WOOLWORTHS LIMITED

ABN 88 000 014 675

Annual Report 2005

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HIGHLIGHTS

In summary, Woolworths' results for the year 2004/05 are as follows:

- Sales up 12.3% from continuing operations;
- Total sales for this year compared with last year up 12.2% to $31,352.5 million;
- Earnings before interest, taxation, depreciation, and amortisation (EBITDA) up 18.4% to $1,744.0 million;
- Earnings before interest and taxation (EBIT) up 20.5% to $1,283.0 million;
- Net operating profit after tax up 14.9% to $790.5 million;
- Earnings per Share (EPS) after goodwill amortisation up 12.4% to 75.7 cents;
- EPS before goodwill amortisation up 13.7% to 79.7 cents;
- Final Dividend per Share (DPS) of 27 cents, to bring total DPS for the year to 51 cents, up 13.3%, with total Dividends paid and proposed for the year of $537.5 million;
- EBIT margins improved from 3.81% in 2004 to 4.09% in 2005.
- Reduction in inventory days Stock on Hand by 1.5 days to 30.6 days;
- Average Return on Funds Employed (ROFE) was 38.7% and Average Return on Equity (ROE) was 43.6%.
- Over the past six years, EPS before goodwill amortisation has grown at a compound annual rate of 18.6% with Dividends per Share growing at 19.0% over this same period.

CHAIRMAN'S REPORT TO SHAREHOLDERS

Full year results and performance

Woolworths in 2004/05 has again achieved record results as measured by all key performance indicators:

– Earnings Before Interest and Tax (EBIT) from continuing operations grew by 20.5% to $1,283 million; and

– Net Operating Profit After Tax increased by 14.9%[1] to $790.5 million.

These profit figures were based on a combination of continued strong growth in sales, together with a reduction in cost levels:

– Sales up 12.2% to $31,352 million; and

– Costs from continuing operations down 30 basis points to 20.82%.

For shareholders, the outcomes were new record levels in:

– Earnings per Share (before goodwill amortisation) of 79.7 cents, an increase of 13.7%; and

– Total Dividends for the full year of 51 cents, up by 13.3%.

Note
(i) Note that this increase is after adjusting for the reclassification of WINs interest of $42.9 million in 2004 for comparable purposes

EPS Before Goodwill (Cents)

2005	79.7
2004	70.1
2003	60.7
2002	52.5
2001	41.0

Dividends per Share (Cents)

2005	51.0
2004	45.0
2003	39.0
2002	33.0
2001	27.0

ROFE[ii] (Percentage)

2005	38.7[(1)]
2004	49.3
2003	42.8
2002	38.1
2001	35.0

This impressive performance by management and all of our people working throughout the Group is based on specific and consistent priorities of:

- maintaining competitive low prices;
- creating efficiency and cost reduction;
- pursuing high standards of customer service; and
- initiating growth in existing and new businesses.

These are pleasing results in a very competitive environment, achieved by constant attention to detail in every aspect of operations, whilst simultaneously driving growth and expansion.

Major initiatives

During the year Woolworths acquired Australian Leisure and Hospitality Group (ALH) which is being integrated into the Group with the assistance of the Bruce Mathieson Group covering hotel management, gaming and entertainment.

It is clear that the ALH acquisition is providing significant new opportunities for growth in both the Hotel and Liquor sectors.

Later in the year, Woolworths reached an arrangement to acquire from Foodland Australia Limited (FAL) their New Zealand supermarket businesses, together with 22 Action stores in Australia.

This complex transaction is expected to be completed before the end of the 2005 calendar year, leading to a major program of integration and improvements for implementation which will significantly benefit the New Zealand operations.

Note

(i) Return on Funds Employed (ROFE) based on average of opening and closing funds employed

(ii) ROFE excluding Bruandwo (ALH/MGW) was 49.8%

Management and leadership

The scale and scope of the Group, together with our ambitious growth strategies, continue to create significant demands on all of our people.

Planning and carrying out two major acquisitions and the subsequent vital integration work is a significant program in its own right.

Clearly, the strength of leadership provided by the CEO Roger Corbett and his senior management team has been central to the continuing success of Woolworths.

We have benefited a great deal from stability and excellent teamwork. Management development and succession planning are crucial to ensure continuing momentum, and these areas are receiving increased emphasis and support.

During the current year we will be moving several thousand staff to consolidate support operations in new premises at Norwest Business Park in Sydney.

At the same time, intensive work continues on the overhaul of supply and warehousing, and there are large scale continuing initiatives associated with Project Refresh and the Mercury Program.

All of these activities are essential to our future.

In recent years, the Group has been developing and displaying great skills through its people in managing its existing businesses, whilst at the same time carrying out complex strategy planning and implementation.

The Board and governance

Excellent working relationships have been maintained within our relatively small Board of Directors and between the Board and management.

We are committed to ensuring we satisfy all new requirements in terms of proper governance and reporting standards.

Increasing attention is being paid to community relationships and support, risk evaluation and corporate reputation.

Board and executive succession planning is an important area of focus in the current year.

Acknowledgements

Our brand depends on the performance by every person within Woolworths, the way they approach and perform their roles in dealing with customers, colleagues and suppliers.

We thank the staff of Woolworths for creating a dynamic and enthusiastic culture throughout every business.

We appreciate also our partnerships with suppliers in an increasingly competitive market place. Good partnerships are critical in large scale, low margin retailing businesses.

The strength of these relationships between our businesses, our people, our suppliers and our customers gives us quiet confidence for the future.

James Strong
Chairman

GROUP MANAGING DIRECTOR'S REPORT

On behalf of my colleagues and all of the 145,000 members of the Woolworths team, I am proud to report to you on another excellent result for the financial year 2004/05.

Whilst the trading environment remains very competitive, your Company has again achieved solid sales increases, continued cost reductions and productivity gains, through continued improvement in our IT support systems and supply chain initiatives, and at the same time delivering our customers better prices.

Achievements through the year fall into three major categories:

- Strong trading performance;
- The achievement of significant milestones in the rollout of our IT and supply chain initiatives; and
- Significant strategic acquisitions.

Trading performance

All divisions performed strongly.

Our **Supermarket** division rebounded strongly, following the one-off significant change in the market, particularly in the two final trading quarters of the year. As previously announced, sales growth continued to be strong into the early part of the current trading year.

BIG W after a period of realignment, particularly in the merchandising areas, is currently performing well. Its ongoing Every Day Low Price trading policy continues to gain very significant customer credibility. A vigorous new store roll-out program was achieved throughout the year and will continue in the 2005/06 trading year.

Dick Smith Electronics has again had a very strong year with further cost improvements resulting in pricing reductions to our customers and a consistent growth pattern, which continues.

Petrol This year saw the continued roll-out of the Caltex Alliance sites and development of our own sites, where required. As at the end of the financial year we operate, either on our own or in conjunction with Caltex, 456 sites. We now have a comprehensive coverage across Australia with some remaining locations to be filled and further green field site opportunities for the future. We retail significant volumes of petroleum products across Australia, whilst providing a valued discount to our Supermarket and BIG W customers.

Liquor The continued development of our liquor outlets across Australia, trading under the brand names of Woolworths Liquor, BWS, First Estate and Dan Murphy, has resulted in dramatic growth in this business in the last 12 months. The acquisition of ALH, in partnership with the Bruce Mathieson Group, has provided an excellent platform for the future.

IT and supply chain initiatives

Our biggest business is our Supermarket division with 2004/05 sales at $26,878 million. This figure will grow strongly in the 2005/06 and 2006/07 financial years with continued growth in the existing Australia business, the acquisition of the Foodland Supermarket outlets in New Zealand and Action stores in Australia.

Significant benefits are being achieved from improving the IT and Supply Chain processes to world class standards.

These benefits fall into two parts, IT enhancements and enablement and the provision of physical distribution facilities in the form of a strategic national and regional distribution centre networks. Together they are providing Woolworths with excellent opportunities to increase productivity and further reduce costs.

IT enablement is the key to gaining these very significant benefits. This high risk phase of Project Refresh has been successfully achieved with AutoStockR and StockSmart now operating across the entire Company. The development of the Warehouse Management System has been completed and is now operating in a number of locations and has proven completely successful. This system will be progressively rolled-out across the Company's distribution facilities as they are completed in the coming months.

The provision of the necessary distribution centres is well advanced. The design and modelling of these facilities requires a high degree of expert knowledge and application. This exercise has now been completed and all major distribution centres, which include the following locations: Perth, Adelaide, Wodonga, Minchinbury, Wyong, Brisbane and Townsville, have either been completed or are well-advanced. These facilities will be largely complete and operational in the current financial year and fully by the end of the calendar year 2006.

Together with the IT capacity these facilities will place Woolworths in a unique position in Australia and amongst the retail leaders in the world. They give Woolworths the capacity to greatly improve its efficiency and operating costs to the immediate and long term benefit of our customers and shareholders.

Major acquisitions

Two significant acquisitions have been undertaken during the year.

