17 February 2011

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

HALF-YEAR REPORT TO 31 DECEMBER 2010

In accordance with ASX Listing Rule 4.2A, the following documents are attached for release to the market:

- Appendix 4D – Half-Year Report; and
- Half-year results announcement.

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Wesfarmers Limited as at 30 June 2010 together with any public announcements made by Wesfarmers Limited in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

An analyst briefing will be held at 11:30 am (WST) / 2:30 pm (EDT) following the release of this announcement. This briefing will be webcast and accessible via our website at www.wesfarmers.com.au.

Yours faithfully,

L J KENYON
COMPANY SECRETARY

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Appendix 4D - Half-year report

for the half-year ended 31 December 2010 – Wesfarmers Limited and its controlled entities
ABN 28 008 984 049

RESULTS FOR ANNOUNCEMENT TO THE MARKET		$m
Revenue from ordinary activities	up 6% to	**28,074**
Profit from ordinary activities after tax attributable to members	up 33% to	**1,173**
Net profit for the half year attributable to members	up 33% to	**1,173**

DIVIDENDS		Amount per security	Franked amount per security
Interim dividend		65 cents	65 cents
Previous corresponding period interim dividend		55 cents	55 cents
Record date for determining entitlements to the dividend	5:00pm (WST) on	28 February 2011	
Last date for receipt of election notice for Dividend Investment Plan	5:00pm (WST) on	28 February 2011	
Date the interim dividend is payable		31 March 2011	

Dividend investment plan
The Company operates a Dividend Investment Plan (the 'Plan') which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with Wesfarmers ordinary shares. The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers ordinary shares on each of the 10 consecutive trading days from and including the third trading day after the record date 28 February 2011 for participation in the Plan, being 3 March 2011 to 16 March 2011.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (WST) on 28 February 2011. The Directors have determined that no discount shall apply to the allocation price and that shares to be allocated under the Plan will be acquired on-market and transferred to participants on 31 March 2011. A broker will be engaged to assist in this process.

Net tangible asset backing
Net tangible asset backing per ordinary share (including partially protected and excluding employee reserved shares): $4.12 (2009: $3.47).

Operating cash flow per share
Operating cash flow per share: $1.69 (2009: $1.80). This has been calculated by dividing the net cash flow from operating activities by the weighted average number of ordinary shares (including partially protected and employee reserved shares) on issue during the half-year.

Previous corresponding period
The previous corresponding period is the half-year ended 31 December 2009. A 31 December 2009 balance sheet has been included to improve comparability.

Commentary on results for the period
A commentary on the results for the period is contained in the press release dated 17 February 2011 accompanying this statement.

Income statement

for the half-year ended 31 December 2010 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2010 $m	2009 $m
Revenue			
Sale of goods		**27,077**	25,524
Rendering of services		**821**	834
Interest		**79**	71
Other		**97**	104
		28,074	26,533
Expenses			
Raw materials and inventory		**(18,533)**	(17,721)
Employee benefits expense	5	**(3,628)**	(3,504)
Net insurance claims, reinsurance and commissions		**(595)**	(597)
Freight and other related expenses		**(469)**	(413)
Occupancy-related expenses	5	**(1,081)**	(1,047)
Depreciation and amortisation	5	**(461)**	(449)
Other expenses	5	**(1,505)**	(1,388)
		(26,272)	(25,119)
Other income	5	**119**	80
Finance costs	5	**(272)**	(319)
Share of (losses)/profits of associates		**(4)**	53
Profit before income tax		**1,645**	1,228
Income tax expense	8	**(472)**	(349)
Profit attributable to members of the parent		**1,173**	879
Earnings per share (cents per share)	3		
– basic for profit for the period attributable to ordinary (including partially protected) equity holders of the parent		**101.7**	76.3
– diluted for profit for the period attributable to ordinary (including partially protected) equity holders of the parent		**101.5**	76.1

Dilution to earnings per share arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options.

Statement of comprehensive income

for the half-year ended 31 December 2010 – Wesfarmers Limited and its controlled entities

		CONSOLIDATED	
		2010	2009
	Note	**$m**	$m
Profit attributable to members of the parent		**1,173**	879
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		**(18)**	3
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale financial assets		**1**	1
Cash flow hedge reserve			
Unrealised gains on cash flow hedges		**226**	21
Realised (gains)/losses transferred to net profit		**(31)**	109
Realised losses transferred to non-financial assets		**87**	124
Ineffective hedge losses transferred to net profit		**-**	7
Tax effect		**(85)**	(78)
Retained earnings			
Actuarial loss on defined benefit plan	7	**(1)**	-
Other comprehensive income for the period net of tax		**179**	187
Total comprehensive income for the period, net of tax, attributable to members of the parent		**1,352**	1,066

Balance sheet

as at 31 December 2010 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED		
		December 2010 $m	June 2010 $m	December 2009 $m
ASSETS				
Current assets				
Cash and cash equivalents	9	**1,637**	1,640	2,212
Trade and other receivables		**2,217**	2,086	1,902
Inventories		**5,296**	4,658	5,054
Derivatives		**146**	75	73
Investments backing insurance contracts		**1,136**	1,065	1,013
Other		**263**	150	313
Total current assets		**10,695**	9,674	10,567
Non-current assets				
Receivables		**213**	220	200
Available-for-sale investments		**17**	19	19
Investment in associates		**460**	468	440
Deferred tax assets		**499**	608	685
Property, plant and equipment		**8,035**	7,542	7,253
Intangible assets		**4,317**	4,328	4,346
Goodwill		**16,180**	16,206	16,282
Derivatives		**193**	127	63
Other		**35**	44	34
Total non-current assets		**29,949**	29,562	29,322
Total assets		**40,644**	39,236	39,889
LIABILITIES				
Current liabilities				
Trade and other payables		**5,477**	4,603	5,130
Interest-bearing loans and borrowings		**205**	304	339
Income tax payable		**336**	167	73
Provisions		**1,147**	1,176	1,061
Insurance liabilities		**1,233**	1,307	1,234
Derivatives		**129**	107	224
Other		**286**	188	259
Total current liabilities		**8,813**	7,852	8,320
Non-current liabilities				
Payables		**7**	9	7
Interest-bearing loans and borrowings		**4,829**	5,049	5,332
Provisions		**1,075**	1,070	1,069
Insurance liabilities		**481**	408	433
Derivatives		**174**	138	90
Other		**23**	16	12
Total non-current liabilities		**6,589**	6,690	6,943
Total liabilities		**15,402**	14,542	15,263
Net assets		**25,242**	24,694	24,626
EQUITY				
Equity attributable to equity holders of the parent				
Contributed equity	10	**23,286**	23,286	23,286
Employee reserved shares	10	**(45)**	(51)	(56)
Retained earnings	7	**1,776**	1,414	1,364
Reserves		**225**	45	32
Total equity		**25,242**	24,694	24,626

Cash flow statement

for the half-year ended 31 December 2010 – Wesfarmers Limited and its controlled entities

	Note	CONSOLIDATED 2010 $m	2009 $m
Cash flows from operating activities			
Receipts from customers		**30,203**	28,302
Payments to suppliers and employees		**(27,784)**	(25,702)
Dividends and distributions received from associates		**7**	7
Interest received		**81**	71
Borrowing costs		**(277)**	(297)
Income tax paid		**(270)**	(298)
Net cash flows from operating activities	9	**1,960**	2,083
Cash flows from investing activities			
Net acquisition of insurance deposits		**(71)**	(9)
Purchase of property, plant and equipment and intangibles		**(992)**	(891)
Proceeds from sale of property, plant and equipment		**13**	33
Proceeds from sale of controlled entities		**14**	-
Net investments in associates and joint ventures		**(2)**	(3)
Acquisition of subsidiaries, net of cash acquired		**(17)**	(8)
Net cash flows used in investing activities		**(1,055)**	(878)
Cash flows from financing activities			
Proceeds from borrowings		**2,654**	543
Repayment of borrowings		**(2,758)**	(972)
Proceeds from exercise of in-substance options under the employee share plan		**3**	3
Equity dividends paid		**(807)**	(691)
Net cash flows used in financing activities		**(908)**	(1,117)
Net (decrease)/increase in cash and cash equivalents		**(3)**	88
Cash and cash equivalents at beginning of period		**1,640**	2,124
Cash and cash equivalents at end of period	9	**1,637**	2,212

