351
Greater than one year but not more than five years	391	7
	627	358
Commitments arising from agreements to invest in Gresham Private Equity Funds contracted for at balance date not included in this financial report were as follows:		
Due within one year	85	101
Other expenditure commitments		
Contracted other expenditure commitments not included in this financial report were as follows:		
Within one year	88	15
Greater than one year but not more than five years	344	21
More than five years	133	2
	565	38
Commitments relating to jointly controlled operations		
At 30 June 2010, the Group's share of the Bengalla Joint Venture commitments was \$1 million (2009: \$11 million), principally relating to the acquisition of plant and equipment, all of which is payable within one year. The Group's share of the Kwinana Sodium Cyanide Joint Venture capital commitments was \$2 million (2009: \$2 million), relating to the acquisition of plant and equipment, all of which is payable within one year. The Group's share of HAL Property Trust commitments was \$1 million (2009: nil), relating to the acquisition of plant and equipment.		
Share of capital commitments of the joint venture operations:		
Due within one year	4	13
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	1,065	1,037

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

28: Commitments and contingencies (continued)

Contingencies (continued)

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

On acquisition of the Coles group, Wesfarmers assumed responsibility for the guarantees entered into by the Coles group relating to the sale of its Myer business in June 2006, under which Coles group had guaranteed the performance of certain lease agreements held by Myer Ltd. The guarantees amount to \$35 million (2009: \$131 million). The fair value of these guarantees is not considered to be material and has not been recognised in this financial report.

Other

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal actions would not have a material adverse effect on the Group's financial report.

29: Events after the balance sheet date

Dividend

A fully franked dividend of 70 cents per share resulting in a dividend payment of \$810 million was declared for a payment date of 30 September 2010. The dividend has not been provided for in the 30 June 2010 full year financial statements.

Board appointments/resignations

On 6 July 2010, Wesfarmers announced the appointment of Ms Vanessa Wallace as a new non-executive director, with effect from that date.

On 16 September 2010, Wesfarmers announced the resignation from the Board of Wesfarmers of Mr David White effective from the Company's Annual General Meeting scheduled for 9 November 2010.

30: Interest in jointly controlled assets

The Group has the following interests in joint ventures in Australia:

Joint venture	Principal activity	INTEREST	
		2010 %	2009 %
Sodium Cyanide JV	Sodium cyanide manufacture	75	75
Bengalla JV	Coal mining	40	40
Kwinana Industrial Gases JV	Oxygen and nitrogen manufacture	40	40
HAL Property Trust	Property ownership	50	50

The share of the assets, revenue and expenses of the jointly controlled assets, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED	
	2010 \$m	2009 \$m
Current assets		
Cash and cash equivalents	5	7
Inventories	13	10
Other	7	3
Total current assets	25	20
Non-current assets		
Property, plant and equipment	269	270
Total non-current assets	269	270
Total assets	294	290
Revenue	289	320
Costs of sales	(178)	(181)
Administrative expenses	(5)	(5)
Profit before income tax	106	134
Income tax expense	(31)	(40)
Net profit	75	94

Refer to note 28 for details on capital commitments. There were no impairment losses in the jointly controlled assets.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

31: Parent disclosures

	PARENT	
	2010 \$m	2009 \$m
ASSETS		
Current assets	7,892	8,550
Non-current assets	22,377	22,246
Total assets	30,269	30,796
LIABILITIES		
Current liabilities	760	1,233
Non-current liabilities	5,171	5,663
Total liabilities	5,931	6,896
Net assets	24,338	23,900
EQUITY		
Equity attributable to equity holders of the parent		
Contributed equity	23,280	23,280
Employee reserved shares	(48)	(59)
Retained earnings	1,035	714
Restructure tax reserve	150	150
Hedging reserve	(79)	(185)
Total equity	24,338	23,900
Profit attributable to members of the parent	1,655	1,082
Total comprehensive income for the year, net of tax, attributable to members of the parent	1,757	836
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	361	352

Wesfarmers has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

Wesfarmers is party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

Refer to note 33 for details of the Wesfarmers Deed of Cross Guarantee.

Capital commitments

There were no commitments arising from contracts for capital expenditure contracted for at balance date not included in this financial report (2009: nil).

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

32: Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2010 %	2009 %
AALARA Risk Management Pty Ltd	Australia	AUD	50	50
A.C.N. 003 921 873 Pty Limited	Australia	AUD	100	100
A.C.N. 082 931 486 Pty Ltd	Australia	AUD	100	100
A.C.N. 112 719 918 Pty Ltd	Australia	AUD	100	100
All Transport Insurance Brokers Pty Ltd	Australia	AUD	100	100
ALW Newco Pty Limited	Australia	AUD	100	100
Andearp Pty Ltd	Australia	AUD	100	100
Arana Hills Properties Pty Limited	Australia	AUD	100	100
Australian Gold Reagents Pty Ltd	Australia	AUD	75	75
Australian Graphics Pty Ltd	Australia	AUD	100	100
Australian Grocery Holdings Pty Ltd	Australia	AUD	100	100
Australian International Insurance Limited +	Australia	AUD	100	100
Australian Liquor Group Ltd +	Australia	AUD	100	100
Australian Taxi Insurance Underwriting Agency Pty Ltd	Australia	AUD	100	100
Australian Underwriting Holdings Limited +	Australia	AUD	100	100
Australian Underwriting Services Pty Ltd	Australia	AUD	100	100
Australian Vinyls Corporation Pty Ltd +	Australia	AUD	100	100
AVC Holdings Pty Ltd +	Australia	AUD	100	100
AVC Trading Pty Ltd +	Australia	AUD	100	100
Bakop Pty Ltd	Australia	AUD	100	100
Barrier Investments Pty Ltd	Australia	AUD	100	100
BBC Hardware Limited +	Australia	AUD	100	100
BBC Hardware Properties (NSW) Pty Ltd	Australia	AUD	100	100
BBC Hardware Properties (Vic) Pty Ltd	Australia	AUD	100	100
Bi-Lo Pty Limited +	Australia	AUD	100	100
Brian Pty Ltd	Australia	AUD	100	100
Bullivants Lifting and Industrial Products Pty Limited	Australia	AUD	100	100
Bullivants Pty Limited +	Australia	AUD	100	100
Bunnings Group Limited +	Australia	AUD	100	100
Bunnings Limited #	New Zealand	NZD	100	100
Bunnings Management Services Pty Ltd	Australia	AUD	100	100
Bunnings Manufacturing Pty Ltd	Australia	AUD	100	100
Bunnings (Northern Territory) Pty Ltd	Australia	AUD	100	100
Bunnings Properties Pty Ltd	Australia	AUD	100	100
Bunnings Property Management Limited <	Australia	AUD	100	100
Bunnings Pulp Mill Pty Ltd	Australia	AUD	100	100
Byrne Watkinson Kaye Insurance Brokers Pty Ltd	Australia	AUD	100	100
C S Holdings Pty Limited +	Australia	AUD	100	100
Campbells Hardware & Timber Pty Limited	Australia	AUD	100	100
Car Rental Risk Management Services Pty Ltd	Australia	AUD	100	100
CGNZ Finance Limited	New Zealand	NZD	100	100
Charlie Carter (Norwest) Pty Ltd	Australia	AUD	100	100
Chemical Holdings Kwinana Pty Ltd +	Australia	AUD	100	100
Clarkson Shopping Centre Pty Ltd	Australia	AUD	100	100
CMFL Services Ltd +	Australia	AUD	100	100
CMNZ Investments Pty Ltd	Australia	AUD	100	100
CMPQ (CML) Pty Ltd	Australia	AUD	100	100
CMPQ (PEN) Pty Ltd	Australia	AUD	100	100
CMTI Pty Ltd	Australia	AUD	100	100
Co-operative Wholesale Services Ltd	Australia	AUD	100	100
Coles Ansett Travel Pty Ltd	Australia	AUD	97.5	97.5
Coles Finance Company	United States	USD	–	100
Coles Group Asia Pty Ltd +	Australia	AUD	100	100
Coles Group Deposit Services Pty Ltd	Australia	AUD	100	100
Coles Group Employee Share Plan Pty Ltd	Australia	AUD	100	100
Coles Group Finance Limited +	Australia	AUD	100	100
Coles Group Finance (USA) Pty Ltd	Australia	AUD	100	100
Coles Group International Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2010 %	2009 %
Coles Group Limited +	Australia	AUD	100	100
Coles Group New Zealand Holdings Limited	New Zealand	NZD	100	100
Coles Group Properties Holdings Ltd +	Australia	AUD	100	100
Coles Group Properties Pty Ltd	Australia	AUD	100	100
Coles Group Property Developments Ltd +	Australia	AUD	100	100
Coles Group Superannuation Fund Pty Ltd				
(formerly Coles Myer Superannuation Fund Pty Ltd)	Australia	AUD	100	100
Coles Group Supply Chain Pty Ltd +	Australia	AUD	100	100
Coles LD Australia Pty Ltd	Australia	AUD	100	100
Coles Melbourne Ltd +	Australia	AUD	100	100
Coles Online Pty Ltd	Australia	AUD	100	100
Coles Properties WA Ltd +	Australia	AUD	100	100
Coles Retail Group Pty Ltd	Australia	AUD	100	100
Coles Stores (New Zealand) Limited	New Zealand	NZD	100	100
Coles Supercentres Pty Ltd	Australia	AUD	100	100
Coles Supermarkets Australia Pty Ltd +	Australia	AUD	100	100
Comnet Pty Ltd	Australia	AUD	100	100
Comprehensive Holiday Insurance (Underwriting Agents) Pty Ltd	Australia	AUD	100	100
ConsortiumCo Pty Ltd	Australia	AUD	100	100
Coregas Pty Ltd +	Australia	AUD	100	100
Credit Management Pty Ltd	Australia	AUD	–	100
Crombie Lockwood (NZ) Limited #	New Zealand	NZD	100	100
CSA Retail (Finance) Pty Ltd	Australia	AUD	100	100
CSBP Ammonia Terminal Pty Ltd	Australia	AUD	100	100
CSBP Limited +	Australia	AUD	100	100
Cuming Smith and Company Limited +	Australia	AUD	100	100
Curragh Coal Sales Co Pty Ltd	Australia	AUD	100	100
Curragh Queensland Mining Pty Ltd	Australia	AUD	100	100
Dairy Properties Co-operative Limited	Australia	AUD	100	100
Dennison & Associates Pty Ltd	Australia	AUD	100	100
Direct Fulfilment Group Pty Ltd	Australia	AUD	100	100
e.colesgroup Pty Ltd +	Australia	AUD	100	100
e.tailing (Coles Group) Pty Ltd	Australia	AUD	100	100
Eastfarmers Pty Ltd	Australia	AUD	100	100
ELH Services Limited #	United Kingdom	GBP	100	100
ELOL Limited #	United Kingdom	GBP	100	100
Energy Generation Pty Ltd +	Australia	AUD	100	100
Eskdale Holdings Pty Ltd	Australia	AUD	100	100
Eureka Operations Pty Ltd +	Australia	AUD	100	100
FIF Investments Pty Limited	Australia	AUD	100	100
Financial Network Card Services Pty Ltd	Australia	AUD	100	100
Fitzgibbons Hotel Pty Ltd	Australia	AUD	100	100
Fitzinn Pty Ltd	Australia	AUD	100	100
Fosseys (Australia) Pty Ltd	Australia	AUD	100	100
FPT (Australia) Pty Limited	Australia	AUD	100	100
Fulthom Pty Limited	Australia	AUD	100	100
G J Coles & Coy Pty Limited	Australia	AUD	100	100
Gault Armstrong Kemble Pty Ltd	Australia	AUD	100	100
Gault Armstrong SARL	New Caledonia	XPF	100	100
GBPL Pty Ltd	Australia	AUD	100	100
General Merchandise & Apparel Group Pty Ltd	Australia	AUD	100	100
GPML Pty Ltd	Australia	AUD	100	100
Grocery Holdings Pty Ltd +	Australia	AUD	100	100
Guidel Pty Ltd	Australia	AUD	100	100
Hadrill Insurance Brokers Pty Ltd	Australia	AUD	100	100
Harris Technology (NZ) Pty Ltd	Australia	AUD	100	100
Harris Technology Pty Ltd +	Australia	AUD	100	100
Hedz No 2 Pty Ltd	Australia	AUD	100	100
Hedz No 3 Pty Ltd	Australia	AUD	100	100
Hedz No 4 Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2010 %	2009 %
Hedz No 5 Pty Ltd	Australia	AUD	100	100
Hedz No 6 Pty Ltd	Australia	AUD	100	100
Hedz No 7 Pty Ltd	Australia	AUD	100	100
Hotel Wickham Investments Pty Ltd	Australia	AUD	100	100
HouseWorks Co Pty Ltd	Australia	AUD	100	100
Howard Smith Limited +	Australia	AUD	100	100
Howard Smith Nominees Pty Limited	Australia	AUD	100	100
HT (Colesgroup) Pty Ltd	Australia	AUD	100	100
Ibert Pty Limited	Australia	AUD	100	100
Idobent Pty Ltd	Australia	AUD	100	100
J Blackwood & Son Pty Ltd (formerly J Blackwood & Son Limited) +	Australia	AUD	100	100
J Blackwood & Son Steel & Metals Pty Ltd	Australia	AUD	100	100
Katies Fashions (Aust) Pty Limited	Australia	AUD	100	100
Kleenheat Gas House Franchising Pty Ltd	Australia	AUD	100	100
Kmart Australia Limited (formerly K Mart Australia Ltd) +	Australia	AUD	100	100
Knox Liquor Australia Pty Ltd	Australia	AUD	100	100
Kwinana Nitrogen Company Proprietary Limited	Australia	AUD	100	100
Lawvale Pty Ltd	Australia	AUD	100	100
LHG Pty Ltd +	Australia	AUD	100	100
LHG2 Pty Ltd +	Australia	AUD	100	100
LHG3 Pty Ltd	Australia	AUD	100	100
Liftco Pty Limited +	Australia	AUD	100	100
Liquorland (Australia) Pty Ltd +	Australia	AUD	100	100
Liquorland (Qld) Pty Ltd +	Australia	AUD	100	100
Loadsafe Systems Pty Ltd	Australia	AUD	100	100
Loggia Pty Ltd +	Australia	AUD	100	100
Lumley Corporation Pty Limited +	Australia	AUD	100	100
Lumley Finance (NZ) Limited #	New Zealand	NZD	100	100
Lumley General Insurance (NZ) Limited #	New Zealand	NZD	100	100
Lumley Insurance Group Limited	Australia	AUD	100	100
Lumley Investments (NZ) Limited #	New Zealand	NZD	100	100
Lumley Life (NZ) Limited #	New Zealand	NZD	100	100
Lumley Management Services Pty Limited	Australia	AUD	100	100
Lumley Services (NZ) Limited #	New Zealand	NZD	100	100
Lumley Superannuation Pty Limited	Australia	AUD	100	100
Lumley Technology Pty Ltd (formerly Lumley Technology Limited)	Australia	AUD	100	100
Manacol Pty Limited +	Australia	AUD	100	100
Mawhinney Insurance Brokers Pty Ltd	Australia	AUD	100	100
Meredith Distribution (NSW) Pty Ltd	Australia	AUD	100	100
Meredith Distribution Pty Ltd	Australia	AUD	100	100
MIB Insurance Brokers Pty Ltd	Australia	AUD	100	100
Millars (WA) Pty Ltd	Australia	AUD	100	100
Modwood Technologies Pty Ltd	Australia	AUD	100	100
Monument Finance Limited #	New Zealand	NZD	100	100
Monument Insurance (NZ) Limited #	New Zealand	NZD	100	100
Morley Shopping Centre Pty Limited	Australia	AUD	100	100
Motion Industries Pty Ltd	Australia	AUD	100	100
Multimedia Services Pty Ltd	Australia	AUD	100	100
Mycar Automotive Pty Ltd	Australia	AUD	100	100
NEGF Power Management Pty Ltd	Australia	AUD	–	100
NEGF Power Sales Pty Ltd	Australia	AUD	–	100
Newmart Pty Ltd	Australia	AUD	100	100
now.com.au Pty Ltd	Australia	AUD	100	100
NZ Finance Holdings Pty Limited	New Zealand	NZD	100	100
OAMPS (HK) Limited	Hong Kong	HKD	–	100
OAMPS (UK) Limited #	United Kingdom	GBP	100	100
OAMPS (UK) Underwriting Services Limited #	United Kingdom	GBP	–	100
OAMPS Agency Pty Ltd	Australia	AUD	100	100
OAMPS Consulting Pty Ltd	Australia	AUD	100	100
OAMPS Corporate Risk Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2010 %	2009 %
OAMPS Credit Limited	Australia	AUD	51	51
OAMPS Gault Armstrong Pty Ltd	Australia	AUD	100	100
OAMPS Insurance Brokers Ltd +	Australia	AUD	100	100
OAMPS Insurance Brokers (NZ) Limited	New Zealand	NZD	–	100
OAMPS Life Solutions Ltd	Australia	AUD	100	100
OAMPS Ltd +	Australia	AUD	100	100
OAMPS Special Risks Ltd #	United Kingdom	GBP	100	100
OAMPS Sports Services Pty Limited @	Australia	AUD	100	–
OAMPS Superannuation Ltd	Australia	AUD	100	100
OAMPS Superannuation Management Pty Ltd	Australia	AUD	100	100
Officeworks Businessdirect Pty Ltd +	Australia	AUD	100	100
Officeworks Superstores NZ Limited	New Zealand	NZD	100	100
Officeworks Superstores Pty Ltd +	Australia	AUD	100	100
Offshore Market Placements Limited #	New Zealand	NZD	100	100
OHES Environmental Limited (formerly Oil & Hazardous Environmental Services Limited) #	United Kingdom	GBP	100	100
OMP Insurance Brokers Ltd +	Australia	AUD	100	100
ORZO Pty Limited	Australia	AUD	100	100
Osmond Hotel Pty Ltd	Australia	AUD	100	100
Outfront Liquor Services Pty Ltd	Australia	AUD	100	100
Pacific Liquor Wholesalers Pty Ltd	Australia	AUD	100	100
Packaging House Limited #	New Zealand	NZD	100	100
Pailou Pty Ltd +	Australia	AUD	100	100
Parks Insurance Pty Ltd	Australia	AUD	100	100
Patrick Operations Pty Ltd	Australia	AUD	100	100
Penneys Pty Limited	Australia	AUD	100	100
Petersen Bros Pty Ltd	Australia	AUD	100	100
Philip Murphy Melbourne Pty Ltd	Australia	AUD	100	100
Philip Murphy Niddrie Pty Ltd	Australia	AUD	100	100
Philip Murphy Toorak Pty Ltd	Australia	AUD	100	100
Philip Murphy Wine & Spirits Pty Ltd	Australia	AUD	100	100
Powertrain Pty Limited	Australia	AUD	100	100
Premier Power Sales Pty Ltd	Australia	AUD	100	100
Price Point Pty Ltd	Australia	AUD	100	100
Procurement Online Pty Ltd	Australia	AUD	100	100
Protector Alsafte Pty Ltd +	Australia	AUD	100	100
PTF Training Limited @	United Kingdom	GBP	100	–
Q.R.L. Insurance Finance Agency Pty Ltd	Australia	AUD	50	50
R & N Palmer Pty Ltd	Australia	AUD	100	100
Retail Australia Consortium Pty Ltd	Australia	AUD	50	50
Retail Investments Pty Ltd	Australia	AUD	100	100
Ronell Pty Ltd	Australia	AUD	100	100
Roval Lifting and Industrial Products Pty Limited	Australia	AUD	100	100
SBS Rural IAMA Pty Limited	Australia	AUD	100	100
Sellers (SA) Pty Ltd	Australia	AUD	100	100
Share Nominees Limited	Australia	AUD	100	100
Sorcha Pty Ltd +	Australia	AUD	100	100
Sotico Pty Ltd	Australia	AUD	100	100
Sportsure Pty Ltd	Australia	AUD	50	50
StateWest Power Pty Ltd	Australia	AUD	100	100
Target Australia Pty Ltd +	Australia	AUD	100	100
The Builders Warehouse Group Pty Limited	Australia	AUD	100	100
The Franked Income Fund	Australia	AUD	100	100
The Grape Management Pty Ltd	Australia	AUD	100	100
Theo's Liquor Pty Ltd	Australia	AUD	100	100
Tickoth Pty Ltd	Australia	AUD	100	100
Tooronga Holdings Pty Ltd	Australia	AUD	100	100
Tooronga Shopping Centre Pty Ltd	Australia	AUD	100	100
TotalGuard Pty Limited	Australia	AUD	100	100
Tyremaster (Wholesale) Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2010 %	2009 %
Tyremaster Pty Ltd	Australia	AUD	100	100
Ucone Pty Ltd +	Australia	AUD	100	100
Universal Underwriting Services Pty Limited	Australia	AUD	100	100
Valley Investments Pty Ltd +	Australia	AUD	100	100
Vigil Underwriting Agencies Pty Ltd	Australia	AUD	100	100
Viking Direct Pty Limited	Australia	AUD	100	100
W F Broking (UK) Limited	United Kingdom	GBP	100	100
W4K.World 4 Kids Pty Ltd	Australia	AUD	100	100
Wesfarmers Agribusiness Limited +	Australia	AUD	100	100
Wesfarmers Bangladesh Gas Pty Ltd	Australia	AUD	100	100
Wesfarmers Bengalla Limited +	Australia	AUD	100	100
Wesfarmers Bioenergy Pty Ltd	Australia	AUD	100	100
Wesfarmers Broking (NZ) Limited	New Zealand	NZD	100	100
Wesfarmers Bunnings Limited +	Australia	AUD	100	100
Wesfarmers Char Pty Ltd	Australia	AUD	100	100
Wesfarmers Coal Resources Pty Ltd +	Australia	AUD	100	100
Wesfarmers Curragh Pty Ltd +	Australia	AUD	100	100
Wesfarmers Energy (Gas Sales) Limited +	Australia	AUD	100	100
Wesfarmers Energy (Industrial Gas) Pty Ltd	Australia	AUD	100	100
Wesfarmers Energy Limited +	Australia	AUD	100	100
Wesfarmers Federation Insurance Pty Ltd (formerly Wesfarmers Federation Insurance Limited)	Australia	AUD	100	100
Wesfarmers Fertilizers Pty Ltd +	Australia	AUD	100	100
Wesfarmers Finance Pty Ltd	Australia	AUD	100	100
Wesfarmers Gas Limited +	Australia	AUD	100	100
Wesfarmers General Insurance Limited	Australia	AUD	100	100
Wesfarmers Holdings Pty Ltd	Australia	AUD	100	100
Wesfarmers Industrial & Safety Holdings NZ Limited #	New Zealand	NZD	100	100
Wesfarmers Industrial & Safety NZ Limited #	New Zealand	NZD	100	100
Wesfarmers Industrial and Safety Pty Ltd +	Australia	AUD	100	100
Wesfarmers Insurance Investments Pty Ltd +	Australia	AUD	100	100
Wesfarmers Insurance Pty Ltd	Australia	AUD	100	100
Wesfarmers Investments Pty Ltd	Australia	AUD	100	100
Wesfarmers Kleenheat Elpiji Limited <	Bangladesh	BDT	69	69
Wesfarmers Kleenheat Gas Pty Ltd +	Australia	AUD	100	100
Wesfarmers LNG Pty Ltd +	Australia	AUD	100	100
Wesfarmers LPG Pty Ltd +	Australia	AUD	100	100
Wesfarmers Premier Coal Limited +	Australia	AUD	100	100
Wesfarmers Private Equity Pty Ltd	Australia	AUD	100	100
Wesfarmers Provident Fund Pty Ltd	Australia	AUD	100	100
Wesfarmers Railroad Holdings Pty Ltd	Australia	AUD	100	100
Wesfarmers Resources Limited +	Australia	AUD	100	100
Wesfarmers Retail Holdings Pty Ltd +	Australia	AUD	100	100
Wesfarmers Retail Pty Ltd +	Australia	AUD	100	100
Wesfarmers Risk Management Limited #	Bermuda	AUD	100	100
Wesfarmers Risk Management (Singapore) Pte Ltd	Singapore	SGD	100	100
Wesfarmers Securities Management Pty Ltd	Australia	AUD	100	100
Wesfarmers Sugar Company Pty Ltd	Australia	AUD	100	100
Wesfarmers Superannuation Pty Ltd	Australia	AUD	100	100
Wesfarmers Transport Indonesia Pty Ltd	Australia	AUD	100	100
Wesfarmers Transport Limited +	Australia	AUD	100	100
Weskem Pty Ltd	Australia	AUD	100	100
West Africa Power Company Pty Ltd	Australia	AUD	–	100
Westralian Farmers Co-operative Limited	Australia	AUD	100	100
Westralian Farmers Superphosphates Limited +	Australia	AUD	100	100
WFCL Investments Pty Ltd	Australia	AUD	100	100
Wideland Insurance Brokers Pty Ltd	Australia	AUD	100	100
Wideland Life Insurance Agency Pty Ltd	Australia	AUD	100	100
WI Premium Funding Limited (formerly Lumley Finance Limited) +	Australia	AUD	100	100
WIS Solutions Pty Ltd	Australia	AUD	100	100

