

LJK/hgw

9 August 2005

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2005 FULL YEAR RESULT & PRELIMINARY FINAL REPORT

In accordance with ASX Listing Rule 4.3A, the following documents are attached for release to the market:

- 2005 full year result announcement; and
- Appendix 4E – Preliminary Final Report

Yours faithfully



L J KENYON
COMPANY SECRETARY

Enc



Wesfarmers Limited
ABN 28 008 984 049

NEWS

9 August 2005

2005 FULL YEAR RESULT

The directors of Wesfarmers Limited today announced a net profit of \$618.3 million for the year ended 30 June 2005, an increase of nine per cent on the \$569.2 million in 2003/04 (excluding the net profit of \$303.9 million from the sale of the rural services business, Landmark, in August 2003).

Operating revenue was \$8.2 billion compared to last year's \$7.7 billion (excluding revenue from the sale of Landmark).

Four of the five main business divisions achieved improved results. Energy's contribution was up almost 33 per cent on the previous year; hardware improved almost nine per cent; chemicals and fertilisers by more than four per cent; and the insurance division, in its first full year of operation, achieved a result well ahead of expectations. Earnings from the industrial and safety division were marginally down on the 2003/04 result. The contribution from other operations decreased markedly due to the absence of significant divestments during the year from the Gresham Private Equity Funds, which last year contributed \$51.4 million after tax compared to this year's \$1.7 million.

The result includes a \$22.1 million tax expense reduction relating to the sale of the Landmark rural services business; and profit after tax of \$6.2 million on the sale of non-current assets compared to \$8.6 million last year.

Excluding the impact of the sale of Landmark in 2003/04, earnings per share (before goodwill amortisation) were \$1.88, an increase of 7.8 per cent on the \$1.74 recorded in the previous corresponding period and cash flow per share was \$2.37 compared with \$2.00 achieved last year.

Final dividend

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

Finance

Net operating cash flows for the year for the group's activities were \$935.0 million. The replacement and expansion capital expenditure was \$465.3 million.

The group's ratio of net debt to equity at 30 June 2005 was 55.8 per cent. This is an increase from the 45.5 per cent at 30 June 2004 due mainly to the capital return of \$378 million which was made on 2 March 2005.

The directors have decided to continue the suspension of the company's dividend investment plan as debt levels are at the lower end of the targeted range.

In the year ended 30 June 2005, no shares were purchased by the company under the share buyback programme (originally announced in February 2003).

Hardware

Operating revenue for the Bunnings hardware division increased to \$4.07 billion, 5.8 per cent higher than the previous year. Earnings before interest and tax (before goodwill amortisation) of \$417.9 million were 8.6 per cent higher than last year's. Trading earnings before interest and tax (before goodwill amortisation) grew by 9.0 per cent.

Cash sales growth for the full year was 9.1 per cent, with underlying store-on-store cash sales growth of 5.6 per cent. Growth was strongest in New Zealand, Queensland and Western Australia. There were more subdued retail hardware conditions across Australia in the second half, with store-on-store cash sales growth of 4.4 per cent. This trend, of a weaker growth rate, has continued in July.

Trade sales for the full year declined by 1.9 per cent against the previous year. Growth was achieved in the New Zealand and Western Australian markets. Trading conditions were difficult in New South Wales, Victoria and Queensland.

New store development continued with the opening of 10 new warehouse stores in 2004/05, while rationalisation within the network resulted in the closure of four warehouses and five smaller format stores. At year end there were 131 warehouse stores and 99 smaller format stores (including the WA Salvage operations) operating across Australia and New Zealand.

Sixteen stores (of which 10 are warehouses) were upgraded during the year as part of the ongoing store network improvement programme, aimed at bringing current building and merchandising standards into older parts of the network. This work supports continued enhancements and expansions made to the range of products and services offered.

A stand-alone trade distribution centre model was developed during the year, aimed at improving performance in both the retail and trade segments of the business. These centres are specifically designed to service delivered-to-site business. Relieving the store network of delivered-to-site business allows store teams to focus on providing a better service to pick-up trade business. At the year end, four trade distribution centres had been established with several more planned to open in 2005/06.

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

Outlook

The outlook for the hardware division in 2005/06 is for continued retail sales growth and a modest trade sales improvement.

New warehouse development is forecast to continue at between 10 to 14 stores per year. The store network improvement programme has been accelerated with plans to refurbish or upgrade between 25 and 30 stores in 2005/06.

Energy

Operating revenue of \$1.19 billion from the group's energy division was 17.7 per cent above last year's, with earnings before interest and tax (before goodwill amortisation) of \$319.3 million. This was 32.9 per cent higher than the \$240.2 million earned last year.

Coal

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

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

Mining has commenced at the new Curragh North coal development, with first coal exposed earlier than planned, in February 2005. The development is progressing to schedule with total project capital expenditure of \$360 million. Curragh North will more than double the recoverable coal reserves of the Curragh operation, extending the life of mining operations until at least 2025.

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

In mid-June 2005, a bid was lodged for the construction of a new base load coal-fired power station adjacent to the existing Collie power station, together with a bid for long-term coal supply contracts to Western Power's existing power stations. It is likely the outcome of these bids will be known by the end of September 2005.

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

Gas and Power

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

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

In June 2005, Wesfarmers and Alinta Limited executed a Deed amending and restating an agreement for the supply of gas by Alinta to Wesfarmers LPG's extraction plant at Kwinana, Western Australia. This agreement provides a long-term basis for Wesfarmers to continue to extract LPG from the DBNGP. Future production will depend on the levels of LPG in the natural gas stream which is now not subject to minimum contractual levels.

