Attention ASX Company Announcements Platform.
Lodgement of Open Briefing®.

Wesfarmers Limited
Wesfarmers House
40 The Esplanade
Perth Western Australia 6000

Date of Lodgement: 13-May-2005

Title: Open Briefing®. Wesfarmers. Briefing Day Discussion

The content of this Open Briefing® reflects management and analyst discussion at the Wesfarmers Briefing Day held in Sydney on Tuesday, 10 May 2005.

General Corporate Issues

corporatefile.com.au
Are you happy with how all businesses are performing?

Michael Chaney, Managing Director Wesfarmers
We are really happy with how the businesses are performing. The company is in great shape. The balance sheet and cash flows are strong. We will generate an ROE of around 30% next year and in subsequent years they will be extremely high even if coal prices fall. That's because we have businesses earning good income and we have managed the balance sheet to make sure gearing is not too low.

We released information earlier this week that included issues such as the earnings impact from the strike at Premier, but these are quite small in the overall profit and we weren't signalling a profit downgrade otherwise we would have said so. Although we would have liked things to have been a bit better we're happy with the profit this year. As we go forward to FY06 we will have all guns loaded with much higher production from Curragh and a further roll out of Bunnings stores.

corporatefile.com.au
Could you also outline what we can expect for dividends in light of the current very strong earnings from coal?

Michael Chaney
We considered the possibility of declaring a normal dividend and a special dividend for next year, but we're unlikely to do that on reflection for two main

reasons. We don't want to flag that we have an expectation that coal prices might fall and our policy is that we determine dividends with reference to our available franking credits.

We've considered further capital returns. We were delighted when we got approval from the Taxation Office for the recent capital return of $1 per share because we thought it would be difficult as a number of companies have had similar proposals knocked back. Future proposals for capital returns might therefore be challenging.

corporatefile.com.au
What are the capital expenditure forecasts for the Group for FY05 and FY06?

Richard Goyder, Deputy MD & CFO Wesfarmers
It looks like we might spend a little bit more this year than budget. We haven't finalised next year's capital expenditure budget yet, but we anticipate continued strong expenditure particularly with projects like Curragh North, the programs in Bunnings and possibly the ammonium nitrate expansion at Kwinana.

corporatefile.com.au
It seems to me that CSBP might be pursuing growth on a competitor's patch that might not end up reaching your hurdle rate. Isn't that an anomaly in the context of Wesfarmers' investment philosophy?

Michael Chaney
As Keith Gordon said, we will only go ahead with an expansion of ammonium nitrates at QNP if it achieves our hurdle rate of return on investment and if we had off take agreements to lock in those returns.

The QNP plant has been a bit of a disappointment and frankly we thought at one stage it should never have been built. The returns from the plant in the first few years weren't too good, but eventually the market picked up, we sorted out the ownership structure and we're now making better returns. As far as the expansion is concerned it's a different situation. We're in control of it and we will only expand if it meets our investment criteria. It is totally in line with our investment philosophy.

corporatefile.com.au
You're refurbishing around 30 of the Bunnings stores next year, which is pretty aggressive. Would that have happened if you didn't have the super coal profits?

Michael Chaney
There is no connection between the two. Each of the Wesfarmers' businesses is run autonomously, and any decision to invest new capital is determined on strict return criteria.

corporatefile.com.au
Would you reduce some of your expansion programs in the event of an economic slowdown?

Michael Chaney
We certainly wouldn't do that with the Bunnings store roll outs because the individual economics for each new store are so strong. It's the sort of thing you might even accelerate during a downturn. We take a logical incrementalist approach and are always looking for ways to make up for profits that are under threat.

Industrial & Safety

corporatefile.com.au
About six months ago, you were talking about rolling out I think around 20 additional trade centres. You also indicated that you were about to enter a joint purchasing arrangement with Bunnings looking at direct importing of products. You also spoke about competitors introducing some products with a lower cost structure than some of your branded products. Could you update those issues?

Bob Denby, Managing Director Wesfarmers Industrial & Safety
We're on track with the trade centre roll-out. From memory we said we were looking at a roll-out of about 20 trade centres, but that includes enhancements to existing centres. We now have in excess of 20 trade centres operating in the industrial products market segment and about 80 in the safety segment if you include New Zealand.

The second question was on increasing the percentage of our imported products. We are making steady progress and have visited China several times including a tradeshow with the Bunnings people. We've started importing products that aren't brand sensitive and have significant margin opportunities, for example, banister brushes and rubber mallets.