Australian Leisure and Hospitality Group (ALH) A listed hotel operator, was purchased in October 2004. This acquisition provides a strategic opportunity to increase our liquor business across Australia. When our current plans are completed (in the next few years), enhanced significantly by the purchase of ALH, we will have approximately 1,000 retail liquor outlets across Australia trading under the names of Dan Murphy, Woolworths Liquor and BWS. In addition, the hotel operation will consist of a group of over 200 hotels across Australia, which provides Woolworths and its partner with another significant growth opportunity.

Foodland The Company has agreed terms (subject at the time of writing to approval by shareholders and the courts) to purchase approximately 150 supermarkets in New Zealand and up to 22 Australian Action stores and two development sites. We anticipate approvals will be obtained and we will effect the purchase later in calendar year 2005. We intend to provide these stores with our merchandising, IT and logistics support which we anticipate will have a very positive outcome this year and the ability to more effectively compete in the Australian and New Zealand markets.

These three factors, i.e. current trading, significant benchmark achievements in our logistics and IT programs and the two major acquisitions, place Woolworths in a very strong position moving forward.

We have maintained our focus on driving incremental core business growth through further initiatives such as Project 60, which has enhanced our general merchandise offer in Supermarkets and built customer loyalty and incremental sales.

Cost reduction

Cost consciousness continues to be a defining characteristic of the Woolworths commitment and culture and our ability to generate ongoing significant cost savings will underpin the ongoing delivery of value for customers and returns to shareholders.

Our focus on reducing our costs whilst also reducing our gross profit margins, enables the delivery of consistently lower prices for our customers and growth in Earnings before Interest and Tax and Earnings per Share for our shareholders.

Management strength

The strength and depth of our management team has again been proven over the past year with the achievement of two major acquisitions and other growth initiatives being successfully delivered. We are proud of their dedication and commitment to achieving excellence in all aspects of the business.

Financial and strategic advantages

Our solid financial performance is also reflected in a further 1.5 days reduction in inventory compared with last year, combined with improvements in working capital.

We have developed a strategic advantage in our Supply Chain – Mercury Program and have considerable opportunities for continued growth based on a focus of in-store execution and service; better and innovative buying; further expansion of our existing retail liquor businesses and a platform for international expansion in our supermarket and consumer electronics businesses.

Community commitment

We are a proud member in over 1,000 communities in which we operate across Australia. In recognising our commitment to serve these communities, we have established the Woolworths Australian Communities Foundation as the platform for the support which we provide in the form of fundraising and other community based activities.

The culture which we have encouraged and fostered, is to support and care for the well being of those with whom we work and those we service in the communities in which we operate.

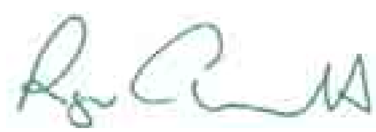
People development

We have also established the Woolworths Academy, in partnership with the Macquarie Graduate School of Management, to provide for a formal program of tertiary level education, leading to university accredited qualifications at all levels of management. The retail focus in these programs enables us to provide practical and high quality education as part of our succession planning and management development commitment.

The future

The past year has been an exciting and challenging one for Woolworths and I am greatly indebted to the Board, my colleagues and our supply partners for their continued support and dedication. Our performance is truly indicative of the hard work and commitment of Woolworths' people at every level of our business and my thanks go to each one of them.

Together, we look forward to building an even stronger future for our business, our people, our shareholders and customers and the communities we serve.



Roger Corbett
Group Managing Director and Chief Executive Officer

THE RESULTS IN BRIEF

	FY05 52 weeks $m	FY04 52 weeks $m	Change %
Sales			
Food and Liquor	23,570[(1)]	21,998	7.1
Petrol	3,308	2,195	50.7
Total Supermarkets	**26,878**	**24,193**	**11.1**
BIG W	2,909	2,718	7.0
Consumer Electronics	1,007	886	13.7
General Merchandise Group	**3,916**	**3,604**	**8.7**
Hotels	416[(2)]	–	–
Continuing Operations	**31,210**	**27,797**	**12.3**
Wholesale	142	137	3.6
Group Sales	**31,352**	**27,934**	**12.2**

Notes
(1) Includes ALH retail liquor sales since 1 November 2004 and MGW retail liquor sales since 3 January 2005.
(2) Represents ALH hotel sales since 1 November 2004 and MGW hotel sales since 3 January 2005.

	FY05 52 weeks		FY04 52 weeks		Change	
	Before Goodwill $m	After Goodwill $m	Before Goodwill $m	After Goodwill $m	Before Goodwill %	After Goodwill %
Earnings Before Interest and Tax (EBIT)						
Food and Liquor	1,105.8[(3)]	1,077.2[(3)]	965.6	941.7	14.5	14.4
Petrol	36.3	36.3	18.6	18.6	95.2	95.2
Total Supermarkets	**1,142.1**	**1,113.5**	**984.2**	**960.3**	**16.0**	**16.0**
BIG W	118.0	118.0	116.2	116.2	1.5	1.5
Consumer Electronics	55.0	51.8	48.2	44.1	14.1	17.5
General Merchandise Group	**173.0**	**169.8**	**164.4**	**160.3**	**5.2**	**5.9**
Hotels	**64.8**[(4)]	**54.9**[(4)]	–	–	–	–
Total Trading Result	**1,379.9**	**1,338.2**	**1,148.6**	**1,120.6**	**20.1**	**19.4**
Property	20.3	20.3	21.7	21.7	(6.5)	(6.5)
Central Overheads	(77.9)	(77.9)	(79.0)	(79.0)	(1.4)	(1.4)
Continuing Operations	**1,322.3**	**1,280.6**	**1,091.3**	**1,063.3**	**21.2**	**20.4**
Wholesale	2.5	2.4	1.8	1.8	38.9	33.3
Group EBIT	**1,324.8**	**1,283.0**	**1,093.1**	**1,065.1**	**21.2**	**20.5**

Notes
(3) Includes ALH retail liquor results since 1 November 2004 and MGW retail liquor results since 3 January 2005.
(4) Represents ALH hotel results since 1 November 2004 and MGW hotel results since 3 January 2005.

	FY05 52 weeks $m	FY04 52 weeks $m	Change %
Profit			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	2,648.9	2,282.5	16.1
Property rent – base	758.5	664.2	14.2
Property rent – turnover contingent	80.6	79.0	2.0
Fitout rent	65.8	66.6	(1.2)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,744.0	1,472.7	18.4
Depreciation	419.2	379.6	10.4
Goodwill amortisation	41.8	28.0	49.3
Earnings before interest and tax (EBIT)	1,283.0	1,065.1	20.5
Net interest expense[1]	153.7	47.3	224.9
Woolworths Income Notes distribution	–	42.9	
Operating income tax expense	337.7	286.7	
Net operating profit after income tax	791.6	688.2	15.0
Outside equity interests	(1.1)	(0.4)	
Net operating profit after tax and servicing WINs	790.5	687.8	14.9
Margins			
Gross Profit	24.89%	24.91%	-0.02pts
Cost of Doing Business	20.80%	21.10%	-0.30pts
EBIT to sales	**4.09%**	**3.81%**	**+0.28pts**
Returns			
Funds employed	4,467.1	2,157.7	+107.0
Return on funds employed (ROFE)[2]	38.7%	49.3%	-10.6pts
Weighted average ordinary shares on issue (million)	1,043.7	1,020.5	+2.3
Ordinary earnings per share (cents)	75.7	67.4	+12.4
Fully diluted earnings per share (cents)	75.3	66.6	+13.0
Earnings per share pre-goodwill (cents)	79.7	70.1	+13.7
Interim dividend per share (cents)	24.0	21.0	+14.3
Final dividend per share (cents)[3]	27.0	24.0	+12.5
Total dividend per share (cents)	51.0	45.0	+13.3

Notes
(1) Includes interest capitalised of $7.7 million (2004: $5.5 million) and WINS interest of $45.2 million (2004: $42.9 million disclosed separately in 2004).
(2) ROFE has decreased due to ALH/MGW acquisition. ROFE excluding ALH/MGW was 49.8%.
(3) Final dividend payable on 7 October 2005 will be fully franked at 30% (2004: 30%).


$2.98
RED CAPSICUM
$3.88 kg


SPECIAL
STEAKS

SUPERMARKETS (INCLUDING LIQUOR AND PETROL)

Supermarkets (including liquor and petrol) 2004/05 Financial Summary

	2005 52 weeks[1]	2004 52 weeks	Change
Sales ($m)	26,878.0	24,192.5	+11.1%
Gross margin (%)	23.30	24.11	-0.81% pts
Cost of doing business (%)	19.15	20.14	-0.99% pts
EBIT to sales (%)	4.14	3.97	+0.17% pts
EBIT to sales (%) (excluding Petrol)	4.57	4.28	+0.29% pts
EBIT before goodwill ($m)	1,142.1	984.2	+16.0%
EBIT after goodwill ($m)	1,113.5	960.3	+15.9%
Funds employed ($m)	1,782.9	1,387.2	+28.5%
Average return on funds employed (%)	70.3	67.5	+2.8% pts

Note

(1) Includes ALH retail liquor results since 1 November 2004 and MGW retail liquor results since 3 January 2005.