Statement of changes in equity

for the half-year ended 31 December 2010 – Wesfarmers Limited and its controlled entities

CONSOLIDATED	Note	Issued capital $m	Employee reserved shares $m	Retained earnings $m	Hedging reserve $m	Other reserves $m	Total equity $m
		Attributable to equity holders of the parent					
Balance at 1 July 2009		23,286	(62)	1,179	(307)	152	24,248
Net profit for the period		-	-	879	-	-	879
Other comprehensive income							
Exchange differences on translation of foreign operations		-	-	-	-	3	3
Changes in the fair value of available-for-sale assets net of tax		-	-	-	-	1	1
Changes in the fair value of cash flow hedges net of tax	12	-	-	-	183	-	183
Total other comprehensive income for the period net of tax		-	-	-	183	4	187
Total comprehensive income for the period net of tax		-	-	879	183	4	1,066
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	10	-	3	-	-	-	3
Equity dividends	6,10	-	3	(694)	-	-	(691)
		-	6	(694)	-	-	(688)
Balance at 31 December 2009		23,286	(56)	1,364	(124)	156	24,626
Balance at 1 July 2010		**23,286**	**(51)**	**1,414**	**(77)**	**122**	**24,694**
Net profit for the period		**-**	**-**	**1,173**	**-**	**-**	**1,173**
Other comprehensive income							
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**(18)**	**(18)**
Changes in the fair value of available-for-sale assets net of tax		**-**	**-**	**-**	**-**	**1**	**1**
Changes in the fair value of cash flow hedges net of tax	12	**-**	**-**	**-**	**197**	**-**	**197**
Actuarial loss on defined benefit plan	7	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Total other comprehensive income for the period net of tax		**-**	**-**	**(1)**	**197**	**(17)**	**179**
Total comprehensive income for the period net of tax		**-**	**-**	**1,172**	**197**	**(17)**	**1,352**
Transactions with equity holders in their capacity as equity holders:							
Proceeds from exercise of in-substance options	10	**-**	**3**	**-**	**-**	**-**	**3**
Equity dividends	6,10	**-**	**3**	**(810)**	**-**	**-**	**(807)**
		-	**6**	**(810)**	**-**	**-**	**(804)**
Balance at 31 December 2010		**23,286**	**(45)**	**1,776**	**120**	**105**	**25,242**

1 Corporate Information

The financial report of Wesfarmers Limited (the 'Company') for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 17 February 2011. Wesfarmers Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX').

2 Basis of preparation and accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2010 and considered together with any public announcements made by the Company during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest million dollars 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) Significant accounting policies

Except as noted below, the same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report.

New and revised Accounting Standards and Interpretations

All new and amended Australian Accounting Standards and Interpretations mandatory as of 1 July 2010 to Wesfarmers Limited and its subsidiaries ('the Group') have been adopted, including:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]*

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. These changes did not 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*

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

- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

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 *Financial Instruments: Recognition and Measurement*. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

2 Basis of preparation and accounting policies (continued)

b) Significant accounting policies (continued)

- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* (continued)

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

- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]*

The amendments:

- limit the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interest are measured at fair value;
- require an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses;
- clarify that contingent consideration from a business combination that occurred before the effective date of AASB 3 *Business Combinations* (Revised) is not restated; and
- clarify that the revised accounting for loss of significant influence or joint control (from the issue of AASB 3 (Revised)) is only applicable prospectively.

These amendments did not have a material effect on the Group's financial statements.

3 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares (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.

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 at the expiration of a specified period. Full details and other terms and conditions applicable to the PPS are available from the Company website www.wesfarmers.com.au.

Basic and diluted earnings per share calculations are as follows:

	CONSOLIDATED	
	2010	2009
	$m	$m
Profit attributable to members of the parent	**1,173**	879
	shares (m)	shares (m)
Weighted average number of ordinary shares (including partially protected shares) for basic earnings per share	**1,153**	1,152
Effect of dilution - employee reserved shares	**3**	3
Weighted average number of ordinary shares (including partially protected shares) adjusted for the effect of dilution	**1,156**	1,155
Earnings per share (cents per share)	**cents**	cents
– basic for profit for the period attributable to ordinary (including partially protected shares) equity holders of the parent	**101.7**	76.3
– diluted for profit for the period attributable to ordinary (including partially protected shares) equity holders of the parent	**101.5**	76.1

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.

4 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 its 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 in the Wesfarmers 30 June 2010 financial statements. 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 cyclicality 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; and
- 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.

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.

	COLES [1]		HOME IMPROVEMENT AND OFFICE SUPPLIES		RESOURCES[3]		INSURANCE		KMART	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Segment revenue	**16,059**	15,161	**4,278**	4,064	**957**	624	**872**	868	**2,271**	2,226
Segment result										
Earnings before interest, tax, depreciation, amortisation (EBITDA)	**775**	688	**550**	503	**305**	61	**78**	70	**209**	182
Depreciation and amortisation	**(200)**	(202)	**(61)**	(54)	**(55)**	(59)	**(13)**	(12)	**(34)**	(28)
Earnings before interest, tax (EBIT)	**575**	486	**489**	449	**250**	2	**65**	58	**175**	154

	TARGET		INDUSTRIAL AND SAFETY[2]		CHEMICALS, ENERGY AND FERTILISERS[2]		OTHER[4]		CONSOLIDATED	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$m	$m	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m
Segment revenue	**2,120**	2,182	**774**	689	**722**	685	**21**	34	**28,074**	26,533
Segment result										
Earnings before interest, tax, depreciation, amortisation (EBITDA)	**240**	311	**92**	78	**199**	116	**(70)**	(13)	**2,378**	1,996
Depreciation and amortisation	**(34)**	(32)	**(13)**	(13)	**(48)**	(47)	**(3)**	(2)	**(461)**	(449)
Earnings before interest, tax (EBIT)	**206**	279	**79**	65	**151**	69	**(73)**	(15)	**1,917**	1,547
Finance costs									**(272)**	(319)
Profit before income tax expense									**1,645**	1,228
Income tax expense									**(472)**	(349)
Profit attributable to members of the parent									**1,173**	879

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

2 On 20 April 2010, Wesfarmers announced that the Chemicals and Fertilisers, and Energy divisions would merge to form a new division and Coregas would transfer to the Industrial and Safety division. Reporting of results in accordance with the new structure commenced from 1 July 2010, including comparatives in both the segment note and internal reporting. Chemicals, Energy and Fertilisers' 2009 results were affected by the gas supply disruption caused by the explosion at Varanus Island during the period. 2010 includes insurance proceeds on the Varanus Island claim of $41 million (2009: nil).

3 2010 includes Stanwell rebate expense of $60 million (2009: $106 million).

4 2010 includes interest revenue of $23 million (2009: $29 million), share of loss of Gresham Private Equity Funds of $28 million (2009: profit of $29 million), share of profit from other investments of $11 million (2009: $10 million), provision for asset damage and writedowns arising from flooding and weather events prior to 31 December 2010 under the Group's self-insurance program of $20 million (2009: nil) and corporate overheads of $47 million (2009: $46 million).

