

Wesfarmers

focused on shareholder value

Annual Report 2000

Continuing the company's strong performance. Highlights of the 1999/2000 financial year and results at a glance.

Once again the result was a record. A detailed review of the year's results and the outlook for the future.

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directory

Wesfarmers Limited ABN 28 008 984 049

Executive directors

MA Chaney *Managing Director and Chief Executive Officer*
E Fraunschiel *Finance Director*

Non-executive directors

CH Perkins *Chairman*
KP Hogan, O.A.M. *Deputy Chairman*
DJ Asimus, A.O.
TR Eastwood, AM
TJ Flügge, A.O.
LA Giglia
JP Graham
RD Lester
DEW Nuttall
JM Paterson
DC White

Company Secretary

PJ Johnston

Audit committee

DC White *Chairman of the committee*
LA Giglia
RD Lester
DEW Nuttall

Registered office

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40 The Esplanade
Perth, Western Australia 6000
Telephone: (08) 9327 4211 Facsimile: (08) 9327 4216

financial calendar

Final dividend payment 48 cents per share	26 October 2000
Annual general meeting and quarterly announcement of results	6 November 2000
Half-year results and interim dividend announcement	February 2001
Half-year results summary mailed to shareholders	March 2001
Interim dividend payment	April 2001
Quarterly announcement of results	May 2001
Full-year results and final dividend announcement	August 2001
Annual report mailed to shareholders	October 2001
Final dividend payment	October 2001
Annual general meeting and quarterly announcement of results	November 2001

Annual general meeting The 19th annual general meeting of Wesfarmers Limited will be held at the Hyatt Regency Perth, 99 Adelaide Terrace, Perth on Monday 6 November 2000 at 2.00 pm.

Annual report cost 50,000 copies of this annual report have been produced at a cost of about \$3.00 per copy.

Operational performances at a glance followed by detailed reviews of each of the group businesses.

Directors, their details and the corporate governance practices that are followed.

A snapshot of Wesfarmers' role in the community. A summary of useful information relating to your investment in the company.

Group financial statements, statutory reports and details of shareholdings.

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company profile

Wesfarmers is a major diversified Australian public company headquartered in Perth, Western Australia and is ranked with the leading performers among Australia's top 50 listed companies in terms of shareholder return. This is seen as the ultimate test of the company's performance.

The company's origin in 1914 as a Western Australian farmers' co-operative determined its early focus on the provision of services and merchandise to the rural community. While maintaining this focus, Wesfarmers has undertaken a diversification programme over the past decade resulting in a greatly broadened business and geographical base.

Today it is a diversified corporation with interests in fertilisers and chemicals manufacture; gas processing and distribution; coal mining and production; building materials, hardware retailing and forest products; rural merchandise and services; transport; and insurance.

Since its public listing in 1984, Wesfarmers has recorded strong growth in assets and profits. Today the group employs about 9,700 people full-time and a further 4,700 on a part-time or casual basis. Wesfarmers has 41,000 shareholdings on its register comprising farmers, institutions, employees and other investors.

With a clear focus on shareholder value, Wesfarmers is active in its endeavours to expand the existing businesses and to assess new opportunities as they are presented both within Australia and overseas.

Wesfarmers' objective

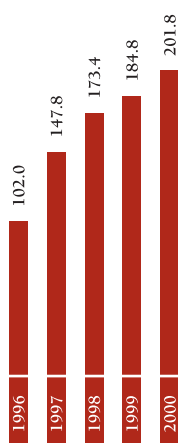
The primary objective of Wesfarmers Limited is to provide a satisfactory return to shareholders.

The company aims to achieve this by:

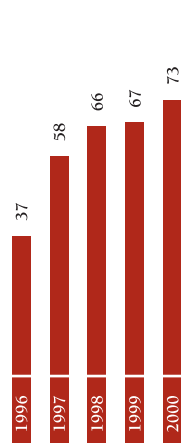
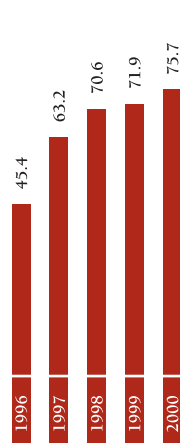
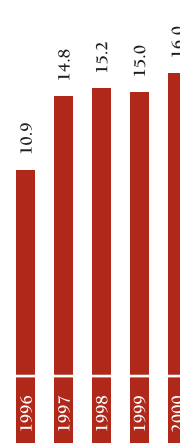
- satisfying the needs of customers through the provision of goods and services on a competitive and professional basis;
- providing a fulfilling and safe working environment for employees, rewarding good performance and providing opportunities for advancement;
- contributing to the growth and prosperity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

highlights of the year

- operating profit after tax (before abnormal items and goodwill amortisation) up nine per cent to \$202 million
- nine new Bunnings warehouse stores opened in mainland Australia
- completion of a new \$150 million ammonia plant at Kwinana in Western Australia
- acquisition of the Curragh coal mine in Queensland's Bowen Basin
- completion of the jointly owned 180,000 tonne per annum Queensland nitrates project

Operating profit after taxbefore abnormal items and goodwill amortisation
(\$ millions)**Dividends per share**

(cents)

**Earnings per share**before abnormal items and goodwill amortisation
(cents)**Return on average shareholders' equity**before abnormal items
(%)**financial overview**

		2000	1999	% Change
Operating revenue	\$m	3,496	3,119	+ 12.1
Operating profit before abnormal items, interest and tax	\$m	320	268	+ 19.4
Operating profit after tax before abnormal items and goodwill amortisation	\$m	202	185	+9.2
Operating profit after tax before abnormal items	\$m	195	178	+ 9.6
Dividends	\$m	193	178	+ 8.4
Total assets	\$m	3,169	2,576	+ 23.0
Net borrowings	\$m	829	438	+ 89.3
Shareholders' equity	\$m	1,231	1,207	+ 2.0
Capital expenditure on property, plant and equipment	\$m	189	352	- 46.3
Depreciation and amortisation	\$m	125	120	+ 4.2
Earnings per share before abnormal items and goodwill amortisation	cents	75.7	71.9	+ 5.3
Return on average shareholders' equity before abnormal items	%	16.0	15.0	+ 6.7
Dividends per share	cents	73	67	+ 9.0
Net tangible assets per share	\$	4.13	3.96	+ 4.3
Cash flow per share	\$	1.20	1.16	+ 3.4
Gearing (net debt to equity)	%	67.3	36.3	+ 85.4
Net interest cover before abnormal items (cash basis)	times	18.9	23.0	- 17.8

For a detailed financial history, refer to page 72.

creating wealth and adding value

	\$m	\$m
Wealth creation		
Total operating revenue	3,496	3,119
Total cost of materials, goods and services and other external costs	2,525	2,267
Total value-added, representing the wealth created by Wesfarmers	971	852
This created wealth was shared as follows:		
• to employees as salaries, wages and other benefits	420	370
• to governments as income tax, royalties and other taxes	186	158
• to lenders as interest on borrowed funds	32	24
• to shareholders as dividends on their investment	194	178
• reinvested in the business as depreciation, amortisation and retained earnings	139	122

letter from the chairman

Dear Shareholder,

I am delighted to present the Wesfarmers 2000 annual report.

On behalf of the board, it is pleasing to report on another year in which record levels of revenue and profits were established.

Highlights of the year included another outstanding contribution from the group's national hardware retailing business and significant profit turnarounds by the rural/insurance and forest products operations. Revenue and earnings from the group's energy businesses also improved on last year with a positive first-year contribution from the new Bengalla coal mine, but reduced contributions were recorded by fertilisers/chemicals and transport.

As the graphs on this page illustrate, Wesfarmers has achieved strong profit growth and provided very substantial returns to its shareholders since it listed on the Stock Exchange in 1984. An investment of \$1,000 in Wesfarmers at that time would be worth \$36,000 today if all dividends had been reinvested. This compares with around \$8,000 for an investment of \$1,000 in the basket of stocks comprised in the All Ordinaries index.

It is no coincidence that Wesfarmers has achieved these results while maintaining strict guidelines on how much it

should be willing to pay for assets. Wesfarmers has been a "value investor" and, as a result, its assets provide good returns.