Earnings from Air Liquide W.A. (including the Kwinana Industrial Gases Joint Venture) were above expectations and 78 per cent higher than the previous financial year due primarily to the start of supply to Hismelt's pig iron plant in Kwinana.

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

Outlook

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

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

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

Insurance

The insurance division achieved operating revenue of \$1.13 billion and earnings before interest and tax (before goodwill amortisation) of \$138.8 million. The result includes a full year contribution from all of the division's businesses: Lumley Australia ("LGA"), Lumley New Zealand ("LGNZ") and Wesfarmers Federation Insurance ("WFI"). The divisional insurance margin was 17.4 per cent and the combined operating ratio ("COR") was 85.9 per cent. This compares with the previous corresponding period where the divisional insurance margin was 16.8 per cent and the COR 86.5 per cent.

All businesses recorded results above expectations due to lower than expected claims levels and solid net earned premium ("NEP") growth.

LGA reported a pleasing result which is a reflection of its niche focus, underpinned by specialist skills. The insurance margin rose to 20.7 per cent compared with 18.7 per cent in the previous corresponding twelve month period. The COR decreased to 83.2 per cent from 85.1 per cent previously. The result was characterised by a generally benign claims environment, primarily due to a continuation of below average rainfall throughout much of Eastern Australia. NEP increased by 10.2 per cent compared with the previous corresponding period.

LGNZ continued to receive strong support from New Zealand based intermediaries. The insurance margin decreased to 14.1 per cent compared with 14.9 per cent in the previous corresponding period, due to increased competition and a severe storm and flooding event in the Bay of Plenty in July 2004. The COR for the year rose to 88.0 per cent from 86.9 per cent previously. NEP for the full year increased by 31.5 per cent compared with the previous corresponding period due to business growth and significant reductions in premium ceded to reinsurers.

WFI's strong result is attributed to modest revenue growth combined with a favourable claims environment, particularly in relation to the liability portfolio. The result was ahead of expectations with the insurance margin increasing to 18.0 per cent compared with 15.7 per cent in the previous corresponding period. The COR fell to 86.2 per cent from 88.3 per cent previously and NEP increased by 8.4 per cent compared with the previous corresponding period.

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

Outlook

After several years of increasing prices, rates are stabilising with moderate reductions as some classes come under increasing competitive pressure. Against this background, it is expected that NEP growth will continue due to the strategy of reducing the amount of premium ceded in LGA and LGNZ; however, margins may show some reductions.

Industrial and safety

Operating revenue for the industrial and safety division for the 2004/05 year was \$1.17 billion, in line with last year's result. Earnings before interest and tax (before goodwill amortisation) of \$110.0 million were 1.8 per cent below the \$112.0 million recorded in 2003/04 primarily due to continuing pressure on trading margins and lower than expected performance by the Protector Alsafé business in Australia and the Blackwoods Paykels business in New Zealand.

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

Protector Alsafé's earnings were down due to the loss of several sales contracts during 2004. The second half of 2004/05 has seen an improvement in the business.

Blackwoods Paykels had a disappointing year with sales significantly below expectations.

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

In 2004/05, the division continued to enhance its distribution facilities in Australia by developing and extending distribution centres in Scoresby (Victoria), Altona (Victoria), Wiri (New Zealand), Smithfield (New South Wales), Derrimut (Victoria) and Regency Park (South Australia).

Outlook

The industrial and safety division is expected to benefit from continued strong demand from the mining industry and infrastructure projects and a greater focus on the product and service requirements of its customers.

Chemicals and fertilisers

Operating revenue of \$588.7 million was recorded by CSBP, the chemicals and fertilisers division, representing a 13.5 per cent increase over last year's with higher sales achieved in both the chemicals and fertilisers activities. Earnings before interest and tax (before goodwill amortisation) of \$89.3 million were 4.3 per cent above last year's \$85.6 million.

Chemicals

The company's chemicals activities performed well during the year, with increased volumes and revenues in all product groups other than ammonium nitrate, as well as record production of solid sodium cyanide. A major planned shutdown of the ammonium nitrate plant in February 2005 resulted in reduced production and sales compared to 2003/04.

During the year CSBP continued its feasibility study into the expansion of its ammonium nitrate production capacity at Kwinana, in Western Australia. This project would double current production volumes, with the increased capacity being directed towards resource sector use and as feedstock for the manufacture of the nitrogenous liquid fertiliser, Flexi-N. Subject to completion of the feasibility study, and Board and regulatory approvals, construction would commence later this year with production commencing in mid 2007.

Production from CSBP's Queensland ammonium nitrate joint venture ("QNP") is now sold to capacity. CSBP's earnings from its 50 per cent share in QNP were lower than last year's due to the need to import high cost ammonium nitrate to meet customer requirements. Discussions with customers regarding possible offtake commitments to an expanded QNP facility are continuing. Subject to satisfactory progress with these discussions, a feasibility study is planned to commence in the first half of the 2006 financial year.

The strong Australian dollar and a slow rate of improvement in market conditions constrained earnings from CSBP's joint venture sodium cyanide operations during the year. Despite this, record production of solid product was achieved and the contribution from the business was above last year's.

Fertilisers

Total fertiliser sales of 1,120,000 tonnes were achieved, representing a 5.5 per cent increase over last year's.

Sales of Flexi-N liquid fertiliser were approximately 15 per cent of the total sales volume. CSBP continues to make significant investments in the liquids supply chain in order to meet increased customer demand for this product.