	CONSOLIDATED	
	2010	2009
	$m	$m
5 Revenue and expenses		
Employee benefits expense		
Remuneration, bonuses and on-costs	**3,476**	3,373
Amounts provided for employee entitlements	**90**	80
Share based payments expense	**62**	51
	3,628	3,504
Occupancy-related expenses		
Minimum lease payments	**871**	841
Other	**210**	206
	1,081	1,047
Depreciation and amortisation		
Depreciation	**379**	360
Amortisation of intangibles	**49**	41
Amortisation other	**33**	48
	461	449
Other expenses included in the income statement		
Impairment of freehold property	**6**	6
Impairment/(reversal of impairment) of plant, equipment and other assets	**10**	(6)
Total impairment charge	**16**	-
Government mining royalties	**65**	42
Stanwell rebate	**60**	106
Repairs and maintenance	**209**	199
Utilities and office expenses	**476**	452
Self-insurance expenses	**113**	121
Other	**566**	468
	1,505	1,388
Other income		
Gains on disposal of property, plant and equipment	**2**	3
Gains on sale of controlled entities	**1**	7
Other income	**116**	70
	119	80
Finance costs		
Interest expense	**236**	284
Ineffective interest rate swap gains	**(18)**	(17)
Discount adjustment	**32**	31
Amortisation of debt establishment costs	**12**	12
Other including bank facility and settlement fees	**10**	9
	272	319

	CONSOLIDATED	
	2010	2009
	$m	$m
6 Dividends paid and proposed		
Declared and paid during the period (fully franked at 30 per cent)		
Final franked dividend for 2010: $0.70 (2009: $0.60)	**810**	694
Proposed and not recognised as a liability (fully franked at 30 per cent)		
Interim franked dividend for 2011: $0.65 (2010: $0.55)	**752**	636
7 Retained earnings		
Balance as at 1 July	**1,414**	1,179
Net profit	**1,173**	879
Dividends	**(810)**	(694)
Actuarial loss on defined benefit plan	**(1)**	-
Balance as at 31 December	**1,776**	1,364
8 Income tax		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**1,645**	1,228
At the statutory income tax rate of 30 per cent (2009: 30 per cent):	**494**	368
Adjustments in respect of current income tax of previous years	**(25)**	(1)
Additional Federal Government Investment Allowance deductions	**(1)**	(16)
Non-deductible writedown of investments	**6**	2
Other	**(2)**	(4)
Income tax expense reported in the consolidated income statement	**472**	349

	CONSOLIDATED	
	2010	2009
	$m	$m
9 Reconciliation to cash flow statement		
For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:		
Cash on hand and in transit	**276**	284
Cash at bank and on deposit	**1,292**	1,847
Insurance broking trust accounts	**69**	81
	1,637	2,212
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**1,173**	879
Adjustments		
Depreciation and amortisation	**461**	449
Impairment of freehold property	**6**	6
Impairment/(reversal of impairment) of plant, equipment and other assets	**10**	(6)
Net loss on disposal of property, plant and equipment	**18**	36
Share of associates' net loss/(profit)	**4**	(53)
Dividends and distributions received from associates	**7**	7
Discount adjustment in borrowing costs	**32**	31
Amortisation of debt establishment costs	**12**	12
Ineffective interest rate swap gains net of amounts paid	**(18)**	(17)
Non-cash issue of shares recognised in earnings	**3**	10
Other	**2**	10
Changes in assets and liabilities		
Increase in inventories	**(661)**	(397)
(Increase)/decrease in trade and other receivables	**(144)**	8
Increase in prepayments	**(107)**	(109)
Increase in trade and other payables	**890**	1,075
Decrease in deferred tax assets	**25**	3
Increase/(decrease) in other assets	**3**	(1)
Decrease in provisions	**(49)**	(5)
Increase in other liabilities	**116**	99
Increase in current tax payable	**177**	46
Net cash from operating activities	**1,960**	**2,083**
Non-cash financing and investing activities		
Issue of share capital under employee incentive plans recognised in earnings	**3**	10

10 Contributed equity

Movement in shares on issue	Ordinary		Partially protected		**Total contributed equity**	
	Thousands	$m	Thousands	$m	**Thousands**	**$m**
At 1 July 2009	1,005,127	16,911	151,945	6,375	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	19	1	(19)	(1)	-	-
At 31 December 2009	1,005,146	16,912	151,926	6,374	1,157,072	23,286
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	22	1	(22)	(1)	-	-
At 30 June 2010	**1,005,168**	**16,913**	**151,904**	**6,373**	**1,157,072**	**23,286**
Partially protected ordinary shares converted to ordinary shares at $41.95 per share	**18**	**1**	**(18)**	**(1)**	**-**	**-**
At 31 December 2010	**1,005,186**	**16,914**	**151,886**	**6,372**	**1,157,072**	**23,286**

Movement in employee reserved shares on issue	Thousands	$m
At 1 July 2009	4,773	62
Exercise of in-substance options	(240)	(3)
Dividends applied	-	(3)
At 31 December 2009	4,533	56
Exercise of in-substance options	(228)	(4)
Dividends applied	-	(1)
At 30 June 2010	**4,305**	**51**
Exercise of in-substance options	**(314)**	**(3)**
Dividends applied	**-**	**(3)**
At 31 December 2010	**3,991**	**45**

11 Borrowing and repayment of debt

On 22 December 2010, Wesfarmers announced the execution of a $2,500 million Revolving Facility Agreement with $1,250 million maturing 21 December 2013 and $1,250 million maturing 21 December 2014.

Drawings on the revolving facility were used to repay the existing $2,500 million syndicated facility which was due to mature in December 2011 ($1,750 million) and December 2012 ($750 million). This has resulted in an extension in the debt maturity profile for the Group.

12 Cash flow hedge reserve

The change in cash flow hedge reserve to 31 December 2010 represents the after-tax net movement in market value of effective cash flow hedges from 30 June 2010 and comprised: $27 million (2009: $57 million) of interest rate swaps and $170 million (2009: $126 million) of foreign exchange rate contracts.

13 Impairment testing

Wesfarmers is required to review, at the end of each reporting period, whether there is any indication that an asset may be impaired, in accordance with Australian Accounting Standards. Wesfarmers has reviewed each cash generating unit for indications of impairment using both external and internal sources of information. This review included an assessment of performance against expectations and changes in market values or discount rates.

Discount rates have remained largely consistent with those used for 30 June 2010 impairment testing. Changes in discount rates used for impairment testing could cause the carrying value of non-current assets to exceed their recoverable amount. Such an increase in the discount rates could arise, for example, following an increase in the prevailing risk-free and borrowing rates.

Detailed impairment testing has been completed of non-current assets when the existence of an indication of impairment has been identified. At 31 December 2010, the carrying value of these assets did not exceed their recoverable amount determined for impairment testing purposes.

Wesfarmers will perform detailed annual impairment testing prior to the end of the financial year using cash flow projections based on Wesfarmers' five year corporate plans and business forecasts to be updated in early 2011. Any significant changes in the corporate plan from previous periods could cause the carrying value of non-current assets to exceed their recoverable amount.

14 Events after the balance sheet date

Dividend

A fully franked dividend of 65 cents per share resulting in a dividend payment of $752 million was declared for payment on 31 March 2011. The dividend has not been provided for in the 31 December 2010 half-year financial statements.

Flood and cyclone events

Subsequent to 31 December 2010, the Group was affected by major flood and storm events in Queensland and Victoria as well as cyclone Yasi, which crossed the coast of North Queensland on 2 February 2011. To date, writedowns of damaged plant, equipment and inventory associated with these events, prior to insurance recoveries, are estimated to be between $40 million and $50 million. The Group also expects additional costs and lost earnings across its retail and industrial businesses to be in the range of $30 million to $40 million.

On 4 January 2011, Wesfarmers announced estimated full year sales of metallurgical coal was expected to be in the range of 5.8 to 6.2 million tonnes, compared to a pre-flood forecast of 6.0 to 6.5 million tonnes, subject to no further significant wet weather and satisfactory port and rail operations. The effect of reduced sales volumes on second half earnings will be subject to realised coal prices, with production and overburden costs expected to temporarily increase as a result of these weather events.

Across the Group, the replacement of damaged assets and other costs associated with the disruption to operations will be subject to an insurance recovery process. At 31 December 2010, no writedowns, other costs or insurance recoveries have been recognised in relation to these subsequent events.

Within the Insurance division, gross claims from the Brisbane floods and cyclone Yasi triggered the catastrophe reinsurance program resulting in a net exposure under the division's maximum event retention of $11 million per event. Net claims expense from these events and other weather related activity during January and February, together with the cost of reinsurance reinstatement premiums, is expected to adversely affect second half earnings in the range of $30 million to $35 million.

NEWS

17 February 2011

2011 HALF-YEAR RESULTS

Highlights

- Net profit after tax of $1,173 million, up 33.4 per cent
- Operating revenue of $28,074 million, up 5.8 per cent
- Earnings before interest and tax (EBIT) of $1,917 million, up 23.9 per cent
- Earnings per share of $1.02, up 33.3 per cent
- Operating cash flows of $1,960 million, cash realisation ratio of 120.0 per cent
- Strong liquidity position, fixed charges cover of 2.6 times, up from 2.2 times
- Capital expenditure of $992 million, up 11.3 per cent
- Fully franked interim dividend of $0.65 declared, up 18.2 per cent

Wesfarmers Limited today announced a net profit after tax of $1,173 million for the half-year ended 31 December 2010, an increase of 33.4 per cent on the previous corresponding period.