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

32: Subsidiaries (continued)

	Country of incorporation	Functional currency	BENEFICIAL INTEREST	
			2010 %	2009 %
Workplace Risk Solutions Limited #	New Zealand	NZD	–	100
WPP Holdings Pty Ltd	Australia	AUD	50	50
Wyper Brothers Pty Limited	Australia	AUD	100	100
X-WIS Pty Ltd	Australia	AUD	100	100
XCC (Retail) Pty Ltd	Australia	AUD	100	100
ZIB Credit Trust	Australia	AUD	51	51
ZIB Group Holdings Company Limited +	Australia	AUD	100	100
ZIB Holdings Pty Limited +	Australia	AUD	100	100
ZIB Insurance Brokers Holding Limited +	Australia	AUD	100	100
ZIB Insurance Trust	Australia	AUD	100	100

@ Entity acquired/incorporated during the year.

Audited by firms of Ernst & Young International.

< Audited by other firms of accountants.

+ An ASIC approved deed of cross guarantee has been entered into by Wesfarmers Limited and these entities. Refer to note 33 for further details.

Wesfarmers Limited, incorporated in Australia, is the ultimate Australian parent entity and the ultimate parent of the Group.

33: Deed of cross guarantee

Pursuant to the Wesfarmers Deed of Cross Guarantee ('the Deed') and in accordance with ASIC Class Order 98/1418, the subsidiaries identified with a '+' in note 32 are relieved from the requirements of the *Corporations Act 2001* relating to the preparation, audit and lodgement of their financial reports.

The subsidiaries identified with a '+' in note 32 and Wesfarmers Limited, together referred to as the 'Closed Group', either originally entered into the Deed on 27 June 2008 or have subsequently joined the Deed by way of an assumption deed. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group. The entities joining the Closed Group by way of an assumption deed dated 9 June 2010 are:

- Lumley Corporation Pty Limited ACN 004 191 646
- Officeworks Businessdirect Pty Ltd ACN 061 239 807
- Wesfarmers Industrial and Safety Pty Ltd ACN 003 903 704
- Wesfarmers LNG Pty Ltd ACN 096 080 205

On 9 June 2010, a revocation deed in respect of the Deed was executed and lodged with ASIC. Those entities that were removed as a party to the Deed will be released from their obligations under the Deed provided that none of the parties to the Deed are wound up and no winding up of any of those parties is commenced within six months after the revocation deed was lodged with ASIC. The entity removed from the Closed Group by way of a revocation deed is:

- Coles Group International Pty Ltd ACN 006 233 736

The entity removed from the Deed does not have a material effect on the income statement and balance sheet of the Closed Group.

The consolidated income statement of the entities that are members of the Closed Group is as follows:

	New Deed 2010 \$m	Previous Deed 2009 \$m
Consolidated income statement		
Profit from continuing operations before income tax	1,852	2,105
Income tax expense	(569)	(476)
Net profit for the period	1,283	1,629
Retained earnings at the beginning of the year	930	926
Adjustment for companies transferred out of the Closed Group	(197)	(138)
Total available for appropriation	2,016	2,417
Dividends provided for or paid	(1,331)	(1,487)
Retained earnings at the end of the year	685	930

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

33: Deed of cross guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

	New Deed 2010 \$m	Previous Deed 2009 \$m
Consolidated balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	1,633	2,108
Trade and other receivables	1,300	1,088
Inventories	4,464	4,573
Derivatives	69	50
Other financial assets	71	107
Total current assets	7,537	7,926
Non-current assets		
Receivables	934	998
Investments	4,925	5,564
Other financial assets	1	1
Investment in associates	133	130
Deferred tax assets	574	731
Property, plant and equipment	7,192	6,774
Intangible assets and goodwill	20,158	20,228
Derivatives	127	147
Other	35	34
Total non-current assets	34,079	34,607
Total assets	41,616	42,533
LIABILITIES		
Current liabilities		
Trade and other payables	6,517	5,360
Interest-bearing loans and borrowings	99	494
Income tax payable	129	24
Provisions	1,077	853
Derivatives	107	572
Other	186	334
Total current liabilities	8,115	7,637
Non-current liabilities		
Payables	3,082	3,910
Interest-bearing loans and borrowings	5,051	5,537
Deferred tax liabilities	–	7
Provisions	1,108	1,051
Derivatives	138	153
Other	59	146
Total non-current liabilities	9,438	10,804
Total liabilities	17,553	18,441
Net assets	24,063	24,092
EQUITY		
Contributed equity	23,286	23,286
Employee reserved shares	(51)	(62)
Retained earnings	685	930
Reserves	143	(62)
Total equity	24,063	24,092

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

34: Related party transactions

	CONSOLIDATED	
	2010 \$m	2009 \$m
Associates		
Management fees received	7	7
Profit on sale of rental properties	–	1
Operating lease rent paid	76	70
Financial advisory fees paid	–	5
Agreed reimbursement for completion of upgrades	–	7
Sale of gift cards on commercial terms	33	36
Payments for customer loyalty programs	33	35
Loans receivable	9	19

Associates

Management fees have been paid by associated entities, Air Liquide WA Pty Ltd and Bunnings Warehouse Property Trust, to the consolidated entity on normal commercial terms and conditions for staff and other services provided to the associates.