Outlook

The outlook for the CSBP chemicals and fertilisers division in 2005/06 is positive due to favourable seasonal conditions experienced to date and strong demand from the resources sector.

Other operations

Australian Railroad Group

Revenues from the 50 per cent-owned Australian Railroad Group (ARG) of \$457.1 million were 7.2 per cent above last year's. Pre-tax earnings of \$16.1 million (Wesfarmers' 50 per cent interest) were lower than last year's as a result of continuing increases in fuel prices; labour costs arising from a shortage of locomotive operators; and incident costs.

Earnings are expected to improve due to a positive outlook for grain and other commodity volumes and better operating performance, particularly in respect to labour costs and fuel price recovery on contracts.

Forest Products

The 50 per cent-owned Wespine Industries, which operates a plantation softwood sawmill in Dardanup in Western Australia, generated improved earnings on the strength of the Western Australian housing construction market. Projects to increase the kiln drying capacity and to improve product yields and quality are underway with commissioning scheduled for completion later this month.

Gresham

While earnings from Gresham Partners, the company's partly owned investment house associate, were higher than for the previous year due to the contribution from successful advisory assignments and funds management, a consolidation tax adjustment in 2003/04 has resulted in the reported profit being down.

Wesfarmers' investment in the Gresham Private Equity Fund 1 made a small contribution to earnings through dividends and deferred proceeds from a previous divestment. No significant divestments occurred during the year. Fund 2, which was established in February 2004, has made two investments.

Management change

The Managing Director of the Industrial and Safety Division, Mr Bob Denby, has decided to resign and will leave the position in November. He will work with Wesfarmers in a consultancy role for up to 12 months after this time. The company expresses its appreciation of Mr Denby's contribution since 2001. An appointment to head the Division will be made in the near future.

Outlook

The directors are expecting a significant increase in profits in the 2005/06 year, reflecting generally improved contributions across all operating divisions and the impact of high export coal prices. Significant increases in replacement and expansion capital expenditure are planned for 2005/06.

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WESFARMERS LIMITED PRELIMINARY FINAL REPORT

ABN 28 008 984 049

APPENDIX 4E

Financial year ended 30 JUNE 2005

Results for announcement to the market

				\$000	
Revenues from ordinary activities	down	2.6%	to	8,190,389	
Net profit for the period attributable to members	down	29.2%	to	618,300	*
*Consists of:					
Net profit before goodwill amortisation and significant items	up	8.3%	to	708,730	
Goodwill Amortisation				(90,430)	
Net profit after goodwill amortisation and before significant items	up	8.6%	to	618,300	
DIVIDENDS				Amount per security	Franked amount per security
Interim dividend				53 cents	53 cents
Final dividend				127 cents	127 cents
Previous corresponding period					
Interim dividend				48 cents	48 cents
Final dividend				92 cents	92 cents
Record date for determining entitlements to the dividend				19 August 2005	
Date the final dividend is payable				29 August 2005	
The company's dividend investment plan has been temporarily suspended.					

Other information

RATIOS

Net Tangible Asset Backing \$4.51

Net tangible asset backing per ordinary security.

Cashflow per share \$2.37

In accordance with general principles used by financial analysts, "cashflow per share" has been calculated by adding all forms of depreciation and amortisation to net profit after tax and dividing by the weighted average number of ordinary shares on issue during the year.

AUDIT

This report is based on accounts which are in the process of being audited.

COMMENTARY ON RESULTS FOR THE PERIOD

A commentary on the results for the period is contained in the press release dated 9 August 2005 accompanying this statement.

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

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

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

Statement of Financial Position

AT 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated	
		2005 \$000	2004 \$000
Current assets			
Cash assets	8	83,846	103,374
Receivables	9	1,234,508	1,306,186
Inventories	10	1,248,001	1,260,096
Other insurance assets	11	633,894	721,028
Total current assets		3,200,249	3,390,684
Non-current assets			
Receivables	9	270,299	330,843
Investments accounted for using the equity method	12	430,935	395,375
Other financial assets	13	17,092	16,602
Property, plant and equipment	14	1,961,395	1,600,052
Deferred tax assets		57,867	65,118
Intangible assets	15	1,376,511	1,472,724
Other		-	2
Total non-current assets		4,114,099	3,880,716
Total assets		7,314,348	7,271,400
Current liabilities			
Interest bearing liabilities	16	574,906	309,822
Payables	17	777,525	840,681
Current tax liabilities		98,870	121,838
Provisions	18	167,306	154,894
Insurance liabilities	19	836,580	806,417
Other	20	79,960	-
Total current liabilities		2,535,147	2,233,652
Non-current liabilities			
Interest bearing liabilities	16	1,221,722	1,302,096
Payables	17	15,204	17,612
Deferred tax liabilities		101,652	109,912
Provisions	18	102,501	111,058
Insurance liabilities	19	195,245	166,545
Other	20	61,858	-
Total non-current liabilities		1,698,182	1,707,223
Total liabilities		4,233,329	3,940,875
Net assets		3,081,019	3,330,525
Shareholders' equity			
Contributed equity	21	2,014,799	2,345,633
Reserves	22	64,409	55,200
Retained earnings	22	1,003,470	931,779
Shareholders' equity attributable to members of Wesfarmers Limited		3,082,678	3,332,612
Outside equity interests in controlled entities	23	(1,659)	(2,087)
Total shareholders' equity		3,081,019	3,330,525