Supermarket sales (including liquor and petrol) rose 11.1% with Food and Liquor sales growing 7.1% for the year. Comparable store sales for Food and Liquor strengthened each quarter and for the year grew 3.1% compared with 2.7% for FY04.

Project 60 was implemented during the year. This project allowed enhancement to our supermarket ranges, the benefits of which will mainly flow through in future years. Some inevitable and expected disruption of normal trading was experienced as the project was implemented.

We have continued to reduce prices to our customers as evidenced by the reduction in gross margin. We have been able to achieve this as a result of savings and strategic benefits that have been delivered from logistics and systems development. These reductions were offset by improved shrinkage and better buying as a result of our systems development and improved management controls. These are all a result of Project Mercury. Going forward we plan, together with our suppliers, to improve distribution to our stores by replacing direct store deliveries. This will benefit margins which will be offset by continued price reductions.

EBIT (after goodwill) grew faster than sales at 15.9% underpinned by cost savings with cost of doing business falling by 99 basis points (bps) (after we expensed $13 million of transition costs relating to our new supply chain). Of these cost savings 82% were reinvested in lower selling prices with the balance going to increase EBIT margin. EBIT margin (excluding petrol) increased by 29 bps on last year to 4.57%.

Days inventory for Supermarkets (excluding liquor and petrol) has continued to be reduced, with a further reduction of 1.5 days this year to 24.3 days. Stocksmart and AutoStockR systems provide us the opportunity to better manage inventory levels and re-range the store without decreasing stock availability levels.

There were 22 new supermarkets opened during the year bringing the total number to 723. Total trading area for the division grew by 3.4% which was within our stated range.

New South Wales and Australian Capital Territory

2005	233
2004	234
2003	228
2002	227
2001	198

South Australia and Northern Territory

2005	69
2004	63
2003	63
2002	60
2001	53

Queensland

2005	147
2004	143
2003	141
2002	130
2001	115

Western Australia

2005	64
2004	60
2003	58
2002	59
2001	57

Victoria

2005	183
2004	179
2003	175
2002	171
2001	151

Tasmania

2005	27
2004	29
2003	29
2002	29
2001	29

Supermarkets Store Numbers

Supermarket Sales ($ million)

2005	26,878
2004	24,193
2003	22,750
2002	20,714
2001	17,159

Supermarkets EBIT to Sales (%)

2005	4.14
2004	3.97
2003	3.76
2002	3.61
2001	3.53

Liquor

All our liquor operations, including Dan Murphy's, BWS, First Estate and Woolworths Liquor/Safeway Liquor, continue to perform well and record strong growth in both sales and profits. Group liquor sales for the year (including ALH/MGW) were $2.6 billion, which exceeds our previously stated objective of achieving $2.5 billion liquor sales. Annualised liquor sales equate to approximately $3.0 billion which is well on our way to our new target of $3.5 billion annual liquor sales in the near to medium term.

Supermarkets Group results include the ALH/MGW retail liquor results for the period since the acquisition (ALH from 1 November 2004 and MGW from 3 January 2005). This excludes the Victorian operations of the Bruce Mathieson Group (BMG) which will be consolidated once the gaming licence approvals are received. We anticipate this will occur before the end of the 2005 calendar year.

Woolworths continues to bring greater price competition in the Australian liquor market with customers continuing to benefit from lower prices.

Dan Murphy's has had wide customer acceptance, providing customers with excellent value for money and extensive product ranging, together with personalised fine wine advice and expertise. Dan Murphy's range is the most extensive in Australia, benefiting both our smaller producers and our customers. This outstanding customer offering has been expanded in the FY05 year with 11 new stores, three opened in Queensland, two in NSW/ACT, four in South Australia and a further two stores opened in Victoria. Dan Murphy's now has 37 stores of which 10 have not traded for a full year.

At the end of the year Woolworths had 938 retail liquor outlets.

Petrol

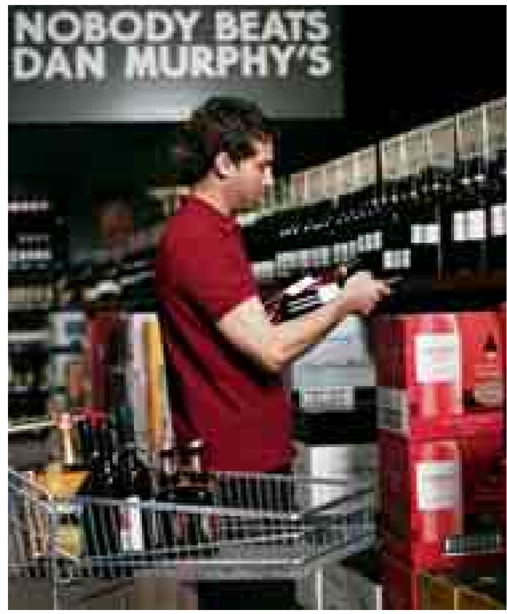
Our Petrol division continued to grow rapidly with sales of $3.3 billion up 50.7%. The offering of a petrol discount off the lowest local price (currently 4c/litre discount) with purchases of $30 or more from Supermarkets or BIG W stores is very attractive to our customers.

Sales growth has been driven by both a significant increase in volume in existing canopies and by the addition of new canopies. Current volume is approximately 73 million litres per week (including Caltex Alliance sites). During the year we added 97 petrol stations (including 73 Alliance sites) bringing the total at the end of the year to 456 petrol stations including 117 Woolworths/Caltex Alliance sites. We are well on track to achieve our target of 470 canopies. As need dictates this number will increase further.

As expected Petrol EBIT margins improved during the year which, combined with continuing cost control, resulted in EBIT increasing to $36.3 million or 95.2% increase over the prior year.

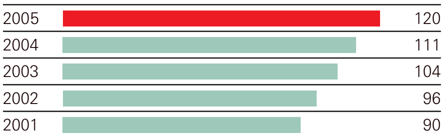
Wholesale

Following the closure of the AIW business in prior years, the Wholesale Division (including Statewide Independent Wholesalers (SIW) in Tasmania) recorded an operating profit of $2.4 million compared with $1.8 million in the previous year.

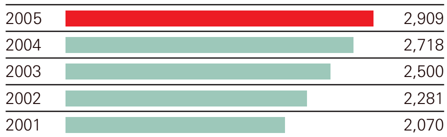


GENERAL MERCHANDISE

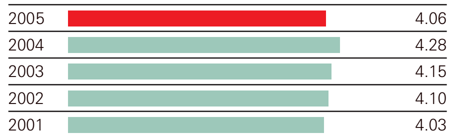
BIG W Stores



BIG W Sales ($ million)



BIG W EBIT to Sales (%)



BIG W recorded a reasonable result in a difficult market. The 2004/2005 year saw the division achieve sales of $2.9 billion and EBIT of $118 million with cost of doing business falling by 25 basis points.

The discount store market has moved in recent years and BIG W needed to undertake a period of repositioning in this competitive market. We believe the business is now well placed moving forward with most of the major adjustments and repositioning having been completed.

Sales increased 7.0% in the face of tough competition, with an increase in comparable store sales since the second quarter. BIG W's comparable sales increase was 2.4% for the year. The fourth quarter was a difficult quarter compared to last year because of the significant boost in business in the prior year resulting from the once off Government family assistance package. Despite this, our June sales were better than expected. It should also be remembered that the Government family assistance package impacted the first few weeks in July last year which will affect the relative performance of the first quarter of FY06.

Nine stores were opened during the year taking the total number of stores in the division to 120. We anticipate growing this chain in the order of six to 10 stores each year to at least 150 stores.

BIG W is committed to its "Everyday Low Price" strategy, underwritten by ongoing cost reductions, which has been the cornerstone of the division's consistent growth in sales and earnings over the past decade. BIG W's reduction in cost of doing business this year was a significant achievement. During the year BIG W continued to strengthen its "Everyday Low Price" position in the market resulting in the EBIT margin falling by 22 basis points.

Funds employed increased during the year due to stock levels being up 1.9 days as a result of two additional new stores opening in June this year compared to last year and investment purchases at year end. Capital expenditure was also higher during the year due to the extension to an existing warehouse and increased store refurbishments.