In safety, we're dealing with the lower cost products of competitors by increasing our imported safety products range. For example, we purchased this year's winter clothing range directly, whereas we previously did that through a third party. That is enhancing our sales margin on similar sales volumes.

corporatefile.com.au
Following on from the margin question, you mentioned that you are looking at stabilising Victoria and NSW. Have margins increased in Queensland and WA where activities seem strong or are you still under margin pressure in those markets as well?

Bob Denby
There are still margin pressures in those markets. Just because the markets are buoyant doesn't mean that you get the commodities through at a lesser price. Although if you have the product, you can generally expect to get a better price than someone who has less product. So obviously our inventory levels help in that regard, particularly when demand is high.

corporatefile.com.au
I think you mentioned you have around 100,000 customers. Is that too many? Would it be better to be more streamlined in your customer focus and in your product line?

Bob Denby
It possibly is too many customers. The external consultants we engaged to review the business have spent considerable time analysing that issue and we're currently reviewing those results. We have a very long tail of smaller customers that provide a relatively small amount of our sales compared with say BHP Billiton, Rio Tinto, WMC or General Motors Holden, but we also spend less time with those smaller customers. We will continue to have a mixture of large and small customers. We don't have the exact answer, but the optimal mix is the one that will deliver the greatest return on capital and that is what we are aiming for.

corporatefile.com.au
You've emphasised the point that you're not the market leader. Why aren't you?

Bob Denby
I'd have to talk about each category in detail to answer the first question adequately. We operate across 23 categories, but it's not our objective to be number one in each and it is also hard to even measure who is number one in some categories. Let's take pumps as an example. We're probably around number 10 in that category and it would take a fairly distinct move in terms of our technical capabilities and market presence to move to number one and frankly we don't think the margins are attractive enough to increase our market share in that area. We provide pumps as part of a wider offering to our customers on an as-needs-basis.

In hand tools our figures show that we are equal number one. However, there are thousands of suppliers in that market and it's hard to measure and state categorically that we are number one in that category.

corporatefile.com.au
To what extent is inflation affecting your cost of goods sold?

Bob Denby
There is no question that things like higher steel and oil prices are putting pressure on our product costs. However, we've been able to negotiate those prices down with our vendors and we've also benefited from the strong Australian dollar with our imported products. The net result is that we're seeing the cost of our products increase by around CPI and that's the sort of level we've been budgeting on.

corporatefile.com.au
What return on capital is the business achieving and what are the main opportunities to improve it?

Bob Denby
Our return on capital is currently in the mid to low teens, but that takes into account a fair amount of goodwill. We are aiming to lift that to around 20%, including the goodwill component, within our five year plan.

How will we do that? That gets back to the four basic strategies I talked about previously. These are to achieve slight increases in overall sales, but with some good sales growth in selected categories; to reduce the expense to sales ratio through our business improvement program in logistics and back office consolidation; to reduce our working capital through improved inventory and debtors management and to reduce the LTIFR and improve employee retention.

CSBP

corporatefile.com.au
Can you explain your strategy with the Queensland Nitrates Project expansion when my understanding is you have a relatively small equity ownership? Won't that just de-stabilise the industry and not provide you with great upside?

Keith Gordon, Managing Director CSBP
We have a 50% interest in QNP in joint venture with Dyno Nobel. There are a number of things we're looking at with this opportunity to expand QNP including how we finance it. One of the things we wouldn't do is build a plant without a secure off take agreement. The interest in duplicating QNP has largely been driven by customers and we will proceed with some form of expansion if we can secure off take contracts at prices which allow the expansion to meet our hurdle rate of return on investment.

corporatefile.com.au
What do you think your competitor's reaction will be?

Keith Gordon
I'm sure our competitor is talking to our customers now. This expansion is contingent upon securing adequate off take arrangements.

corporatefile.com.au
How do you see the supply demand balance in the future?

Keith Gordon
If we expand at Kwinana we believe that local demand and supply will be close to equilibrium and we will have some flexibility to move product between fertilisers and chemicals. On the east coast if QNP's duplication went ahead as well as the other touted expansions then that market would be in over supply. However, our focus is on QNP and we would be seeking long term contracts to underwrite the project returns.

corporatefile.com.au
I understand that Dyno has some long term off take agreement with you at Kwinana. Would an expansion there be dependent on a similar arrangement for the additional output? If so, what sort of pressure are they putting on you given that they are involved in this other new ammonium nitrate project in the Pilbara?