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		Consolidated	
	Note	2005 \$000	2004 \$000
Cash flows from operating activities			
Receipts from customers		9,101,889	8,146,065
Payments to suppliers and employees		(7,825,273)	(7,220,780)
Dividends and distributions received from associates		24,108	85,959
Dividends received from others		1,487	1,006
Interest received		33,226	20,478
Borrowing costs		(104,145)	(79,133)
Income tax paid		(296,342)	(243,062)
Net cash provided by operating activities	24	934,950	710,533
Cash flows from investing activities			
Acquisition of property, plant and equipment		(465,260)	(258,198)
Acquisition of investments		(25,662)	(22,574)
Redemption (acquisition) of insurance deposits		94,285	(304,522)
Disposal of controlled entities	25	-	703,443
Acquisition of controlled entities	25	-	(303,829)
Proceeds from sale of non-current assets		35,817	157,624
Return of capital received from associates		5,376	20,985
Other items		12,878	(12,623)
Net cash used in investing activities		(342,566)	(19,694)
Cash flows from financing activities			
Proceeds from borrowings		286,007	696,490
Repayment of borrowings		(60,454)	(99,213)
Repayment of employee share plan loans		98,040	51,918
Payment of return of capital		(366,473)	(896,021)
Payment for share buyback		-	(78,891)
Dividends paid to ordinary shareholders		(528,189)	(479,646)
Net cash used in financing activities		(571,069)	(805,363)
Net increase (decrease) in cash held		21,315	(114,524)
Cash at the beginning of the financial year		55,723	170,247
Cash at the end of the financial year	24	77,038	55,723

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

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

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

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

Reconciliation of equity as presented under AGAAP to that under AIFRS

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

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

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

- (i) Under AASB 2 *Share based Payments*, it is likely that the employee share loan plan arrangements will be treated as an in-substance grant of options because of the limited recourse nature of the loans. This treatment would require the balance of the employee share loan plan receivable asset to be derecognised against contributed equity, and diluted earnings per share will be adjusted accordingly. No adjustment will be made to retained earnings, as a result of the exemption available in AASB 1 for fully vested option issues;
- (ii) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The Group's current accounting policy is to determine the recoverable amount of an asset on the basis of nominal cash flows. The Group's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This would result in impairment losses being recognised under AIFRS;
- (iii) Under AASB 3 *Business Combinations*, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition;

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Reconciliation of equity as presented under AGAAP to that under AIFRS (continued)

- (iv) Under AASB 112 *Income Taxes*, the Group would be required to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the share of undistributed earnings of associated entities upon which income tax has not been paid, and a deferred tax liability in relation to fair value adjustments of assets recognised in a business combination which had not been previously tax effected;
- (v) Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the Group would be required to recognise as a provision an estimate of the present value of the costs to rehabilitate mining and production areas at the end of the mine life or plant life where such an obligation exists to the owner. These provisions are recognised on an incremental basis over the asset life under AGAAP. A corresponding asset would also be recognised under AIFRS in accordance with AASB 116 *Property, Plant and Equipment* to the extent that the asset has a remaining useful life. To the extent that either the asset has been amortised or where the asset has been acquired by the consolidated entity at fair value, the adjustment in recognising the provision goes to retained earnings;
- (vi) Under AASB 138 *Intangible Assets*, certain costs incurred in the pre-opening phase of a retail store development would be expensed. The Group's current accounting policy allows for the capitalisation of such costs in line with common industry practice.

Reconciliation of net profit under AGAAP to that under AIFRS

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

- (i) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired;
- (ii) Under AASB 138 *Intangible Assets*, costs incurred in the pre-opening phase of retail store development would be expensed. The Group's current accounting policy allows for the capitalisation of such costs in line with common industry practice. The adjustment represents lower depreciation due to capitalised costs being written off on transition to AIFRS, offset by costs incurred during the year being fully expensed;
- (iii) Under AASB 136 *Impairment of Assets*, the Group's assets including goodwill would be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement. The adjustment represents lower amortisation and depreciation due to assets being written down on transition to AIFRS, offset by impairment losses recognised during the year;
- (iv) Under AASB 116 *Property, Plant and Equipment*, the Group would depreciate any capitalised rehabilitation costs relating to its mineral properties and plant and equipment, resulting in a charge to the income statement. In addition, under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the increase in the rehabilitation provision relating to the unwinding of the discount would be recognised in the income statement. These adjustments are offset by the reversal of periodic rehabilitation provisioning charged under AGAAP for the year;
- (v) Under AASB 140 *Investment Property*, an associate, Bunnings Warehouse Property Trust, will recognise revaluations of investment properties through profit and loss, rather than through a revaluation reserve. This will result in a reclassification of the share of reserves at transition being reclassified to share of retained earnings, and the current share of revaluation increments being recognised as associate earnings in the profit and loss;

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Reconciliation of net profit under AGAAP to that under AIFRS (continued)

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

Other impacts

- (i) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the Group will use the available-for-sale classification for investments in listed shares and other investments on transition to IFRS, including accounting for such investments through holdings by associated entities. This will result in those investments being restated to fair value (where appropriate through the investment in associates) and the creation of an equity reserve in the Statement of Financial Position. The financial impact of these changes at date of transition for this standard, being 1 July 2005, are as follows:
- increase in investments in associates by \$22.1 million;
 - increase in other investments by \$2.6 million;
 - increase in deferred tax liability by \$7.4 million; and
 - increase in equity reserve by \$17.3 million;
- (ii) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the Group expects that its interest rate swap agreements and foreign exchange contracts will qualify for hedge accounting, with the majority of fair value adjustments being reflected in the hedge reserve and the related hedge receivable or payable being recognised as an asset or liability. The financial impact of these changes at date of transition for this standard, being 1 July 2005, are as follows:
- increase in hedge receivables by \$133.3 million;
 - increase in hedge payables by \$15.5 million;
 - increase in deferred tax liability by \$35.3 million; and
 - increase in equity reserve by \$82.5 million;
- (iii) Under AASB 4 *Insurance Contracts*, the Group will conduct liability adequacy testing on a class of insurance business basis, rather than in aggregate. This will result in any deficiency in a particular class of business being written off to the Statement of Financial Performance, rather than potentially being offset by a surplus in a different class of business. The financial impact of these changes is yet to be determined as details of liability adequacy testing by class of business at date of transition for this standard, being 1 July 2005, are not yet known. If an adjustment is required, the liability for outstanding insurance claims will increase and retained profits, after allowing for the deferred tax asset created, will reduce accordingly;
- (iv) No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