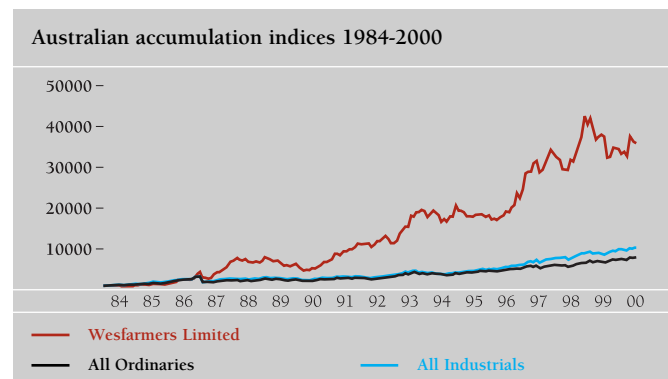
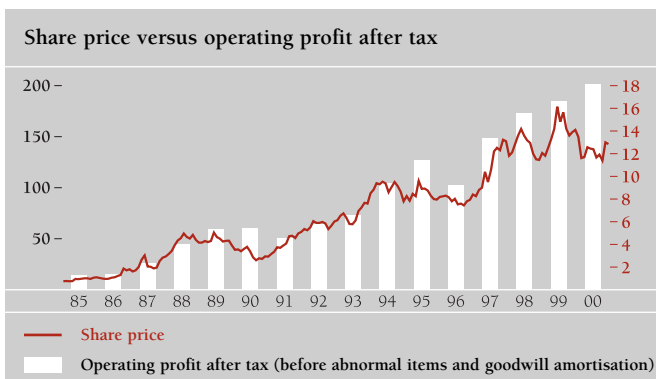
In the review by Wesfarmers Managing Director, Michael Chaney, and the detailed business unit reports that follow you will find full details of the group's 1999/2000 performance as well as comments and information about future prospects. I encourage you to read these reports.

Dividend

In line with the company's current policy of maintaining a dividend payout ratio of 100 per cent of after-tax profit before abnormal items, a fully franked final dividend of 48 cents per share has been declared (last year 42 cents). This lifts the full-year distribution to 73 cents per share compared to last year's 67 cents.

The directors have also reinstated the company's dividend investment plan as a result of higher group gearing, as explained in more detail in the Managing Director's review. New shares issued under this plan will be at a discount of 2.5 per cent to the market price for the final 2000 dividend, the same discount that applied prior to the plan's suspension in August 1999.

once again the result was a record



Board retirement

During the year, the board announced the retirement of Warren Murphy after a long and distinguished executive career with Wesfarmers. The board records its sincere appreciation of the valuable contribution made by Warren in his capacity as a director of the company since 1997 and for his 31 years of valuable and loyal service to the group.

Employees

I would like to conclude this brief introduction to the 2000 report by saying that the outstanding result achieved this year would not have been possible without the special efforts of the group's dedicated employees. The quality of these people, at all levels in the organisation, is the foundation on which the continued success of the group is built. On behalf of the board, I thank them all for their commitment and loyalty.

Yours sincerely



HARRY PERKINS
Chairman

*Harry Perkins (left), Chairman
and Michael Chaney (right),
Managing Director,
Wesfarmers Limited*



managing director's review of operations

a strong



*Bunnings employee Gwen Gerrard
at the new hardware warehouse
store at Rockingham in
Western Australia.*

Wesfarmers recorded another record performance in 1999/2000, with profit topping the \$200 million mark on a pre-goodwill basis for the first time.

The group operating profit after tax (before abnormal items and goodwill amortisation) of \$201.8 million was nine per cent higher than last year's comparative result of \$184.8 million which was a record result at that time. On a post-goodwill amortisation basis, the year 2000 after tax profit before abnormal items was \$194.5 million compared with \$177.5 million in 1999, a 10 per cent increase.

The group also recorded an abnormal gain of \$12.5 million arising from the restatement of tax timing differences due to changes in corporate tax rates effective from 1 July 2000 and 1 July 2001. Last year a net abnormal profit of \$1.9 million was recorded. The bottom line profit was thus \$207.0 million, 15 per cent higher than last year's \$179.4 million.

The group's earnings per share of 75.7 cents (before abnormal items and goodwill amortisation) were five per cent higher than last year's 71.9 cents.

Operating revenue in 1999/2000 totalled \$3.5 billion which was 12 per cent above last year's \$3.1 billion. The increase was 17 per cent after adjusting last year's figure for abnormal revenue of \$79 million from the sale of warehouses to the Bunnings Warehouse Property Trust and \$65 million from the

Pictured are some of the members of the Wesfarmers business development team, Peter Tazewell, Gene Tilbrook, Stephen Price and Dan Ellis.



focus on

shareholder value

sale of shares in SGIO Insurance Limited. More relevantly, sales revenue of \$3.4 billion increased by 19 per cent over last year.

A diversified business portfolio

In a broad sense the performance of the group's businesses mirrored that of the previous year.

The Bunnings national hardware retailing business continued to go from strength to strength. In another outstanding year, sales revenue was 34 per cent higher and earnings were 41 per cent above last year. A further nine warehouses were opened, expanding the company's national chain to 39.

The group's energy business recorded a pleasing improvement with higher profit contributions from both gas and coal. Gas sales revenue was significantly above last year both from the national Kleenheat business and from exports to Japan which benefited from record high international prices and a favourable Australian dollar exchange rate.

The profit contribution from the Collie "Premier" open-cut coal mine in Western Australia was again strong and slightly above last year. 1999/2000 marked the first full year of operation of the Bengalla coal mine in the Hunter Valley in New South Wales which made a positive, above-budget contribution to group earnings.

The profit turnaround in the rural and insurance business in 1999/2000 was particularly pleasing and a tribute to the strong management team. It was mainly driven by higher merchandise sales (establishing new records in the year), but also reflected an improvement in wool and cattle prices. The Wesfarmers Federation Insurance business achieved a major profit turnaround as a result of good premium income growth and a more normal claims year.

The Sotico forest products business also recorded an improvement in its results in 1999/2000, due to successful initiatives to market hardwood timbers outside Western Australia and the mini house-building boom that was experienced in Western Australia in the lead up to the 1 July introduction of the goods and services tax.

The year was, however, not without its disappointments.

The fertilisers business made a significantly lower contribution to group profits mainly due to fierce competition and globally depressed prices. Delays in the completion of the new ammonia plant at Kwinana in Western Australia and a nitric acid plant failure affected results of the chemicals business.

Similarly, the profit contribution from the group's transport operations was lower than budgeted with mixed results in the highly competitive market segments in which it operates.

The results again highlight the value of diversification, which exposes the group to a broader range of industry sectors and minimises the adverse effect that cyclical downturns can have on revenue and earnings.

Financial position

The higher operating profit and cash flow from operating activities has enabled the company to maintain its financial strength. The company's cash flow per share of \$1.20 (before abnormal items) was three per cent higher than last year's \$1.16.

Cash outflows of \$234 million on investments (up from \$85 million last year) included the acquisition of the Queensland Curragh coal mine announced in May 2000.

The investment cash flows were offset by reduced expenditure on property, plant and equipment (down from \$352 million last year to \$189 million this year) as major development projects that commenced in prior financial years were progressively completed.

The company's share buy-back which was announced in August 1999 resulted in the repurchase of 8.8 million shares during the year at a cost of \$108 million (an average of \$12.24 per share), representing about 3.3 per cent of the company's

ordinary shares. The buy-back was terminated in May 2000 at the time of the Curragh coal mine acquisition.

The net effect of these cash flows was an increase in the group's ratio of net debt to equity from 36.3 per cent last year to 67.3 per cent at 30 June 2000. This was close to the company's target level of 65 per cent. The directors have reinstated the company's dividend investment plan with effect from the 2000 final dividend in order to allow the continued distribution of profits without jeopardising the health of the balance sheet.

Net interest cover on a cash basis of 18.9 times was lower than last year's 23.0 times, but remains well above the group's minimum level of four times and illustrates the strong cash generating ability of its assets.

Business development

Wesfarmers continues to follow a three-pronged strategy for growth; namely improving the efficiency of existing businesses, expanding those businesses as opportunities are identified and investing in new businesses.

During the course of 1999/2000, a number of projects were initiated.

Kleenheat autogas service station attendant Callum Sinclair, who works at Myaree in Western Australia.



An additional nine Bunnings warehouse hardware stores were opened around Australia in the company's roll-out programme. The company now operates 39 of these stores in the national chain.

A \$150 million ammonia plant being built by Wesfarmers CSBP Limited at Kwinana in Western Australia was completed in June, as was the \$200 million acquisition of the Curragh coal mine in Queensland's Bowen Basin about 200 kilometres west of Rockhampton.

During the year, a 60,000 tonne per annum expansion of the liquefied petroleum gas extraction plant at Kwinana was announced. This \$20 million project will increase capacity by 25 per cent to about 300,000 tonnes per annum to supply domestic and export markets.

Subsequent to the end of the financial year, Wesfarmers acquired a 13.04 per cent

interest in the rural merchandiser, IAMA Limited, for \$16.4 million by way of a share placement. The IAMA board has announced that it is intending to pursue merger negotiations with Wesfarmers Dalgety Limited and an evaluation of that proposal is currently underway.

The technology challenge

Group businesses are already supported by well developed and efficient computer systems that meet their individual needs. Many of these systems were upgraded and, in some cases, replaced as a result of the comprehensive year 2000 compliance programme completed late last year.

There is, however, a strengthened focus throughout the group on the opportunities and threats that need to be addressed as a result of developments in electronic commerce.

In February 2000 a new position of Group Director, e-Commerce was created in order to facilitate business unit efforts in this area and to coordinate information technology activities across the group.