The result displays the strength of the Group's diversified businesses, with most divisions recording earnings growth.

The significant increase in earnings was in part due to a $248 million improvement in EBIT from the Resources division as a result of improved coal prices and reduced Stanwell royalty payments, compared to the previous corresponding period. This was achieved despite higher than average rainfall affecting production and increasing mining costs at the Curragh mine.

The Group's retail businesses recorded solid earnings growth for the half-year, up 5.6 per cent to $1,445 million. Growth was achieved in an environment marked by cautious consumer sentiment, widespread price deflation and unusually wet and cool weather on the east coast of Australia which negatively affected customer demand for seasonal products.

The Coles division built on improvements made in value, product quality, store standards and service levels over the period to deliver earnings growth of 18.3 per cent to $575 million as a result of strong sales growth, lower waste and improved cost of doing business.

Bunnings produced a solid result with earnings up 8.3 per cent to $457 million underpinned by good merchandise execution, a strong focus on cost management and expansion of the store network.

Kmart and Officeworks recorded strong growth in earnings of 13.6 per cent and 18.5 per cent respectively on the previous corresponding period as customers continued to respond well to these businesses turnaround strategies and their repositioned offers.

Target's earnings of $206 million for the half were 26.2 per cent down on the record result from last year. Earnings were reflective of the challenging retail trading environment with significant price

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deflation across all key categories. Margins were also negatively affected by early clearance activity to manage seasonal stock levels following a wet and cool summer period.

The Insurance division recorded a 12.1 per cent increase in earnings in the first half as improvements in underlying underwriting performance and investment income offset higher than expected major claims from natural disasters.

The recently merged Chemicals, Energy and Fertilisers division reported significant earnings growth of 118.8 per cent. The result included insurance proceeds of $41 million from the finalisation of the Varanus Island gas disruption insurance claims and a return to more normal fertiliser margins following a $25 million fertiliser inventory write-down in the previous corresponding period.

The Industrial and Safety division delivered a strong result, with earnings up 21.5 per cent, supported by growing resource sector demand and increasing market share.

Other businesses earnings were $58 million lower than the same time last year having been negatively affected by reduced earnings from associate businesses, following a non-cash decline in the valuations of investments in the Gresham Private Equity Funds, and increased provisions for asset damage and write-downs as a result of December's significant storm and flood events in Queensland under the Group's self insurance program. This was offset, in part, by lower Group financing costs.

Operating cash flows of $1,960 million were below last year mainly as a result of strong working capital gains in the previous corresponding period. Cash flow generation was still solid with a cash realisation ratio[1] of 120.0 per cent as Coles continued to improve net working capital days.

Capital investment for the period at $992 million was ahead of last year reflecting strong property related activity, particularly in Bunnings, and mine expansion works underway at Curragh.

Work continued to further diversify and reduce debt during the first half, with net debt reduced to $3.7 billion.

The directors declared an increase in the interim dividend to 65 cents per share fully-franked, compared to 55 cents per share for the 2010 half-year.

Managing Director Richard Goyder said it was pleasing to report strong earnings growth and improvements in profitability in most divisions.

"The result reflects the hard work underway in all businesses to improve our competitive positions and a strong focus on driving productivity so as to deliver service and value to our customers across all industries," Mr Goyder said.

"The performance of our turnaround retail businesses, and in particular Coles, continues to show encouraging results in line with initial acquisition expectations. The strong growth in customer numbers in these businesses is validation that our improvements in product quality, value and in-store experience are resonating well with customers.

"Continued capital investment across each of the businesses is indicative of the future growth opportunities in place for the Group, including strengthening retail networks and expansion of production capacity in the Resources and Industrial divisions.

"Despite an expectation of continuing consumer caution and competitive market conditions in retail, the overall Group outlook for the remainder of the 2011 financial year remains encouraging. Initiatives are well underway across our businesses to continue to strengthen and differentiate our retail offerings and there is a positive outlook for the resource sector, including near term metallurgical coal prices, which will benefit our industrial businesses. The remainder of the full year results will, however, include the impacts from major flood and storm events in January and February and will remain subject to any further disruptive weather events or shocks to consumer confidence, particularly in our non-food retailing businesses.

"Since the end of the half-year, we have seen the severe Queensland floods. I would like to pay tribute to the magnificent contribution our thousands of team members in Queensland, supported by those from every other state, have made in helping with the relief program. Across the businesses, we have contributed more than $7 million in cash, and helped raise $5 million more in donations from our customers."

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[1] Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant non-cash non-trading items.

Results Summary

Half-year ended 31 December	**2010**	2009	Variance %
KEY FINANCIALS ($m)			
Revenue	28,074	26,533	*5.8*
Group EBITDA	2,378	1,996	*19.1*
Group EBIT	1,917	1,547	*23.9*
Net profit after tax	1,173	879	*33.4*
Operating cash flows	1,960	2,083	*(5.9)*
Net debt	3,742	3,824	*(2.1)*
KEY SHARE DATA (cents per share)			
Earnings per share	101.7	76.3	*33.3*
Operating cash flows per share	169.4	180.0	*(5.9)*
Dividends per share	65	55	*18.2*
KEY RATIOS			
Net debt to equity (%)	14.8	15.5	*(0.7)pt*
Interest cover (R12, cash basis) (times)	7.7	6.2	*1.5 x*
Fixed charges cover (R12) (times)	2.6	2.2	*0.4 x*
Return on shareholders' funds (R12) (%)	7.6	6.5	*1.1pt*

Divisional Earnings Summary

Half-year ended 31 December ($m)	**2010**	2009	Variance %
EBIT			
Coles	575	486	*18.3*
Home Improvement	457	422	*8.3*
Office Supplies	32	27	*18.5*
Target	206	279	*(26.2)*
Kmart	175	154	*13.6*
Insurance	65	58	*12.1*
Resources	250	2	*n.m.*
Chemicals, Energy & Fertilisers^	151	69	*118.8*
Industrial & Safety^	79	65	*21.5*
Divisional EBIT	1,990	1,562	*27.4*
Other (including non-trading items)	(26)	31	*n.m.*
Corporate overheads	(47)	(46)	*(2.2)*
Group EBIT	1,917	1,547	*23.9*

^ Restated to reflect the merger of Wesfarmers Chemicals and Fertilisers, and Wesfarmers Energy from 1 July 2010. As part of the merger Coregas, previously part of Wesfarmers Energy, became part of Wesfarmers Industrial and Safety.

n.m. = not meaningful

Retail

Overall earnings for the retail divisions increased by 5.6 per cent to $1,445 million for the first half of the 2011 financial year. The result was pleasing given the wet and cool weather on the east coast of Australia for most of the period that affected sales of seasonal items across all businesses. Price deflation was evident in all divisions driven by a competitive retail environment, strong Australian dollar and value-focused consumers.

The Coles division's result for the half-year was strong with earnings up 18.3 per cent on the previous corresponding period to $575 million. This result reflects the hard work underway throughout the business to implement the turnaround strategy. Continuing improvements in value, product quality, store standards and service levels are resonating well with customers, as evidenced by 6.3 per cent[2] growth in food and liquor sales during the period. The improvement in earnings reflects good sales momentum and a comprehensive program of work to reduce costs and waste, as well as to improve efficiency throughout the supply chain.

Bunnings earnings of $457 million were up 8.3 per cent on the previous corresponding period with growth in sales from both consumer and commercial customers. The result includes the continued deflationary impacts of the 'value focus' work underway as well as adverse weather which affected trading conditions in many locations relative to the previous corresponding period. Significant progress continues to be made in store network development with 16 trading locations opened during the period.

Earnings from the Office Supplies business increased 18.5 per cent to $32 million, underpinned by headline sales growth of 7.5 per cent across the retail store network and an ongoing focus on reducing complexity and the cost of doing business. The business continued to reinvigorate the customer offer during the period by refreshing and expanding ranges, enhancing the Officeworks website and investing in the store network, with seven new Officeworks stores opened and five fully upgraded.