2 SEGMENT INFORMATION

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

Hardware

Retail building material and home and garden improvement products;
Servicing project builders and the housing industry; and
Bargain hardware and variety.

Energy

Coal mining and development;
Coal marketing to both domestic and export markets;
National marketing and distribution of LP gas;
LP gas 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 distribution

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

Insurance

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

Chemicals and fertilisers

Manufacture and marketing of chemicals for industry, mining and mineral processing;
Manufacture and marketing of broadacre and horticultural fertilisers; and
Soil and plant testing and agronomy advisory services.

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

2 SEGMENT INFORMATION (continued)

Other

Rail transport

Fifty per cent ownership in Australian Railroad Group Pty Ltd which:

- has an interest in the South Australian and Western Australian rail freight businesses;
- provides rail services for bulk commodities and associated retail logistics operations; and
- owns track infrastructure under a 49 year lease.

Forest products

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

Gresham Partners Group Limited

Fifty per cent ownership in Gresham Partners Group Limited which:

- is an investment bank providing financial advisory and investment management services; and
- operates three separate units including Corporate Advisory, Private Equity and Specialist Funds.

Gresham Private Equity Funds

- Fifty per cent ownership in Gresham Private Equity Fund 1 which is a 10 year closed-end private equity fund targeting larger size private equity transactions in the areas of management buy-outs, expansion capital and corporate restructuring; and
- \$150 million commitment to Gresham Private Equity Fund No. 2, which at 30 June 2005 had total direct and indirect commitments of \$325 million.

Rural services

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

Provider of:

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

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

2 SEGMENT INFORMATION (continued)

	HARDWARE		ENERGY		INDUSTRIAL AND SAFETY		INSURANCE		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating revenue	4,067,456	3,845,707	1,186,737	1,008,557	1,171,519	1,150,601	1,127,054	874,000	588,657	518,505	48,966	1,010,122	8,190,389	8,407,492
Earnings														
Earnings before interest, tax, depreciation, amortisation and corporate overheads (EBITDA)	464,680	436,116	395,240	319,039	125,055	124,397	147,152	102,008	128,003	123,369	52,820	538,893	1,312,950	1,643,822
Depreciation and amortisation of property, plant and equipment	(46,797)	(51,302)	(75,914)	(78,821)	(15,020)	(12,386)	(8,374)	(6,211)	(38,660)	(37,720)	(2,338)	(7,408)	(187,103)	(193,848)
Earnings before interest, tax, amortisation and corporate overheads (EBITA)	417,883	384,814	319,326	240,218	110,035	112,011	138,778	95,797	89,343	85,649	50,482	531,485	1,125,847	1,449,974
Amortisation of goodwill	(52,332)	(50,074)	(1,071)	(835)	(26,128)	(25,258)	(10,636)	(7,541)	(263)	(262)	-	(1,566)	(90,430)	(85,536)
Earnings before interest paid, tax and corporate overheads (EBIT)	365,551	334,740	318,255	239,383	83,907	86,753	128,142	88,256	89,080	85,387	50,482	529,919	1,035,417	1,364,438
Consolidation adjustment													(4,523)	(5,047)
Borrowing expenses													(102,837)	(80,296)
Corporate overheads													(47,753)	(46,704)
Operating profit before income tax													880,304	1,232,391
Income tax expense													(261,430)	(363,812)
Net profit before outside equity interests													618,874	868,579
Share of net profit or loss of associates included in earnings before interest paid, tax and corporate overheads	-	-	4,451	3,759	-	-	-	-	3,819	6,192	31,533	104,732	39,803	114,683
Non cash expenses other than depreciation and amortisation	35,128	67,033	30,999	21,826	13,299	15,882	10,037	2,132	4,996	3,672	17,980	329,847	112,439	440,392

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

2 SEGMENT INFORMATION (continued)

	HARDWARE		ENERGY		INDUSTRIAL AND SAFETY		INSURANCE		CHEMICALS AND FERTILISERS		OTHER		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets and liabilities														
Segment assets	2,225,318	2,248,446	1,363,040	1,024,553	924,385	934,019	1,588,005	1,666,495	571,591	566,648	669,066	793,847	7,341,405	7,234,008
Tax assets													57,867	65,118
Consolidation adjustment													(84,924)	(27,726)
Consolidated assets													7,314,348	7,271,400
Segment liabilities	324,024	349,544	403,861	258,462	143,896	133,045	1,173,048	1,162,159	100,329	110,484	91,021	83,513	2,236,179	2,097,207
Tax liabilities													200,522	231,750
Interest bearing liabilities													1,796,628	1,611,918
Consolidated liabilities													4,233,329	3,940,875
Investments accounted for using the equity method included in segment assets above	-	-	17,268	18,683	-	-	-	-	30,525	26,706	360,709	321,723	409,502	367,112
Acquisition of non-current assets	183,902	97,911	219,984	93,652	16,598	33,091	14,125	308,614	31,437	48,297	34,188	16,435	500,234	598,000