In early July 2000 Wesfarmers Dalgety Limited announced a joint venture with Rural Press Limited and McKinsey & Company, to create a one-stop internet portal network for agriculture. Primary producers will be able to source a wide range of technical and commodity information through the portal and will be able to trade through a non-exclusive range of suppliers. The portal should be a relevant and highly efficient business tool for the rural sector.

In another initiative, the company also announced that Wesfarmers was one of 14 Australian companies to form the country's first internet-based e-marketplace, corProcure. Together these companies are expected to spend more than \$8 billion on indirect goods and services using corProcure over the next two years, significantly benefiting both suppliers and buyers.

People

The Wesfarmers group now has a total permanent workforce across Australia of about 9,700 and employs a further 4,700 on a part time or casual basis, mainly in stores operated by Bunnings hardware and Wesfarmers Dalgety.

The group's success is due to the efforts of these employees and they are the key to the achievement of future growth and expansion strategies.

The incidence of work-related injury declined across most group activities during 1999/2000. The safer working environment that has been nurtured reflects the importance placed on this aspect of the business by senior management and the acceptance by all employees that safety is their responsibility.

Over 90 per cent of eligible employees accepted invitations during the year to apply for shares in Wesfarmers Limited

through the Employee Share Plan. It is gratifying that over 6,000 employees of the group now hold shares in the company.

Outlook

Current expectations are for continued growth in revenue and earnings in the 2000/2001 financial year.

The Bunnings hardware warehouse chain should generate good sales and profit growth with a further 10 warehouse stores to be opened in the next year. The apparent rate of growth will, however, be lower than in previous years because, with the introduction of Australia's GST on 1 July 2000, a proportion of the revenues that would normally have occurred in the 2001 financial year were pulled forward into 1999/2000.

House building activity is expected to decline in the post GST period, affecting the Sotico forest products business, but the level of interest in value added jarrah products from international markets is encouraging and higher export sales will partly offset the expected downturn in the local market.

The company's gas activities are anticipating another year of growth following the restructure of the Kleenheat business and progress in market development initiatives such as the "Gas House" retail franchise concept and substitution of propane for diesel. The results for this business unit will also be affected by the level of international LP gas prices.

The acquisition of the Queensland Curragh mining operation will lift earnings from the group's coal business in 2000/2001.

The Bengalla, New South Wales mine is also expected to make an increased contribution in its second full year of operations. The Premier mine at Collie in Western Australia will continue to make a solid contribution to group results.

The outlook for the CSBP fertilisers and chemicals business is positive with the development of business strategies which will address the evolving market conditions. The new Kwinana ammonia plant and the jointly-owned Queensland

nitrate plant are now both producing satisfactorily and are expected to make increased contributions to earnings in 2000/2001.

Wesfarmers Dalgety is expected to benefit from an environment of improved agricultural commodity prices and lower operating costs and is budgeting for a further increase in profit in 2001.

The Wesfarmers Transport business is budgeting for increased revenue and profit this year although this sector will continue to experience challenging market conditions.

Notwithstanding a significant rise in interest costs as a result of increased borrowings, the company should achieve a satisfactory increase in group profits in the 2000/2001 year.

As the graphs on page four of this report illustrate, Wesfarmers has a proud record of profit growth.

On the basis of Wesfarmers' most recent corporate plan, I am confident that the company's profits can continue to grow in the years ahead.

A more detailed description of group activities is contained in the following pages.



MICHAEL CHANEY
Managing Director



Developments in electronic commerce led to the appointment of Group Supply Manager, Henk de Vos and Group Director, e-Commerce, Rich Krasnoff, responsible for the co-ordination of e-business activities across the group.



Stewart Butel, General Manager, and Rob Brenchley, General Manager, Marketing, of the Curragh coal mine, in Queensland's Bowen Basin.

a portfolio of diversified businesses

hardware

Major activities

- retailing building materials and hardware
- servicing project builders and the housing industry
- bargain hardware and variety

The year in brief

- strong growth in Bunnings warehouse hardware sales
- nine new warehouse stores opened in national chain

Future directions

- continued national rollout of warehouse stores particularly focused on New South Wales and Queensland
- introduction of seven day trading in Queensland
- enhanced technology and management systems



gas

Major activities

- marketing and distribution of gas and gas appliance retailing
- LP gas extraction for domestic, industrial use and export
- manufacture and marketing of industrial gases and equipment

The year in brief

- successful restructure of the Kleenheat business
- expansion of the "Gas House" franchise
- acquisition of the Shoal Gas LP gas business at Nowra in New South Wales
- enhancement of Kleenheat's "customer service centre" at Myaree in Western Australia
- significant improvement in safety performance

Future directions

- market development, including the supply of simulated natural gas and the use of propane as a substitute for diesel
- 25 per cent expansion of the LP gas extraction plant at Kwinana in Western Australia
- establishment of an LP gas terminal and marketing business in Bangladesh



coal

Major activities

- coal mining and development
- coal marketing

The year in brief

- increased coal production and supply to the new Collie Power Station in Western Australia
- first full year of sales from the Bengalla coal mine in the Hunter Valley in New South Wales
- acquisition of a coal mine at Curragh in Queensland
- significant improvement in safety performance at Collie

Future directions

- integration of the Curragh coal mining operations into the Wesfarmers Energy segment of business units
- improved productivity in all mining operations
- increased export sales



fertilisers & chemicals

Major activities

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

The year in brief

- lower fertiliser margins due to intense competition
- chemicals operations impacted by weaker demand and plant delays
- completion of a new \$150 million ammonia plant at Kwinana in Western Australia
- completion of the 180,000 tonne per annum Queensland nitrates project

Future directions

- product research and development; technical service extension
- increased contributions to earnings from the Kwinana ammonia plant and the Queensland nitrates plant in their first full-year of operation



rural services & insurance

Major activities

- wool and livestock marketing services
- suppliers of rural merchandise and fertilisers
- real estate and rural property sales
- seasonal finance, term loans and deposit facilities
- rural, domestic and commercial insurance

The year in brief

- continued expansion of the merchandise business, especially in the cropping, horticulture and viticulture sectors
- higher wool and cattle prices contribute to improved earnings
- increased rural lending
- increased revenue from rural property and real estate sales
- significant profit turnaround by Wesfarmers Federation Insurance with good premium income growth and lower claims

Future directions

- focus on key business drivers, including costs and capital
- development of e-business strategies including a rural internet site
- continued expansion of core business activities



forest products

Major activities

- forestry and timber operations
- manufacture of products to service the wholesale timber market, industrial customers and furniture/cabinet/ joinery manufacturers

The year in brief

- change of company name to Sotico Pty Ltd
- increased pre-GST demand in the Western Australian housing industry
- increased international, interstate sales
- 2,600 hectares of *Eucalyptus globulus* established on private tree plantations
- announcement after the close of the year, of the sale of the woodchipping, plantations and plantation management business

Future directions

- development of international markets for value-added Western Australian hardwoods



transport

Major activities

- general and freezer freight transport
- specialised transport, bulk and heavy haulage, warehousing and storage
- express freight transport

The year in brief

- intense competition and poor results in traditional freight-related markets
- satisfactory results in express freight, logistics, warehousing, distribution and specialised services

Future directions

- further development of time critical logistics and supply chain management
- development of value-added services and enhanced technology service systems





Above The trade area in the Bunnings warehouse store at Rockingham in Western Australia, opened in April.

Below Sales assistant, Darren Crowder, at the Bunnings warehouse store at Rockingham in Western Australia.



Below Rachel Tayler, a horticulturist at the Bunnings warehouse at Rockingham in Western Australia, in the nursery section.



Above Yard attendant, Sean Hardy, serves a customer at the WA Salvage store at Port Kennedy in Western Australia.



JOE BOROS
Managing Director
Bunnings Building Supplies Pty Ltd

Nine new warehouse hardware stores were opened during the year, expanding the national chain to 39, a number that is expected to increase by a further 10 during 2000/2001. The Bunnings marketing strategy is based on lowest prices possible, the widest product range and a high level of customer service.

hardware

Bunnings Building Supplies Pty Ltd is a specialist retailer of home and garden improvement products and building materials.

About 86 per cent of business is conducted with do-it-yourself consumers and the balance with builders and contractors.

The business recorded another outstanding year with sales exceeding one billion dollars for the first time, 34 per cent higher than in 1998/99. Earnings for the financial year were 41 per cent above last year.

During the year, nine new warehouse stores were opened, expanding the national chain to 39. Warehouse stores now account for 77 per cent of total Bunnings hardware sales compared to last year's 68 per cent, with individual stores in their second, third or fourth year of operation maintaining their strong year-on-year sales growth.

While the Warehouse concept has been well accepted by customers, Bunnings continues to strive to further improve key elements of the business by widening its enormous product range, continually improving levels of service and being the competitive leader in the market.

The nine new warehouse stores that were opened last year included several smaller format stores designed specifically for less densely populated regional centres and to service metropolitan markets where existing stores are over-shopped.