Target's earnings for the half-year were $206 million, a decline of 26.2 per cent on last year, with total sales declining by 3.1 per cent[3] as growth in customer numbers and sales volumes were insufficient to offset strong price deflation in a competitive market. Sales of electrical and entertainment products were down, as was seasonal apparel which was affected by cool and wet weather conditions across many trading locations. This was in contrast to last year where an early and widespread transition to summer saw strong sales of seasonal apparel leading to a record earnings result. During the half, margins in seasonal apparel were also negatively affected by early clearance activity to manage seasonal stock levels. Encouragingly, the business recorded growth in non-fashion areas, such as intimate apparel and childrenswear, and continued to make progress in differentiating its product offer and improving the in-store experience with 39 refurbishments completed during the period.

Kmart recorded strong earnings growth for the half of 13.0 per cent[4] to $174 million as it continued to drive its repositioned customer offer. Sales growth for the period was modest at 1.9 per cent[5] and included significant price deflation which was offset by double digit unit growth as customers continued to react positively to Kmart's 'low prices everyday' strategy. A continued focus on sourcing product at lower cost, combined with strong cost control, contributed to growth in earnings. Investment in the store network in the period included four refurbishments and the upgrade of floors and fitting rooms in 34 stores.

Insurance

Earnings from the Insurance division for the first half increased by 12.1 per cent to $65 million. The result reflects improvements in underlying underwriting disciplines given the period included higher than expected major event claims, including the Christchurch earthquake in New Zealand and the storm and flood events in Australia. Earnings growth also reflected increased investment income from higher yields on term deposits.

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[2] For the 27 week period from 28 June 2010 to 2 January 2011.
[3] For the 27 week period from 27 June 2010 to 1 January 2011.
[4] Excludes $1 million earnings relating to Coles Group Asia overseas sourcing operations used by Kmart and Target (2009 half-year: nil).
[5] For the 27 week period from 28 June 2010 to 2 January 2011

Industrial

Resources division earnings for the half-year increased significantly to $250 million compared with $2 million recorded in the previous corresponding period as a result of higher coal prices and lower Stanwell royalty expenses, which reflect a lagged cost impact to current export coal prices. The previous corresponding period's result also included $65 million of costs associated with the early close-out of a number of foreign exchange hedge contracts.

Metallurgical coal production at the Curragh mine was down 9.9 per cent to 3.12 million tonnes for the period, following interruption by three major wet weather events in the Bowen Basin during the half. Steaming coal production for the same period increased by 15.3 per cent to 1.34 million tonnes.

The above average rainfall placed upward pressure on mining cash costs per tonne which rose by 19.9 per cent as a result of lower tonnes produced and increased use of truck and shovel operations to maximise production where possible. Highlights for the half included continued progress in construction of the $286 million expansion of the Curragh mine to 8.0 - 8.5 million tonnes annual export capacity of metallurgical coal, and a decision to undertake a $56 million[6] expansion of the Bengalla mine to 9.3 million tonnes of annual run of mine production.

The recently merged Chemicals, Energy and Fertilisers division reported on a combined basis for the first time in the half and on a like-for-like basis recorded an uplift in earnings of 118.8 per cent, including $41 million in insurance proceeds from the finalisation of the Varanus Island gas disruption claims. Excluding insurance claims, earnings increased to $110 million, up 59.4 per cent, as a result of strong demand and plant performance for ammonia and ammonium nitrate and a recovery in fertiliser margins. The Kleenheat business achieved marginal earnings growth for the half as higher international LPG prices and domestic LPG sales volumes offset lower export sales and higher gas input costs. Work continued during the period on the feasibility work to expand ammonium nitrate capacity at Kwinana.

The Industrial and Safety division's earnings for the half-year, on a like-for-like basis, increased by 21.5 per cent to $79 million reflecting earnings improvements in each of its business units. The result was underpinned by strong sales growth supported by a focus on customer service and on-time delivery performance. The division continued to enhance its direct sourcing capabilities with a new multi-country consolidation distribution centre in Shenzhen, China that opened during the half.

Other Businesses/Corporate Overheads

Other businesses and non-trading items contributed a before-tax loss of $26 million for the half-year compared to earnings of $31 million in the previous corresponding period. The Gresham Private Equity Funds recorded a loss of $28 million due to downward non-cash revaluations, compared to a non-cash gain of $29 million in the same period last year. No non-trading items were recorded for the period compared to expenses of $39 million in the previous corresponding period. Other expenses increased to $37 million from $4 million last year as a result of increased provisions for asset damage and write-downs related to a number of severe weather events recorded during the half under the Group's self insurance program. Corporate overheads of $47 million for the half were in line with the previous corresponding period.

Capital Management

Operating cash flows were $1,960 million compared to $2,083 million for the previous corresponding period which benefitted from the sale of high-priced carryover fertiliser inventory in CSBP, closure of offsite inventory storage in Kmart and improved overseas supplier terms in department stores. Cash realisation[7] of 120.0 per cent for the half-year remained solid. Higher working capital in the period was mainly driven by increased direct sourcing of inventory in the Kmart business, network growth in Bunnings and Officeworks, subdued seasonal product sales as a result of adverse weather conditions in many trading locations and higher commodity prices.

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[6] $56 million reflects Wesfarmers' 40 per cent share of expansion capital expenditure.

[7] Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant non-cash non-trading items.

Capital expenditure for the half-year increased by $101 million to $992 million. The increase reflects organic growth opportunities being undertaken by the Group's businesses, in particular, the acquisition of land and buildings to strengthen retail store networks, investment in store infrastructure as refurbishments are rolled out and expansion of mining operations. Free cash flows for the period were $968 million compared to $1,192 million in the previous corresponding period.

The Group continued to strengthen its balance sheet and lengthen its debt maturity profile during the period with fixed charges cover[8] increasing to 2.6 times, cash interest cover[9] improving to 7.7 times and net debt to equity reduced to 14.8 per cent. In December 2010, the Group established a $2.5 billion revolving debt facility with an average term to maturity of 3.5 years. Proceeds from this new facility were used to repay the December 2011 and December 2012 maturities of $1.8 billion and $0.8 billion respectively. Over the period the weighted average term to maturity for the Group's debt increased by 171 days to 3.3 years[10].

Interim Dividend

Consistent with the Group's dividend policy, the directors have declared a fully-franked interim dividend of 65 cents per share, compared to 55 cents per share in the previous corresponding period.

The interim dividend will be paid on 31 March 2011 to shareholders on the company's register on 28 February 2011, the record date for the interim dividend.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the 'Plan'). The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 10 consecutive trading days from and including the third trading day after 28 February 2011.

No discount will apply to the allocation price and the Plan will not be underwritten. Given Wesfarmers' current capital structure and strong balance sheet, shares will be acquired on-market and transferred to participants on 31 March 2011 to satisfy any shares to be issued under the Plan.

Outlook

The strong performance of the Group's businesses in the first-half provides a solid foundation for the remainder of the 2011 financial year.

Overall, the Group continues to be optimistic about the future performance of its retail businesses, particularly given the opportunity to extract further improvements from the turnaround businesses of Coles, Kmart and Officeworks. In the short term trading is expected to remain challenging, especially for the Group's department store retailers given ongoing price deflation, driven by a competitive retail environment and comparatively strong Australian dollar.

Second-half retail earnings will be negatively affected by the severe flood and storm events, including cyclone Yasi, experienced in January and February 2011. The majority of affected retail locations have resumed trading, however, a small number of locations are expected to remain closed for some months as extensive repairs take place. To date, write-downs of damaged plant, equipment and inventory are estimated to be $40 to $50 million with business interruption costs estimated to be between $30 to $40 million. The replacement of damaged assets and additional costs associated with the disruption to operations are subject to an insurance recovery process.

Coles will continue to implement the turnaround strategy in the second-half and remains focused on delivering consistently well. There are still many opportunities to generate improvements in the business, including lowering costs and waste by continuing to optimise the supply chain, improving operational standards, increasing productivity, enhancing freshness and investing in the network.

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[8] Calculated on a rolling 12 month basis.
[9] Calculated on a rolling 12 month basis.
[10] Calculated on the face value of debt instruments. Improvement is stated over weighted average maturity of gross debt for the previous corresponding period, being as at 31 December 2009.

Bunnings is well positioned for continued sales growth with good progress being made in further strengthening the business' key strategic pillars and network expansion given the strong property pipeline in place. Officeworks remains focused on reinvigorating the business with further investment planned to enhance the customer offer and expand the network.

Within the Group's department store retailing businesses, Target is continuing to progress the implementation of new disciplines and processes to ensure that the business remains differentiated, while Kmart remains focused on refining its 'everyday family items' product offering and ensuring that its sourcing and cost of doing business supports its lowest price position.