Rent for retail warehouses has been paid by the consolidated entity to an associated entity, the Bunnings Warehouse Property Trust.

Mr Carter, a director of Wesfarmers, is a director and shareholder of Colin Carter & Associates. Colin Carter & Associates has previously provided consultancy services to Wesfarmers and was paid a fee of \$25,000 in 2009. No consultancy services have been provided, and no fees have been paid, in 2010.

Mr Graham, a director of Wesfarmers, has a majority shareholding interest in a company which jointly owns Gresham Partners Group Limited on an equal basis with a wholly owned subsidiary of Wesfarmers. A partly owned subsidiary of Gresham Partners Group Limited has provided financial advisory services to Wesfarmers of \$9,000 (2009: \$5 million).

Loans have been made to an associated entity. Loans are subordinated to a syndicate of project financing banks and neither is repayable nor interest-bearing until a number of financial covenants have been achieved.

Other minor loans have also been made to associates.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	2010 \$m	2009 \$m
35: Auditor's remuneration		
The auditor of Wesfarmers Limited is Ernst & Young (Australia).		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated group	6,469	7,112
– other services in relation to the entity and any other entity in the consolidated group		
– tax compliance	561	420
– assurance related	1,076	1,300
– special audits required by regulators	–	45
– other	14	51
	8,120	8,928
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
– an audit or review of the financial report of subsidiaries	598	736
– other services in relation to the entity and any other entity in the consolidated group		
– tax compliance	14	58
– other	–	19
	612	813
Amounts received or due and receivable by non Ernst & Young audit firms for:		
– other	35	233
	8,767	9,974

36: Share-based payment plans

Wesfarmers Employee Share Plan ('WESP')

The WESP was approved by shareholders in April 1985, with the last issue under the plan being made in December 2004. Under the plan, all permanent employees over 18 years of age continuously employed by the Group for a minimum period of one year were invited annually to apply for a specified number of fully paid ordinary shares in the Company, funded by a limited-recourse interest-free loan from the Group.

Under the plan, shares were allotted at the weighted average price of Wesfarmers Limited shares posted on the Australian Securities Exchange one week up to and including the day of allotment. The shares are not subject to any specific vesting conditions.

The employee's obligation for repayment of the loans is limited to the dividends declared and capital returns by the Company and, in the event the employee ceases employment, the market price achieved on the sale of the shares held as security by the Company for the loans.

The plan is accounted for as an in-substance option plan, with the contractual life of each option equivalent to the estimated loan life and no maximum term. Repayment of the loan constitutes exercise of the option, with the exercise price being the remaining loan balance per share.

The following table sets out the number and weighted average exercise prices ('WAEP') of and movements in in-substance share options during the year:

	2010		2009	
	Number Thousands	WAEP	Number Thousands	WAEP
Outstanding and exercisable at the beginning of the year	4,773	\$12.91	5,270	\$14.37
Exercised during the year	(468)	\$12.61	(497)	\$12.17
Outstanding and exercisable at the end of the year	4,305	\$11.94	4,773	\$12.91
Weighted average share price for Wesfarmers Limited		\$28.55		\$22.18
The weighted average exercise prices (after reductions for dividends paid, returns of capital and voluntary payments) for in-substance options issued during the following years ended 30 June are:				
2001		\$7.77		\$8.66
2002		\$10.98		\$12.09
2003		\$13.34		\$14.44
2004		\$26.54		\$27.66

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

36: Share-based payment plans (continued)

Wesfarmers Long Term Incentive Plan ('WLTIP')

The WLTIP was introduced in September 2005. Under the plan in 2010, eligible senior executives were invited to receive fully paid ordinary shares in the Company subject to the achievement of future performance hurdles based both on the Group achieving a benchmark growth rate in return on equity against a comparative group of companies and continuation of employment. Eligibility is dependent upon an in-service period and being a permanent employee.

Shares may be either acquired on-market, issued by the parent or forfeited shares reissued. During the current financial year, 580,419 shares were acquired on-market, with the cost being expensed over the vesting period from 1 July 2009 to 30 June 2011. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares acquired on-market, issued or reissued.

The impact on the profit and loss is set out in note 4.

	CONSOLIDATED	
	2010	2009
Shares acquired under the plan	580,419	3,682,893
Fair value per share	\$28.74	\$18.11

Wesfarmers Employee Share Acquisition Plan ('WESAP')

The WESAP was introduced in October 2009. Under the plan, all eligible employees are invited to acquire fully paid ordinary shares in the Company. The shares are either acquired under a salary sacrifice arrangement, or are granted as an award subject to the achievement of a performance hurdle based on the Group achieving a benchmark return on equity performance against a comparative group of companies. Eligibility for an award of shares is dependent upon an in-service period with a participating division and being a permanent employee.

The Plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 83A of the *Income Tax Assessment Act 1997* (as amended) for Australian resident employees.

Shares may be either acquired on-market or issued by the parent. During the current financial year, 2,712,154 award shares were acquired on-market by the parent and 78,679 forfeited shares were reissued, with the cost being expensed over the vesting period from 1 July 2009 to 30 November 2012. The fair value of the services received from employees and of the equity instruments granted was determined by the total cost to the Group of the shares issued.

The impact on the profit and loss is set out in note 4.

	CONSOLIDATED	
	2010	2009
Shares acquired under the plan	2,790,833	1,253,280
Fair value per share	\$28.74	\$18.11

Coles Long Term Incentive Plan ('CLTIP')

The Group also provides benefits to certain executives under the Coles LTI, in the form of cash-settled share-based payments, whereby executives can make an election to receive an award in cash. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the executives, which will be the fair value at settlement date. No shares have been issued to date under the plan.

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

37: Pension plan

The Group operated a defined benefit pension plan within the Wesfarmers Group Superannuation Plan (the 'Pension Plan') during the year. The Pension Plan provides pensions for a closed group of life time pensioners only, hence there are no active defined liabilities in the Pension Plan. All other members receive benefits on an accumulation basis.

The Group has a legal obligation to ensure the Pension Plan remains in a satisfactory financial position but no legal right to benefit from any surplus, except to the extent a contribution holiday can be taken.

Actuarial gains and losses are recognised directly in retained earnings.

The following disclosure is for funds related to the defined benefit plan:

	CONSOLIDATED	
	2010	2009
	\$m	\$m
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	38	388
Interest cost	2	24
Current service cost	–	11
Contributions by plan participants	–	7
Benefits paid	(3)	(36)
Transfers out	(1)	(325)
Actuarial losses/(gains)	1	(20)
Taxes paid on contributions	–	(7)
Curtailment gain	1	(17)
Conversion cost	–	13
Closing defined benefit obligation	38	38
Changes in the fair value of the defined benefits portion of plan assets are as follows:		
Opening fair value of plan assets	43	418
Expected return	2	26
Contributions by employer	–	40
Contributions by plan participants	–	7
Taxes paid on contributions	–	(7)
Benefits paid	(3)	(36)
Transfers out	(1)	(325)
Actuarial gains/(losses)	1	(80)
Closing fair value of plan assets	42	43
The fair value of fund assets does not include amounts relating to the Group's own financial instruments nor any property or other assets used by the Group.		
Net (surplus)/expense recognised in profit and loss:		
Current service cost	–	11
Interest cost	2	24
Expected return on plan assets	(2)	(26)
Curtailment loss/(gain)	1	(17)
Conversion cost	–	13
Defined benefit plan expense	1	5
Amounts recognised in the statement of changes in equity:		
Actuarial loss on defined benefit plans	–	(59)
Income tax on actuarial gains	–	18
	–	(41)
Benefit asset recognised in the balance sheet:		
Defined benefit obligation	(38)	(38)
Fair value of plan assets	42	43
Net benefit asset	4	5
The principal actuarial assumptions used in determining pension benefit obligations are:		
	2010	2009
	%	%
Discount rate	5.10	5.50
Expected rate of return on fund assets	5.10	5.30
Expected pension increase rate	2.50	2.50

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

38: Director and executive disclosures

Details of key management personnel during the year ended 30 June 2010

Non-executive directors

C B Carter
R L Every (appointed Chairman 13 November 2008)
J P Graham
A J Howarth
C Macek
D L Smith-Gander (appointed non-executive director 27 August 2009)
W G Osborn (appointed non-executive director 24 March 2010)
D C White

Executive directors

R J B Goyder (Group Managing Director)
T J Bowen (Finance Director)

Senior executives

S A Butel, Managing Director, Resources division
J C Gillam, Managing Director, Home Improvement and Office Supplies division
L K Inman, Managing Director, Target division
I J W McLeod, Managing Director, Coles division

Former key management personnel and executives disclosed under the *Corporations Act 2001*

P A Cross (resigned as non-executive director 24 March 2010)
K D Gordon (retired as senior executive 13 November 2009)
T R Eastwood (retired as Chairman and director 13 November 2008)
G T Tilbrook (retired as Finance Director 1 May 2009)

Compensation of key management personnel

The remuneration disclosures are provided in sections one to seven of the remuneration report on pages 150 to 165 of this Annual Report designated as audited and forming part of the directors' report.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Short-term	18,701	19,133
Post-employment	2,066	4,396
Termination benefits	119	–
Share-based payment	15,636	15,577
	36,522	39,106

Notes to the financial statements

for the year ended 30 June 2010 – Wesfarmers Limited and its controlled entities

38: Director and executive disclosures (continued)

Holdings of equity instruments in Wesfarmers Limited of key management personnel

Wesfarmers Limited ordinary shares and partially protected ordinary shares

Shares – 30 June 2010	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Non-executive directors				
C B Carter	26,363	–	770	27,133
R L Every	24,736	–	–	24,736
J P Graham	1,247,463	–	(299,823)	947,640
A J Howarth	8,462	–	2,258	10,720
C Macek	21,271	–	300	21,571
W G Osborn	–	–	1,202	1,202
D L Smith-Gander	–	–	11,847	11,847
D C White	58,151	–	588	58,739
Executive directors				
R J B Goyder	714,359	–	–	714,359
T J Bowen	301,008	–	–	301,008
Senior executives				
S A Butel	98,452	41,933	–	140,385
J C Gillam	344,602	–	–	344,602
L K Inman	178,780	96,556	–	275,336
I J W McLeod	63,097	–	321	63,418
Former KMP and executives disclosed under the Corporations Act 2001				
P A Cross ¹	15,437	–	1,000	16,437
K D Gordon ¹	224,278	–	(29,874)	194,404
	3,326,459	138,489	(311,411)	3,153,537

1 Ceased to be non-executive director, executive director or key management personnel during the 2010 financial year.

Shares – 30 June 2009	Balance at beginning of year	Granted as remuneration	Net change other*	Balance at end of year
Non-executive directors				
C B Carter	17,543	–	8,820	26,363
P A Cross	8,204	–	7,233	15,437
R L Every	7,091	–	17,645	24,736
J P Graham	1,058,079	–	189,384	1,247,463
A J Howarth	3,933	–	4,529	8,462
C Macek	13,022	–	8,249	21,271
D C White	42,422	–	15,729	58,151
Executive directors				
R J B Goyder	302,757	220,844	190,758	714,359
T J Bowen	40,495	265,013	(4,500)	301,008
Senior executives				
S A Butel	44,622	53,830	–	98,452
J C Gillam	104,589	265,013	(25,000)	344,602
K D Gordon	45,394	178,884	–	224,278
L K Inman	3,496	157,351	17,933	178,780
I J W McLeod	–	44,168	18,929	63,097
Former KMP and executives disclosed under the Corporations Act 2001				
T R Eastwood (Chairman) ¹	878,533	–	–	878,533
G T Tilbrook ¹	260,669	110,422	(121,644)	249,447
	2,830,849	1,295,525	328,065	4,454,439

1 Ceased to be non-executive director, executive director or key management personnel during the 2009 financial year.

* Includes shares acquired under the entitlement offer announced on 22 January 2009 and shares acquired under fee/salary sacrifice share plans.

Other transactions and balances with key management personnel

Refer to note 34 in relation to transactions with Colin Carter & Associates, of which C Carter is a director and shareholder.

Refer to note 34 in relation to transactions with Gresham Partners Group Limited, of which J P Graham is a director.

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

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 2 to 66 forms part of the directors' report for the financial year ended 30 June 2010 and is to be read in conjunction with the following information:

Results and dividends

YEAR ENDED 30 JUNE	2010 \$m	2009 \$m
Profit		
Profit attributable to members of the parent entity	1,565	1,522
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 2010:		
a) out of the profits for the year ended 30 June 2009 on the fully-paid ordinary shares and partially protected shares:		
(i) fully franked final dividend of 60 cents per share paid on 1 October 2009 (as disclosed in last year's directors' report)	694	1,079
b) out of the profits for the year ended 30 June 2010 and retained earnings on the fully-paid ordinary shares and partially protected shares:		
(i) fully franked interim dividend of 55 cents (2009: 50 cents) per share paid on 31 March 2010	636	408
(ii) fully franked final dividend of 70 cents (2009: 60 cents) per share to be paid on 30 September 2010*	810	694

* Date of payment is subject to change.

Principal activities

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

- retailing operations including supermarkets, general merchandise and specialty department stores;
- fuel, liquor and convenience outlets;
- retailing of home improvement and outdoor living products and supply of building materials;
- retailing of office and technology products;
- coal mining and production;
- gas processing and distribution;
- insurance;
- industrial and safety product distribution;
- chemicals and fertilisers manufacture; and
- investments.

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

Directors

Information on directors

The directors in office at the date of this report are:

- R L Every (Chairman)
- R J B Goyder (Managing Director)
- T J Bowen (Finance Director)
- C B Carter
- J P Graham
- A J Howarth
- C Macek
- D L Smith-Gander (Director from 27 August 2009)
- W G Osborn (Director from 24 March 2010)
- V M Wallace (Director from 6 July 2010)
- D C White

All directors served on the Board for the period from 1 July 2009 to 30 June 2010, except for D L Smith-Gander who was appointed on 27 August 2009, W G Osborn who was appointed on 24 March 2010 and V M Wallace who was appointed on 6 July 2010.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 56 and 57 of this Annual Report.