Bunnings also opened its seventh store in Queensland and secured the right to trade seven days per week from 1 July 2000. A very strong base has been developed in this state in a short time and with seven day trading

now in place, the business is expected to grow substantially during the next few years.

Bunnings is progressing satisfactorily with its 2000/2001 warehouse rollout programme which is likely to result in a further 10 stores being opened and a higher number being opened in the subsequent year.

This warehouse building programme was accompanied by a reduction in traditional hardware stores from 27 to 23 during the 1999/2000 financial year. Although fewer in number, the remaining traditional stores continued to perform well with strong store-on-store sales growth.

Bunnings now has almost 8,600 employees and the numbers are increasing rapidly with the warehouse store rollout programme.

To support the large recruitment effort demanded by the warehouse rollout, expenditure in the human resource areas is increasing. A significant investment in induction and ongoing skills training continues to be made to ensure all employees are well equipped to deliver the desired high customer service levels. All Bunnings employees have the opportunity to participate in various incentive schemes aimed at delivering them a share of their business's success.

A modern and flexible technology base is continually being upgraded to support the rapid growth of the business. Over the past 18 months new financial and people management systems have been successfully implemented. In addition, development of a new point of sale system was

finalised and is now operating in nine sites, year 2000 compliance testing was achieved and all systems were updated to accommodate GST. Further enhancements were also made in the use of radio frequency technology in the stores.

Investment in technology to lift business effectiveness continues. The in-house developed Bunnings Internet Trading System (BITS) is moving into its third year of use and approximately 70 per cent of orders are now placed using internet and e-commerce. Bunnings' objective is to achieve paperless trading with all major suppliers within the next two years. This will deliver significant supply chain efficiency benefits to Bunnings and participating suppliers. In-house development work for an e-commerce system (TradeBITS) which facilitates trading with large builder and contractor customers was finalised in 1999/2000 and will be deployed progressively during 2000/2001. This initiative will further develop the e-commerce competencies of the business.

The bargain hardware and variety business, operating as WA Salvage through 17 metropolitan and regional Western Australian stores, had a year of consolidation. Sales grew at above the rate of inflation but margins reduced, resulting in a lower profit. A management and merchandising restructure was completed during the year and the business is now well placed for future growth in earnings.

Below Branch Manager, Michael Goff, attending a customer at Kleenheat's Gas House at Myaree in Western Australia.



Right The Mosquito Magnet, designed to attract mosquitoes using carbon dioxide produced by burning LP gas, is an innovative product distributed by Kleenheat Gas.



Right Contractor Craig Jauncey at Kleenheat's truck wash down facility at Kwinana in Western Australia.



DAVID ROBB
Managing Director
Wesfarmers Energy Limited

The gas activities of Wesfarmers Energy comprise three operating units: Wesfarmers Kleenheat Gas Pty Ltd (distribution and retailing), Wesfarmers LPG Pty Ltd (production and export) and Air Liquide WA Pty Ltd (industrial gases).

gas

Kleenheat is a major distributor of liquefied petroleum gas (LP gas) and gas appliances to a broad range of domestic, commercial, autogas and industrial customers. Kleenheat operates in all mainland states of Australia through a comprehensive network of depots, company operated branches, dealers and franchisees, serving in excess of 21,000 bulk and 240,000 domestic customer installations.

Gas sales volumes were in line with last year, with a solid performance in bulk and cylinder sales offset by shortfalls in some major autogas markets. Results were affected by record high international LP gas prices, which depressed both demand for LP gas and margins. Appliance sales increased by two per cent, with particularly strong growth in the trade sector.

The Kleenheat business was restructured during the year, moving to a channel rather than a regionally based organisation. The restructure has improved customer focus, lowered costs, improved safety performance and positioned the business for further growth.

The "Gas House" retail franchise concept was further refined and 59 franchises are now in place, together with 31 company-owned stores.

During the year, Kleenheat's national "customer service centre" at Myaree in Western Australia was enhanced to match the demands of the new structure and emerging e-business requirements. Progress was made in installing new accounting and scheduling packages which should improve efficiency and lower costs.



Left Service station attendant, Callum Sinclair, filling a vehicle at Kleenheat's autogas outlet at Myaree in Western Australia.

Kleenheat's commitment to safety, quality and environmental management was reinforced with continued development of an on-line operations management system, and a strong focus on safety communication, training and consultation with all staff, particularly those involved in the direct handling of LP gas. Kleenheat's safety performance improved significantly, with the lost time injury frequency rate reducing by over 50 per cent.

Market development activities were successful in a number of areas, notably in supplying LP gas blended with air to form simulated natural gas (SNG), and using propane to substitute for diesel in stationary and on-road applications. On 30 June Kleenheat acquired the Shoal Gas LP gas business at Nowra in New South Wales, representing an additional seven thousand tonnes per annum of LP gas sales to more than 10,000 customers.

Wesfarmers LPG owns and operates a plant at Kwinana in Western Australia, which extracts LP gas from the natural gas stream in the Dampier to Bunbury pipeline.

Product from the plant supplies much of the state's domestic market with the balance exported to Japan under a long-term sales contract.

The plant has operated at high levels of availability and efficiency to achieve production of 252,000 tonnes for 1999/2000, in line with last year despite a scheduled four week maintenance shutdown during the year. The shutdown was completed on time and on budget. Strong domestic demand reduced export sales to Japan to 159,000 tonnes versus last year's 187,000 tonnes.

Export sales benefited from record high international LP gas prices and a favourable Australian dollar exchange rate

which produced revenues and earnings substantially ahead of budget and last year.

In May 2000, Wesfarmers announced a major expansion of the Kwinana extraction plant which will increase production by approximately 25 per cent to 300,000 tonnes per annum. Commissioning is scheduled for December 2000.

Wesfarmers LPG's good safety record continued, despite the higher activity levels associated with the plant shutdown. In January the plant achieved 250,000 hours without a lost time injury - more than three years injury free. Voluntary health and fitness checks continue to be made available to employees, a practice now extended to other Wesfarmers Energy businesses.

Air Liquide WA Pty Ltd is a 40 per cent owned company, managed by Wesfarmers Energy. Air Liquide produces and

markets a comprehensive range of industrial and medical gases as well as welding products. Sales and earnings were affected by the downturn in the Western Australian gold and fabrication sectors with results below budget and last year.

Air Liquide's results were also adversely affected by the need to import carbon dioxide due to commissioning problems with Wesfarmers CSBP's new ammonia plant. An excellent logistics effort saw more than 4,500 tonnes imported by road from interstate over a seven month period to meet customer needs.

Air Liquide is particularly proud of its safety record, which now extends for more than eight years without a lost time injury.



Above A new electric shovel is performing above expectations at the Premier open-cut coal mine at Collie in Western Australia.

Below Matt Mills, Senior Production Supervisor, with production employee Brett Gook inspecting the bucket on a dragline, at the Curragh coal mine, 200 kilometres west of Rockhampton in Queensland.



Above A dragline in operation at the Curragh coal mine in Queensland's Bowen Basin.





DAVID ROBB
Managing Director
Wesfarmers Energy Limited

TOM KUZMAN
Managing Director
Wesfarmers Coal Limited

The coal interests of Wesfarmers Energy comprise open-cut operations at Collie in Western Australia's south-west, the newly acquired Curragh mine in Queensland's Bowen Basin and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales.

coal

Collie, Western Australia

Wesfarmers Coal Limited operates the Premier open-cut coal mine near Collie, 200 kilometres south of Perth in Western Australia.

Sales of 3.8 million tonnes of coal in 1999/2000 were 31 per cent higher than last year, with most of the increased volume supplied under contract to Western Power's new Collie power station. Earnings, however, were in line with last year due to lower selling prices and adverse winter weather conditions.

Overburden removal of 29.7 million bank cubic metres in 1999/2000 was 40 per cent higher than last year.

Construction of a new \$12 million shovel was completed on time and on budget. The shovel has exceeded productivity expectations and

contributed to the record levels of overburden moved.

Wesfarmers Coal is committed to the ongoing rehabilitation of mined out areas and its environmental management programme includes specific projects to reduce waste and improve energy efficiency.

Employee safety is being enhanced by training, incident investigation and further development of a comprehensive safety system. A significant improvement in safety performance was achieved during the year.

Curragh, Queensland In May 2000, a major expansion of the company's coal mining interests was announced with the acquisition of the Curragh coal mine, 200 kilometres west of Rockhampton in Queensland's Bowen Basin for an overall price of about \$200 million.

The deposit currently being mined at Curragh produced about 4.5 million tonnes of coking and steaming coal last year, with two other deposits marked for future development. Sales are split roughly half and half between steaming coal for the domestic market under a long-term contract to supply the Stanwell Power Station in Queensland and exports of hard and semi-soft coking coal. Curragh benefits from the spread of its export sales over geographically diverse buyers who value its high quality and consistent adherence to contract specifications.