Earnings for the Insurance division will be affected in the second-half by claims associated with the severe flood and storm events during January and February which cumulatively are expected to be approximately $30 to $35 million. Underwriting performance before one-off events is expected to continue to benefit from improved risk selection and portfolio remediation.

The long-term outlook for the Resources division is positive. Higher fourth quarter export coal prices appear likely given the widespread supply shortfall due to record rains across the Bowen Basin, however, the benefits will be somewhat tempered given difficult mining conditions, industry cost pressures and carryover tonnage. Sales volumes for the Curragh mine for the full-year are expected to be in the range of 5.8 to 6.2 million tonnes of export metallurgical coal, subject to a return to more historically normal weather patterns.

The Group's other industrial businesses are well positioned to take advantage of stronger conditions in industrial markets led by the resource sector.

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Wesfarmers

coles

Coles Division

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**16,059**	15,161
EBITDA	**775**	688
Depreciation & Amortisation	**(200)**	(202)
EBIT	**575**	486

Coles' operating revenue for the half-year was up 5.9 per cent to $16.1 billion, with earnings before interest and tax up 18.3 per cent to $575 million. Food and liquor sales growth for the half-year[1] was 6.3 per cent with comparable store sales growth of 6.4 per cent.

The Coles turnaround strategy continues to be implemented at pace despite adverse weather conditions and a competitive environment.

Food and liquor comparable sales growth reflects a pleasing customer response to the improvements in value, product quality, store standards and service levels.

Coles served a record 15.5 million food and liquor customers during the Christmas week which enabled the business to achieve double digit sales growth over the festive season. Coles' customers were attracted to the expanded Christmas offer, particularly in fresh food as well as better quality fresh produce.

Customer communications were very effective in conveying the depth of the value and quality initiatives that Coles has been implementing. These include the highly successful 'Feed your family for under $10' campaign supported by Curtis Stone, Masterchef sponsorship and key community and sporting sponsorship campaigns, such as the Commonwealth Games and Coles Sports for Schools programs.

Recognition of changes in consumer sourcing preferences has driven Coles' strong support for and commitments to ethical sourcing of sow stall free pork by 2014, beef without added hormones, lower pricing for free range eggs and a ban on caged eggs by 2013. These initiatives have been extremely well supported by Coles' suppliers and clearly endorsed by customers with sales growth already improving in these categories. Coles will continue to adopt ethical sourcing initiatives and promote high quality food that costs less for customers.

The improvement in first-half earnings not only reflects consistently good sales but also a comprehensive and ongoing focus on reducing costs and waste, as well as improving efficiency in the supply chain, both within stores and in support centres. Coles is working hard with its suppliers to minimise cost increases and to pass these benefits onto its customers in better value.

Coles Liquor was affected by reduced customer demand and falling industry sales for products such as premium beer. However, the focus on value and product innovation, including an expanding private label and exclusive product range, has enabled Coles Liquor to maintain market share gains.

Coles Express delivered revenue of $3.2 billion and comparable shop sales growth of 1.5 per cent for the half-year[1]. Performance was driven by competitive fuel pricing, including the eight cents per litre double fuel discount which saw a record four million customers buy fuel and impulse products over the festive season. Improved network efficiency also contributed to a solid half-year result despite poor weather conditions which adversely affected shop sales during the first-half.

In the first-half of the 2011 financial year, Coles opened eight new supermarkets, 24 liquor stores, one hotel and six convenience stores. At 31 December, Coles had a total of 742 supermarkets, 787 liquor stores, 624 Coles Express sites and 95 hotels. These store numbers include a small number of closures as the network is optimised. In the first half of the 2011 financial year, Coles opened 41 renewal stores. As a result, Coles has now opened or refurbished 91 stores in the renewal format and will continue to roll-out new and refurbished stores in the second-half.

[1] For the 27 weeks from 28 June 2010 to 2 January 2011.

BI-LO 1ST CHOICE LIQUOR SUPERSTORE coles express coles.com.au

LIQUORLAND VINTAGE CELLARS

Outlook

Encouraging progress has been made so far but the business recognises that much more work remains to be done. There are still opportunities to generate improvements in the cost of doing business by leveraging the supply chain and by improving operational standards, increasing productivity, enhancing freshness and investing in the network.

Coles will continue to implement the turnaround strategy in the second-half of the 2011 financial year. The business remains focused on 'Delivering Consistently Well' by embedding a store-first culture, improving customer service, continuing the commitment to value, improving the fresh food offer, accelerating the roll-out of new store formats and completing easy store ordering across the network.

The revenue and cost impacts of the recent floods across eastern Australia and in Western Australia are not expected to have a material impact on the business and are expected to be fully absorbed in the second-half of the 2011 financial year.

It is anticipated that there will be some increases in selected fresh produce and grocery product prices in the second-half of the financial year as a result of the recent floods and rising global soft commodity prices which may feed through into some supplier input costs. However, Coles remains focused on providing customers with improved value, higher quality and better service and will work hard with its suppliers to keep grocery prices low.

Wesfarmers BUNNINGS

Home Improvement and Office Supplies Division

Bunnings

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**3,572**	3,402
EBITDA	**508**	467
Depreciation & Amortisation	**(51)**	(45)
EBIT	**457**	422

Operating revenue from the Bunnings home improvement business increased by 5.0 per cent to $3.6 billion for the half-year, with trading revenue increasing by 4.4 per cent. Earnings before interest and tax (EBIT) of $457 million were 8.3 per cent higher than those recorded in the corresponding period last year.

Total store sales growth of 4.1 per cent was achieved, with underlying store-on-store sales increasing by 1.7 per cent. Commercial sales were 3.7 per cent higher than the previous corresponding period. Sales growth for the half-year from both consumer and commercial customers was pleasing, building on the 13.1 per cent growth in the previous corresponding period. Growth was achieved in most Australian states and in New Zealand, across key product categories.

The result reflects the continued deflationary impacts of the 'value focus' work that is underway, and also ongoing adverse weather conditions in many trading locations relative to the previous corresponding period.

EBIT growth was underpinned by good merchandising execution and a strong focus on cost management.

Significant network development occurred during the period with 16 trading locations opened, including eight new warehouse stores, five smaller format stores and three trade centres. Strategic investment in upgrading the existing network continued, together with category specific upgrade work across the whole network.

At the end of the period there were 191 warehouses, 57 smaller format stores and 32 trade centres operating in the Bunnings network across Australia and New Zealand.

Outlook

The business is well-positioned for continued sales growth with good progress being made in further strengthening the business's key strategic pillars.

Significant work is continuing in five key areas of: service; category expansion and optimisation; network expansion and optimisation; commercial customer opportunities in-store and via trade centres; and achieving lower costs of doing business to underpin the provision of more value to customers.

Network expansion will continue at the high end of the stated range of 10 to 14 warehouse stores, two to four smaller format Bunnings stores and four to eight trade centres per annum, with a strong property pipeline in place, resulting in increased capital expenditure for the full-year.

It is proposed to sell and leaseback 13 Bunnings warehouse sites to the Bunnings Warehouse Property Trust (BWP). The transaction value is approximately $242 million, and is likely to generate a profit on disposal of property in the order of $3.0 million. The sale is subject to BWP unit holder approval, with the meeting to occur on 30 March 2011 and settlement expected to take place shortly after.

Wesfarmers

Officeworks

Home Improvement and Office Supplies Division

Office Supplies

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**706**	662
EBITDA	**42**	36
Depreciation & Amortisation	**(10)**	(9)
EBIT	**32**	27

Operating revenue for the Office Supplies businesses was $706 million for the half-year, which was 6.6 per cent higher than the previous corresponding period. Earnings before interest and tax grew 18.5 per cent to $32 million.

Headline sales growth across Officeworks' retail store network for the half-year was 7.5 per cent, which was underpinned by a strong lift in transactions. The Officeworks business channel continued to gain sales momentum.

Officeworks continued to maintain focus on its strategic agenda by improving the customer offer while reducing complexity and cost of doing business. Product ranges were refreshed and expanded with a strong focus on furniture, print and copy, and canteen and cleaning. Officeworks' website underwent further enhancement to make it easier for retail and business customers to shop. Work to improve inventory management and supply chain continues to take place.