The following director resigned or retired during the year:

- P A Cross resigned as a director on 24 March 2010 (appointed as a director in 2003).

Directors' report

Wesfarmers Limited and its controlled entities

Directors' shareholdings

Securities in the Company or in a related body corporate in which directors had a relevant interest as at the date of this report are:

	Bunnings Warehouse Property Trust (units)	Wesfarmers Limited (shares)
T J Bowen		327,619
C B Carter		27,133
R L Every		24,736
R J B Goyder*		770,193
J P Graham	9,334	937,094
A J Howarth		10,720
C Macek		20,571
W G Osborn		1,000
D L Smith-Gander		11,847
V M Wallace		1,000
D C White		13,466

* R J B Goyder also holds 100,000 performance rights. The performance rights were issued pursuant to the Group Managing Director Long-Term Incentive Plan. Each performance right is a right to acquire a fully paid ordinary share subject to satisfaction of a performance condition which is based on return on equity. For further details, please see the remuneration report on pages 150 to 165 of this Annual Report.

P A Cross resigned on 24 March 2010. At the date of her resignation she had 16,437 Wesfarmers Limited shares and no Bunnings Warehouse Property Trust units.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2010 and the number of meetings attended by each director:

	Board		Audit Committee		Remuneration Committee		Nomination Committee		Gresham Mandate Review Committee	
	(A) ¹	(B) ²	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Current directors										
T J Bowen	8	8								
C B Carter	8	8			6	6	3	3	1	1
R L Every	8	8	7	7	6	6	3	3		
R J B Goyder	8	8								
J P Graham	8	8			6	6	3	3		
A J Howarth	8	8	7	6			3	3		
C Macek	8	8	7	7	0	0	3	3	1	1
W G Osborn ³	1	1			2	2	1	1		
D L Smith-Gander ⁴	6	6	6	6			2	2	1	1
V M Wallace ⁵	0	0	0	0			0	0		
D C White	8	8	7	7			3	3	1	1
Previous directors										
P A Cross ⁶	7	7			4	4	2	2	0	0

Notes:

- (A) = number of meetings eligible to attend.
- (B) = number of meetings attended.
- W G Osborn was appointed a director on 24 March 2010 and has attended eligible Board and committee meetings.
- D L Smith-Gander was appointed a director on 27 August 2009 and has attended eligible Board and committee meetings.
- V M Wallace was appointed a director on 6 July 2010 and accordingly did not attend any Board or committee meetings during the 2009/10 financial year.
- P A Cross resigned as a director on 24 March 2010.

Directors' report

Wesfarmers Limited and its controlled entities

Insurance and indemnification of directors and officers

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

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

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

In addition, the Company's Constitution provides for the indemnity of officers of the Company or its related bodies corporate from liability incurred by a person in that capacity.

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

Indemnification of auditors

The Company's auditor is Ernst & Young.

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

During the financial year:

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

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 150 to 165 of this Annual Report.

Options

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

Company Secretary

Linda Kenyon was appointed as Company Secretary of Wesfarmers Limited in April 2002.

Linda holds Bachelor of Laws and Bachelor of Jurisprudence degrees from the University of Western Australia and is a Fellow of the Institute of Chartered Secretaries. 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.

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 2 to 52 of this Annual Report and in the accompanying financial statements. This review includes information on the financial position of the consolidated entity and its business strategies and prospects for future financial years. In the opinion of the directors, disclosure of further material relating to those matters is likely to result in unreasonable prejudice to the interests of the Company and the consolidated entity. That material has therefore been omitted from the review.

Significant changes in the state of affairs

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

- revenue up from \$50,982 million to \$51,827 million
- profit for the year up from \$1,522 million to \$1,565 million
- dividends per share up from \$1.10 to \$1.25
- total assets up from \$39,062 million to \$39,236 million
- shareholders' equity up from \$24,248 million to \$26,694 million
- net borrowings down from \$4,435 million to \$4,035 million
- net cash flows from operating activities up from \$3,044 million to \$3,327 million

Significant events after the balance date

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

- on 19 August 2010, a fully franked final dividend of 70 cents per share resulting in a dividend payment of \$810 million was declared for payment on 30 September 2010 (the date of payment is subject to change);
- on 6 July 2010, Wesfarmers announced the appointment of Ms Vanessa Wallace as a new non-executive director to the Board of Wesfarmers, with effect from that date; and
- on 16 September 2010, Wesfarmers announced the resignation from the Board of Wesfarmers of Mr David White effective from the Company's Annual General Meeting scheduled for 9 November 2010.

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 6 to 52 of this Annual Report. In the opinion of the directors, disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the Company and the consolidated entity. That material has therefore been omitted from the directors' report.

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2010 and received, or is due to receive, the following amounts for the provision of these services:

	\$000s
Tax compliance	575
Assurance related	1,076
Other	14
Total	1,665

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 149).

Directors' report

Wesfarmers Limited and its controlled entities

The directors received the following declaration from Ernst & Young:




Ernst & Young


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
www.ey.com/au

Auditor's Independence Declaration to the Directors of Wesfarmers Limited

In relation to our audit of the financial report of Wesfarmers Limited for the year ended 30 June 2010, 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
16 September 2010

Liability limited by a scheme approved under Professional Standards legislation

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's Corporate Governance Principles and Recommendations (which were issued in 2007). The Company's corporate governance statement is on pages 58 to 66 of this Annual Report.

Corporate information

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

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Remuneration report 2010 (audited)

2010 REMUNERATION SUMMARY

This summary provides an overview of Wesfarmers' remuneration framework and illustrates how our performance for the 2010 financial year has resulted in the reported remuneration outcomes.

The Wesfarmers Board (Board) is committed to ensuring that our executive remuneration framework remains focused on driving a performance culture by rewarding executive performance for the achievement of the Company's short-term and long-term strategy and business objectives and, ultimately, generating satisfactory returns for shareholders.

Key developments

During the year, the Board has taken the following steps in relation to senior executive remuneration:

- implemented a freeze for the 2010 financial year (given the challenging economic environment) on fixed remuneration increases for senior executives and fees for non-executive directors;
- introduced mandatory deferral of annual incentive payments above 60 per cent of Fixed Annual Remuneration into shares for senior executives to strengthen the link between at risk remuneration and longer term Company performance, resulting in a strong alignment between the interests of management and shareholders;
- crystallised much of the Company's liability under the historical retention plan (which, while closed in 2009, provided for a service-based retention payment, calculated by reference to total target remuneration, to many of our longer serving senior executives); and
- agreed to seek shareholder approval for any future long-term incentive awards for executive directors.

Link to performance

Wesfarmers performance for the 2010 financial year was achieved with earnings improvements across most divisions. Overall financial performance for the Coles, Home Improvement and Office Supplies, Target, Kmart, Energy, Insurance and Resources divisions, and overall Group performance, met or exceeded financial targets set by the Board for 2010. This resulted in the annual incentive plan delivering at or above target bonuses for the executive directors and for senior executives in those divisions. The financial performance for the Industrial and Safety, and Chemicals and Fertilisers divisions were below target levels, which was reflected in the annual incentives for senior executives in those divisions.

A limited number of senior executives also received an allocation of shares this year under the Wesfarmers Long Term Incentive Plan (WLTIP), linking a part of their at-risk remuneration to achieving strong relative growth in return on equity for our shareholders.

Group Managing Director

In line with a decision of the Board, the Group Managing Director's fixed remuneration was frozen for the 2010 financial year. Mr Goyder's total reported remuneration for the 2010 financial year is \$7,958,071, as shown in the table on page 162. This comprises fixed remuneration (cash salary), non-monetary benefits and post-employment benefits (including superannuation) of \$3,228,075 and an annual incentive cash payment of \$1,890,000, totalling \$5,118,075.

Mr Goyder did not receive a long-term incentive for the 2010 financial year. The performance rights granted to him in September 2008 under the Group Managing Director Long Term Incentive Plan did not satisfy the challenging performance condition set at the time of the initial grant, which requires a return on equity of 12.5 per cent to be achieved in two consecutive years prior to 30 June 2014. The earliest possible vesting date for these performance rights is now 30 June 2012. Mr Goyder did, however, receive the maximum award available under his annual incentive, reflecting achievement of the performance conditions set by the Board linked to 2010 Group financial performance and the 2010 performance of the Coles division. His 2010 reported remuneration also includes an amount of \$2,839,996, which represents an accounting expense in relation to his participation in the 2008 Group Managing Director Long Term Incentive Plan, 2008 award under the WLTIP and the deferred component of this 2010 annual incentive. These amounts are disclosed and included in the total reported remuneration under share-based payments, value of shares.

Managing Director, Coles division

As described in last year's report, the Managing Director, Coles division, participates in the Coles Long Term Incentive Plan. The Plan is designed to incentivise and reward the Coles Managing Director for implementing turnaround strategies during the first five years of Wesfarmers ownership which generate significant returns to Wesfarmers and its shareholders.

At the end of the second year of the five year turnaround period and, having delivered a 15.8 per cent increase in divisional earnings before interest and tax (EBIT) and an 18 per cent increase in return on capital, compared to the 2009 financial year, \$8.4 million has been contributed to the compensation award pool under the Coles Long Term Incentive Plan for the Coles Managing Director, Mr McLeod, with an associated accounting accrual of \$4.38 million (being the amount including in our remuneration disclosures this year). This compares with a \$6.8 million contribution to the pool in 2009 with the relevant accounting accrual for Mr McLeod in 2009 of \$1.53 million. The Plan requires ongoing service with the Coles division over the five year period. No part of the award is payable prior to 30 June 2011 (when a part of any cumulative award will become payable) with the balance payable in annual instalments between 30 June 2011 and 30 June 2013.

Further details of the remuneration framework and actual outcomes for the 2010 financial year are set out below.

Remuneration report 2010 (audited) (continued)

OVERVIEW OF REMUNERATION COMPONENTS

		Participants			
Remuneration component		Non-executive directors	Group Managing Director	Finance Director/ senior executives	Coles executives
Fixed	Fixed Annual Remuneration		✓ (page 154)	✓ (page 154)	✓ (page 154)
	Fees	✓ (page 152)			
Annual incentive			✓ (page 154)	✓ (page 154)	✓ (page 154)
Long-term incentive			✓ (page 159)	✓ (page 156)	✓ (page 157)
Post-employment (termination) arrangements	Superannuation	✓ (page 152)	✓ (page 154)	✓ (page 154)	✓ (page 154)
	Retention plan		✓ (page 160)	✓ (page 160)	

SECTION 1: KEY MANAGEMENT PERSONNEL

Key Management Personnel (KMP) encompasses all directors (executive and non-executive) as well as those executives who have authority and responsibility for planning, directing and controlling the activities of a major revenue-generating division of Wesfarmers. In this report, the terms:

- 'executive directors' refers to the Group Managing Director (Group MD) and Finance Director; and
- 'senior executives' refers to the KMP, excluding the directors.

The following table lists all the KMP referred to in this report, including the five highest remunerated executives of the Company and the Group.

Executive directors		Non-executive directors	
R J B Goyder	Group Managing Director	R L Every	Chairman (non-executive)
T J Bowen	Finance Director	C B Carter	Director (non-executive)
Senior executives		P A Cross	Director (non-executive) – resigned 24 March 2010
S A Butel	Managing Director, Resources division	J P Graham	Director (non-executive)
J C Gillam	Managing Director, Home Improvement and Office Supplies division	A J Howarth	Director (non-executive)
		C Macek	Director (non-executive)
K D Gordon	Director, Industrial divisions – resigned 13 November 2009	W G Osborn	Director (non-executive) – appointed 24 March 2010
		D L Smith-Gander	Director (non-executive) – appointed 27 August 2009
L K Inman	Managing Director, Target division	V M Wallace	Director (non-executive) – appointed 6 July 2010
I J W McLeod	Managing Director, Coles division	D C White	Director (non-executive)

Remuneration report 2010 (audited) (continued)

SECTION 2: NON-EXECUTIVE DIRECTORS

Policy

The key principle underpinning non-executive director remuneration is the need to attract skilled and experienced directors to direct the large and diverse business that is the Wesfarmers Group now and into the future.

The Board periodically reviews its approach to non-executive director remuneration and seeks independent advice to ensure it remains in line with the 25 largest companies listed on the ASX, company practice and principles of good corporate governance. The Board decided that no increases would be made to fees in the 2010 financial year given the challenging economic environment. The next fee review will take place effective 1 January 2011.

To preserve the independence and impartiality of the non-executive directors, no element of their remuneration is linked to the performance of the Company. However, to create alignment with shareholders' interests, non-executive directors have the facility to acquire shares out of their fees through a share acquisition plan. Further details regarding the Plan are set out on page 153 of this report.

The Company makes superannuation contributions on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, and each director may sacrifice part of their fee in return for a further superannuation contribution by the Company. No additional benefits are paid to non-executive directors upon retirement from office.

Non-executive director fees

Total fees, including committee fees, are set within the maximum aggregate amount approved by shareholders at the 2007 Annual General Meeting – being \$3,000,000. The table below provides details of Board and committee fees (inclusive of superannuation) for the 2010 financial year and current committee membership. Fees did not increase in the 2010 financial year. Members of the Nomination Committee do not receive additional fees.

Main Board	\$
Chairman – R L Every	540,000
Members – all non-executive directors	170,000
Audit Committee	
Chairman – A J Howarth	50,000
Members – R L Every, C Macek, D L Smith-Gander, D C White, V M Wallace (appointed 6 July 2010)	30,000
Remuneration Committee	
Chairman – R L Every	30,000
Members – C B Carter, J P Graham, W G Osborn, C Macek (appointed 14 July 2010)	15,000

Directors' report

Wesfarmers Limited and its controlled entities

Remuneration report 2010 (audited) (continued)

Non-executive director remuneration for 2010

The fees received by the non-executive directors in the 2010 financial year are set out below:

Non-executive director		Fees and allowances \$	Short-term benefits ¹ \$	Post employment benefits – superannuation and other ² \$	Total \$
C B Carter	2010	170,539	9,880	14,461	194,880
	2009	167,255	11,272	13,745	192,272
R L Every ³	2010	585,539	9,880	14,461	609,880
	2009	382,472	33,893	56,145	472,510
J P Graham ⁴	2010	278,600	9,880	0	288,480
	2009	281,550	8,538	0	290,088
A J Howarth	2010	181,099	9,880	38,901	229,880
	2009	158,683	8,538	53,567	220,788
C Macek	2010	182,000	9,880	18,000	209,880
	2009	160,997	14,241	36,253	211,491
W G Osborn ⁵	2010	46,342	217	3,930	50,489
	2009	0	0	0	0
D L Smith-Gander ⁶	2010	141,363	5,874	27,685	174,922
	2009	0	0	0	0
D C White	2010	180,000	9,880	20,000	209,880
	2009	176,662	14,425	25,588	216,675
Former non-executive director					
P A Cross ⁵	2010	126,250	8,750	12,500	147,500
	2009	131,806	17,384	49,194	198,384
T R Eastwood ³	2010	0	0	0	0
	2009	147,818	3,181	110,861	261,860
TOTAL	2010	1,891,732	74,121	149,938	2,115,791
	2009	1,607,243	111,472	345,353	2,064,068

1 The benefits included in this column are director and officer insurance. In 2009, this benefit also included business-related travel and entertainment expenses.