Settlement took place on 26 June 2000 and integration of this business into Wesfarmers Energy has proceeded smoothly, with employees and senior management accepting offers to join the Wesfarmers group. Current focus is on lifting mine output and lowering costs to capitalise on the strengthening demand for coking coal in export markets.

Bengalla, New South Wales

Bengalla is a new open cut steaming coal mine located in the Hunter Valley in New South Wales managed by Peabody Resources Australia Limited. Wesfarmers holds a 40 per cent interest in the Bengalla mine which was officially opened in July 1999.

Sales volumes continued to increase steadily, reaching three million tonnes for the year, well ahead of budget. These higher volumes and lower costs led to a positive earnings result, despite prevailing low coal prices. Further volume increases and a recent strengthening of international coal prices suggest that a further profit improvement can be expected in the 2000/2001 year.

There have been no lost time injuries since the mine commenced operations.



Above The conveyor belt delivering coal from Wesfarmers Coal's Premier mine to Western Power's new Collie power station, near Collie in Western Australia.



PETER KNOWLES
*Managing Director
 Wesfarmers CSBP Limited*

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

fertilisers & chemicals



Above Laboratory technician, Lisa Carrabba, preparing a sample for total nitrogen analysis at CSBP's Kwinana operations in Western Australia.



Right Russell Cross, dispatch supervisor, checking the new urea dispatch facility at CSBP's fertiliser works at Albany in Western Australia.



Right Duty site controller, Marten Noordzy, on a platform at the newly commissioned ammonia plant at Kwinana in Western Australia.

Each of CSBP's businesses performed below expectations in the 1999/2000 year. The fertilisers business struggled in the face of intense competition in the marketplace, whilst the chemicals operations suffered from weaker demand, production problems and - in the case of ammonia - plant construction delay.

Fertilisers

CSBP manufactures and distributes fertilisers for all types of agricultural customers in Western Australia - ranging from broadacre cropping and mixed farming operations in the Western Australian grainbelts to intensive horticulture, meat and dairy producers in the south-west regions of the state.

Demand for single superphosphate remained subdued, but an emphasis on the sale of super "mixes",

together with some slightly increased optimism in the wool outlook contributed to a seven per cent increase in the overall volume of pasture fertilisers sold.

Sales of CSBP's premium range of cropping fertilisers - which include the Agras products - remained firm. In the search by farmers for greater productivity, sales of concentrated nitrogen and phosphorous fertilisers strengthened.

The home garden range of fertilisers marketed under the Cresco brand also saw strong growth in sales - with volumes up by 26 per cent during 1999/2000.

Total sales of all fertiliser products increased nine per cent to over 1.1 million tonnes compared to 1.0 million tonnes last year.

Fierce competition and globally depressed prices for commodity fertilisers, however, led to



Left Stuart Wragg a member of the ammonia dispatch team at CSBP's ammonia rail loading facility at Kwinana in Western Australia.

intense pressure on margins and profitability. Despite these pressures, CSBP continued to invest in products and services designed to improve sustainable productivity. CSBP continues to be the only fertiliser supplier in Western Australia that actively invests in productivity research and development through its extensive field based trials programmes.

This is consistent with the philosophy behind the launch of the **futurefarm** brand during the year, as was CSBP's significant investment in regional communities with a rebate system under which local community organisations throughout Western Australia receive donations.

The product development function has been particularly active, with a number of potential new products undergoing on-farm and manufacture evaluation. The most exciting and innovative new product is a liquid nitrogen fertiliser called Flexi-N that offers farmers significant benefits in handling and nutrient performance.

To maintain its competitiveness CSBP recognises the need to constantly review the utilisation of manufacturing assets. During the year the Geraldton works was transformed from a manufacturing centre to a regional distribution point, and the sulphuric acid plant at Kwinana was closed in December.

For the fertiliser business, the demand outlook for 2000/2001 is moderately positive, as late and patchy rainfall has allowed plantings to occur, but with lower yields anticipated.

Chemicals

Ammonia/ammonium nitrate

The production and sales of ammonium nitrate were lower than in the previous year, due to a boiler failure in the nitric acid plant, as well as lower demand and pricing pressure from the mining industry in general. Market conditions were very competitive with some prill being imported at a time of very low world pricing. Both Europe and the USA have initiated successful anti-dumping action against Russian exporters. Sales of ammonium nitrate solution, however, remained strong, being only slightly below last year despite the plant problems.

Manufacture of ammonia in the old plant ceased in July 1999 and supply for all requirements was met from imports until the new plant commenced in May 2000 - some seven months later than anticipated. The new plant has come on line at nameplate capacity with no significant commissioning issues other than the construction delay.

Deliveries of ammonia to the laterite nickel projects remained substantially below expectations as these projects continue to

experience plant commissioning problems with equipment and material failures. There is an expectation, however, of increasing demand for ammonia over the first quarter of 2000/2001.

Commissioning of the Queensland nitrates project - a joint venture with Dyno Nobel Asia Pacific Limited - was completed in April. Design capacity has been achieved but some equipment installation difficulties have prevented operating the plant above design capacity. In May a failure of a heat exchanger in the ammonia plant section forced a plant shutdown for about six weeks while repairs were carried out. Supplies to customers were maintained by importing product from other sources.

Sodium cyanide Demand for sodium cyanide remained flat throughout the year, reflecting the continuation of gold prices at 20 year lows. Australian Gold Reagents' sales were within three per cent of last year's despite the closure of a number of customers' operations. The depressed market continued to keep cyanide pricing at levels similar to those experienced in the previous year. Furthermore, mechanical difficulties in the plant led to higher operational costs which, when combined with low selling prices, resulted in reduced margins and profitability.

The outlook for the business is one of continued difficult trading conditions although there are some signs of a tightening in world supply of cyanide and therefore a potential upward movement in pricing.

Industrial chemicals Sales of industrial chemicals and chlor-alkali products were again generally slightly lower than in the previous year, with the exception of chlorine and sodium hypochlorite which were above budget due to warm weather conditions. The production plants performed well throughout the year with above 96 per cent utilisation and the business also achieved a five year lost time injury free milestone in June 2000.

Environment Whilst, in general, there has been an ongoing significant decrease in all solid, liquid and gaseous discharges across all CSBP sites, an accidental undetected release of low concentrations of arsenic into the ocean occurred over a period of several weeks during the year. Whilst the discharge does not appear to have caused any short or long term environmental damage, its occurrence was unacceptable and all efforts are being made to ensure that such discharges do not recur.

Safety CSBP's employee safety performance again improved, with the pleasing result of zero lost time injuries during 1999/2000.



RICHARD GOYDER
 Managing Director
 Wesfarmers Dalgety Limited

Wesfarmers Dalgety Limited - also encompassing Wesfarmers Federation Insurance - is one of Australia's largest suppliers of services to the rural sector. The year produced the best earnings results since Wesfarmers acquired the Dalgety business in 1993. All activities produced gross profit results above last year. Wesfarmers Federation Insurance also achieved strong premium growth and record earnings.

rural services & insurance

Merchandise Merchandise turnover established new records and higher margins were achieved, despite lower-than-expected results in Western Australia as a result of a dry autumn which delayed the start of seeding. Strong sales occurred in the eastern states, reflecting the strategy of expanding retail and wholesale business activities across animal health, cropping and, more recently, horticulture sectors. Wesfarmers Dalgety is now an important supplier in the

sugar cane, tree-crop, vegetable crop and viticulture sectors.

During the year, the merchandise structure was reorganised, with strategic appointments made to ensure that Wesfarmers Dalgety is well-resourced to drive growth in its merchandise and fertiliser business.

New premises designed to accommodate expanding merchandise activity were constructed in key locations including Tully in far north

Queensland, Katherine in the Northern Territory and Roma in central Queensland. Albury branch moved to larger premises.

During the year Wesfarmers Dalgety became a shareholder in Nugrain Pty Ltd., a specialist business focussing on emerging opportunities in seeds, grain and biotechnology.

The internet based Online Store was made available through 33 branches and agencies around Australia, enabling producers to order merchandise from the Wesfarmers Dalgety website.

Wool There was a significant improvement in wool prices during the year, especially at the fine end of the clip with the Eastern Market Indicator rising 31 per cent and the Western Market Indicator rising 20 per cent.

Increased throughput and revenue were recorded in the wool business, reflecting sales of new season's wool plus growers' wool withheld from previous seasons.

Australian woolgrowers now operate in a completely deregulated wool market. In addition to auction services, Wesfarmers Dalgety offers a range of products to help growers manage price volatility and changing market demands.

Livestock Improved cattle prices and firm sheep and lamb prices resulted in increased confidence in the livestock industry. Operating revenue increased as a result of higher throughput and prices.

Additional services are being added to Wesfarmers Dalgety's livestock marketing activities, in relation to supply management and the provision of pre-sale and post-sale information.

These services will enhance the opportunity for producers to achieve more consistent returns for their stock and provide processors, supermarket chains, live exporters and lot-feeders with a regular supply of livestock to their specifications.