Keith Gordon
Everyone seems to put pressure on each other in this market. We've had a long relationship with Dyno and we would expect that they'll be an important part of

our business going forward. We're looking at a whole range of off take arrangements, but I'm not prepared to say anything more at this stage.

We've compared the capital costs of building a project in the Pilbara versus replicating our current capacity at Kwinana and it is becoming increasingly more expensive for a new project in the Pilbara relative to Kwinana. We can't comment on the forecast capital costs for the other projects proposed in the Pilbara, but that's the situation in our case.

corporatefile.com.au
I thought you had recapitalised QNP so that it's consolidated. Is that correct?

Keith Gordon
No. There's been no change to the accounting treatment of QNP. We have evaluated various refinancing alternatives for QNP, but have made no change.

corporatefile.com.au
Are you enjoying any margin enhancement due to the increased competitiveness of fertilisers manufactured in Australia?

Keith Gordon
Our current margins in the Australian fertilisers business are consistent with where they've been in the last year or two.

corporatefile.com.au
You've been involved in a price war with Orica in relation to the supply of sodium cyanide for some time now. You've just expanded capacity and they've just announced that they will expand capacity. What's the rationale for doing so during a price war and when costs are increasing?

Keith Gordon
Last time we spoke about six months ago, Ticor was in the final stages of exiting that market and we have seen some price gains in the solid sodium cyanide market since. My comments related to the increasing costs and we hope that we can claw back some of that with pricing mechanisms in our contracts. That's not achieved overnight because we don't sell on a spot basis, but our expectation is that we'll achieve improved profitability from our sodium cyanide business.

corporatefile.com.au
Does it worry you that you have been pretty competitive on sodium cyanide prices, that you're bidding the long term prices up in Africa and a competitor has just expanded capacity after you have?

Keith Gordon
We would prefer that our competitors didn't add capacity, but that's not something we can influence. CSBP's solid sodium cyanide business has been running for around three to four years and one of the challenges has been growing sales volumes to match plant capacity. We're now selling everything we can produce and there's now an opportunity for us to be more discerning in how we go to market. We're certainly looking at contract opportunities to claw back cost increases. We also need to do some other things like looking at packaging to

reduce our overall cost base. Sodium cyanide is a challenge, but there's enough incentive for us to persist with growing the business and improving its profitability.

Insurance

corporatefile.com.au
Can you give more detail on your Minimum Capital Requirement (MCR) and reserves position?

Bob Buckley, Managing Director Wesfarmers Insurance
We aim to have an MCR of 1.5 times compared with APRA's requirement of 1.0 times. Our target is 1.5 times for Lumley Australia and 1.7 for our other businesses because they are smaller. Our reasoning for these targets is to give a healthy margin over what APRA requires and we want to maintain our A– rating. We don't want to have very high multiples because we want to be efficient users of capital.

On reserves, we run at about 90% and most companies run at close to that. APRA requires 75%.

corporatefile.com.au
Can you quantify what you mean by modest growth?

Bob Buckley
The market is very competitive, but there are still opportunities to grow. For example, we will be more aggressive with keeping good quality accounts which have low loss ratios and we will tend to leave alone the accounts with high loss ratios. Our major objectives are to maintain our margins, keep our valuable accounts and maintain strong relationships. This means that we're factoring in only modest top line growth over the next 12 months.

The best accounts are the ones that you know and we will focus on these. We're the leading insurer in the engineering, marine and construction sectors. We're also number one in the vehicle fleet sector and it's hard for other companies to compete because we offer a total service package in addition to purely insurance. We're fairly confident of maintaining our position in that sector, but it will be difficult to grow it.

corporatefile.com.au
Where do you see the long term Combined Operating Ratio (COR) for WID?

Bob Buckley
We haven't a target in place for the COR, but we can look at historical rates. Both WFI and Lumley were around 92% COR even in the very competitive years. They were probably the most profitable insurance companies in Australia. I'd be disappointed if we couldn't maintain our COR somewhere around that level.

corporatefile.com.au
Wesfarmers Insurance Division's income on shareholders' funds is substantially less than competitors such as QBE, Promina and IAG. Why is that?

Bob Buckley
That illustrates the different investment approaches across the industry. Some of our competitors have taken an aggressive approach. They have invested in equities and done very well over the last year or two. However, it was only a few years ago that the income from shareholders' funds was negative for many insurance companies. We take a conservative approach and focus on an underwriting profit rather than an investment profit. Our results are therefore less spectacular, but more stable over time.

corporatefile.com.au
Can you expand on what you're seeing with pricing?