2 Superannuation contributions are made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations. This includes any part of a non-executive director's fees which have been sacrificed into superannuation.

3 T R Eastwood retired as Chairman and director on 13 November 2008. R L Every was appointed as Chairman on 13 November 2008.

4 J P Graham's fees are paid to Gresham Partners Limited for participation on the boards of Wesfarmers Limited, Wesfarmers Insurance Pty Ltd and Wesfarmers General Insurance Limited. Of the fees above, \$194,880 (2009: \$198,288) relate to the parent company.

5 W G Osborn was appointed as a director on 24 March 2010. P A Cross resigned as a director on 24 March 2010.

6 D L Smith-Gander was appointed as a director on 27 August 2009.

Non-executive director share acquisition plan

As a result of recent amendments to the tax legislation affecting employee share schemes, the Board suspended the previous Non-Executive Director Share Plan (which was a fee sacrifice plan), and no allocations were made under the Plan in the 2010 financial year.

In order to maintain alignment with shareholders' interests, in March 2010, the Board approved the implementation of a post-tax share purchase plan for non-executive directors under the Wesfarmers Employee Share Acquisition Plan (WESAP). Participation in the plan is voluntary, and enables non-executive directors to use their fees (after deduction of taxation and superannuation) to acquire Wesfarmers shares. The shares are purchased on market, on a monthly basis, and are subject to a 12 month trading restriction, during which time the shares are held by the plan trustee. The plan will operate from 1 July 2010 to 30 June 2011.

NEW DEVELOPMENTS: 2010 FINANCIAL YEAR Post-tax share acquisition plan introduced

From 1 July 2010, non-executive directors have the opportunity to regularly acquire shares through a post-tax share acquisition plan.

Remuneration report 2010 (audited) (continued)

SECTION 3: EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Remuneration policy and principles

Given the diversified nature of the Wesfarmers business, the Board considers it essential to have a remuneration framework which reflects this diversity and is structured to reward executives for performance at both a Group level and, for divisional executives, at a divisional level.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration policies for the Group, including, in particular, the policies governing KMP. The Remuneration Committee seeks independent advice in setting the structure and levels of remuneration. PricewaterhouseCoopers was engaged during the year to provide advice to the Board on remuneration matters. Their advice during the last year covered the supply of market benchmarking data, advice on broader market remuneration practices, and governance updates. Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, which is available in the Corporate Governance section of the Company's website at www.wesfarmers.com.au

Wesfarmers' remuneration policy for senior executives is guided by the following key principles:

- **be market competitive** – to attract and retain the best people for the job, Wesfarmers positions fixed remuneration and incentives to be competitive with executives in the 25 largest ASX listed companies, with an opportunity for highly competitive total remuneration for superior performance;
- **be performance linked** – a significant proportion of each executive's remuneration is dependent upon Wesfarmers' success and their individual performance; and
- **be shareholder value-aligned** – measures used in the performance incentive plans were chosen to ensure there is a strong link between remuneration paid and the achievement of performance that leads to a satisfactory return to shareholders.

The executive remuneration framework is driven by these key principles and consists of the following components (provided at no cost to the executive):

- base salary (called Fixed Annual Remuneration or 'FAR'); and
- incentive or 'at risk' components including:
 - (1) annual incentives, which are heavily weighted to return and earnings-based measures, and are designed to reward executives for meeting financial and non-financial goals which seek to achieve our corporate objectives; and
 - (2) long-term incentives, which have a performance hurdle based on growth in return on equity (ROE) in order to ensure a strong link with the creation of shareholder value. Wesfarmers operates a specific plan for the Group MD and for select Coles executives.

Wesfarmers targets a mix of fixed and at risk components for each of the executives disclosed in the remuneration report, which for the 2010 financial year was as follows:

	Total target annual remuneration	
	Fixed remuneration %	Incentive or 'at-risk' %
Group MD	40	60
Managing Director, Coles division	20	80
Other senior executives	40	60

Fixed Annual Remuneration

Fixed Annual Remuneration (FAR) consists of base salary and statutory superannuation contributions.

Given the challenging economic environment, the Board implemented a freeze on fixed remuneration increases for senior executives continuing in their current roles for the 2010 financial year, resulting in a zero per cent increase at the annual review in October 2009. The next FAR review will take effect on 1 October 2010.

The amount of FAR for each executive director and senior executive is approved annually by the Board. The initial reference for market relativity is the median of salaries for executives in comparable companies being the group of the 25 largest ASX listed companies, with further consideration given to business and individual performance as well as the ability to retain key talent.

Additional sector-specific data for some senior executives based on major industry sector/particular employment markets is also analysed to capture specific industry trends.

Executive directors and senior executives may also elect to have a combination of benefits provided out of their FAR, including additional superannuation and the provision of a motor vehicle. The value of any non-cash benefits provided to them includes the costs of any fringe benefits tax payable by Wesfarmers as a result of providing the benefit.

Annual incentives

NEW DEVELOPMENTS: 2010 FINANCIAL YEAR

Mandatory deferral of a portion of the annual incentive into shares introduced

(i.e. mandatory deferral of annual incentive payments above 60 per cent of FAR introduced to further align senior executive remuneration with growth in shareholder value and link part of the reward for short-term performance with long-term sustainable Company performance).

Remuneration report 2010 (audited) (continued)

Annual incentive – actual performance 2010 financial year

Wesfarmers' performance for the 2010 financial year was achieved with earnings improvements across most divisions. Overall financial performance for the Coles, Home Improvement and Office Supplies, Target, Kmart, Energy, Insurance and Resources divisions, and overall Group performance, met or exceeded financial targets set by the Board for 2010. This resulted in the annual incentive plan delivering at or above target bonuses for the executive directors and for senior executives in those divisions. The financial performance for the Industrial and Safety and Chemicals and Fertilisers divisions were below target levels, which was reflected in the annual incentives for senior executives in those divisions.

Specific information relating to the actual annual incentive awards is set out in the table on page 161.

What is the annual incentive and who participates?	The annual incentive provides a cash award up to 60 per cent of FAR, with the balance (if any) provided in the form of restricted shares, subject to the satisfaction of performance conditions. All senior executives are eligible to receive an annual incentive.	
What is the amount the executive can earn?	Group MD	
	% of target performance	% of FAR received
	≤ 92.5%	0%
	100%	100%
	≥ 110%	120%
	Pro-rata between these points	
	Senior executives	
	% of target performance	% of FAR received
	≤ 92.5%	0%
	100%	60%
	≥ 110%	120%
	Pro-rata between these points	
What are the performance conditions for the 2010 financial year?	Group MD	
	Financial (60 per cent)	Non-financial (40 per cent)
	– Group Net Profit after Tax (NPAT) with a Group ROE hurdle gate	– Individual objectives (i.e. agreed objectives and safety measures)
	– Coles group turnaround (i.e. EBIT, return on capital and relative comparative store sales growth)	
	Senior executives	
	Financial (48 to 80 per cent)	Non-financial (20 to 52 per cent)
	For Group executives: – Group NPAT	For Group and divisional executives: – Individual objectives (i.e. agreed objectives, succession and talent management)
	For divisional executives: – divisional EBIT – divisional return on capital (ROC)	For divisional executives: – divisional specific objectives (i.e. safety measures, comparative store sales growth, net inventory days)
Why were these performance conditions chosen?	The financial performance measures were chosen principally because of their impact on ROE, which is a contributor to achievement of satisfactory returns to shareholders of the Wesfarmers Group. In addition, due to the significant turnaround effort required, the Group MD has a separate performance condition which is dependent on the performance of the Coles division.	
When are the performance conditions tested?	Incentive awards are determined after the preparation of the financial statements each year (in respect of the financial measures) and after a review of performance against non-financial measures by the Group MD (and in the case of the Group MD, by the Board). The Board reviews the results and can exercise discretion for incentive calculation purposes, based on overall personal and group performance. Annual incentive cash payments and restricted share awards are generally made in September, after the reviews are completed.	
What are the key terms of the restricted shares?	As outlined above, the Board has determined that, for the 2010 financial year, a portion of the incentive (i.e. any payment above 60 per cent of FAR for senior executives and the Group MD) will be mandatorily deferred into shares. The shares are subject to a three year trading restriction while the executive remains an employee of Wesfarmers and subject to forfeiture if the executive resigns within one year of the share allocation. The Board determined this enhancement to link annual incentive payments to sustainable longer term performance.	

Remuneration report 2010 (audited) (continued)

Long term incentive plans

Summary of plans

Plan	Participants	Performance/ service period	Discussion
Wesfarmers Long Term Incentive Plan (WLTIP) – current plan	Finance Director and senior executives	3 years (2008 – 2011)	Page 156
Coles Senior Executive Long Term Incentive Plan (CLTIP) – current plan	Managing Director, Coles division and select Coles executives	5 years (2008 – 2013)	Page 157
Group Managing Director Long Term Incentive Plan (Rights Plan) – legacy plan	Group MD	3 to 6 years (2008 – 2014)	Page 159

Wesfarmers Long Term Incentive Plan (WLTIP)

2009 WLTIP (for shares allocated in November 2009)

WLTIP allocations were made in November 2009 and are set out in the table on page 163 of this report.

What is the WLTIP and who participates?	<p>The WLTIP links reward with ongoing creation of shareholder value through the annual allocation of shares, subject to satisfaction of long-term performance conditions.</p> <p>All senior executives, other than the Group MD and Coles division executives, participate in the WLTIP.</p> <p>As outlined in the 2009 Annual Report, certain senior executives received a multi-year grant of shares under the 2008 WLTIP, equal to three years' worth of WLTIP shares. The Board approved these allocations as a retention strategy, to assist in attracting new executives and to provide meaningful equity in the Group and alignment with the Group's objectives. It is intended that these executives will not receive full allocations under the WLTIP until 2011, but may receive smaller 'top-up' long-term incentive awards to allow for salary increases, increased performance, new roles or responsibilities or adjustments to remain market competitive.</p>
How is the WLTIP allocation determined?	<p>Target performance will generally result in an allocation that is 80 per cent of FAR (although the Group MD may recommend a greater allocation up to 160 per cent of FAR to reward exceptional performance).</p>
What are the key terms of awards under the WLTIP?	<p>Shares are allocated to participating executives and only vest upon achievement of the future three year performance condition.</p> <p>Shares allocated to executives are subject to a two year forfeiture condition until 30 June 2011 and an additional restriction period until November 2012 whilst the executive remains employed by Wesfarmers. The shares are held in trust for this period. At the end of the restriction period (and subject to shares not being forfeited) the executive is free to sell or transfer the shares.</p> <p>If shares remain in the trust after the restriction period, the shares may be forfeited if the employment of the executive is terminated because of fraud, theft or other gross misconduct.</p>
What are the performance conditions applicable to the annual grants made under the WLTIP?	<p>Wesfarmers' compound annual growth rate (CAGR) in ROE over the performance period must exceed the 50th percentile of the CAGR in ROE of the S&P/ASX 50 Index before shares vest.</p>
Why was this performance condition chosen?	<p>The Board considers CAGR in ROE is an appropriate performance hurdle for the 2009 WLTIP on the basis that it:</p> <ul style="list-style-type: none"> – is a key driver of Wesfarmer's long-term business success and creation of shareholder value; – is the best internal measure of total shareholder return and avoids the unintended consequences of share market volatility; and – creates alignment between Group MD and senior executives, as the Rights Plan (in which the Group MD participates) is also measured against ROE hurdles. <p>Following the completion of the performance period, the Board tests the performance condition on finalisation of the annual accounts. The performance period of 1 July 2008 to 30 June 2011 was chosen to align the performance period for the 2009 WLTIP allocations with that of senior executives who received a multi-year grant in 2008.</p>
What happens in the event of a change of control?	<p>The Board has discretion to waive the performance condition attached to the shares in the event of a change of control.</p>
What happens if the executive ceases employment during the performance period?	<p>Shares are subject to forfeiture if the executive leaves prior to the end of the three year performance period, or if the future ROE hurdle is not met.</p> <p>If an executive ceases employment during the forfeiture period:</p> <ul style="list-style-type: none"> – by reason of redundancy, ill health, death or other circumstances approved by the Board, the executive will generally be entitled to a pro-rata number of shares based on achievement of the ROE hurdle for the financial year in which they cease employment; or – for any other reason, the executive will forfeit their shares.

Remuneration report 2010 (audited) (continued)

Coles Long Term Incentive Plan (CLTIP)

CLTIP award

At the end of the second year of the initial five year turnaround period of Wesfarmers' ownership, the Coles division is showing encouraging earnings growth and continues to meet Wesfarmers' expectations in line with its ambitious five year plan.

Coles divisional EBIT of \$962 million exceeded the target for 2010 under the CLTIP, with performance highlights including:

- Coles division EBIT growth of 15.8 per cent against the 2009 financial year;
- Coles division revenue (excluding fuel sales) growing to \$24,430 million (approximately \$1 billion higher than the 2009 financial year);
- Coles division ROC increasing to 6.5 per cent (up from 5.5 per cent in the 2009 financial year); and
- Coles division exceeding key health of business factors including new store formats, customer and employee satisfaction score improvements and on-shelf availability of fresh and grocery products.

As indicated in prior years, the turnaround of the Coles division following its acquisition by Wesfarmers in November 2007 presents a significant opportunity to the Group.

To ensure Coles generates acceptable levels of shareholder return for Wesfarmers over the longer term, the CLTIP was designed to attract top global talent, and to reward executives who contribute to the full five year turnaround period.