Real estate Revenue from real estate and rural property sales reached record levels, reflecting improved confidence in the beef sector and growth in business activity.

Wesfarmers Dalgety was successful in achieving a number of very large rural property sales during the year, reflecting the level of expertise and professionalism in this specialised area. Real estate activity in regional centres, which focuses on residential, small holdings and lifestyle blocks, also increased.

Rural finance services

Through an alliance with the Primary Industry Bank of Australia Limited, a subsidiary of Rabobank, Wesfarmers Dalgety provides highly competitive seasonal finance and term loan products to primary producers. Lending activity increased to record levels.

Many producers also utilise the Wesfarmers Dalgety deposit service which offers attractive rates of interest on "at call" and fixed term deposits, with a cheque book facility available on a number of deposit accounts.

A rural transaction card was introduced, allowing customers to access their accounts at any merchant or bank which accepts Visa Card.

Insurance Wesfarmers Federation Insurance - operating through 79 outlets around Australia - achieved



Left Neville Tutt, Wesfarmers Dalgety's Albany Branch Manager, Real Estate, with clients Greg and Leanne Connell, in Western Australia's southwest.

Below Cattle auctioneers Harry Carroll (foreground) and Charlie Staite at the Mt Barker cattle saleyards in Western Australia.

record earnings following strong premium income growth. The result was achieved despite higher than budgeted crop claims.

Wesfarmers Federation Insurance continues to build its reputation as a specialist insurer in rural and regional Australia and is now the preferred insurer for a number of primary producer organisations including NSW Farmers Association and Agforce in Queensland.

The dual insurance agency operated by Wesfarmers Dalgety through Wesfarmers Federation Insurance and CGU Insurance Limited in states other than Western Australia is operating successfully. Insurance sales and earnings increased in 1999/2000 compared to the previous year.

The future Wesfarmers Dalgety is at the forefront of e-commerce developments in the rural sector. In partnership with Rural Press Limited and McKinsey and Company, the company has announced the launch of an internet portal for agribusiness. This will complement other strategies currently being developed within the company to integrate the benefits of e-commerce with the "on-the-ground" national network of over 250 outlets.

The outlook for rural commodities is more positive than it has been in recent years as a result of strong economic growth in most of Australia's customer countries. Wesfarmers Dalgety will benefit from this environment of improved prices and producer confidence, with growth strategies and an ongoing focus on the control of costs and capital usage underpinning continued strong performance.



Left Wesfarmers Federation Insurance Area Manager, Andrew Rogers, with farmer Reece Edgley near Albany in Western Australia.

Below Haydn Rowland (on right), Merchandise Manager at Wesfarmers Dalgety's Midland store, with Max O'Dea, a farmer from Gidgegannup in Western Australia.





Above Treated pine rounds stacked at Sotico's Mundijong treatment plant. Timber is preserved using a copper, chrome and arsenic (CCA) treatment process.

Below Leading hand, Keith Hancock, working at Sotico's Welshpool operations.



Above Sotico supplies Western Australian hardwoods to domestic and international markets. One such company is a West Australian fine furniture house Antry Pty Ltd. Vasel Tashev, a furniture worker, sanding a jarrah chair.



RON ADAMS
Managing Director
Sotico Pty Ltd

The core business activity of Sotico Pty Ltd is the production and marketing of Western Australian timbers.

forest products

During the year the forest products business changed its name from Bunnings Forest Products Pty Ltd to Sotico Pty Ltd. The primary reason for the name change was to differentiate the forest products business from hardware retailing. Sotico will focus on servicing the wholesale timber market, furniture cabinet and joinery manufacturers and large industrial customers with timber and panel products. It was announced after the close of the year that the company's woodchip, plantation and plantation services businesses were to be sold.

Sotico recorded significantly improved results in 1999/2000 due to higher timber sales to all markets. As forecast last year, house building activity in Western Australia increased during the year in the lead up to the introduction of the goods and services tax which lifted demand for structural timber, particularly from Wespine,

the 50 per cent owned softwood sawmill. Sales from Wespine increased by 17 per cent over the previous year.

International hardwood timber sales in 1999/2000 were 25 per cent higher than in the previous year following a 52 per cent growth in the prior year. Sales to Japan of dry decorative timbers used in commercial applications were particularly strong.

Interstate sales of hardwood timbers increased by 22 per cent over last year with the strongest growth experienced in Victoria and South Australia.

Sotico remained committed to developing new markets for value-added Western Australian hardwood. The proportion of jarrah hardwood that is currently directed to higher value applications increased again during the year and is now in excess of 80 per cent of total production. Dry decorative



Below Sotico's jarrah is used by wood craftsman, Edmund Daimouni, Managing Director of Antry Pty Ltd, at his Western Australia fine furniture factory, to produce striking designs.

timber sales increased by 22 per cent in 1999/2000 following a 28 per cent increase in the prior year.

Woodchip exports in 1999/2000 from native forest waste and sawmill residue were in line with last year but exports sourced from *Eucalyptus globulus* plantations increased by 137 per cent to 147,000 tonnes.

Regional Forest Agreement

In May 1999, the Western Australian Government and the Commonwealth Government signed a Regional Forest Agreement (RFA) covering all Western Australia's state forests. This agreement increased the formal conservation reserves by 151,000 hectares, creating a reserve system that exceeds nationally-agreed criteria for comprehensive, adequate and representative forests. It also encouraged a sustainable forest industry for Western Australia. To accommodate the increase in jarrah reserves Sotico joined

other industry participants in reducing its jarrah harvest to below contract volumes.

In July 1999 the Western Australian Government implemented a major amendment to the RFA by announcing that all logging of old growth karri and tingle forest would be scaled down immediately and would cease by 2003. This will result in a substantial reduction in karri sawmilling after that date.

Outlook It is anticipated that housing activity in Western Australia will decline in the next year but that the hardwood marketing initiatives with Western Australian furniture manufacturers and interstate and export markets will continue to realise growth. Increasingly, plantation softwood will dominate housing construction timber usage in Western Australia and the upgraded Wespine sawmill will be well placed to supply these products.



IAN THOMSON
General Manager
Wesfarmers Transport Limited



Above A Wesfarmers Transport truck loading nut coal at Wesfarmers Coal's Premier mine at Collie for delivery to Loongana Lime, at Kalgoorlie in Western Australia.

Wesfarmers Transport Limited comprises two business units: *transport and logistics*, including freight services and Niteroad Express; and *specialised services*, including bulk haulage, bulk storage, warehousing and distribution.

transport

Operating revenue from the transport business was similar to the previous year, with growth limited and revenue declining in some traditional markets. Profit contribution was below expectations as a result of the subdued trading conditions.

The **transport and logistics** operation reported mixed results with good growth being recorded in the logistics services and express businesses, but a reduction of revenue in freight services.

The transport and logistics operations comprise freight services - providing regular scheduled general freight and refrigerated transport services to destinations throughout Western Australia and the Northern Territory; Niteroad Express - providing express freight and overnight services to destinations throughout Western Australia's country areas; and logistics services - providing contract warehousing,

distribution, logistics and freight management for a number of significant Western Australian companies across a range of industries.

Continued emphasis is being placed on the further development of time critical and logistic management services.

Specialised services operating revenue was slightly ahead of expectations and the previous year. Johnstone River Transport in north Queensland and operations in Tamworth and Newcastle all reported pleasing performances. Bulk haulage operations in Western Australia have continued to be affected by reduced activity in the mining and resource sectors.

The specialised services operations are involved in the cartage of dangerous goods and chemicals, heavy haulage and bulk storage. These specialised operations extend throughout Western Australia, the Hunter

Valley and Tamworth in New South Wales and sugar haulage activities in northern Queensland and the north of Western Australia.

Despite the continued depressed market conditions evident across a number of regions in Western Australia, Wesfarmers Transport continues to seek further opportunities to expand its interests, with particular emphasis on value adding services and an increased involvement in technology and the fulfilment of customers' requirements in logistics and supply chain management.

Below Niteroad Express owner/driver, Ian Swann, in silhouette, delivering parcels at Toodyay in Western Australia.



Above Wesfarmers Transport has warehousing and logistics operations at the Swan Brewery at Canning Vale in Western Australia. Forklift operator Gary Jacob loading beer cartons.





HARRY PERKINS

ERICH FRAUNSCHIEL

MICHAEL CHANEY

TREVOR FLÜGGE

JAMES GRAHAM

DAVID NUTTALL

board of directors

Harry Perkins

Non-executive Chairman; age 61.

Joined the board in 1984. Harry is Chancellor of the Curtin University of Technology; Chairman of the Western Australian Institute for Medical Research, Gresham Partners Management Limited and WFCL Investments Pty Ltd; and a director of Scientific Services Ltd and Adelaide Brighton Limited. He was a Nuffield Farming Scholar in 1972.

Erich Fraunschiel

Finance Director; age 54.