BIG W
2004/05 Financial Summary

	2005 52 weeks	2004 52 weeks	Change
Sales ($m)	2,908.7	2,717.9	+7.0%
Gross margin (%)	29.79	30.25	-0.46% pts
Cost of doing business (%)	25.73	25.98	-0.25% pts
EBIT to sales (%)	4.06	4.28	-0.22% pts
EBIT ($m)	118.0	116.2	+1.5%
Funds employed ($m)	371.9	325.7	+14.2%
Average return on funds employed (%)	33.8	39.0	-5.2% pts

CONSUMER ELECTRONICS

Consumer Electronics Stores

2005	342
2004	330
2003	348
2002	366
2001	369

Consumer Electronics Sales ($ million)

2005	1,008
2004	886
2003	791
2002	759
2001	418

Consumer Electronics EBIT to Sales (%)

2005	5.14
2004	4.98
2003	4.68
2002	4.25
2001	7.37

Consumer Electronics 2004/05 Financial Summary

	2005 52 weeks	2004 52 weeks	Change
Sales ($m)	1,007.5	886.3	+13.7%
Gross margin (%)	30.38	31.59	-1.21% pts
Cost of doing business (%)	25.24	26.61	-1.37% pts
EBIT to sales (%)	5.14	4.98	+0.16% pts
EBIT before goodwill ($m)	55.0	48.2	+14.1%
EBIT after goodwill ($m)	51.8	44.1	+17.5%
Funds employed ($m)	236.1	220.4	+7.1%
Average return on funds employed (%)	22.7	18.9	+3.8% pts

This was an excellent year for our Consumer Electronics business, highlighted by sales growth of 13.7%, a significant reduction in the cost of doing business of 137 basis points and an EBIT increase of 17.5%.

Competitive pricing and a strong retail offering have been key factors in driving sales growth in the Dick Smith Electronics and Tandy businesses for the year of 13.7% and comparable store sales growth of 11.3% over the year was experienced in computers, digital cameras, MP3 players and home entertainment categories.

The cost of doing business reduced, as planned, from 26.61% to 25.24%. This enabled us to reduce prices to our customers with gross margin falling 121 basis points. As a result, EBIT (after goodwill) has risen faster than sales at 17.5% with EBIT margin rising 16 basis points to 5.14%.

Inventory control was strong with days stock on hand at year end down 3.5 days, compared with the previous year, on a sales growth of 13.7%.

Hotel sales have been driven by continued growth in major markets including Queensland and Victoria. Since the ALH acquisition we have been focusing on repositioning and improving the performance of all areas and in particular, gaming and on-premise liquor.

Gaming revenue continues to grow in Victoria and Queensland, with Queensland revenue in the second half impacted, as expected by the introduction of smoking bans.

Buying margins have and will continue to improve as a result of moving to Woolworths liquor buying terms.

ALH's Hotel results for the period from 1 November 2004 and MGW's Hotel results for the period from 3 January 2005 (which are included in the Woolworths Group) are as follows:

Hotels(1)

Hotels	2005 (since acquisition)
Sales ($m)	415.8
Gross margin (%)	82.66
Cost of doing business (%)	69.46
EBIT to sales (%)	13.20
EBIT before goodwill ($m)	64.8
EBIT after goodwill ($m)	54.9

(1) ALH/MGW retail liquor results are included in the Supermarkets' Food and Liquor results which is consistent with the treatment of our other retail liquor operations. With respect to ALH/MGW's other on-premise liquor, food and accommodation and gaming operations, these have been categorised into one segment called "Hotels". The BMG assets that are Hotel related will also be included in this category. BMG's retail liquor results will be included within Supermarkets' Food and Liquor.

There have been noticeable improvements in CODB attributable to a number of initiatives implemented post-acquisition, namely:

- restructuring of corporate offices; and
- implementation of operating efficiencies at venues.

No redevelopment profits have been realised due to the current suspension of our venue redevelopment program, pending determination of the optimum way forward. Dan Murphy's sites will be a key aspect of this development providing in excess of 40 sites.

At the end of the financial year we had a premium portfolio of 169 Hotels (ALH/MGW) which will be further enhanced once we consolidate BMG's Victorian operations.

Woolworths' Focus Is:

WOOLWORTHS' FOCUS IS PROJECT REFRESH

Project Refresh, since its commencement in 1999, has concentrated on a number of initiatives including a business restructuring program, which saw significant changes in the way we do business, as well as numerous cost reduction programs.

Over the past six years, Project Refresh has delivered cost savings amounting to 3.78% of sales (excluding ALH/MGW). Measured in dollars, this was a cumulative saving over the last six years of $3.6 billion.

Our current focus is on our end-to-end supply chain improvement program.

Our supply chain strategy was developed after evaluating systems and logistics features of leading global retailers and determining an appropriate and optimum solution for Woolworths.

This solution addresses the following key design considerations:

– common integrated systems required to support supply chain operations;
– store supply chain costs (from the Supermarket back dock to the shelf);
– distribution centre (DC) location and numbers;
– DC function (cross-docking and flow-through);
– composite supply chain (integrating cold and ambient);
– transport management (primary and secondary freight); and
– process improvements across the network.

Right
The Minchinbury Regional Distribution Centre in New South Wales is one of nine RDCs in Woolworths' network. A 'state of the art' temperature controlled facility will open at the site in the first half of the 2006 calendar year.

Woolworths' Focus is Project Refresh

Woolworths carried out extensive and detailed planning to ensure each initiative will be effective on implementation. The overall plan consists of a series of detailed plans which are individually monitored in terms of costs, functionality and timing to ensure all aspects are delivered. Each initiative is, on its own, a significant improvement. However, the interaction of these initiatives provides greater impetus to the overall project outcomes, benefits and Woolworths' competitive position.

Significant progress has been made to date with implementation now well down the track on many of the major projects, a brief overview of which is provided below.

We have introduced "Everyday Low Prices" (EDLP) for key icon lines in Supermarkets. There has been strong customer acceptance of this offer, and this offer will continue to develop as cost reductions are realised.

The technology required to support our new supply chain is critical to its success and was complex in its construction. We have passed the high risk part of our IT application development and are now applying the systems throughout our Company with far better than expected results.

Our inventory replenishment program is progressing well. As previously reported, Stocksmart (DC forecast-based replenishment) was implemented fully in our DCs last year, as was the rollout of AutoStockR (store forecast-based replenishment) to all supermarkets five months ahead of the original schedule and under budget. During the current year we have started to benefit from the significant advantages that these systems provide, and more will follow as we rollout our new Point of Sale technology during 2006. Further, we are expanding AutoStockR to cover other areas not originally planned as it has been so successful with our staff.

Supermarket DCs will be reduced from 31 DCs to nine Regional Distribution Centres (RDCs) and two National Distribution Centres (NDCs). The strategic location of these DCs is critical to optimise network efficiencies. Our Perth RDC was completed ahead of schedule and within budget and is now fully operational. This site forms the "blueprint" for our future RDC transitions. The Wyong, Wodonga, Townsville and Brisbane sites are on budget and on schedule. Construction is well advanced and we expect Wyong and Townsville to be operational later this year with Brisbane and Wodonga coming on line in 2006.

The coming financial year will, as a result, see a significant next step with the completion of the majority of our new distribution centre network and the transition from the old to the new DC network. This, together with the enabling systems already developed, represents a major achievement and significant strategic benefit to Woolworths.

During 2004/05 investment in existing distribution centre infrastructure has been undertaken in NSW, VIC and SA to enable the future DC network. The SA site is now fully operational as an RDC with the Mulgrave site now also fully operational as an NDC. Yennora is expected to be operating as an NDC before the end of calendar year 2005. Work is well underway at our Minchinbury RDC and we expect the new temperature controlled section of this facility to be operational in the first half of the next year.

The rationalisation of DCs, combined with new cross-dock and flow-through processes, supported by new warehouse management systems, will utilise very effectively our site advantages and further reduce cost and stock levels.

Reducing the volume of our direct store deliveries and introducing electronic store delivery will reduce costs by utilising our DCs' infrastructures as well as eliminating administration costs. The cost of transport from DCs to stores will also be reduced.

For stores, the introduction of phased replenishment store restocking capabilities along with store-ready unit load devices (e.g. shelf-ready trays) and roll cages, will reduce overall costs.

Roll cages have been successfully implemented in Western Australia with expectations having been exceeded. Rollout into Victoria, South Australia and Queensland is planned over the coming months.

The cost of inbound freight will be reduced by Woolworths' management of inbound freight volumes into our DCs and utilising a Transport Management System (TMS). With the TMS now implemented for primary freight, a new secondary freight system is being piloted to ensure the optimisation of transport loads and routes, and visibility of stock in transit at any point in time. Rollout will commence later this year.

Woolworths values its relationship with its suppliers and aims to work with them to improve efficiencies across the supply chain to our mutual advantage. The advent of improved technology will further enhance mutual partnership benefits with our suppliers. We will do this through collaboration with our vendors, sharing information, requesting feedback on areas to improve and by harnessing innovation to realise mutually beneficial outcomes.

Workshops have been conducted nationally with our vendors which involve interactive sessions developing collaborative business plans to deliver key outcomes.

Overall our supply chain initiatives are well underway and on track. We are moving to full operational implementation with the resulting benefits.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WOOLWORTHS' FOCUS IS GROWTH

Australian Leisure and Hospitality Group (ALH) and MGW Hotels (MGW)

During the second quarter of FY05, we secured control of ALH and have consolidated their results into the Woolworths Group from the end of October 2004. ALH is 100% owned by Bruandwo Pty Ltd, which in turn is owned by Woolworths (75%) and the Bruce Mathieson Group (25%). Bruandwo also owns 100% of MGW which has been consolidated from 2 January 2005. The Victorian hotel, club and liquor retailing operations of the Bruce Mathieson Group (BMG) will be consolidated into Bruandwo once the necessary gaming licence approvals are obtained. These approvals are expected before the end of the 2005 calendar year.