Seven new Officeworks stores were opened and five Officeworks stores were fully upgraded. At half-year end, there were 133 Officeworks stores and five Harris Technology business centres operating across Australia.

Outlook

Challenging retail trading conditions coupled with competitive pressure on sales and margins are expected to continue throughout the remainder of the 2011 financial year.

The primary focus remains on reinvigorating the business through a range of strategic initiatives. Investment to further enhance the customer offer while growing and renewing the network will continue, as will work to lower costs and remove operational complexity.

harristechnology
Let's talk technology

Wesfarmers

Target.

Target Division

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**2,120**	2,182
EBITDA	**240**	311
Depreciation & Amortisation	**(34)**	(32)
EBIT	**206**	279

Operating revenue for Target declined by 2.8 per cent to $2.1 billion, with comparable store sales for the half-year[1] declining 3.3 per cent. Earnings before interest and tax (EBIT) were $206 million, with an EBIT to sales margin of 9.7 per cent.

Customer numbers and sales volumes were up on the same time last year, but the lower financial result reflects the impact of price deflation across the market along with measures taken to clear seasonal stock where sales were negatively affected by unseasonal weather across the east coast of Australia. Seasonal conditions contrasted with the same period last year when an early and widespread hot start to summer helped drive strong apparel sales.

Consumers continued to be cautious in their discretionary spend, with value a key priority. In response, Target reduced over 50 per cent of customer price points on like product from the previous year across core categories of clothing, footwear and homewares, with no reduction in product quality.

Target continued to achieve solid growth from non-seasonal areas such as underwear, socks and hosiery, particularly in ladies categories. Childrenswear had positive sales growth despite significant deflation in prices and a customer shift to lower price point product. New and innovative items were also in demand with iPod and iTunes products recording strong growth.

Sales were down in a number of categories, in particular fashion categories such as ladies and men's outerwear where unit growth was not sufficient to offset the significant price deflation experienced. The unusually cooler and wetter weather in the eastern states also contributed to the poor result. Electrical and entertainment categories, particularly interactive games, which have been strong category performers in the last two years, were also down in a competitive market.

Inventory levels at the end of the period were up on last year as a result of trading conditions. Target took action earlier than usual to clean up seasonal lines and as a result is comfortable with the quality and price point of remaining inventory items.

The implementation of new product design and development capabilities continued and will ensure Target's ongoing differentiation in the market.

Two new Target Country stores were added during the half, although one, in Bowral (New South Wales), replaced two smaller stores in the same town. At the half-year there were 171 full line Target stores and 119 Target Country stores.

Investment in the existing store network resulted in 39 store refurbishments being completed, reflecting new store design standards including layout, fixtures, flooring and signage.

[1] For the 27 weeks from 27 June 2010 to 1 January 2011.

Outlook

Cautious consumer sentiment in the marketplace is anticipated to continue to negatively impact trade for at least the next six months. In this environment, competition is expected to remain strong throughout the period.

The focus remains on providing customers with differentiated product that represents great style, quality and value. This will be achieved through maintaining efforts to implement new design and development disciplines and processes, particularly in core apparel categories. The first range of in-house designed product will be available in stores in the third quarter of the 2011 financial year.

Investment in the network will continue with one new store and 33 refurbishments planned for completion in the coming six months.

Target. Country

Kmart Division

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**2,271**	2,226
EBITDA[1]	**208**	182
Depreciation & Amortisation	**(34)**	(28)
EBIT[1]	**174**	154

[1] Excludes $1 million earnings relating to Coles Group Asia overseas sourcing operations used by both Kmart and Target (2009 nil).

Kmart's operating revenue for the half-year was $2.3 billion with underlying earnings before interest and tax (EBIT) of $174 million.

Comparable store sales growth for the half-year increased by 1.7 per cent[2]. Although sales growth for the half was modest, Kmart's customers continued to react positively to the 'low prices everyday' strategy with an additional seven million transactions completed throughout the half.

The low prices everyday offer had been in place for twelve months by the completion of the half, ending the comparison to the previous deep discounting model.

Kmart's continued focus on sourcing product at the lowest cost, combined with strong cost control, underpinned the growth in EBIT.

Investment continued in the store network during the half with refurbishments completed at four stores, as well as floors and fitting rooms upgraded in 34 stores.

Kmart Tyre & Auto Service delivered pleasing sales and profit growth for the half.

As at 31 December 2010 there were 186 Kmart and 250 Kmart Tyre & Auto Service stores.

[2] For the 27 weeks from 28 June 2010 to 2 January 2011.

Outlook

Resetting the Kmart business for growth is progressing well. The business has refined the product offer across many categories and remains focused on completing this process. Progress to source product at the lowest cost continues in addition to improving the in-store experience for the customer.

Floors and fitting rooms in stores will continue to be refreshed. Network expansion opportunities are well underway and will continue to be pursued.

One new Kmart and four new Kmart Tyre & Auto Service stores are planned to open in the second-half of the 2011 financial year.

Wesfarmers Insurance

Insurance Division

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**872**	868
EBITDA	**78**	70
Depreciation	**(8)**	(7)
EBITA	**70**	63

Wesfarmers Insurance earnings before interest, tax and amortisation (EBITA) improved to $70 million for the half-year, compared with $63 million for the previous corresponding period, an increase of 11.1 per cent. Operating revenue of $872 million was 0.5 per cent higher than the previous corresponding period, with some flow-on impact from the portfolio remediation and exit of unprofitable arrangements in the previous year. The combined operating ratio for underwriting was 98.6 per cent and the EBITA margin for the broking businesses was 27.3 per cent.

Earnings before interest and tax for the year were $65 million. This included amortisation of intangibles of $5 million associated with the acquisition of insurance brokers.

Major event claims in the half-year were above expectations. This included the Christchurch earthquake in New Zealand and the storm and flood events in eastern Australia and Carnarvon in Western Australia. Improvements in underlying underwriting performance and higher investment income helped to offset the higher than expected claims from natural perils.

Lumley's operations in Australia continued to deliver improvements in underwriting performance. Growth in new business contributed to modest growth in net earned premium notwithstanding the impact of lower premiums flowing from remediation of unprofitable business in the prior period. Wesfarmers Insurance successfully launched a personal insurance lines offer through Coles in July 2010.

Lumley New Zealand delivered a modest improvement in gross written premium. The business continued to deliver strong improvement in underlying underwriting performance however the net impact of the Christchurch earthquake of $11 million, which occurred on 4 September 2010, resulted in lower earnings.

WFI achieved strong premium growth and good client retention throughout the half-year. Earnings were affected by significant weather events, well in excess of budgeted levels, in rural and regional Australia. WFI was also successful in securing new alliance distribution partners to provide greater national coverage.

Insurance broking revenue and earnings were higher than the previous year, with EBITA increasing to $28 million, an increase of 12.0 per cent on the previous year. Challenging economic conditions in New Zealand and the United Kingdom affected Crombie Lockwood and OAMPS UK businesses, making it difficult to achieve top line growth.

OAMPS Australia delivered improved earnings off the back of modest growth in commission and fee income, and strong growth in Monument Premium Funding.

Outlook

The division will continue to focus on improvements in underwriting performance and pursue premium growth through a number of new initiatives, including the Wesfarmers Insurance retail personal lines offers. Both the underwriting and broking businesses will continue to make investments in capability and IT solutions to support growth initiatives. The division expects to deliver further improvements in the underlying underwriting result from improved risk selection and the impact of portfolio remediation.

Recent severe weather events including floods and storms in Queensland and Victoria and the impact of cyclone Yasi have resulted in net claims costs of approximately $30 to $35 million which will affect full year earnings.

CROMBIE LOCKWOOD
New Zealand's Insurance Brokers

Wesfarmers Resources

Resources Division

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	**957**	624
EBITDA	**305**	61
Depreciation & Amortisation	**(55)**	(59)
EBIT	**250**	2

Revenue of $957 million for the half-year was 53.4 per cent above the $624 million recorded in the previous comparable period. Higher earnings before interest and tax of $250 million, compared favourably to the $2 million earned in the comparable period last year. The previous period was affected by non-recurring locked-in foreign exchange losses, plus a Stanwell royalty expense of $106 million (which reflected a lagged impact of export prices from the 2009 Japanese Financial Year). This period's earnings reflected a lower Stanwell royalty expense of $60 million.