Bob Buckley
It's very competitive at the moment for pricing and some accounts are being priced as much as 20% or 30% or more below previous levels by companies seeking new business. Everybody has a different view on pricing and a different strategy. However, our view is if you discount prices you will eventually have to put them up when long term claim patterns return. As I said, we prefer to concentrate on keeping our best accounts rather than aggressively chasing new, but possible short term accounts. We invariably keep our clients for around 10 years and the cost of gaining long term clients is quite small. The cost of writing business and only retaining it for a year is very expensive.

corporatefile.com.au
June is usually a critical period. Why is that and what do you expect this year?

Bob Buckley
June should be an interesting period. We thought last June could have been a difficult time, but it turned out not to be so bad. We'll be a little more aggressive this June. The reason a lot of business changes hands in June is because most of the major accounts pay the annual premium in June so they can claim the tax deduction sooner. It's also a time when they can easily tell insurers their stock movements and salaries and those sorts of things that determine risk. Around 20% to 25% of all business in the commercial sector is renewed in June. It's a very busy time and all our people are out and about to see if they can win new business and also determine how they can keep existing business.

Business Development, ARG, Gresham

corporatefile.com.au
Can you talk about the investments in the Gresham Private Equity Fund 1 portfolio; how they're performing and which investments are likely to be harvested in the short term?

Gene Tilbrook, Executive Director Business Development
There has been a range of performance levels across the five businesses. The mining and infrastructure contractor, EROC, has gone through some fairly difficult contract re-negotiations, but continues to be a good cash generator. The Norcros building materials business in the UK, in which we own only a small percentage, has proven to be more difficult to sell on a break up basis. Breaking it up was always the intention when that business was acquired and it continues to be the focus. We've had good offers for components, but haven't been able to complete the deals. We expect to get healthy returns out of Norcros, but not at the top end of our target range.

Riviera is an ocean cruisers business which is trading well and growing quickly, although there have been challenges such as a fire at the production facility earlier in the year. The business continues to have good opportunities for profitable growth as they upgrade the models and generate pretty healthy margins. Virgin Active has health clubs in Europe and South Africa which are in the relatively early stage of roll out. This investment would probably be a hold for the longer term. The vehicle control systems business, Raywood, has been problematic and will probably be the lowest returning of the five investments in Fund 1. We've diluted the interest in Raywood and by bringing another equity partner in we hope to improve performance before an exit.

I'm reluctant to put a time line on exits because these are all fairly opportunistic processes as to when a buyer might come along. However, over the next year we think there is a fair chance of some exits and almost certainly of some re-financing which will provide direct cash flow out of the investments for Wesfarmers.

corporatefile.com.au
You've had a couple of cracking investments, but you've also had some investments returning below your target returns in Private Equity. What is the strategy for Private Equity?

Gene Tilbrook
In Private Equity you'd expect to have a relatively wide band of investment outcomes just because of the nature of the investments and because they are typically highly geared compared with investments that Wesfarmers might invest in directly. We'd expect to have some elephants in Private Equity, but also some which perform below expectations. The key is to limit the number that fall below expectations. If you look at GPE1 the larger investments have done better. You can draw many conclusions from that, but one is that the small investments require a lot of work.

corporatefile.com.au
You mentioned an additional $60 million in capex for ARG this year compared with a normal year. That is roughly equivalent to, and cancels out, the approximate cash flow after interest you say you generate in a year. What is depreciation on a full year basis? What's the book value of the business?

Gene Tilbrook
Annual depreciation is about $55 million and the book value of ARG is about $900 million.

corporatefile.com.au
What is the current return on capital for ARG?

Gene Tilbrook
ARG is not earning an 18% ROC, but we'd be willing to accept a slightly lower return for a business of its nature because we can finance using about 60% debt and 40% equity. ARG has about $500 million in debt. It's an off balance sheet investment and geared like an infrastructure asset. Nevertheless, it is not earning our hurdle rate of return and we continue to try to put in place measures that will improve performance.

Energy

corporatefile.com.au
You were saying that the content of the LPG will decrease in the Dampier to Bunbury pipeline. I believe that the NWS joint venture is injecting LPG into the flow to keep it at the contracted rate for the Wesfarmers LPG plant. What would the content drop to if they ceased injecting LPG?