Excellent progress is being made on the integration of ALH. The ALH retail liquor business is now being managed as part of Woolworths total retail liquor business with BMG managing the Hotel portfolio. Corporate overheads have been significantly reduced and Woolworths buying terms have been implemented. Significant opportunities exist to expand our retail liquor offering, in particular Dan Murphy's. Other potential property opportunities are currently being reviewed. Plans to improve the operating performance of the Hotels are being implemented. We are tracking as expected against our planned benefits from the acquisition.

Foodland Associated Ltd (FAL)

Woolworths is currently in the process of acquiring FAL's current New Zealand business plus 22 Australian stores via a Scheme of Arrangement. The acquisition consideration comprises $1,250 million cash less any Foodland net debt assumed by Woolworths and approximately 81.6 million Woolworths shares. The cash consideration will initially be funded by a Bridge Facility and will be refinanced with longer term debt (in the short term). The current timetable for the acquisition sees effective ownership pass to Woolworths around late November 2005.

We recognise the strength of the New Zealand business and the many improvements the FAL management team has made to the business in recent years. We believe that with our support and the backing of Woolworths we will be able to assist them to further grow and broaden the New Zealand business, providing further opportunities for employment. We will welcome employees of FAL New Zealand and the Australian stores into the Woolworths Group in due course.

Woolworths expects to identify opportunities which may enhance the performance of the New Zealand business in various respects including:

- by reducing costs through:
  - obtaining improved buying terms;
  - applying Woolworths' supply chain and logistics technology to reduce supply chain costs and practices; and
  - eliminating the duplication of head office functions between Woolworths and the New Zealand business;
- by improving the working capital of the business mainly by better inventory management;
- by applying Woolworths' operational expertise to enhance overall performance, through improving store range, merchandising, store layout and in-store execution; and by applying fair and consistent pricing – all of which will grow sales;
- by implementing strategies to deal with loss-making and underperforming stores; and
- by investigating the viability in the New Zealand marketplace of introducing new formats including general merchandise, liquor and pharmacy.

In respect of Australia, the 22 stores will further enhance the Woolworths store network, particularly in Western Australia.

The Woolworths strategy

Woolworths' strategy is to continue to drive its core retail business, bringing to its customers greater convenience and quality, the best ranges and consistently lower prices across all of its businesses. We have and will continue to be able to reduce prices through Project Refresh initiatives that encompass major changes to our systems and logistics. Much of this has been in gestation for the last five years and will result in further significant cost savings as we move further into implementing these initiatives.

Woolworths aims to achieve this vision through simultaneous growth in sales combined with further reductions in the cost of doing business. These strategies are combined with capital management including inventory reduction and the opportunity for further share buy-backs to drive growth in Earnings per Share.

Woolworths targets four key areas of performance measurement for its business in the long term:

– Sales growth in the upper single digits assisted by "bolt-on" acquisitions;
– EBIT growth outperforming sales growth assisted by cost savings;
– EPS growth outperforming EBIT growth assisted by capital management; and
– Maintenance of its A– credit rating from S&P.

Woolworths' long-term objective is that EPS growth will outperform EBIT growth. However, where Woolworths undertakes major acquisitions which result in the need to defer its normal ongoing capital management initiatives for a period of time, EPS growth in relation to such periods will not necessarily outperform EBIT growth.

EPS growth for the financial year ended 26 June 2005 has been impacted by Woolworths entering into an Underwriting Agreement in relation to the Woolworths Dividend Reinvestment Plan and the fact that Woolworths did not undertake any share buy-back activity in the financial year. These steps were taken in order to maintain Woolworths' S&P A– credit rating following the acquisition of ALH during the year. EPS has also been affected by the issue of Woolworths shares pursuant to Woolworths' Employee Share and Option Plans.

Woolworths is successfully delivering its strategy of capitalising on opportunities for continuing growth in both sales and earnings. These include the following:

Increased emphasis on private branded goods

Woolworths' product range features the major industry brands and a strong private label business. Woolworths Homebrand is at the leading price point in the market with the best quality at that price point. Homebrand continues to be Australia's largest selling grocery brand. In addition, where we can establish a definable point of difference we will continue to expand the Woolworths "Select" premium range of Woolworths branded product. Woolworths "Select" will be the best quality in the range for the category, providing a significant price advantage to customers (relative to comparable quality products).

Woolworths will continue to develop and grow national brands – we are committed to this. Furthermore where possible Australian sourced products are always given preference. In addition, we have an extensive Australian product import replacement program underway.

Opportunity to grow market share

The Australian Food, Liquor and Grocery (FLG) market continues to be very competitive by world standards. According to independent industry consultants, Dimasi Strategic Research, the Australian FLG market is approximately $75 billion per annum. Of this market, Woolworths has approximately 28% FLG market share. Independent operators and smaller chains collectively occupy nearly 50% of this FLG market. The majority of bread, meat, fruit and vegetables are sold through the independent retailers. We will continue to develop our fresh food business on the range, quality and strong brand position we already possess in this segment.

Defined plans to continue space rollout

It is anticipated that Woolworths will continue to open 15 to 25 supermarkets each year for the foreseeable future, which together with the continued expansion of existing stores, will increase its trading area by more than 3% per year. It is intended to increase the number of BIG W stores by six to 10 each year, from 120 today to a target of 150. Dan Murphy's is expected to open between six and 12 liquor outlets per year. The petrol business presently has 458 outlets including 117 Caltex co-branded Alliance sites, with an overall target of 470 outlets.

Woolworths' ability to secure retail sites is enhanced by its high sales per square metre. Woolworths' store expansion program is supported by detailed plans for the next three to five years identifying specific sites.

Expansion of new and existing categories

Woolworths has considerable experience in introducing new business and product categories and store formats, including liquor, petrol, consumer electronics and hotels and expanding existing categories and formats in areas such as fresh food. Woolworths considers that there are further opportunities to branch into new categories and formats while continuing to expand existing categories and formats.

Woolworths is targeting growth in its liquor retailing operations. Despite Woolworths being the largest packaged liquor retailer in Australia, it currently has a low market share of packaged liquor. Woolworths' retail packaged liquor sales for the financial year ended 26 June 2005 were approximately $2.6 billion.

The trend towards gradual deregulation of both trading hours and product restrictions continues to improve sales. Queensland, South Australia and Tasmania have increased trading hours to include Sundays and, in January 2006, a change to liquor licensing regulation in Victoria is due to occur under which the cap on the number of liquor licences that a single entity may hold will be removed.

Continued focus on improved in-store execution and service

Woolworths will continue to focus on improving in-store execution, ranging, stock availability and customer service and as cost reductions and productivity benefits are achieved this will benefit customers further.

Lower prices – a sales driver

Further cost savings will enable Woolworths to lower prices driving volume increases. Cost savings going forward will be underpinned by implementing an end-to-end supply chain improvement program.

Acquisitions

ALH was a unique and strategic acquisition that provides an excellent platform for further growth. The strength of Woolworths' balance sheet allows Woolworths to consider further bolt-on and larger acquisition opportunities should they become available within its core business competencies.

International opportunities

With the successful acquisition of FAL, Woolworths will have a solid retail base in New Zealand with opportunities to develop that business further.

Woolworths is currently negotiating with the Tata Group to develop a consumer electronics business in India with Woolworths providing sourcing, wholesaling and some management support. The Tata Group will manage the retail operations.

We remain confident that Woolworths will deliver its indicated growth targets to shareholders.

WOOLWORTHS' FOCUS IS CAPITAL MANAGEMENT

Balance sheet

Inventory at the year end increased by 7.1% on a sales increase of 12.2%. This translated to a 1.5 day reduction.

Trade creditors and other creditors decreased marginally from 44.9 days last year to 44.0 days this year.

Fixed assets and investments have increased from $2,758.8 million last year to $3,581.9 million. This is mainly due to fixed assets acquired as a result of the acquisition of ALH/MGW, the purchase of additional properties and construction costs as part of the expanded distribution centre network. With respect to our Norwest Support Office facility, Woolworths has entered into financial arrangements with Westpac Office Trust which effectively results in a sale of this facility. In respect of these arrangements Woolworths received $242 million on 5 August 2005 and has entered into lease arrangements for Norwest. The centralisation of all our currently widely spread operations around Sydney to Norwest will result in significant benefits going forward.

Intangibles have increased from $572.3 million last year to $2,011.4 million. This increase has been largely driven by the acquisition of ALH/MGW resulting in the acquisition of liquor licences, gaming licences and property development rights, with an acquisition value of $1,006 million and goodwill of $429 million.