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

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 – WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated	
2005	2004
\$000	\$000

2 SEGMENT INFORMATION (continued)

Insurance segment disclosures

Direct premium revenue	1,069,033	825,218
Reinsurance premiums expense	(335,596)	(287,662)
Retained premiums	733,437	537,556
Direct claims expense	(623,091)	(447,325)
Reinsurance and other recoveries	205,034	151,636
Net incurred claims	(418,057)	(295,689)
Acquisition costs expense	(139,332)	(107,344)
Earned exchange commissions	86,902	59,564
General and administration expenses	(53,255)	(36,338)
Other underwriting expenses	(113,641)	(87,767)
Net underwriting expenses	(219,326)	(171,885)
Underwriting result	96,054	69,982
Investment and other income	42,724	25,815
Amortisation of goodwill	(10,636)	(7,541)
Earnings before interest and tax	128,142	88,256

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 – WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		Consolidated	
		2005	2004
		\$000	\$000
3 REVENUE FROM ORDINARY ACTIVITIES			
Revenue from the sale of goods		6,858,310	6,464,358
Revenue from insurance premiums		1,069,033	825,218
Revenue from other services		119,702	151,963
Proceeds on sale of non-current assets		35,817	157,624
Proceeds on sale of controlled entities		-	703,443
Dividends			
Other corporations		1,487	1,061
Interest received			
Associated entities		19	23
Other persons/corporations		32,032	25,761
Rent received		2,025	2,774
Other income		71,964	75,267
Total revenue from ordinary activities		<u>8,190,389</u>	<u>8,407,492</u>
4 EXPENSES AND OTHER GAINS/LOSSES			
Expenses			
Cost of goods sold		4,523,007	4,424,907
Distribution expenses		189,471	153,181
Sales and marketing expenses		1,222,676	1,178,973
Direct selling expenses		798,872	652,651
Administration expenses		343,229	289,436
Cost of rural services business sold		-	300,237
Other expenses		79,366	124,567
Total expenses from ordinary activities		<u>7,156,621</u>	<u>7,123,952</u>
Borrowing expenses			
Interest paid		100,916	76,267
Other borrowing costs		3,504	4,029
		<u>104,420</u>	<u>80,296</u>
Less borrowing expenses capitalised		<u>(1,583)</u>	<u>-</u>
Total borrowing costs expensed		<u>102,837</u>	<u>80,296</u>
Bad and doubtful debts			
Trade debtors		2,427	9,657
Finance advances and loans		(554)	295
Employee share plan loans		14	334
		<u>1,887</u>	<u>10,286</u>

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated

2005 2004
\$000 \$000

4 EXPENSES AND OTHER GAINS/LOSSES (continued)

Expenses (continued)

Depreciation and amortisation

Depreciation	- buildings	10,616	10,789
	- plant and equipment	161,423	168,744
Amortisation	- leasehold improvements	3,011	3,620
	- mineral exploration and development costs	12,053	10,695
	- goodwill	90,430	85,536
		277,533	279,384

Write down of non-current assets

Property, plant and equipment	451	2,355
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Operating lease rentals

177,186	164,409
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Provisions charged against profits

Employee benefits	69,956	66,611
Mine rehabilitation obligations	8,752	9,032
Restructure	682	-

Government mining royalties

37,450	34,274
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Gains (before income tax)

Profit on sale of property, plant and equipment	8,842	11,991
Profit on sale of rural services business	-	400,700

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated

2005
\$000

2004
\$000

5 AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young for:

Audit or review of the financial reports	1,876	1,747
Other services - tax compliance	728	879
- other	397	847
	3,001	3,473

Amounts received or due and receivable by related practices of Ernst & Young Australia for:

Audit or review of the financial reports of subsidiary entities	261	212
Other services - tax compliance	70	7
- other	65	13

Amounts received or due and receivable by auditors other than Ernst & Young for:

Audit or review of the financial reports of subsidiary entities	13	9
	3,410	3,714

6 INCOME TAX

The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements as follows:

Prima facie tax at 30% on profit from ordinary activities	264,091	369,717
Tax effect on permanent differences:		
Rebateable dividends	(1,322)	(910)
Share of associated companies' net profit after tax	(8,126)	(10,390)
Non-assessable capital gains	(318)	(11,840)
Depreciation and amortisation	28,996	27,342
Other non-deductible expenses	1,208	1,171
Other items	4,228	2,253
Recognition of tax benefit upon formation of a tax consolidation group and resetting tax values	-	(14,777)
Adjustment relating to previous year excluding tax consolidation adjustments	(27,327)	1,246
Total income tax expense	261,430	363,812
Total income tax comprises:		
Amount set aside to provision for income tax	264,838	341,936
Amount withdrawn from deferred tax liabilities	(8,500)	(2,239)
Amount withdrawn from deferred tax assets	5,092	24,115
	261,430	363,812

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated

2005	2004
\$000	\$000

6 INCOME TAX (continued)

Income tax losses

Future income tax benefit arising from tax losses of the consolidated entity not recognised at balance date because the realisation of the benefit is not regarded as virtually certain

100,224	71,963
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This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation legislation

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

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

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

Consolidated

2005	2004
\$000	\$000

Deferred tax assets

Tax losses not previously recognised now brought to account via:

Income tax expense	-	26,230
Contributed equity (related to the 2001 ownership simplification plan)	-	128,168
	-	154,398

Deferred tax liabilities

Cost base of property, plant and equipment	-	11,453
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The net impact on the result for the prior period of the above adjustments was to increase the consolidated entity's profit from ordinary activities after income tax expense by \$14,777,000, including \$10,945,000 increase in the profit on sale of the rural services business.