David Robb, MD Wesfarmers Energy & Executive Director Wesfarmers Limited
I'd prefer to answer that question in the following way. There is a minimum gas flow and a minimum content of LPG that is needed to run the plant economically. We believe that if the NWS joint venture's planned Train 5 is commissioned in 2008 it will be uneconomic to run the LPG plant as an extraction facility beyond that time if the NWSJV extracts virtually all of the LPG from the pipeline and if we are buying gas from them only. Whether we can continue running the plant between July 1 this year and 2008 will depend on the rate at which the LPG content reduces below current contractual requirements. In any event, we expect production to fall progressively to well below current levels.

We're working on a business model which provides a value share incentive for producers to leave LPG in the line. We hope that will enable us to continue running the extraction plant well into the future to supply Kleenheat and some exports.

corporatefile.com.au
What are the details of the PCI contracts at Curragh?

David Robb
We have firm commitments to deliver the amount of PCI that we think we'll produce. Those commitments are still subject to product trials by customers, but our tests show that it's a very good PCI and we're confident that it will have a strong market acceptance.

corporatefile.com.au
What sort of labour cost increases are coming through at Premier?

David Robb
Our recent EBA outcomes involve labour cost increases of around 5% per annum. Importantly, we expect productivity and flexibility gains from the fact that our tradesmen have moved onto the same roster as our miners and we will have greater flexibility in the use of contractors when appropriate.

We're targeting further productivity improvements when we renew the EBAs in about two and a half years, as we continue to seek best practice performance in our operations.

corporatefile.com.au
Was there any flow on effects to other operations?

David Robb
We didn't see any evidence of industrial disruption at Curragh. It is far enough away from Premier, it has the right culture, and our employees are well aligned with our company objective.

There was what we believe was an unsuccessful attempt to spread the dispute during a planned shutdown at Wesfarmers LPG.

corporatefile.com.au
What is the risk in achieving 7mtpa? How much coal can you store at the port? When does the EBA rollover and are there any performance guarantees in place with Queensland Rail?

David Robb
We have held rigorous risk review sessions and endeavoured to establish contingency plans to cover controllable risks. Of course there are factors outside our control such as the weather, and rail and port performance. Our stockpile capacity at the port is about 600,000 tonnes, but we generally run with much less than that. We are limited in the extent to which we can build those stocks by current high levels of demand and by rail constraints.

We have just renegotiated the EBA at Curragh for a period of three years. Based on recent history at Curragh we would expect that those negotiations will take place with no disruption to work.

QR has to provide rail capacity in line with our contracts, but there are no "consequential loss" or other provisions which would cover our financial exposure in current market circumstances if they don't meet these commitments. We've been happy with the service provided by QR as we've expanded Curragh and we're confident they can deliver the 7mtpa, barring any external events, such as a cyclone.

corporatefile.com.au
Can you clarify your comments on the environment you expect for price negotiations next year? Did you say that export coking coal prices would remain firm for some time yet?

David Robb
No, I definitely did not say that prices would remain firm for some time yet. Our longer term view is that the supply side will respond to increased demand and prices will return to long run averages. However, as every month goes by and demand remains firm and given the logistics constraints on the supply side are still there, it does become more likely that we will enter the next round of negotiations with similar supply/demand factors to those we experienced at the time of the latest price negotiations. Of course it is still possible that demand might collapse, or that a collapse in Chinese demand might be engineered (through policies such as import restrictions) in order to influence those negotiations.

corporatefile.com.au
Bengalla exports over 4mtpa (100%) and it seems to have significant upside earnings potential. Is that starting to materialise?

David Robb
At US$50 per tonne everyone is making good returns and Bengalla is perhaps even better than some because of its lower cost structure. It remained profitable when other mines were making losses when coal prices were in the low US$20s per tonne. Although coal prices have risen substantially there are some other factors that have worked against us such as exchange rates, general industry cost increases and the fact that, due to rail and port constraints, we are producing at less than full capacity which increases unit costs.

corporatefile.com.au
Wesfarmers recently stated that the industrial disputes at Premier will reduce EBIT by around $15 million for FY05. Is that relative to FY04? What is Premier's current earnings contribution?

David Robb
No, it was relative to our budget for this year. We were budgeting for an increase in sales to Western Power this year so the lost production represents a significant opportunity cost.

During the industrial action we drew down stockpiles to satisfy contracts and that had an adverse inventory impact on the P&L as well as the direct sales revenue loss which ultimately also flows through. There are also fixed costs in the business which have to be covered no matter what level of sales we achieve. We don't break out the contribution of individual business units within the Energy Division. It's commercially sensitive, particularly as we move through critical negotiations. So it's not in our shareholders' interests to disclose that information.

corporatefile.com.au
Are there any new customers for your increased production at Curragh?