Net repayable debt increased by $2,253.3 million to $2,417.2 million compared with the previous year of $163.9 million. This increase has arisen mainly as a result of the debt incurred for the acquisition of ALH $1,276 million and debt in the books of ALH of $124 million and MGW of $300 million. The $600 million Woolworths Income Notes are now included as debt on the Balance Sheet whereas previously they were included as equity.

ROFE in 2004/05 was 38.7%. ROFE declined during the year as planned, primarily as a consequence of the acquisition of ALH/MGW with funds employed being fully included, however, the returns in relation to these acquisitions relate to only part of the year.

Capital management

Woolworths currently sets its capital structure with the objective of maintaining its A– credit rating.

To the extent consistent with this, Woolworths undertakes capital return strategies that seek to increase EPS and distribute franking credits to shareholders, mainly through ordinary dividends and share buy-backs. Over the past six years, over $3,853 million, comprising off and on-market buy-backs and dividends, has been returned to shareholders (including the final dividend for the financial year ended 26 June 2005). Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities, such as the ALH and FAL acquisitions.

To assist in strengthening the Balance Sheet, Woolworths has entered into an Underwriting Agreement in connection with the Woolworths Dividend Reinvestment Plan (DRP) by which an amount equal to 100% of all interim and final dividends payable in the calendar years 2005 and 2006 (including the amount of such dividends that Woolworths shareholders elect to receive in Woolworths shares pursuant to the Woolworths DRP) is reinvested in Woolworths Shares.

Woolworths will re-examine opportunities for future share buy-backs once the integration of ALH and the FAL acquisition and integration are completed. Our capital structure going forward will preserve our capital strength to retain flexibility to pursue further growth opportunities.

Franking credits available for distribution as at 26 June 2005 amounted to $606.3 million (prior to final dividend).

Central overheads and net property income

Central overheads have decreased marginally ($1.1 million) due to $3.7 million received in relation to the investment in ALH. Excluding this, central overheads would have increased by 3.3%.

Net property income was marginally less than the previous year due to the timing of property development activity.

Current trading and future outlook (excluding FAL)

We anticipate overall Group sales growth for 2005/06 to be in the upper single digits.

We also anticipate that EBIT will continue to grow faster than sales in 2005/06.

Net profit after tax for 2005/06 is expected to grow in the lower double digits.

Our long-term EPS objective is to outperform EBIT growth, assisted by capital management. However, in 2005/06, EPS will be impacted by shares issued under the Group's Employee Share Option Plans and the shares issued under the Dividend Reinvestment Plan underwriting.

This guidance is given subject to current retail trading patterns and the present business, competitive and economic climate continuing.

WOOLWORTHS' FOCUS IS PEOPLE POWER

At Woolworths, we understand how important people are in making Woolworths a stable and successful organisation. As our business continues to grow and expand, invest in new technologies and venture into overseas markets we continue to look at new ways to attract, retain and develop people. Our employees' experience and knowledge of our business is one of our most valuable assets and contributes to ensuring that we perform and are able to change and grow in a competitive retail market. We focus on developing our team to ensure that we can deliver what is important to our shareholders, customers and employees.

Key to our success is our ability to harness and develop the talent already in our business and provide career opportunities to all employees. We employ more than 145,000 people, half of whom are young people under the age of 25. We are one of the largest employers of trainees and apprentices in Australia offering traineeships across a number of divisions including Supermarkets, Dick Smith Electronics, BIG W, Supply Chain, Liquor and Petrol. Last year we also employed and enrolled 1,100 school-based trainees. These are young people attending school, earning money working for Woolworths whilst gaining a nationally recognised Certificate II qualification in retail.

Woolworths has a strong culture of developing and promoting people from within the business and provides many opportunities for employees to grow and reach their potential. We are continuing to encourage cross-divisional and cross-functional moves whether it be by promotion, appointments to new roles for development or working on projects driving change in our business such as the Mercury Project. We also offer a number of tailored development programs at all levels including trainee buyer programs and store management programs. The Woolworths Academy and our partnership with the Macquarie Graduate School of Management (MGSM) also allows us to offer a mixture of structured on-the-job and formal education from induction through to university level programs for all Woolworths employees.

This ensures that our people have the knowledge and experience to grow the business further. In addition, the tertiary programs offered are practical, looking at real projects and issues in our business with senior managers playing a role in delivering Woolworths-specific content.

We believe all our managers are responsible for attracting, and retaining employees, training them and ensuring their safety. We measure managers' performance on labour turnover, training delivery and safety achievements, and link their performance on these indicators to their annual bonus payment. These measures help provide our customers with great service and fresh quality product each and every time they shop with us.

In recognising the importance of our people to delivering outcomes, in excess of 45,000 current employees participate in various equity-based schemes, sharing in the Company's success and aligning their experience with that of other shareholders. We have 1,360 employees who have been with us for more than 25 years and the average length of service of a supermarket store manager is 16 years. This is a remarkable achievement in the current business environment and demonstrates the diverse opportunities available to our people and the passion that they have for our Company.

Each year many of our employees go above and beyond their day job to make a substantial contribution to the community. This year we formed the Woolworths Australian Communities Foundation, bringing together the good work already done by our people and launching the first initiative of the Foundation, the Employee Matching Award Scheme. The Foundation provides them with the support to make an even bigger contribution. Without the generous attitudes and outstanding work of our people we would not be able to make such a fantastic contribution to communities across Australia.

The people who make up our business have always been important and as we grow and expand into new markets here and overseas we are ensuring that we develop our people to deliver the best in returns to our shareholders and service to our customers.

WOOLWORTHS' FOCUS IS CORPORATE SOCIAL RESPONSIBILITY

As Australia's leading food retailer, we at Woolworths recognise that we have a significant environmental, social and economic footprint in the communities in which we operate. Inherent in this commitment is greater transparency of reporting, which is why Woolworths will soon release its Corporate Social Reponsibility Report for 2005.

This Report represents a summary of our environment and social performance. It also details examples of activities that are occurring in our business to improve this performance, some examples that are occurring in our business today are in the following areas:

Environment

Woolworths recognises that practical, efficient and sustainable environmental strategies are frequently also our preferred business strategies. The Company therefore encourages and supports practical, cost effective and achievable environmental management which both recognises community and shareholder expectations and over time adds to shareholder value.

The key impact areas that we have identified are as follows:

Electricity consumption and the associated greenhouse gas emissions
We are committed to reducing our energy consumption and emission of greenhouse gases both in stores and support offices. In developing efforts to reduce energy consumption, it has been recognised that this is best achieved by targeting areas that use the greatest amount of energy. This tends to be refrigeration, lighting and temperature control.

Store waste going into landfills and recycling
We are committed to minimising the amount of waste produced and ensuring that we have responsible disposal and a robust recycling programs. Key to these programs is the exploration of various recycling programs within our stores to minimise the amount of generated waste. In addition, initiatives emanating from Project Refresh such as roll cages and shelf-ready trays are also having a direct bearing on our reduction in waste volumes.

Packaging used in our operations and by our customers
A significant step for Woolworths was the initial commitment to the National Packaging Covenant. Through our ongoing objective of reduction in packaging and plastic bag litter, Woolworths will pursue a "lifecycle" approach to the management of packaging waste, including the reduction in use of plastic checkout bags.

We have achieved a reduction in plastic checkout bags issued by over 35% in the last 18 months.

Fuel consumption and associated greenhouse gases in our vehicle fleet
A number of transportation and distribution initiatives within Project Refresh, such as consolidation of store deliveries, are having a positive environmental impact.

We believe that increased transport efficiencies mean less actual trips are required with a resulting positive environmental outcome. Cost savings convert to real energy savings and this is one of the real benefits of responsible and effective transport management.

Petrol stations and management of leakage risks
At Woolworths we recognise that as our network of petrol canopies has expanded, we need to vigilantly manage our relationship with the environment given the adverse impact petroleum products can have if not managed effectively. One of the ways we are doing this is to adopt industry best practice on facilities and equipment safety monitoring and control standards and site management.

Working with our suppliers
In respect of Woolworths Private Label brands, a Quality Assurance ("WQA") hygiene and safety standard applies in which suppliers and trade partners are required to implement all relevant areas as part of the certification program in order to deal with us. This is a program that both we at Woolworths and our suppliers take seriously and bi-annual audits are conducted to ensure compliance to the WQA standard requirements. The program also addresses environmental issues such as packaging as well as social accountability and labour.

Social performance

Social performance can take on a variety of forms and at Woolworths we are sensitive to make sure we constantly look inwards to ensure that we both manage expectations carefully and deliver practical and beneficial outcomes in a cooperative environment. Areas that we consider key include:

Anti-Discrimination and Equal Employment Opportunity
Woolworths is committed to providing a working environment where everyone is treated fairly and equitably and with dignity, courtesy and respect both in the workplace and in all our communications.

Woolworths believes in the value of all of its people and encourages all employees to achieve their personal goals within the Company through the diversity of opportunities available. Key to our succession planning strategy is to identify and develop the talent from within our teams to develop our future leaders.