Who participates in the CLTIP?	This Plan provides an increasing incentive pool over the life of the CLTIP to a select number of key executives within the Coles division (including the Coles division Managing Director), for generating earnings beyond an annual EBIT threshold set by the Board.				
What is the performance period and when do awards become payable?	This is a five year incentive plan (for the initial participants this is 1 July 2008 to 30 June 2013) aligned to the Coles turnaround. Annual performance awards are made over the five year period based on performance. However, the full amount of each award is subject to ongoing service with the Coles division until 30 June 2013. A part (40 per cent) of cumulative awards becomes payable on 30 June 2011, with an additional amount payable from cumulative awards on 30 June 2012 and the balance on 30 June 2013.				
How is the annual award pool contribution determined and what are the performance conditions?	<p>Each year of the five year turnaround plan an award opportunity is available to participants determined by reference to the Coles division's EBIT performance for that year against the targets approved by the Board.</p> <p>If EBIT performance for a year is below a threshold level of EBIT approved by the Board (which is set at an average of 94 per cent of the business plan EBIT target in each year of the plan), no award pool will be available for that year. Once this 'gateway' is passed, an award pool is made available.</p> <p>The size of the available pool each year increases as the Coles division's EBIT increases to reflect the greater returns generated for Wesfarmers and its shareholders. In order to encourage exceptional performance, there is no upper limit on the size of the award pool, but award contributions greatly diminish as a percentage of EBIT performance above 100 per cent of the Coles five year performance improvement plan approved by the Board.</p> <p>Once the available award pool is determined, the individual entitlement of a CLTIP participant out of that pool is determined by performance against the following conditions applicable to each year of the plan:</p> <table border="1"> <thead> <tr> <th>Financial (80 per cent)</th><th>Non-financial (20 per cent)</th></tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> – Annual growth in Coles revenue (excluding fuel sales) against targets – Return on capital invested by Wesfarmers against targets </td><td> <ul style="list-style-type: none"> – Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning </td></tr> </tbody> </table> <p>These performance conditions have been selected to provide incentives for achieving annual milestones in the turnaround plan for the Coles division over the first five years of Wesfarmers' ownership which are, in addition to the EBIT improvements, important indicators of a long-term structural turnaround in the Coles business. In particular, these conditions were chosen as:</p> <ul style="list-style-type: none"> – sustainable profit growth from Coles is a key driver of Wesfarmers' total shareholder return; – maximising revenue growth in the competitive retail markets in which Coles operates is a key indicator of the market attractiveness of, and the quality of management of, Coles' offer which in turn is a key contributor to future profitability; and – achieving a satisfactory return on capital invested in Coles correlate closely with shareholders receiving satisfactory returns to shareholders over time. <p>As the Plan is intended to reward longer-term performance designed around the five year turnaround plan for the Coles division, the Board has retained discretion to review and, where appropriate, amend the applicable performance conditions to take account of changed circumstances.</p> <p>Noting the five year turnaround period, an additional performance condition relating to key management succession planning applies to the 2012 and 2013 financial years. If the Board does not approve the succession plan in either year, no award accrues for that year.</p>	Financial (80 per cent)	Non-financial (20 per cent)	<ul style="list-style-type: none"> – Annual growth in Coles revenue (excluding fuel sales) against targets – Return on capital invested by Wesfarmers against targets 	<ul style="list-style-type: none"> – Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning
Financial (80 per cent)	Non-financial (20 per cent)				
<ul style="list-style-type: none"> – Annual growth in Coles revenue (excluding fuel sales) against targets – Return on capital invested by Wesfarmers against targets 	<ul style="list-style-type: none"> – Health of Coles business in areas such as customer and employee satisfaction, on-shelf availability, delivery of new stores and ongoing succession planning 				

Remuneration report 2010 (audited) (continued)

When is performance determined?	<p>Performance against each of the financial targets (EBIT, revenue growth and ROC performance of the Coles division) is determined annually by the Board upon finalising the financial statements.</p> <p>The Board also annually assesses each participant's performance against the non-financial conditions in August or September, at which time the actual award for each participant is determined.</p>
Are awards payable in cash or shares?	<p>At least 50 per cent of each award made available to participants each year is payable in cash progressively between 30 June 2011 and 30 June 2013.</p> <p>Up to 50 per cent of any award available to a participant in relation to the 2010 financial year could have been taken in the form of Wesfarmers shares (at the election of participants earlier in the year) which will generally be restricted and remain subject to forfeiture in specified circumstances until 30 June 2013.</p>
What happens in the event of a change of control of Wesfarmers or the sale of the Coles division?	<p>The Board may determine that the restrictions applicable to accrued awards under CLTIP do not apply in the event of a change of control.</p> <p>In the event of the sale of the Coles division, the Board has discretion to vest all or part of the award for the year in which the sale occurs.</p>
What happens if the executive ceases employment during the performance period?	<p>No amount is payable under the CLTIP if a participant ceases employment prior to 30 June 2011.</p> <p>After this date, if Wesfarmers terminates a participant's employment (other than for cause) all accrued awards vest at that time (i.e. those referable to earlier years performance).</p> <p>If a participant resigns after 30 June 2011 but before 30 June 2012, 40 per cent of any awards for the 2009, 2010 and 2011 financial years will be paid/released. If resignation occurs between 30 June 2012 and 30 June 2013, 60 per cent of any awards for the first four years of the five year plan will be paid/released.</p>
What are the specific targets under the CLTIP for future years?	<p>The financial targets for the Coles division are aligned to the five year turnaround of this business as approved by the Board following the acquisition of Coles, and are commercially sensitive and therefore not disclosed.</p>
What amount is shown as remuneration for Mr McLeod on an annual basis?	<p>Recognising that performance awards under the CLTIP are made annually, and the payment of awards is subject to an ongoing service condition, an amount of the award pool is accrued in each year of the CLTIP.</p> <p>The accounting accrual for the 2010 financial year in relation to Mr McLeod's potential awards earned over the first two years of operation of the CLTIP (as shown in the table on page 162) was \$4.38 million. This compares to the amount of \$1.53 million accrued in relation to the award pool created in the 2009 financial year (when there was still four years of the five year service condition to be completed). The accounting accrual reflects the amortisation of the pool contributions as required under accounting standards over the period of the CLTIP.</p>
What amounts have been contributed to the award pool and what potential awards are available to Mr McLeod in future years of the CLTIP?	<p>The CLTIP is performance based and contribution to the award pool in respect of Mr McLeod in the first two years (\$6.8 million in the 2009 financial year and \$8.4 million in the 2010 financial year) has been \$15.2 million. Assuming the current Board approved business plan for Coles is achieved, the average amount for the next three years of the Plan that could be allocated to Mr McLeod would approximate \$7.5 million per annum. The actual amount contributed, if any, to the award pool in future years is based on the actual EBIT achieved.</p> <p>As indicated above, the plan is uncapped, however, award contributions to the pool greatly diminish as a percentage of EBIT performance above 100 per cent of the Coles five year performance improvement plan approved by the Board. All award pool contributions are subject to meeting the performance and ongoing service conditions applicable under the CLTIP.</p>

Remuneration report 2010 (audited) (continued)

SECTION 4: SERVICE AGREEMENTS

The remuneration and other terms of employment for the executive directors and senior executives are covered in formal employment contracts. All service agreements are for unlimited duration, except for Mr McLeod who is employed under a service agreement with a duration of five years (expiring 30 June 2013). Details of awards under the relevant incentive plans are set out earlier in this report.

Name	Notice periods/Termination payment
R J B Goyder	12 months notice (or payment in lieu) May be terminated immediately for serious misconduct
I J W McLeod	12 months notice by either party except during the final year of his contract, in which case, notice is for the balance of the contract In addition to notice, Mr McLeod is entitled to a payment equal to his FAR plus target annual incentive If terminated by the Company between 1 July 2011 and 30 June 2013, this termination payment is reduced by an amount equal to any accrued entitlement under the CLTIP May be terminated immediately for serious misconduct
T J Bowen ¹	Three months notice by either party May be terminated immediately for serious misconduct
Other senior executives ¹	Three months notice by either party, and six months notice in the case of redundancy May be terminated immediately for serious misconduct

¹ As outlined on page 160, a portion of the retention incentive previously earned for satisfying the applicable service condition, equal to nine months FAR, is payable to these executives at the time of termination of employment (except in the case of termination for serious misconduct).

Each of the service agreements of current KMP (excluding Mr Bowen) were entered into prior to the amendments to the *Corporations Act 2001* regarding the payment of benefits on termination coming into effect on 24 November 2009. In accordance with the Federal Government's intentions, entitlements under the pre-existing contracts will, in general, not be subject to the new limits on termination payments. Following the operational restructure, as announced to the market on 8 February 2010, and the resultant changes to Mr Bowen's role, the Company entered into a new service agreement with Mr Bowen which has been drafted in compliance with the new legislative provisions. The Company is also mindful that the new provisions will apply to agreements entered into with any new KMP.

SECTION 5: LEGACY ARRANGEMENTS

Group Managing Director Long Term Incentive Plan (Rights Plan) – 2008 grant

During 2008, the Group MD was granted 100,000 performance rights under the Rights Plan. Each performance right entitles the Group MD to one ordinary share, subject to satisfaction of a performance hurdle which is based on sustained growth in ROE over the performance period, being 1 July 2008 to 30 June 2014. Under the terms of the Plan, an additional 100,000 performance rights (up to a maximum of 400,000) are available for each one per cent that actual ROE exceeds the initial stretch hurdle during the performance period and that is sustained for two consecutive years.

For the performance rights granted to the Group MD to vest, ROE for the Group must exceed 12.5 per cent per annum sustained over a consecutive two year period during the performance period. The actual ROE generated by the Wesfarmers Group for the 2010 financial year was 6.4 per cent. Given that the threshold performance condition was not met this year, the earliest time the performance rights can now vest is 30 June 2012. For the maximum number of additional rights to be granted to the Group MD, Wesfarmers ROE must equal or exceed 16.5 per cent in two consecutive years prior to 30 June 2014.

Details of the initial grant made to the Group MD on 30 September 2008 are set out in the table below. The earliest possible vesting date for these performance rights is now 30 June 2012.

Executive director	Held at 1 July 2009 ¹	Vested during year	Forfeited during year	Held at 30 June 2010
R J B Goyder	100,000	–	–	100,000

¹ Based on the probability of reaching the ROE hurdle of 12.5 per cent, no accrual was recognised in the 2010 financial year.

Remuneration report 2010 (audited) (continued)

Retention incentive plan

The Group retention incentive plan was closed to new participants effective from February 2009. As a result of the original design of the plan, however, the Company's liability continues to increase in line with increases in a participant's remuneration. Accordingly, the Board has taken positive steps this year to crystallise and cap the Company's liability under the plan.

Historically, this plan offered to certain key Group executives, a retention payment of a maximum of one times Total Target Remuneration (or one times FAR in the case of the Group MD) that accrued proportionately over the first five years of a participant's employment as a senior executive. Total Target Remuneration (TTR) comprises FAR plus target annual incentive (60 per cent of FAR) plus target annual long-term incentive (80 per cent of FAR). Payment was not subject to performance, only continued service.

Except in the case of the Group MD, a portion of each participant's 'earned' retention incentive equal to nine months' FAR will be retained in its present form – that is the amount of the retention incentive payable upon termination of employment. A participant will forfeit his or her entitlement to this payment where he or she breaches a material provision of his or her service agreement, is summarily dismissed or breaches applicable post-employment restraints.

As each of these senior executives currently only has a contractual entitlement to three months' notice on termination of employment and current market practice indicates that these executives would normally be entitled to 12 months' notice (or payment in lieu of notice), the reservation of this part of the retention incentive to be paid at the time of termination of employment approximates market practice in this regard.

The Company offered to pay out any part of the retention incentive in excess of nine months' FAR that was 'earned' by the participants (i.e. related to that part of the five year service condition that had been completed as at 30 June 2010). Payments totalling \$7.6 million were made to five KMP on 30 June 2010 (calculated by reference to TTR at 30 June 2010). These amounts had previously been provided for by the Company and were entitlements of participants. Accordingly, the liability of the Group for this amount has been determined and no further liability will arise where remuneration of these participants is increased in future years.

The Company also offered to commute all 'unvested' entitlements (i.e. those related to that part of the five year service condition not served as at 30 June 2010) into restricted shares. This agreement introduced a link between the continuing benefits under this Plan and changes in shareholder value. Details of the shares allocated to KMP on 30 June 2010 (allocation date) are set out in the table below.

Name	Number allocated ¹	Value at allocation	Share price at allocation	Forfeiture date
S A Butel	22,730	\$662,380	\$29.14	11 September 2011
L K Inman	61,768	\$1,799,995	\$29.14	23 November 2012

¹ The number of shares awarded is determined based upon the share price at the date of allocation. For accounting purposes, the grant date for the shares is 12 April 2010.

These shares remain subject to the same service condition (i.e. the participant must remain employed until the end of the original five year period) and vest progressively in line with the original payout factor provided for under the Plan. The shares are forfeited where the participant breaches a material provision of their service agreement, is summarily dismissed, or resigns prior to the forfeiture date set out above.

As outlined above, the Board believes the close out of the retention plan is in the best interests of the Company as it removes a purely service based retention incentive that increases in line with a participant's remuneration throughout their employment and which provides no further incentive or retention element once the five year service period is completed.

NEW DEVELOPMENTS: 2010 FINANCIAL YEAR

Company's liability largely crystallised and capped, with participant's future entitlements commuted to shares and accrued entitlements paid out.

Remuneration report 2010 (audited) (continued)

SECTION 6: REMUNERATION TABLES AND DATA

Awards under the annual incentive plans

Executive directors	Total annual incentive ¹	Total incentive awarded (% of maximum award) ²
	\$ total	Year ended 30 June 2010
R J B Goyder	\$3,780,000	100%
T J Bowen	\$1,800,000	100%
Senior executives		
S A Butel	\$745,200	90.0%
J C Gillam	\$1,344,000	100%
K D Gordon ³	\$376,000	33.3%
L K Inman	\$1,338,750	89.3%
I J W McLeod ⁴	\$1,462,810	61.0%

1 Annual incentive awards for the 2010 financial year were paid in cash to a maximum of 60 per cent of FAR, with the balance mandatorily deferred into shares. Detail of the portion of the total annual incentive, paid in cash, is set out in the table on page 162 (under the column titled Short-term benefits, Short-term incentive) and detail of the remainder of the total annual incentive, allocated in shares, is set out in the table below.

2 The maximum annual incentive payment a KMP can earn for the 2010 financial year is 120 per cent of FAR. Any amount not earned/awarded is not paid to the executive. The annual incentive payment for senior executives for target performance is 60 per cent of FAR, and 100 per cent of FAR for the Group MD.

3 K D Gordon resigned on 13 November 2009 and was paid a pro-rata incentive payment for the period of the plan year worked, based on achievement of financial targets and individual performance objectives.

4 I J W McLeod is employed on a fixed term employment contract and is not mandatorily required to defer a portion of annual incentive into shares, and therefore does not appear in the table below.

Shares allocated under the annual incentive plans

The table below sets out shares allocated to executive directors and senior executives during the 2010 financial year, which is the first year that an allocation has been made under the annual incentive plan. The shares are subject to a three year trading restriction while the executive remains an employee of Wesfarmers and subject to forfeiture if the executive resigns employment within one year of the share allocation. These shares form part of the total annual incentive amount above, with the remainder of the annual incentive paid in cash.