Joined the board in 1992. Erich holds a Bachelor of Commerce degree with Honours from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1991. He joined Wesfarmers in 1984 after working in the finance, management consulting and petroleum marketing industries. He is also a director of Gresham Partners Group Limited, Gresham Partners Management Limited, Gresham Private Equity Pty Ltd and a number of Wesfarmers group subsidiaries.

Michael Chaney

Chief Executive Officer and Managing Director; age 50.

Joined the board in 1988. Michael holds Bachelor of Science and Master of Business Administration degrees from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1992. He worked in the finance and petroleum industries in Australia and the United States of America before joining Wesfarmers in 1983. Michael is a director of The Broken Hill Proprietary Company Limited and Gresham Partners Group Limited and is involved with a number of public and charitable institutions. He is a member of the board of the Business Council of Australia and is Vice President of the Australia Japan Business Co-operation Committee.

Trevor Flügge

Non-executive director; age 53.

Joined the board in 1998. Trevor is Chairman of the AWB Limited and the CSIRO Field Crops Sector Advisory Committee; a member of the Rabobank Food & Agribusiness Advisory Board; and a director of Shenzen Southseas Grains Industries, China and of Five Star Flour Mills, Egypt. He was formerly President of the Grains Council of Australia; and a past director of the Grains Research and Development Corporation. Trevor received the Monash University/Rabobank Agribusiness Leader of the Year award in 1998 and in 1997 was awarded the Farrer Memorial Medal for his contribution to agriculture.

James Graham

Non-executive director; age 52.

Joined the board in 1998. James holds a Bachelor of Engineering in Chemical Engineering with Honours from the University of Sydney and a Master of Business Administration from the University of New South Wales. He has had an active involvement in the growth of Wesfarmers since 1977 in his roles as Managing Director of Gresham Partners Limited and previously as a director of Hill Samuel Australia Limited and Managing Director of Rothschild Australia Limited. In addition to his investment banking activities, James is a trustee or member of a number of community organisations and was Chairman of the Darling Harbour Authority in New South Wales for a period of six years.

David Nuttall

Non-executive director; member of the audit committee; age 66.

Joined the board in 1990. David holds a Diploma of Valuation and Farm Management from Lincoln College, Canterbury University, New Zealand and has practised as a farm management consultant in Western Australia since 1961. He is Managing Director of Agribusiness Counsellors Pty Ltd, a farm business consulting firm, and holds directorships in a number of farming companies.



LOU GIGLIA

DAVID WHITE

DAVID ASIMUS

KEVIN HOGAN

JOHN PATERSON

DICK LESTER

TREVOR EASTWOOD

Lou Giglia

*Non-executive director;
member of the audit committee; age 59.*

Joined the board in 1984. Lou is President of the Royal Agricultural Society of Western Australia (Inc) and is a member of the advisory board of National Foods Limited, the Herd Improvement Service Board and the Dairy Industry Authority of Western Australia.

David White

*Non-executive director;
Chairman of the audit committee; age 52.*

Joined the board in 1990. David holds a Bachelor of Business degree from Curtin University (formerly Western Australian Institute of Technology) and is a member of the Australian Society of Certified Practising Accountants. He is a councillor of The Royal Agricultural Society of Western Australia (Inc) and Chairman of the Beverley Hospital Board.

David Asimus

Non-executive director; age 68.

Joined the board in 1994. David holds a Bachelor of Economics degree from the University of Sydney, an Honorary Doctorate in Science from the University of New South Wales and an Honorary Doctorate in Agricultural Economics from the University of Sydney. He is Chancellor of Charles Sturt University; and a director of Rural Press Limited and The Industrial Bank of Japan Australia Limited. David was formerly Chairman of the Australian Wool Corporation and International Wool Secretariat; a former member of the Executive of CSIRO; and a past director of The Broken Hill Proprietary Company Limited, Delta Electricity, Austrade and of Australian Eagle Insurance. He was a Nuffield Farming Scholar in 1958.

Kevin Hogan

Non-executive Deputy Chairman; age 67.

Joined the board in 1984. Kevin is a director of WFCL Investments Pty Ltd; a trustee of the Country Medical Foundation; and a member of the Kununoppin Hospital Board. He was the founding Chairman of the West Australian Rural Counselling Services.

John Paterson

Non-executive director; age 68.

Joined the board in 1984. John is the Mayor of the City of Nedlands; a director of Epic Energy (WA) Pty Ltd, WFCL Investments Pty Ltd and Black Swan Theatre; a trustee of the Scotch College Foundation and Chairman of the Rock Lobster Industry Advisory Committee. He is a past President of the Western Australian Club.

Dick Lester

*Non-executive director;
member of the audit committee; age 61.*

Joined the board in 1995. Dick is a graduate with Honours from Dookie Agricultural College, Victoria and is a licenced property valuer. He was Principal and Chief Executive Officer of Growth Equities Mutual Limited until he sold his interest in that organisation in 1994. He was an inaugural member of the Companies and Securities Advisory Committee established by the Federal Attorney General to advise the Australian Government on securities industries laws. Dick is actively involved in real estate investment and development in the Perth metropolitan and south-west regions of Western Australia.

Trevor Eastwood

Non-executive director; age 58.

Joined the board in 1994. Trevor holds a Bachelor of Engineering degree from the University of Western Australia and attended the Advanced Management Program at the Harvard University Graduate School of Business Management in 1982. He commenced his career with the group as an employee of Westralian Farmers Co-operative Limited in 1963 and held a number of management positions in the group up to his retirement in 1992 including his final eight years as Managing Director of Wesfarmers Limited. Trevor is Chairman of West Australian Newspapers Holdings Ltd, Gresham Partners Holdings Ltd and Gresham Rabo Management Limited; and a director of Qantas Airways Limited.

In fulfilling its obligations and responsibilities to its various stakeholders, the board of Wesfarmers Limited is a strong advocate of best practice and corporate governance.

corporate governance

This statement outlines the principal corporate governance practices that were followed by the company throughout the 1999/2000 financial year.

Role of shareholders

The shareholders of Wesfarmers play an important role in corporate governance by virtue of their responsibility for voting on the appointment of directors.

The board ensures that shareholders are kept fully informed on developments affecting the company through:

- the annual and half-year reports which are distributed to all shareholders;
- quarterly reports released through the Australian Stock Exchange and the media; and
- the annual general meeting and other meetings called to obtain approval for board action.

Board composition In view of the diverse business activities of the Wesfarmers group, the company has recognised the importance of having a balanced board comprised of directors with an appropriate range of backgrounds, skills and experience.

The company considers that the preferred number of directors is between 8 and 12 although a number outside this range may be acceptable from time to time. It is company policy that the board has a majority of non-executive directors.

The board remains above its preferred range with 13 directors although the number reduced by one during the financial year following the retirement in February 2000 of an executive director not replaced on the board. As a result the board is now comprised of 11 non-executive directors, including the Chairman and Deputy Chairman, and two executive directors, including the Managing Director. Details of the age, experience and qualifications of directors are set out on pages 26 and 27 of this annual report.

The composition of the board is determined by application of the following additional principles:

- Persons nominated as non-executive directors shall be expected to have qualifications, experience and expertise of benefit to the company and to bring an independent view to the board's deliberations.

Persons nominated as executive directors must be of sufficient stature and security of employment to express independent views on any matter.

- The Chairman and Deputy Chairman shall be non-executive directors who shall be expected to retire from those positions at the expiration of 10 years unless the board decides otherwise. The appointments of both positions shall be formally reviewed at the end of each five years of their respective terms.
- All non-executive directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the company.
- Executive directors shall be expected to retire from the board on the relinquishment of their executive position with the company. They are then eligible for re-appointment if they meet the guidelines for non-executive directors.

Committee structure

The board of Wesfarmers is supported by the following committees comprised wholly of non-executive directors. These committees assist the board in the discharge of its obligations by the review of financial reports, audit, remuneration and the composition and self appraisal of the board itself.

Nomination committee

The nomination committee comprises the Chairman of the company, Mr C H Perkins, and the Deputy Chairman, Mr K P Hogan, both non-executive directors.

The main responsibilities of the committee are to review the composition, performance and membership of the board and make recommendations on new appointments.

Any director may, at any time, recommend a person to the nomination committee for consideration as a director.

Upon appointment, a new director receives an orientation pack including the board policy statement, the constitution and other relevant information about the company.

The nomination committee reports at least annually to the board.

Audit committee The members of the audit committee are Messrs D C White (Chairman), L A Giglia, R D Lester and D E W Nuttall, all non-executive directors. The Finance Director, General Manager Group Accounting, Company Secretary and the external audit partner in charge of the Wesfarmers audit attend meetings by invitation. The committee also meets regularly with the external auditors, independent of management.

The committee monitors internal control policies and procedures designed to safeguard company assets and to ensure the integrity of financial reporting.

Among its specific responsibilities, the committee reviews and advises the board on the nomination and remuneration of external auditors and the adequacy of existing external and internal audit arrangements including the scope and quality of audits.

The committee meets and reports to the board at least five times each year. Four of these meetings are timed to review quarterly profit announcements made to the Australian Stock Exchange and the committee also meets to review the end of year financial statements prior to approval by the board and publication in the company's annual report. Other meetings are held as required.