Training and education
All of our people, whether in stores or support functions, know our businesses extremely well. Our employees' experience and knowledge of how our businesses operate is one of our most valuable assets and contributes to our ongoing success.

The Woolworths Academy offers structured formal education from induction through to university level programs for Woolworths' employees, providing our people with the skills and knowledge they need to take our business into the future.

Health and safety
We believe that no task is so urgent and no service so important that we cannot do it safely. The safety and health of all our people carries the same priority as any other business function at Woolworths.

Privacy and confidentiality

At Woolworths we aim to ensure that every employee has the necessary information to perform their job. However, we recognise that we are bound to protect this information and therefore we have incorporated appropriate privacy and confidentiality clauses into our Code of Conduct that all employees must observe.

Conflicts of Interest/gifts and gratuities

Woolworths is committed to ensuring all business relationships with suppliers are carried out fairly, openly and based on professional integrity. As a matter of Company principle we do not give or receive gifts and gratuities.

WOOLWORTHS' FOCUS IS CORPORATE SOCIAL RESPONSIBILITY

Community involvement

At Woolworths, commitment to the community is a fundamental part of our culture. We raise millions of dollars each and every year to help create a brighter, healthier future for Australian families and the communities in which we all live.

To enable us to better support the efforts of our staff, customers and suppliers, the Woolworths Limited Australian Communities Foundation was established in 2004 to coordinate and focus our charitable activities across three key areas.

1 The Wellness of Children
Woolworths is committed to safeguarding the health and wellbeing of Australia's children, assisting in the fight to prevent, treat and alleviate disease. Ensuring a healthy future for all our children is a fundamental priority for Woolworths' 145,000 employees which is why it will continue to be a key focus of our charity support programs.

Children's Hospitals Fundraising
Woolworths has been a major contributor to Australian Children's Hospitals for over 10 years with fundraising efforts centred around our annual Fresh Future and Big Heart Campaign. The record breaking $3.5 million raised in 2004's campaign will make a real difference in helping to save lives and improve the long-term health prospects of sick children across the country.

2 Rural and Regional Australia
The sustainable future of Australia's rural communities is critical to Woolworths. As a major supermarket chain, we are mutually reliant on Australia's primary producers to supply us with the products to stock our shelves.

We develop long term, sustainable relationships with our primary product suppliers to enable them to invest in the growth and efficiency and in the development of the quality and innovation of their products.

The Fred Hollows Community Stores Program
Woolworths continues to support this excellent initiative to assist indigenous communities in the Katherine area of the Northern Territory with the sustainable and profitable operation of their locally owned and operated stores.

In addition to providing greater access to nutritious food, the project is also generating employment, economic growth and educational development.

In 2005 this project won the 2004 large business category of the Australian Prime Minister's Award for Excellence in Community Business Partnerships.

Harmony Day
Woolworths is a proud sponsor of Harmony Day which is Australia's largest multicultural event organised by the Federal Department of Immigration. In 2005, over 150 stores helped to celebrate the ethnic diversity of their communities.

Australia Day
Woolworths is a long-term partner of the Australia Day Council through our exclusive sponsorship of its inspirational Australian Ambassador's Programme. The Programme encourages high achieving Australians from a wide range of fields to participate as Australia Day Ambassadors in local community celebrations across Australia.

3 Education and Employment
As one of the nation's largest employers of young people and apprentices, recruiting talented people is essential to the ongoing growth of our Company. By helping young people to develop their own skills and potential, we can put them on the right track to a successful future career.

Students in Free Enterprise (SIFE)
SIFE is a unique international, not for profit organisation which, through the support of business, invites university students to set up practical, free enterprise focussed, educational outreach projects that benefit the community.

Heritage Posters
Woolworths Limited has been producing the Australian Heritage Posters for more than 20 years. These have been distributed throughout Australian schools in every State and Territory and have been available to the general public via mail order.

They cover events, people and facts of a uniquely Australian nature and provide both historical and educational information in a concise format.

Grass roots community support

In addition to the areas noted above, we also support additional "grass roots" activities which are focused on the specific needs of the local communities in which we operate. Activities designed to assist these communities include:

1 Local Community Support Program
All of our supermarkets have the capacity to assist worthy causes in their local area under our Woolworths in the Community Program. In the last year alone, this program has helped to channel over $3 million directly back into our local communities.

2 Employee Matching Award (EMA) Scheme
A brand new initiative designed to empower all our staff members to raise money for charities close to their hearts or their homes. Employees apply to the Foundation for an EMA which will match the amount they raise for approved charities up to a specified amount.

Right
Patients at the Children's Hospital at Westmead launch the 2005 Fresh Future Appeal.

Below
Adrian Bush-Blanasi (front) and Duwanne Lane (rear) in Wuduluk Community Store in Wugularr, east of Katherine in the Northern Territory. Photo courtesy of Wayne Quilliam.

Woolworths Fresh Future Children's Hospital Appeal

BOARD OF DIRECTORS

James Alexander Strong

Chairman of the Board and Corporate Governance Committee, Member, Audit Committee and Personnel Policy Committee.

Mr Strong is Chairman of Insurance Australia Group Limited (IAG) since August 2001, and Rip Curl Group Pty Ltd since December 2001. He is also a member of the Boards of various Arts and Sporting organisations.

He was the Chief Executive and Managing Director of Qantas Airways Limited until March 2001, and previously the Chief Executive of Australian Airlines Limited, Managing Partner and National Chairman of Corrs Chambers Westgarth Solicitors and Group Chief Executive of DB Group Limited (New Zealand). He was appointed a Director of Woolworths Limited in March 2000 and Chairman in April 2001. Age 61.

Roger Campbell Corbett
AM, BCom, FAIM

Group Managing Director and Chief Executive Officer, Member Board of Trustees, Woolworths Group Superannuation Scheme.

Mr Corbett was appointed Group Managing Director and Chief Executive Officer in January 1999, having been Chief Operating Officer since July 1998, Managing Director, Retail since July 1997 and Managing Director of BIG W since May 1990.

Mr Corbett has had more than 40 years' experience in retail and was previously Director of Operations and a Director of David Jones (Australia) Pty Limited as well as Merchandising and Stores Director and a Director of Grace Bros. Mr Corbett was appointed a non-executive Director of Fairfax Holdings Limited in February 2003. He was appointed a Director of Woolworths Limited in 1990. Age 63.

Diane Jennifer Grady
BA (Hons), MA, MBA

Chairman Personnel Policy Committee and Member Corporate Governance Committee.

Ms Grady is a Director of Bluescope Steel Ltd since May 2002 and Wattyl Limited since December 1994. Previously Ms Grady was a Director of Lend Lease Corporation until July 2002, MLC Limited, and Lend Lease US Office Trust until November 2003. She recently retired as President of Chief Executive Women and as a Trustee of the Sydney Opera House. Prior to becoming a professional independent Director, Ms Grady spent 15 years at McKinsey and Co. where she was the partner responsible for the firm's Retailing and Consumer Goods practice in Australia. In that capacity, she advised retailing clients in Australia, the USA and the UK on strategic, organisational and operational issues and assisted major consumer goods companies in Australia to develop strategies and trade terms for their retail accounts. Globally, Ms Grady was a worldwide leader of McKinsey's Change Management and Organisation Practice. She was appointed a Director in July 1996. Age 57.

Leon Michael L'Huillier
BCom (Hons), MBA, M Phil

Chairman Audit Committee, Member Corporate Governance Committee, Director and Chairman Audit Committee of Bruandwo Pty Ltd.

Mr L'Huillier is a Director of Repco Limited since January 2002; the Chairman of its Remuneration Committee and former Chairman of its Audit Committee.

He is an experienced Chief Executive and Company Director in the grocery manufacturing and liquor industries, previously as Chief Executive Officer of Lion Nathan. He has broad experience as an independent Director of major organisations in retailing, logistics, property and financial services. He was previously a Director and Audit Committee Chairman of Fortis Limited, a Director of MPG Logistics (formerly part of Mayne Logistics) and was the former Chairman of the Australian Prime Property Fund, a major retail shopping centre Group. He is a former Director of MLC Limited, and Challenge Bank Limited. He was appointed a Director in September 1997. Age 62.

John Frederick Astbury
FAICD

Member Audit Committee and Corporate Governance Committee, Chairman Board of Trustees, Woolworths Group Superannuation Scheme.

Mr Astbury is also a Director of AMP Limited since September 2004 and of IAG Limited since April 2001. He was previously Finance Director of Lend Lease Corporation Limited and Chief General Manager, National Australia Bank Limited. He has a long career in banking and financial services in both the UK and Australia.

Mr Astbury was appointed a Director of Woolworths Limited in January 2004. Age 61.

Adrienne Elizabeth Clarke
AC, PhD, FAA, FTSE

Member Personnel Policy Committee and Corporate Governance Committee.