Name	Date allocated ¹	Number allocated ¹	Value at allocation ²	Share price at allocation
R J B Goyder	10 September 2010	55,834	\$1,889,980.90	\$33.85
T J Bowen	10 September 2010	26,587	\$899,969.95	\$33.85
S A Butel	10 September 2010	9,784	\$331,188.40	\$33.85
J C Gillam	10 September 2010	19,852	\$671,990.20	\$33.85
L K Inman	10 September 2010	17,392	\$588,719.20	\$33.85

1 The number of shares awarded is determined based upon the share price at the date of allocation. For accounting purposes, the grant date for the 2010 annual incentive plan is 1 July 2009.

2 44.4 per cent of the value is shown in the table on page 162 (under the column titled Share based payments, Value of shares – short term incentive) as the 2010 annual incentive mandatory deferral into shares commenced vesting from 1 July 2009 and is subject to forfeiture if the executive resigns prior to 10 September 2011, as described above.

Remuneration report 2010 (audited) (continued)

Remuneration of the KMP disclosed in the 2010 remuneration report

	Short-term benefits				Post-employment benefits		Share-based payments ¹		Termination benefits	Total	Percentage performance related ²
	Cash salary ³ \$	Short-term incentive \$	Non-monetary benefits ⁴ \$	Other ⁴ \$	Super-annuation \$	Other benefits ⁵ \$	Value of shares – short-term incentive & cash settled LTI awards \$	Value of shares – long-term incentive \$	Termination payments \$	\$	%
Executive directors											
R J B Goyder (Group Managing Director)											
2010	3,001,597	1,890,000	115,738	9,880	48,360	52,500	840,000	1,999,996	0	7,958,071	59.4%
2009	2,974,457	1,100,943	156,660	8,538	38,000	202,500	0	3,644,977	0	8,126,075	58.4%
T J Bowen ⁶ (Finance Director)											
2010	1,243,307	900,000	12,035	328,880	23,360	1,013,418	400,000	1,743,998	0	5,664,998	53.7%
2009	1,030,833	855,693	94,774	340,391	40,000	893,359	0	2,127,995	0	5,383,045	55.4%
Senior executives											
S A Butel (Managing Director, Resources division)											
2010	593,806	414,000	49,477	9,880	48,360	76,833	147,200	763,487	0	2,103,043	63.0%
2009	537,041	603,118	61,895	8,538	99,453	377,312	0	707,481	0	2,394,838	54.7%
J C Gillam (Managing Director, Home Improvement and Office Supplies division)											
2010	1,096,640	672,000	9,267	115,058	23,360	18,667	298,667	1,743,998	0	3,977,657	68.2%
2009	1,040,547	740,970	29,102	113,716	49,453	306,667	0	2,253,988	0	4,534,443	66.0%
K D Gordon (Director, Industrial divisions – resigned 13 November 2009)											
2010	326,480	376,000	23,166	3,681	9,733	55,284	0	1,521,720	119,365	2,435,429	77.9%
2009	841,885	169,200	64,546	8,538	49,453	1,036,423	0	1,452,181	0	3,622,226	44.8%
L K Inman ⁷ (Managing Director, Target division)											
2010	1,139,716	750,000	24,578	9,880	46,421	451,518	261,667	1,535,486	0	4,219,266	60.4%
2009	854,915	927,000	25,341	208,538	99,453	525,598	0	1,035,496	0	3,676,341	53.4%
I J W McLeod (Managing Director, Coles division)											
2010	1,941,518	1,462,810	105,699	109,880	14,461	33,333	4,380,000	0	0	8,047,701	72.6%
2009	1,941,710	1,488,161	164,677	81,002	13,745	33,333	1,530,000	0	0	5,252,628	57.5%
Former KMPs and senior executives disclosed under the Corporations Act 2001											
G T Tilbrook (Finance Director – retired 1 May 2009)											
2010	0	0	0	0	0	0	0	0	0	0	
2009	864,657	0	69,103	7,134	87,321	198,711	0	2,824,980	0	4,051,906	69.7%
TOTAL											
2010	9,343,064	6,464,810	339,960	587,139	214,055	1,701,553	6,327,534	9,308,685	119,365	34,406,165	
2009	10,086,045	5,885,085	666,098	776,395	476,878	3,573,903	1,530,000	14,047,098	0	37,041,502	

Remuneration report 2010 (audited) (continued)

- 1 Share-based payments: Refer to page 154 for detailed disclosures under the annual incentive plans and pages 156 to 159 for the various long-term incentive plans.
The amounts included for the 'Value of shares – short-term incentives' includes the portion of the 2010 annual incentive that has been deferred into shares and is recognised for accounting purposes over the performance and forfeiture periods, together referred to as the service period. Refer to page 161 for additional information. The amount for I J W McLeod relates to the cash settled award made for the period under the CLTIP, refer to page 157 for additional information.
The amounts included for the 'Value of shares – long-term incentives' for the 2009 WLTIP are detailed on page 163. For accounting purposes, the 2008 WLTIP annual grant and 2008 WLTIP multi-year performance grant continue to be expensed in the 2010 financial year as these shares are subject to performance and forfeiture conditions, together referred to as the service period. Further details of the 2008 WLTIP allocations are provided on page 172 of the 2009 Annual Report.
- 2 Percentage performance related is the sum of the short-term incentive and long-term incentive (share-based payments) divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year, as compared to the target percentage of remuneration at risk shown on page 154.
- 3 Unless indicated otherwise, total fixed remuneration was not increased for the 2010 financial year in line with a decision by the Board. Notwithstanding this, the amount of the individual components of fixed remuneration may vary depending on the elections made by executives.
- 4 Short-term benefits, non-monetary benefits, includes the cost to the Company of providing parking, vehicle, health insurance, life insurance and travel.
Short-term benefits, other, includes the cost of director and officer insurance, relocation assistance, housing allowance and living away from home allowance.
- 5 Post-employment benefits, other benefits, includes long service leave accrual for the year and retention plan accrual from last year to this year (described on page 160). The retention plan accrual from last year to this year is impacted by any FAR increases as a result of a promotion, or if the executive is still accruing a benefit within the five year service period. As outlined on page 160, participants' future entitlements to retention arrangements were commuted to shares and accrued entitlements in excess of nine months FAR were paid out. Where the retention incentive has previously been recognised for accounting purposes no additional amounts have been shown in the above table. The allocation of restricted shares for any unvested entitlements will be recognised for accounting purposes over the remaining service period.
- 6 T J Bowen – as disclosed to the market on 8 February 2010, Mr Bowen as Finance Director would also take responsibility for Wesfarmer's three industrial divisions (i.e. CSBP, Wesfarmers Energy and Wesfarmers Industrial and Safety) and participate on the newly formed management committee to ensure coordination between Kmart and Target on strategic and other areas of common interest. His cash salary was adjusted to reflect this increase in workload and responsibility during the year. The short-term other benefits also include an amount of \$319,000 which represents a payment for relocation costs (including a housing capital loss) from Melbourne to Perth.
- 7 L K Inman – as disclosed to the market on 8 February 2010, Ms Inman has been appointed to chair the management coordination committee between Target and Kmart on strategic and other areas of common interest. Her cash salary was adjusted to reflect this increase in workload and responsibility during the year.

Shares allocated under the long-term incentive plans

The table below sets out shares allocated to executive directors and senior executives during the 2010 financial year (WLTIP 2009 allocation).

Name	Date allocated ¹	Number allocated ¹	Value at allocation ²	Share price at allocation date
S A Butel	20 November 2009	\$19,203	\$551,989	28.74
L K Inman	20 November 2009	\$34,788	\$999,979	28.74

- 1 The number of shares awarded is determined based upon the share price at the date of allocation. For accounting purposes, the grant date for the 2009 WLTIP is 1 July 2009.
- 2 50 per cent of the value is shown under share based payments as the 2009 WLTIP annual grant commenced vesting from 1 July 2009 and is subject to forfeiture if the executive resigns prior to 30 June 2011, as described on page 156.

Remuneration report 2010 (audited) (continued)

SECTION 7: OTHER INFORMATION

Share trading policy

Wesfarmers' share trading policy prohibits executive directors and senior executives from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under an employee share plan for so long as the shares remain subject to a restriction on disposal under the plan. Strict compliance with the share trading policy is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

The share trading policy requires Wesfarmers directors and senior executives to advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting the Company's securities. The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and require disclosure to the market.

Company performance

The table below summarises details of Wesfarmers' earnings (shown in the form of earnings per ordinary share and NPAT) and the consequences of that performance on shareholder value for the financial year and the previous four financial years in the form of dividends, changes in share price, any returns of capital and return on equity (in accordance with the requirements of the *Corporations Act 2001*).

Financial year ended 30 June	2006	2007	2008	2009	2010
Net profit after tax (NPAT) (\$m)	869 ¹	786	1,063 ²	1,522 ⁵	1,565
Dividends per share (cents)	215	225	200	110	125
Closing share price (\$ as at 30 June)	35.33	45.73	37.30	22.76	28.67 ³
Earnings per ordinary share (cents) ⁴	218.5	195.2	174.2	158.5 ⁵	135.7
Return on equity (rolling 12)	31.1 ¹	25.1	8.6	7.3 ⁵	6.4
Capital returns per share (cents)	—	—	—	—	—

1 Excluding the sale of ARG.

2 Restated due to finalisation of acquisition accounting for the Coles group.

3 Weighted average closing share price as at 30 June 2010 (WES \$28.65, WESN \$28.79).

4 2005 to 2008 earnings per share restated for the entitlement offers.

5 Restated due to a change in accounting policy for coal rebates payable and rights to mine.

Information is presented in accordance with International Financial Reporting Standards (IFRS), which were effective from 1 July 2005.

Directors' report

Wesfarmers Limited and its controlled entities

Remuneration report 2010 (audited) (continued)

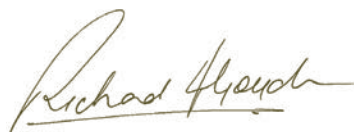
Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 167 of this Annual Report for Ernst & Young's report on the remuneration report.

This directors' report, including the remuneration report, is signed in accordance with a resolution of the Directors of Wesfarmers Limited.



R L Every
Chairman



R J B Goyder
Managing Director
Perth, 16 September 2010

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:

1.1 the financial statements, notes and the additional disclosures included in the directors' report, designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

1.2 the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 2(b); and

1.3 there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

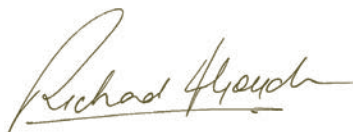
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.

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 32 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 33.

On behalf of the Board:



R L Every
Chairman



R J B Goyder
Managing Director
Perth, 16 September 2010

Independent auditor's report

to the members of Wesfarmers Limited

Report on the Financial Report

We have audited the accompanying financial report of Wesfarmers Limited, which comprises the balance sheet as at 30 June 2010, the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

- the financial report of Wesfarmers Limited is in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 150 to 165 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz

Partner
Perth

16 September 2010

Annual statement of coal resources and reserves

as at 30 June 2010

Coal resources

The table below details the coal resources for the Wesfarmers Group, as at 30 June 2010:

Mine	Ownership	Beneficial interest	Location of tenement	Likely mining method	Coal type	Coal resources tonnes (millions)				Resource quality		
						Measured	Indicated	Inferred	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	345	127	67	539	7.1	19.9	0.60
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	378	140	171	689	16.5	29.0	0.55
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut and underground	Steaming	30	81	59	170	20.6	25.1	0.60

Resource notes:

- 1 Premier's resource quality is on a 25 per cent moisture basis.
- 2 Premier's minimum seam thickness for resources is 0.35 metres.
- 3 Curragh's resource quality is on an air-dried basis.
- 4 Bengalla's coal resources are **in addition** to coal reserves.
- 5 Curragh and Premier's coal resources **are inclusive** of coal reserves.
- 6 Bengalla's resource quality is on an air-dried basis.
- 7 Bengalla's resources as stated incorporate 100 per cent of the site resources, with Wesfarmers Bengalla Limited's beneficial interest being 40 per cent.

Coal reserves

The table below details the coal reserves for the Wesfarmers Group, as at 30 June 2010:

Mine	Ownership	Beneficial interest	Location of tenement	Likely mining method	Coal type	Coal reserves tonnes (millions)			Reserves quality inclusive of loss and dilution		
						Proved	Probable	Total	Ash (%)	CV (MJ/kg)	Sulphur (%)
Premier	Wesfarmers Premier Coal Limited	100%	Collie, Western Australia	Open cut	Steaming	85	28	113	7.7	19.4	0.63
Curragh	Wesfarmers Curragh Pty Ltd	100%	Bowen Basin, Queensland	Open cut	Metallurgical and steaming	255	5	260	22.0	24.9	0.53
Bengalla	Wesfarmers Bengalla Limited	40%	Hunter Valley, New South Wales	Open cut	Steaming	83	81	164	26.5	23.0	0.60

Reserve notes:

- 1 Premier's reserve qualities are on a 26.5 per cent moisture basis.
- 2 Curragh's reserve quality ash is on an as-received basis.
- 3 Curragh's reserve quality Calorific Value (CV) and sulphur is on an air-dried basis.
- 4 Bengalla's reserve qualities are on an air-dried basis.
- 5 Bengalla's reserves as stated incorporate 100 per cent of the site reserves, with Wesfarmers Bengalla Limited's beneficial interest being 40 per cent.
- 6 Reserve qualities are inclusive of mining loss and out-of-seam dilution.

Annual statement of coal resources and reserves

as at 30 June 2010

Characteristics of coal reserves and resources

Premier

The coal is sub-bituminous and is used in the domestic market, both as steaming coal and in industrial processes. The resource is contained in 65 seams of varying coal quality characteristics. Coal is currently produced from 13 of these seams. Coal is extracted by open cut methods, currently to depths less than 145 metres below the ground surface.

Curragh

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

Bengalla

The coal is bituminous and used in domestic and export markets for power generation. Coal is extracted from eight seams of varying thickness and quality characteristics. 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code').

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

All of the coal resource information is inclusive of coal reserves unless otherwise stated.

Competent Persons

Premier	Mr Damien Addison, a full-time employee of Wesfarmers Premier Coal Limited, a wholly owned subsidiary of Wesfarmers Limited. Member AIG
	Mr Johan Ballot, a full-time employee of Wesfarmers Premier Coal Limited, a wholly owned subsidiary of Wesfarmers Limited. Member AusIMM
Curragh	Mr Paul O'Loughlin, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd. Member AusIMM
	Ms Malise Jenkins, a full-time employee of Curragh Queensland Mining Pty Ltd, a wholly owned subsidiary of Wesfarmers Curragh Pty Ltd. Member AusIMM
Bengalla	Mr Jonathon Buddee, a full-time employee of Rio Tinto Coal Australia Pty Limited. Member AusIMM
	Mr Ken Preston, a full-time employee of Rio Tinto Coal Australia Pty Limited. Member AusIMM
	Mr John Bamberry, a full-time employee of Rio Tinto Coal Australia Pty Limited. Member AIG

Shareholder information

Wesfarmers Limited and its controlled entities

Substantial shareholders

As at the date of this report the Commonwealth Bank of Australia Limited and its subsidiaries, holding 5.15 per cent, is a substantial shareholder for the purposes of Part 6C.1 of the *Corporations Act 2001*.