Curragh (Qld): Metallurgical coal sales volumes of 3.15 million tonnes were 3.0 per cent below the previous corresponding period, whereas steaming coal sales volumes of 1.39 million were 9.8 per cent higher. Metallurgical coal production for the half of 3.12 million tonnes was 9.9 per cent below the previous corresponding period, whereas steaming coal production of 1.34 million tonnes was 15.3 per cent higher. Metallurgical coal production was adversely affected by three major wet weather events in the Bowen Basin during the half. Rainfall in the Bowen Basin for the six months to 31 December was the highest on record.

The above average rainfall also affected mining cash costs per tonne as a result of reduced production and increased use of truck and shovel operations to maximise production. Mining cash costs for the half-year have increased by 19.9 per cent per tonne on the previous corresponding period. This follows reductions of 9.2 per cent per tonne in the 2010 financial year as a result of cost control strategies implemented throughout the business.

A highlight of the half was the continued progress in construction of the $286 million expansion of the Curragh mine from 6.5 - 7.0 to 8.0 - 8.5 million tonnes annual export capacity of metallurgical coal.

Premier Coal (WA): Sales volumes for the half were up 14.8 per cent on the corresponding period last year, reflecting Premier becoming sole supplier to Verve Energy on 1 July 2010.

Bengalla (NSW): Sales volumes were up 6.2 per cent on the corresponding period last year. A highlight was the decision of the joint venture in November 2010 to approve expansion of the mine to 9.3 million tonnes run of mine annual production on a 100 per cent basis (Wesfarmers' 40 per cent share of expansion capital expenditure is $56 million).

Outlook

As previously announced, the forecast sales volumes of metallurgical coal from Curragh for the full 2011 financial year are expected to be between 5.8 and 6.2 million tonnes, reflecting the impact of the abovementioned significant wet weather events. The effect of reduced sales volumes on second half earnings will be subject to realised coal prices, with production and overburden costs expected to temporarily increase as a result of these weather events.

Achievement of targeted sales volumes will depend on no further significant adverse weather and adequate access to rail and port infrastructure. The market outlook for metallurgical coal is positive.

CURRAGH BENGALLA Premier Coal

Wesfarmers Chemicals, Energy & Fertilisers

Chemicals, Energy and Fertilisers Division

From 1 July 2010, Wesfarmers Chemicals and Fertilisers and Wesfarmers Energy merged to form Wesfarmers Chemicals, Energy & Fertilisers. In addition, Coregas became part of Wesfarmers Industrial and Safety. Prior year figures have been restated to reflect the merger.

Performance Summary		
Half-Year ended 31 December	**2010 ($m)**	2009 ($m)
Revenue	722	685
EBITDA	199 [1]	116 [2]
Depreciation & Amortisation	(48)	(47)
EBIT	151[1]	69 [2]
EBIT (excl. insurance proceeds)	110	69 [2]

[1] Includes insurance proceeds of $41 million.

[2] Includes inventory write-off of $25 million.

The division's operating revenue for the first half of the 2011 financial year of $722 million was 5.4 per cent higher than the previous corresponding period, with higher revenue from all businesses except fertilisers.

Earnings before interest and tax for the period were $151 million and included insurance proceeds of $41 million from the finalisation of the Varanus Island gas disruption claims. This compared to earnings from the previous corresponding period which were $69 million, and which included a $25 million fertiliser inventory write-down.

Chemicals

Strong production performance and demand for ammonium nitrate into the local resources sector and fertiliser manufacturing continued during the half, resulting in a lift in earnings from the previous corresponding period.

Earnings from the ammonia business increased due to continuing strong production and sales performance.

Australian Gold Reagents benefited during the period from the 8,000 tonnes per annum production capacity expansion commissioned in June 2010. This benefit was offset by the impact of a higher AUD:USD exchange rate on export proceeds and increased gas input costs throughout the period.

Earnings from the Queensland Nitrates joint venture were in line with the previous corresponding period.

Despite increased sales, Australian Vinyls continued to experience higher input costs, relative to the PVC selling price, compared to the prior year, exacerbated by the higher Australian dollar exchange rate.

Fertilisers

Sales volumes for the period were 7.6 per cent lower than the previous corresponding period, but this was more than offset by a recovery in margins following the impact of highly-priced carryover inventory in the prior year.

Kleenheat

LPG production for the period of 88,530 tonnes was 15.7 per cent lower, following particularly high LPG content in the Dampier to Bunbury pipeline last year, resulting in lower export sales.

Higher international LPG prices, domestic LPG sales volumes and cost reductions offset the lower export sales and higher gas input costs incurred since October 2010.

LNG production, sales tonnes and earnings were generally in line with the prior year.

Air Liquide WA

Earnings were negatively affected by an unplanned shutdown late in the period. Adjusting for the shutdown, underlying performance was in line with the prior year.

CSBP KleenheatGas enGen energy generation Australian Vinyls AGR QNP AIR LIQUIDE WESTERN AUSTRALIA

Outlook

Strong demand for ammonium nitrate and sodium cyanide is expected to continue. Increased gas input costs in sodium cyanide production will offset some of this expected benefit. Continued pressure on margins at Australian Vinyls is expected until the relativity between raw material costs and PVC pricing returns to more typical levels.

Assuming ongoing positive outcomes from feasibility study work, board consideration of the potential expansion of ammonium nitrate capacity at Kwinana is expected in the second-half of the 2011 financial year.

LPG earnings will continue to be dependent on international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline. Growing demand for LNG from the heavy-duty vehicle market remains challenging.

Fertiliser earnings will be dependent upon a good seasonal break in the second-half of the financial year, where the majority of sales occur, and on farmers' terms of trade. Volumes are currently expected to be lower than last year following the poor season in Western Australia due to very dry weather.

Wesfarmers Industrial and Safety

Industrial and Safety Division

Performance Summary

Half-Year ended 31 December	2010 ($m)	2009[1] ($m)
Revenue	**774**	689
EBITDA	**92**	78
Depreciation & Amortisation	**(13)**	(13)
EBIT	**79**	65

[1] Restated to include Coregas.

Industrial and Safety delivered a strong result supported by good market conditions and a strengthening of its position in the market. Operating revenue increased by 12.3 per cent (adjusted to include Coregas) to $774 million and continued the solid performance in the preceding six month period.

Strong sales growth was achieved across most businesses and regions, particularly in the regions with higher exposure to resources activity. The New Zealand businesses showed solid results and reflected the moderate improvement in market conditions.

The sales momentum was supported by a continued focus on customer service and on-time delivery performance. Good growth was achieved in contracts, projects, services and eBusiness and positive progress was made in industry diversification across the division.

Earnings before interest and tax increased by 21.5 per cent to $79 million. This strong increase in earnings compared with the same period last year (adjusted to include Coregas), was a pleasing result and reflects earnings improvements in all businesses.

A notable highlight during the period was the continued strengthening of the division's business portfolio through the:

- transition of Coregas into the division;
- divestment of Motion Industries;
- merger of the Blackwoods Paykels and Protector Safety businesses;
- acquisition of a small gas detection services business in New Zealand; and
- various network improvements, with the opening of two new branches and three gas depots and the closure of five under-performing locations.

The new multi-country consolidation distribution centre in Shenzhen, China, successfully began operating in the period and will become an important element in reducing lead times and inventory holdings throughout the division.

The improved results were achieved with the continued support of the division's key suppliers, which allowed the introduction of new products and services, and also through the expansion of the direct sourcing capability.

Capital management continued to be a focus in the division and this, combined with the improved earnings result, contributed to an improvement in the returns for the period.

Outlook

The division is well placed to leverage its strong growth platform and to take advantage of improving market conditions. The key focus of the division will be to grow its share of customers' spend, increasing industry diversification and the exposure to higher growth sectors, improving the effectiveness of the organisation and pursuing business expansion initiatives.

While the outlook remains positive, a number of factors have the potential to offset some of the positive momentum, including the impact of the Queensland floods on customer activity in the short-term, the slower recovery in New Zealand, ongoing competitive margin pressures, as well as growing labour access and cost challenges.

Blackwoods Paykels
NZ'S LARGEST RANGE OF ENGINEERING SUPPLIES AND TECHNICAL SERVICES
protectorsafety
NZ Safety
SAFETY SOURCE
Packaging House
Building partnerships, delivering solutions