David Robb
No, they are the same customers. Our customers have been happy to support our growth, and at the moment they seem to be very focussed on long term supply security, including expanding and extending current term contracts.

corporatefile.com.au
The US dollar is at a favourable level for North American coal exporters. Do you expect them to have much influence at the next price negotiations?

David Robb
The US is historically a high cost swing producer and I don't think they'll be a major factor. They face some adverse cost trends including higher freight rates and we think Australia will remain as cost competitive as ever. Australia's producers are generally in the bottom quartile of the world cost curve and I expect Australia's 60% market share to be at least maintained.

There's talk of new mines opening in Canada and I'm sure they will be referred to by our customers as potential alternative supply options, but they are high cost operations and should only be developed further if you believe the high prices will continue long term - and we certainly do not believe that.

corporatefile.com.au
You mentioned that there was about 1.5 mtpa of unutilised capacity at Premier. Can you give an update on the new base load power station planned in WA and whether it's likely to be coal or gas-fired?

David Robb
We're limited in what we can say because of confidentiality agreements. We're one of three short-listed bidders, we plan to lodge our bid on June 2 and we expect a decision around September this year. If we win the bid our coal fired power station would require about 1-1.2 mtpa of coal.

Bunnings

corporatefile.com.au
Can you give an indication of the amount of working capital that might be released from your current inventory management initiatives?

John Gillam, Managing Director Bunnings
The comments that have appeared recently in the press about Bunnings targeting a $100 million reduction in 100 days are not words that the Bunnings executive team use and they're not words we've reported to our Board.

What we do want to do is improve a couple of important aspects of our inventory processes in order to lift our overall capital management performance. For the core range of products we are looking to ensure that our suppliers keep within agreed trading terms so that we hold the right levels of stock. We don't want to be carrying levels of stock that have poor stockturns but equally we don't want stock outs. We also want to improve our disciplines in terms of selling through promotional and seasonal lines.

corporatefile.com.au
What are the current capital costs for new store openings and refurbishments given recent increases in prices for inputs such as steel? What sales uplift are you seeing from store refurbishments?

John Gillam
In terms of new store openings, capital costs vary from state to state. For example, we have seen significant increases in construction costs in Queensland across steel, concrete and labour. Over the past decade, property prices in most areas have increased at rates exceeding inflation, but I don't have precise numbers to give you. The capital cost of refurbishments is very site specific so, aside from obvious increases for steel, its difficult to comment.

Sales performance post store refurbishment work is site dependent, but as a rough guide, we like to think we can achieve a 10% sales increase. However, we won't see much of the benefits of the accelerated programme planned for the next twelve months in FY06 because of the level of disruption to store trading that will occur during the actual refurbishment work at each site. We plan our work schedules around minimising shop floor disruptions but some disruption is inevitable and we can lose customers during that time and we then have to work hard to get them back.

corporatefile.com.au
Given your comments on the housing market, is this an appropriate time to be reinvigorating your Trade business?

John Gillam
Yes, we believe it is an appropriate time to be reinvigorating our Trade business. A tough market is the time when those with the best business model can expand. We think we can create good momentum in sales volumes for builder-type products and it's a very fragmented market within which we think we can grab market share now profitably and position ourselves to grow quickly when the market improves.

corporatefile.com.au
What annual changes in retail floor space do you expect when you take into account all the store closures, store openings and store refurbishments?

John Gillam
We don't disclose the amount of total selling space we have nor the level of annual change in that space so I can't answer your question specifically.

corporatefile.com.au
What is the current proportion of cash sales versus trade sales?

John Gillam
It hasn't really changed much since we discussed the half-year result and it's still around the 80/20 level.

corporatefile.com.au
You mentioned that there would be 30 store upgrades in FY06. How much will these cost and what EBIT impact do you expect?

John Gillam
Using the current year as a guide, in addition to capital costs, we think the upgrades will have an EBIT impact on average of around $0.5 million each which in comparative terms to this year will see an incremental EBIT impact in the order

of $8 million to $10 million in FY06 from the accelerated upgrade program and that impact could be a bit lumpy in terms of impact on first half and second half earnings in FY06.

corporatefile.com.au
Thank you.

To read previous Wesfarmers Open Briefings, or to receive future Open Briefings by email, please visit www.corporatefile.com.au

For further information on Wesfarmers Limited visit www.wesfarmers.com.au