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

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

Consolidated

2005
\$000

2004
\$000

13 OTHER FINANCIAL ASSETS

Investments in listed entities:

Shares at cost

10,198

10,198

Other investments:

Shares at cost

6,894

6,404

17,092

16,602

Aggregate quoted market value at balance date of investments in shares listed on a prescribed stock exchange

12,807

13,043

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	2005			2004		
	Gross value of assets \$000	Provision for depreciation/ amortisation \$000	Net fixed assets \$000	Gross value of assets \$000	Provision for depreciation/ amortisation \$000	Net fixed assets \$000
14 PROPERTY, PLANT AND EQUIPMENT						
Consolidated						
Freehold land:						
At cost	167,911	-	167,911	134,817	-	134,817
Buildings:						
At cost	296,973	(67,931)	229,042	242,936	(59,920)	183,016
Leasehold improvements:						
At cost	117,375	(22,591)	94,784	65,198	(19,712)	45,486
Plant, vehicles and equipment:						
At cost	2,103,014	(1,068,585)	1,034,429	1,867,000	(904,474)	962,526
Under construction at cost	40,859	-	40,859	60,837	-	60,837
	2,143,873	(1,068,585)	1,075,288	1,927,837	(904,474)	1,023,363
Mineral exploration and development costs:						
Rights to mine at cost	150,704	(5,102)	145,602	-	-	-
Production mineral reserves at cost	308,554	(65,411)	243,143	259,661	(58,461)	201,200
Exploration and evaluation expenditure at cost	772	-	772	6,866	-	6,866
	460,030	(70,513)	389,517	266,527	(58,461)	208,066
Plantations at cost	4,853	-	4,853	5,304	-	5,304
	3,191,015	(1,229,620)	1,961,395	2,642,619	(1,042,567)	1,600,052

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

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

Secured loans

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		Consolidated	
		2005	2004
		\$000	\$000
17	PAYABLES		
	Current		
	Trade creditors and accruals	<u>777,525</u>	<u>840,681</u>
	Non-current		
	Trade creditors and accruals	<u>15,204</u>	<u>17,612</u>
18	PROVISIONS		
	Current		
	Employee benefits	130,590	123,547
	Mine rehabilitation	10,856	7,402
	Restructure	<u>25,860</u>	<u>23,945</u>
		<u>167,306</u>	<u>154,894</u>
	Non-current		
	Employee benefits	34,857	31,798
	Mine rehabilitation	61,524	57,507
	Restructure	<u>6,120</u>	<u>21,753</u>
		<u>102,501</u>	<u>111,058</u>
19	INSURANCE LIABILITIES		
	Current		
	Unearned insurance premiums	524,062	541,831
	Outstanding insurance claims	<u>312,518</u>	<u>264,586</u>
		<u>836,580</u>	<u>806,417</u>
	Non-current		
	Outstanding insurance claims	<u>195,245</u>	<u>166,545</u>
20	OTHER LIABILITIES		
	Current		
	Coal rebates payable	77,751	-
	Deferred revenue	<u>2,209</u>	<u>-</u>
		<u>79,960</u>	<u>-</u>
	Non-current		
	Coal rebates payable	39,461	-
	Deferred revenue	<u>22,397</u>	<u>-</u>
		<u>61,858</u>	<u>-</u>

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Consolidated	
	2005 \$000	2004 \$000
Issued and paid up capital:		
378,042,439 (2004: 376,354,416) ordinary shares	2,014,799	2,345,633

Terms and conditions of contributed equity

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

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

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

On 3 December 2004 1,688,023 ordinary shares were issued to employees at \$38.17 per share pursuant to the employee share plan.

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

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

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		Consolidated	
		2005	2004
		\$000	\$000
22 RESERVES AND RETAINED EARNINGS			
Capital reserve		24,117	24,170
Asset revaluation reserve		36,449	27,500
Foreign currency translation reserve		3,843	3,530
		64,409	55,200
Capital reserve			
<i>Nature and purpose of reserve</i>			
The capital reserve is used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.			
<i>Movements in reserve</i>			
Balance at the beginning of the year		24,170	24,170
Movement during the year		(53)	-
Balance at the end of the year		24,117	24,170
Asset revaluation reserve			
<i>Nature and purpose of reserve</i>			
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.			
<i>Movements in reserve</i>			
Balance at the beginning of the year		27,500	16,008
Share of associates' reserve increments arising during the year		8,949	11,492
Balance at the end of the year		36,449	27,500
Foreign currency translation reserve			
<i>Nature and purpose of reserve</i>			
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.			
<i>Movements in reserve</i>			
Balance at the beginning of the year		3,530	(534)
Net exchange difference on translation of statements of foreign controlled entities		313	4,064
Balance at the end of the year		3,843	3,530
Retained earnings			
Balance at the beginning of the year		931,779	559,370
Net profit attributable to members of Wesfarmers Limited		618,300	873,114
Total available for appropriation		1,550,079	1,432,484
Dividends paid		(546,609)	(500,705)
Balance at the end of the year		1,003,470	931,779