Compensation committee

All non-executive directors are members of the compensation committee which is chaired by the Chairman of the company.

The committee determines remuneration policies and practices for Wesfarmers as a whole, including those affecting the Managing Director and senior managers who report to the Managing Director. In determining policies and practices that are market competitive and will attract, motivate and retain high quality people, the committee regularly seeks appropriate external advice.

The aggregate amount of non-executive directors' fees approved by the shareholders of the company currently stands at \$725,000. The constitution of the company provides that this aggregate amount may be divided among the directors participating in the sum in such proportions as the directors shall agree. In determining fees, each year the board seeks appropriate external advice.

Responsibilities and functions of the board

The board is responsible for ensuring that Wesfarmers is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of employees, customers, suppliers, lenders and the wider community.

The relationship between the board and management is a partnership that is crucial to the company's long-term success. The separation of responsibilities between the board and management is clearly understood and respected.

The board is responsible for setting the strategic directions for the company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the board for the day-to-day management of the company.

The board's responsibilities and duties include the following:

- appointing the Managing Director;
- determining the strategic direction of the company and measuring performance against approved strategies;
- adopting operating budgets at the commencement of each financial year and monitoring progress on a regular basis against budget by both financial and non-financial key performance indicators;
- monitoring and overseeing the company's financial position;
- evaluating the performance of the Managing Director and senior executives and determining their remuneration;
- determining that satisfactory arrangements are in place for auditing the company's financial affairs; and
- ensuring that policies and compliance systems are in place and that the company and its officers act legally, ethically and responsibly on all matters.

Ethical standards The board has adopted the principles outlined in the booklet "Corporate Practices and Conduct - Third Edition" - a guide produced by a working group comprising representatives of a number of Australian industry and professional organisations.

The board has drawn from this guide to develop its own policy statement which establishes procedures and guidelines to ensure that the highest ethical standards, corporate behaviour and accountability are maintained.

Independent professional advice After prior approval of the Chairman, directors may obtain independent professional advice at the expense of the company on matters arising in the course of their board duties.

Share trading by directors

Directors are each required to own a minimum of 2,000 shares in the company and, in addition to statutory and other particular restrictions, are required to restrict their trading in Wesfarmers securities to a period of four weeks immediately following quarterly profit announcements. Particulars of directors' shareholdings are shown on page 65.

Other directorships

Directors are required continually to evaluate the number of boards on which they serve to ensure that each can be given the time and attention required properly to fulfil duties and responsibilities. Directors are required to notify the Chairman in writing prior to accepting an invitation to become a director of any corporation. Executive directors may not accept appointment to the board of any corporation outside the Wesfarmers group of companies without the prior approval of the board.

Code of conduct The company has adopted a code of conduct which sets out the minimum acceptable standard of behaviour expected of all employees of the group. All employees are required to act with honesty, decency and integrity at all times.

Risk management

The company has in place a framework to safeguard company assets and ensure that business risks are identified and properly managed.

The company has in place a number of risk management controls which include the following:

- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies, financial instruments, commodity derivatives and movements in interest rates;
- guidelines and limits for the approval of capital expenditure and investments;
- a group regulatory compliance programme supported by approved guidelines and standards covering crisis management, the environment, occupational health and safety, trade practices, equal employment opportunity, anti-discrimination and sexual harassment; and
- a comprehensive annual insurance programme including external risk management surveys.

Management is required to provide regular reports on all these matters.

Group planning The company has adopted a formal, dynamic planning process of preparing

five-year strategic plans each year for each operating activity and the group. A special board planning meeting is held annually at which these plans are presented and the board reviews and endorses strategies designed to ensure the continued profitable growth of the group.



Wesfarmers and the community

Environment Wesfarmers is committed to the management of its business operations in an environmentally responsible manner.

In its aim to achieve best practice environmental management, Wesfarmers endeavours to respond to the attitudes and expectations of the communities in which it operates and places strong emphasis on achieving sustainable development and protection of the environment.

An Environmental Standard is included in the Wesfarmers Group Risk Management Standards and Guidelines, requiring full environmental legal compliance and the monitoring and reporting of environmental performance by each operating business unit. Legal compliance is the minimum requirement - the goal is to achieve much higher.

In terms of this Environmental Standard, each operating business unit is required to have its own programme for managing environmental risk. Such a programme is to include an environmental policy tailored to the relevant business activity, objectives and targets, manuals and procedures and a management framework

including designated responsibilities. Each business unit is required to report regularly on its environmental performance and the standard also requires regular audits by external experts and Wesfarmers staff to review the continuing suitability and effectiveness of measures taken.

This year, for the second time, Wesfarmers produced a separate environment, health and safety report to provide more detail about the performance of some of the business units. The report, published in December 1999, covered activities in fertilisers and chemicals, forest products, energy production and distribution and transport. Copies are available on request from the Public Affairs Co-ordinator, telephone (08) 9327 4257. The third annual report is due for publication before the end of 2000.

Greenhouse Challenge

In November 1999, Wesfarmers CSBP submitted its second annual report as a signatory to the Commonwealth Government's Greenhouse Challenge programme. The company expects to meet its year 2000 greenhouse gas emission target under the Challenge programme. Wesfarmers Coal has also joined the Challenge initiative.

Earthwatch Wesfarmers continues its partnership with the internationally-respected Earthwatch organisation by sponsoring, for the fifth year, employees on scientific research projects. Earthwatch is a non-profit body which for over 25 years has been active in developing links between scientists and the broader community through research activities in 129 countries. More than 50,000 volunteers have participated in the programme.

Six Earthwatch scholarships are offered each year. Group employees have worked on projects in Australia, New Zealand and Indonesia. Participants report a high level of satisfaction and personal enrichment from the experience. On their return, Wesfarmers Earthwatch fellows actively share their experiences with employee and external audiences.

Ribbons of Blue The Sotico Waterwatch programme is a Ribbons of Blue project for which Sotico Pty Ltd provides a full time coordinator. In 1998 it won the National Landcare Business Award for its contribution to improving water quality over the 30,000 square

kilometres covered by the Margaret and Blackwood river catchments in the south-west of Western Australia.

Sponsorships and donations

Wesfarmers supports a wide-range of community activities. These include major medical research, education, the arts and programmes designed to develop positive attitudes among young people towards the environment. In 1998/99 Wesfarmers announced a donation of \$5 million over five years to the Western Australian Institute for Medical Research, the biggest single contribution by an Australian company to medical research. Contributions are made also by individual business units to many smaller, community-focussed activities in areas where those businesses operate.

Through Wesfarmers Arts the company is a major supporter of the visual and performing arts in Western Australia, in partnership with key arts organisations including the West Australian Ballet, West Australian Opera, West Australian Symphony Orchestra and Black Swan Theatre Company.



Left Mark Morton, Works Manager at CSBP's Albany fertiliser operations, inspecting a tree plantation planted about five years ago to reduce the groundwater impact on Princess Royal Harbour.

Right Research Technician, Julie Cox, conducting a controlled cross pollination at Sotico Treefarms at Manjimup in Western Australia. This involves taking pollen from a superior tree and pollinating the flower of a weaker tree to produce the next breeding generation.



Stock exchange listing

Wesfarmers shares are listed on the Australian Stock Exchange and reported in the "industrial" section in daily newspapers - code WES.

Dividend investment plan

The company has reinstated its dividend investment plan with effect from the dividend payable on 26 October 2000. Shareholders who were participating in the plan at the time of its suspension in August 1999 will automatically be reinstated unless they have advised that they wish to withdraw.

New Wesfarmers Limited fully-paid shares issued in respect of the 2000 final dividend will be at a discount of 2.5 per cent to the market price.

The dividend investment plan is a convenient method by which shareholders can increase their holdings of Wesfarmers Limited fully-paid shares without incurring the cost of brokerage fees or stamp duty.

Details of the plan are available from the share registry.

Electronic payment of dividends

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

Uncertificated share register

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

Issuer sponsored holdings.
This type of holding is sponsored by Wesfarmers and has the advantage of being uncertificated without the need to be sponsored by a stockbroker.

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

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of your holding.

Change of address or banking details

Shareholders should notify the share registry in writing immediately of changes of address or banking details for dividends electronically credited to a bank account.

Publications

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

Other publications available on request include March and September quarterly reports and the Chairman's address given at the annual general meeting in November.

Further information and publications about the company's operations are available from the Public Affairs Co-ordinator, telephone (08) 9327 4257 or from the Wesfarmers website.

Wesfarmers Website

Wesfarmers has an internet address at www.wesfarmers.com.au

This site contains the company's latest annual report, interim reports and media statements released through the Australian Stock Exchange.

Removal from annual report mailing list

Shareholders can choose not to receive an annual report by contacting the share registry. Shareholders will continue to receive all other information including the notice of annual general meeting and proxy form.

investor information

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

Computershare Registry Services Pty Limited

Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

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