Voting rights

Wesfarmers fully paid ordinary shares carry voting rights of one vote per share.

Wesfarmers partially protected shares carry voting rights of one vote per share.

Distribution of members and their holdings

Size of holdings	Wesfarmers fully paid ordinary shares number of shareholdings	Wesfarmers partially protected shares number of shareholdings
1 – 1,000	405,705	290,466
1,001 – 5,000	80,117	8,957
5,001 – 10,000	8,878	560
10,001 – 100,000	4,778	244
100,001 – and over	211	44

There were 14,895 holders holding less than a marketable parcel of Wesfarmers fully paid ordinary shares.

There were 6,765 holders holding less than a marketable parcel of Wesfarmers partially protected shares.

Less than 1.21 per cent of shareholders have registered addresses outside Australia.

Twenty largest shareholders

Fully paid ordinary shares

The 20 largest shareholders of ordinary shares on the Company's register as at 16 September 2010 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	162,979,673	16.21
J P Morgan Nominees Australia Limited	140,829,444	14.01
National Nominees Limited	78,750,833	7.83
Citicorp Nominees Pty Limited	48,694,660	4.84
Cogent Nominees Pty Limited	10,880,586	1.08
Citicorp Nominees Pty Limited (CFS WSLE Geared Shr Fnd A/C)	9,363,186	0.93
ANZ Nominees Limited (Cash Income A/C)	7,790,913	0.78
AMP Life Limited	7,623,703	0.76
Queensland Investment Corporation	6,181,706	0.61
Australian Foundation Investment Company Limited	6,165,951	0.61
CPU Share Plans Pty Limited (WES WLTIP Control A/C)	4,477,810	0.45
ARGO Investments Limited	4,215,376	0.42
Perpetual Trustee Company Limited	3,778,553	0.38
Cogent Nominees Pty Limited (SMP Accounts)	3,022,382	0.30
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/C)	2,971,115	0.30
Invia Custodian Pty Limited (Wesfarmers Ltd DIP A/C)	2,836,947	0.28
UBS Wealth Management Australia Nominees Pty Ltd	2,599,720	0.26
Citicorp Nominees Pty Limited (CFSIL CFS WS Aust Shre A/C)	2,573,950	0.26
UBS Nominees Pty Ltd	2,458,320	0.24
M F Custodians Ltd	2,207,310	0.22

The percentage holding of the 20 largest shareholders of Wesfarmers fully paid ordinary shares was 50.77.

Shareholder information

Wesfarmers Limited and its controlled entities

Twenty largest shareholders (continued)

Partially protected shares

The 20 largest shareholders of partially protected shares on the Company's register as at 16 September 2010 were:

Name	Number of shares	% of issued capital
National Nominees Limited	25,663,384	16.89
J P Morgan Nominees Australia Limited	17,858,550	11.76
HSBC Custody Nominees (Australia) Limited	12,765,920	8.40
Citicorp Nominees Pty Limited	3,339,588	2.20
M F Custodians Ltd	3,022,617	1.99
AMP Life Limited	2,810,535	1.85
Brispot Nominees Pty Ltd (House Head Nominee No 1 A/C)	1,935,786	1.27
Australian Foundation Investment Company Limited	1,400,120	0.92
ANZ Nominees Limited (Cash Income A/C)	1,181,264	0.78
CS Fourth Nominees Pty Ltd (Unpaid A/C)	1,033,583	0.68
Cogent Nominees Pty Limited (SMP Accounts)	1,024,952	0.67
Australian Reward Investment Alliance	880,106	0.58
Cogent Nominees Pty Limited	822,570	0.54
Neweconomy Com Au Nominees Pty Limited (SBL Account)	703,000	0.46
Mr Peter Alexander Brown	684,454	0.45
The Myer Family Company Pty Ltd	639,053	0.42
UBS Nominees Pty Ltd	545,690	0.36
Neweconomy Com Au Nominees Pty Limited (900 Account)	439,948	0.29
Perpetual Trustee Company Limited	438,828	0.29
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/C)	419,083	0.28

The percentage holding of the 20 largest shareholders of Wesfarmers partially protected shares was 51.08.

Five year financial history

Wesfarmers Limited and its controlled entities

All figures in \$m unless shown otherwise	2010	2009 ¹	2008	2007	2006 ²
SUMMARISED PROFIT AND LOSS					
Sales revenue	51,485	50,641	33,301	9,667	8,818
Other operating revenue	342	341	283	87	41
Operating revenue	51,827	50,982	33,584	9,754	8,859
Operating profit before depreciation and amortisation, net interest paid and income tax	3,476	3,443	2,660	1,566	1,597
Depreciation and amortisation	(917)	(856)	(660)	(345)	(283)
Net interest paid	(344)	(591)	(571)	(116)	(82)
Income tax expense	(650)	(474)	(366)	(319)	(363)
Operating profit after income tax attributable to members of Wesfarmers Limited	1,565	1,522	1,063	786	869
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) 000's	1,157,072	1,157,072	799,438	388,069	378,042
Paid up ordinary capital	23,286	23,286	18,173	2,256	1,902
Dividend per ordinary share	125	110	200	225	215
FINANCIAL PERFORMANCE					
Earnings per ordinary share (weighted average) (cents)	135.7	158.5	174.2	195.2	218.5
Earnings per ordinary share growth	(14.4%)	(9.0%)	(10.8%)	(10.7%)	22.5%
Return on average ordinary shareholders' funds	6.4%	7.3%	8.6%	25.1%	31.1%
Net interest cover – cash basis (times)	6.8	5.0	4.9	8.7	13.8
Income tax expense (effective rate)	29.3%	23.7%	25.6%	28.8%	29.4%
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	39,236	39,062	37,178	12,076	7,430
Total liabilities	14,542	14,814	17,580	8,573	4,264
Net assets	24,694	24,248	19,598	3,503	3,166
Net tangible asset backing per ordinary share	\$3.61	\$3.13	(\$1.36)	\$2.11	\$4.59
Net financial debt to equity	16.3%	18.3%	47.3%	143.6%	46.1%
Total liabilities/total assets	37.1%	37.9%	47.3%	71.0%	57.4%
Stock market capitalisation as at 30 June	33,171	26,337	29,819	17,746	13,356

1 Restated due to a change in accounting policy for coal rebates payable and rights to mine.

2 Excludes earnings from the sale of ARG.

Investor information

Managing your shareholding

The company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

Computershare's Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

- view the company share price;
- change banking details;
- change your address (for non-CHESS sponsored holdings);
- update your dividend instructions;
- update your tax file number (TFN), Australian Business Number (ABN) or exemption;
- select email and communication preferences; and
- view transaction history.

Visit www.investorcentre.com/au and click on 'Register' for portfolio membership or simply click on 'Holding Enquiry'.

When communicating with Computershare or accessing your holding online you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post: GPO Box 2975 Melbourne,
Victoria 3001 Australia
Telephone: Australia: 1300 558 062
International: (+61 3) 9415 4631
Facsimile: Australia: (03) 9473 2500
International: (+61 3) 9473 2500
Email: web.queries@computershare.com.au

Tax File Numbers

While it is not compulsory to provide a TFN, if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate. Shareholders can go online to update their TFN or download the form by visiting www.investorcentre.com/au and clicking on 'Downloadable Forms' in the 'Information' tab.

Change of name or consolidation of holdings

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms which may be downloaded from www.investorcentre.com/au and clicking on 'Downloadable Forms' in the 'Information' tab.

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

- issuer sponsored holdings – these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
- broker sponsored holdings – shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting www.investorcentre.com/au

Information on Wesfarmers

Wesfarmers website

Up-to-date information on the company can be obtained from the company's website www.wesfarmers.com.au

Securities Exchange Listing

Wesfarmers shares are listed on the Australian Securities Exchange under the following codes:

WES – Ordinary Shares

WESN – Partially Protected Shares.

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at www.asx.com.au

Dividend investment plan

The company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from the share registry or the Wesfarmers website.

Privacy

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

Wesfarmers Corporate Affairs Department

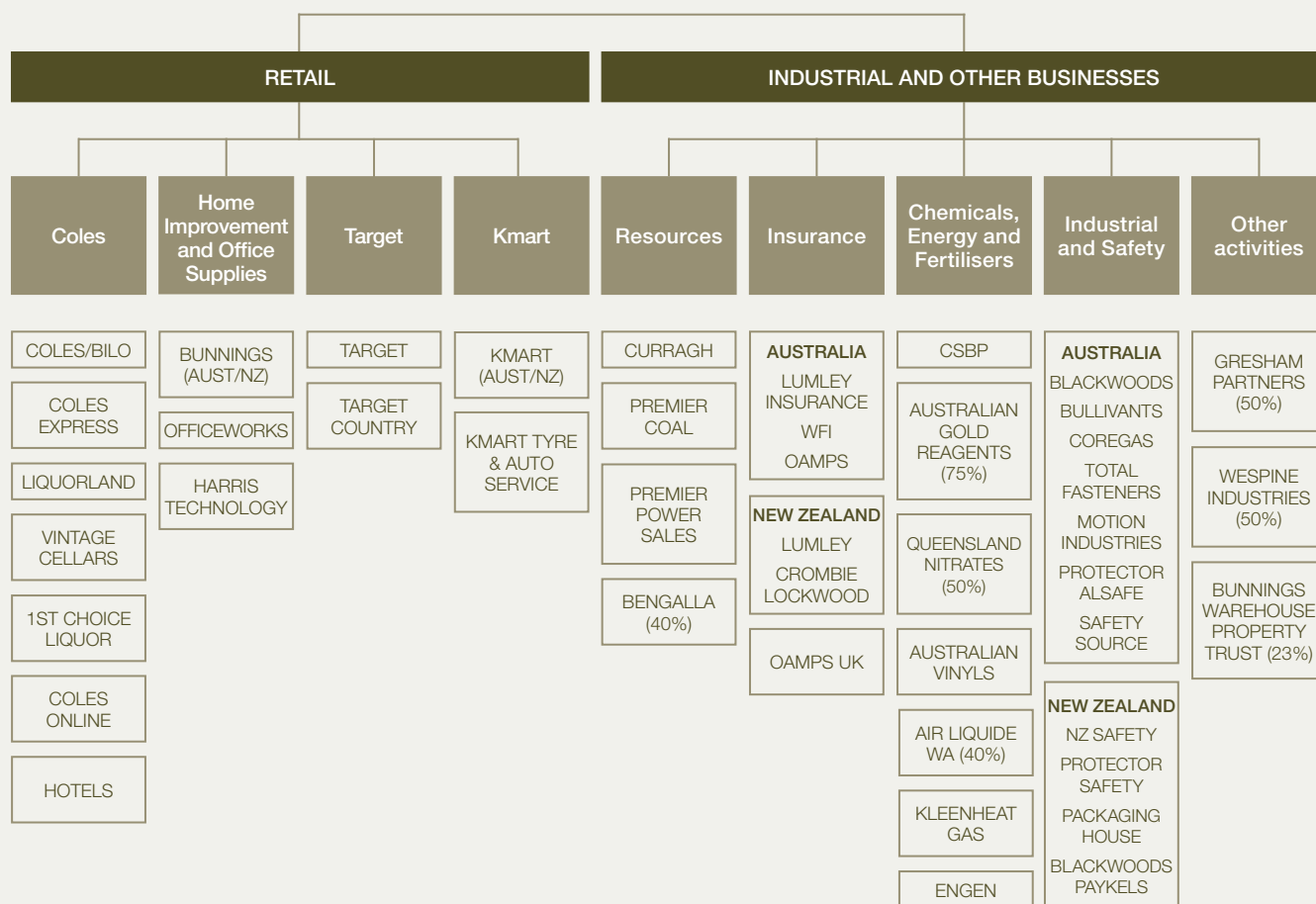
Further information and publications about the company's operations are available from the Corporate Affairs Department on telephone (08) 9327 4366 (within Australia) or (+61 8) 9327 4366 (International) or from the Wesfarmers website.

Glossary

Glossary

\$	Australian dollars being the currency for the Commonwealth of Australia
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Principles	ASX Corporate Governance Principles and Recommendations (Second Edition)
Board	Board of Directors of Wesfarmers Limited
CLTIP	Coles Long Term Incentive Plan
Coles group	Includes Coles food and liquor, fuel and convenience businesses, Target, Kmart, Officeworks and Harris Technology
EBIT	Earnings before interest and tax
FEED	Front-End Engineering Design
Group	Wesfarmers Limited and its subsidiaries
IFRS	International Financial Reporting Standards
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTIFR	Lost Time Injury Frequency Rate
WESAP	Wesfarmers Employee Share Acquisition Plan
WESP	Wesfarmers Employee Share Plan
WLTIP	Wesfarmers Long Term Incentive Plan

Group structure



Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

Level 11, Wesfarmers House
40 The Esplanade, Perth,
Western Australia 6000

Telephone: (+61 8) 9327 4211

Facsimile: (+61 8) 9327 4216

Website: www.wesfarmers.com.au

Email: info@wesfarmers.com.au

Executive directors

Richard Goyder
Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

Bob Every, Chairman
Colin Carter OAM
James Graham AM
Tony Howarth AO
Charles Macek
Wayne Osborn
Diane Smith-Gander
Vanessa Wallace
David White

Company Secretary

Linda Kenyon

Share registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace, Perth,
Western Australia 6000

Telephone

Australia: 1300 558 062

International: (+61 3) 9415 4631

Facsimile

Australia: (03) 9473 2500

International: (+61 3) 9473 2500

Email: web.queries@computershare.com.au

Website: www.computershare.com.au

Financial calendar*

Record date for final dividend	30 August 2010
Final dividend paid	30 September 2010
Annual General Meeting	9 November 2010
Half-year end	31 December 2010
Half-year profit announcement	February 2011
Record date for interim dividend	February 2011
Interim dividend payable	March 2011
Year-end	30 June 2011

+ Timing of events is subject to change

Annual General Meeting

The 29th Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Tuesday, 9 November 2010 at 1.00 pm (Perth time).

Website

To view the 2010 Annual Report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit Wesfarmers' website at www.wesfarmers.com.au

Further information

For more information about Wesfarmers' activities including financial updates, ASX announcements, key dates and other Wesfarmers' corporate reports, visit the 'Investor centre' at www.wesfarmers.com.au



Sustainability Report 2010



Shareholder Review 2010



www.wesfarmers.com.au > Investor centre



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