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		Consolidated	
		2005	2004
		\$000	\$000
23	OUTSIDE EQUITY INTEREST		
	Issued capital	5,690	5,651
	Reserves	(1,360)	(1,076)
	Retained earnings	(5,989)	(6,662)
		<u>(1,659)</u>	<u>(2,087)</u>
24	CASH FLOWS		
	Non cash financing and investing activities:		
	Acquisition of rights to mine via recognition of coal rebates payable and deferred revenue	150,704	-
	Share capital issued during the year - employee share plan	64,432	71,011
	Dividends declared recorded as employee share plan repayments	18,411	20,821
	Return of capital recorded as employee share plan repayments	11,545	38,100
	Dividends receivable recorded as acquisitions of investment in associates	-	6,775
		<u>-</u>	<u>6,775</u>
	Reconciliation of net cash provided by operating activities to operating profit after income tax:		
	Operating profit after income tax	618,874	868,579
	Depreciation and amortisation	277,533	279,384
	Provisions charged against profits	79,390	75,642
	Profit on sale of non-current assets and controlled entities	(8,842)	(412,691)
	Share of associates' profit after tax	(39,803)	(114,683)
	Dividends and distributions received from associates	24,108	86,965
	Write down of non-current assets	451	2,355
	Other items	8,015	(12,508)
	Changes in assets and liabilities net of effects of acquisitions of entities and businesses:		
	Decrease (increase) in accounts receivable	46,884	(257,988)
	Decrease (increase) in inventories	49,403	(85,530)
	Increase (decrease) in accounts payable	(71,727)	309,489
	Increase (decrease) in insurance liabilities	58,863	(48,969)
	Provisions applied	(73,287)	(100,262)
	Increase in deferred taxes payable	1,010	14,723
	Increase (decrease) in income tax payable	(35,922)	106,027
	Net cash provided by operating activities	<u>934,950</u>	<u>710,533</u>
	Reconciliation of cash:		
	Cash on hand	7,332	5,361
	Cash on deposit and at bank	76,514	98,013
	Bank overdrafts	(6,808)	(47,651)
		<u>77,038</u>	<u>55,723</u>

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated	
2005	2004
\$000	\$000

25 CHANGES IN THE COMPOSITION OF ENTITY

Disposals of controlled entities

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

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

Financial performance information for the period from 1 July to 29 August 2003

Revenue from ordinary activities	-	221,563
Expenses from ordinary activities (including borrowing costs)	-	(216,759)
Profit from ordinary activities before related income tax	-	4,804
Income tax expense	-	(2,568)
Net profit after tax	-	2,236

Cash flow information for the period from 1 July to 29 August 2003

Net cash inflow (outflow) from operating activities	-	(2,974)
Net cash outflow from investing activities	-	(3,894)
Net increase (decrease) in cash generated by the division	-	(6,868)

Details of the disposal, which represents a discontinuing operation, were as follows:

Carrying amount of assets and liabilities as at 29 August 2003

Total assets	-	815,549
Total liabilities	-	(515,312)
Net assets	-	300,237

Profit on disposal

Proceeds on disposal - cash	-	700,937
Carrying amount of assets and liabilities disposed	-	(300,237)
Profit on disposal	-	400,700
Applicable income tax expense	-	(96,750)
Profit on disposal after tax	-	303,950

Net cash effect

Cash proceeds	-	829,537
Cash balance disposed	-	(128,600)
Cash effect from the disposal of Wesfarmers Rural Holdings Limited as reflected in the consolidated statement of cash flows	-	700,937
Other minor disposals of controlled entities	-	2,506
Total cash proceeds from disposals of controlled entities	-	703,443

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated	
2005	2004
\$000	\$000

25 CHANGES IN THE COMPOSITION OF ENTITY (continued)

Acquisitions of controlled entities

On 14 October 2003 the consolidated entity acquired 100% of the capital of Edward Lumley Holdings Limited, a UK company with insurance businesses in Australia and New Zealand. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Fair value of identifiable net assets of controlled entity acquired:

Cash	-	44,301
Receivables	-	801,941
Insurance investments	-	324,839
Plant and equipment	-	11,757
Deferred tax assets	-	23,769
Goodwill	-	9,589
Payables	-	(243,456)
Interest bearing liabilities	-	(49,450)
Current tax liabilities	-	(17,369)
Deferred tax liabilities	-	(2,879)
Insurance liabilities	-	(700,330)
Provisions	-	(18,995)
	-	183,717
Goodwill on consolidation	-	175,391
Total consideration	-	359,108

The components of the acquisition cost were as follows:

Cash paid	-	345,302
Cash deferred	-	12,744
Payable due to vendor	-	1,062
Total consideration	-	359,108

Net cash effect

Cash paid	-	345,302
Cash balance acquired	-	(44,301)
Cash effect from the acquisition of Edward Lumley Holdings Limited as reflected in the consolidated statement of cash flows	-	301,001
Other minor acquisitions of controlled entities	-	2,828
Total cash outflows on acquisitions of controlled entities	-	303,829

Notes to and forming part of the accounts

FOR THE YEAR ENDED 30 JUNE 2005 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

Consolidated	
2005	2004
\$000	\$000

26 INTERESTS IN JOINT VENTURE OPERATIONS

Assets employed in joint venture operations:

Current assets

Cash assets	3,585	2,720
Receivables	8,965	8,481
Inventories	17,119	19,084
Total current assets	29,669	30,285

Non-current assets

Property, plant and equipment	229,603	224,150
Total non-current assets	229,603	224,150
Total assets	259,272	254,435

Joint venture	Principal activity	Interest	
		2005 %	2004 %
Sodium Cyanide JV	Sodium cyanide manufacture	75	75
Bengalla JV	Coal mining	40	40
Kwinana Industrial Gases JV	Nitrogen manufacture	40	40

27 SUBSEQUENT EVENTS

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