Professor Clarke is a Director of Fisher & Paykel Healthcare Corporation Limited since November 2001, WMC Resources Limited from August 1996 until June 2005, Tridan Limited since June 1988 and Hexima Limited since March 1998. She is Laureate Professor at the University of Melbourne with a distinguished record of achievement in the Sciences of Botany and Biology. She was previously Lieutenant-Governor of Victoria (1997-2000), Chairman of the CSIRO Board (1991-1996), a Member of the Prime Minister's Supermarket to Asia Council (1996-2001) and a Member of the Federal Government's Trade Policy Advisory Group. She was appointed a Director of Woolworths Limited in July 1994. Age 67.

Roderick Sheldon Deane
PhD, BCom (Hons), FCA, FCIM, FNZIM.

Dr Deane has an honorary LLD from Victoria University of Wellington. Member Audit Committee and Corporate Governance Committee.

Dr Deane is the Chairman of Telecom Corporation of New Zealand Limited since October 1999 (having previously held the position of Chief Executive and Managing Director). He is also the Chairman of Fletcher Building Limited since March 2001, Te Papa Tongarewa (The Museum of New Zealand) since July 2000, ANZ National Bank Limited since February 1999, the NZ Seed Fund since May 2000 and a Director of ANZ Banking Group Limited since 1994. Dr Deane is a board member and Patron of New Zealand's largest charitable organisation, the IHC; Chairman of the City Gallery Wellington Foundation, and a trustee of MOTU Economic and Social Policy Research. He was previously Chief Executive of the Electricity Corporation of NZ Limited, Chairman of the State Services Commission, and Deputy Governor of the Reserve Bank of NZ. He was appointed a Director of Woolworths Limited in April 2000. Age 64.

SENIOR MANAGEMENT

Roger Corbett
Group Managing Director
Chief Executive Officer

Tom Pockett
Chief Financial Officer

Michael Luscombe
Director of Supermarkets

Steve Bradley
Chief Logistics and
Information Officer

Greg Foran
General Manager
BIG W

Alvin Ng
General Manager
Dick Smith Electronics

Peter Smith
General Manager
Supermarket Operations

Rohan Jeffs
General Manager
Corporate Services

Penny Winn
General Manager
Mercury

Naum Onikul
Director of Liquor and Petrol

Marty Hamnett
Director of Business Development

Julie Coates
Director of Human Resources

Bernie Brookes
Director of Corporate Marketing

Peter Thomas
General Manager Property

Judy Howard
General Manager Woolworths Academy

Barry Neil
General Manager Asset Development

Ramik Narsey
General Manager Petrol

Grant O' Brien
General Manager Freestanding Liquor Operations

DIRECTORS' STATUTORY REPORT

	Franking tax rate	Dividend cents/share	Total paid/payable
	%		$m
Final 2004 dividend Paid on 8 October 2004	30	24	248.9
Interim 2005 dividend Paid on 29 April 2005	30	24	250.9
Final 2005 dividend Payable on 7 October 2005	30	27	286.6

This Report is given by the Directors in respect of Woolworths Limited (the Company) and the consolidated entity consisting of the Company and the entities it controlled (the Group) for the financial period ended 26 June 2005.

The Directors

The persons who have been Directors of the Company at any time during or since the end of the financial period and up to the date of this Report are:

J A Strong	Chairman
R C Corbett	Group Managing Director and Chief Executive Officer
J F Astbury	
A E Clarke	
R S Deane	
D J Grady	
L M L'Huillier	

Details of the experience, qualifications, special responsibilities and other directorships of listed companies in respect of each of the Directors are set out against their respective names on pages 32 and 33.

Company Secretary

Mr Rohan Kenneth Stretton Jeffs BA, LLB, LLM (Sydney University) FCIS.

Mr Rohan Jeffs joined Woolworths in June 1986 as Company Secretary and General Counsel after 12 years' experience in Corporate Law. He was appointed General Manager, Corporate Services in July 1990.

Mr Rohan Jeffs has been a Director of the Retail Industry Superannuation Trust (R.E.S.T) since 1990.

Principal activities

The principal activities of the Group during the period, consisted of food, liquor, petrol, general merchandise, consumer electronics retailing through chain store operations, together with hotel, gaming and entertainment operations.

During the year the Company significantly expanded its liquor and hotel operations which comprise on-premise liquor sales, retail liquor sales, food, accommodation, gaming and room hire, as a result of the acquisition of Australian Leisure and Hospitality Limited (ALH).

Consolidated results and review of operations

The net amount of consolidated profit for the financial period after income tax expense and Woolworths Income Notes distributions attributable to members of the Company and its controlled entities was $790.5 million (2004: $687.8 million). No extraordinary expenses were incurred by the consolidated entity in the period.

A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Group Managing Director's Report from pages 2 to 16, inclusive.

Dividends

The amounts set out above have been paid by the Company during the financial period or have been declared by the Directors of the Company, by way of dividend, but not paid during the financial period up to the date of this Report. All dividends were fully franked at the tax rate indicated.

Significant changes in the state of affairs

Other than as referred to in the Group Managing Director's Report, the significant changes in the state of affairs of the Group during the financial period are as follows.

A net increase in the issued share capital of the Company of fully paid ordinary shares as a result of:

(i) the issue on 8 October 2004 of 3,556,046 fully paid ordinary shares and the issue on 29 April 2005 of 15,975,084 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan and Dividend Reinvestment Underwriting Deed in respect of the 2004 final dividend and the 2005 interim dividend respectively;

(ii) the issue on various dates of a total of 11,368 fully paid ordinary shares pursuant to the Employee Share Plan; and

(iii) the issue on various dates, for cash at the relevant exercise price, of 20,006,854 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Executive Option Plan (EOP).

On 1 July, 2004, 7,752,750 options were granted under the EOP.

As at 26 June 2005, there were 79,311 (2004: 77,996) full-time equivalent employees of the consolidated entity and 72,834 (2004: 67,478) employed by the Company.

	Meetings of Directors whilst a Director Attended/Held	Meetings of Audit Committee Attended/Held	Meetings of Personnel Policy Committee Attended/Held	Meetings of Woolworths Group Superannuation Attended/Held	Meetings of Corporate Governance Committee Attended/Held	Meetings of ad hoc Committee(5)
A E Clarke(2,3)	15/16		4/5		15/16	1
R C Corbett	16/16			4/7	16/16	13
R S Deane(1,3)	14/16	6/6			14/16	1
D J Grady(2,3)	15/16		5/5		15/16	1
L M L'Huillier(1,3)	15/16	6/6			15/16	12
J A Strong(1,2,3)	16/16	6/6	5/5		16/16	11
J F Astbury(1,3,4)	14/16	6/6		7/7	14/16	1

Notes
(1) Member Audit Committee.
(2) Member Personnel Policy Committee.
(3) Member Corporate Governance Committee.
(4) Chairman of the Board of Trustees of the Woolworths Group Superannuation Scheme.
(5) These are meetings of ad hoc Committees which attended to special matters on behalf of the Board and meetings of Directors held by circular resolution.

Matters subsequent to the end of the financial period

Except for the matters disclosed below, the Chairman's Report and the Group Managing Director's Report from pages 2 to 16, there is, at the date of this Report, no other matter or circumstance which has arisen since 26 June 2005 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group in future financial periods.

Final dividend

On 22 August 2005, the Directors declared a final dividend of 27 cents per share, fully franked at the 30% tax rate, on each of the issued ordinary shares of the Company. The final dividend is payable on 7 October 2005.

Grant of options

On 1 July 2004, 7,752,750 options were granted under the EOP. Between 27 June 2005 and 20 September 2005 2,434,092 shares were allotted as a result of the exercise of options granted under the EOP in July 1999.

Acquisition of Foodland New Zealand business and certain Action Stores

On 25 May 2005, Woolworths Limited ("Woolworths") announced that they had entered into an agreement with Foodland Associated Limited ("Foodland") and Metcash Trading Limited ("Metcash") under which Woolworths agreed to acquire Foodland's New Zealand business and 22 Action stores (including two development sites) in Western Australia, Queensland and New South Wales for a total enterprise value of approximately $2,500 million following a demerger of those businesses by Foodland ("Transaction"). The Transaction will be effected by way of schemes of arrangement, which are currently expected to be submitted to Foodland shareholders in October/November 2005 in the absence of an alternative proposal on superior terms.

Woolworths will provide Foodland shareholders with the option to receive cash and/or Woolworths' shares subject to a total pool of Woolworths shares of approximately 81.6 million shares and a total cash pool of $1,250 million less any Foodland net debt assumed by Woolworths. The cash consideration will initially be funded by a Bridge Facility and will be refinanced with longer term debt.

Acquisition of Bruce Mathieson Group (BMG) Victorian assets

As part of the shareholder arrangements between BMG and Woolworths in relation to the ALH/MGW business owned by Bruandwo, BMG will procure the transfer and/or lease to Bruandwo of certain of its hotels, club and liquor retailing assets in Victoria. This transfer is expected to be completed prior to 31 December 2005 and will involve transfer to Bruandwo of the BMG businesses in respect of 25 hotels in Victoria, the management of nine clubs (including five AFL clubs) in Victoria and of 13 retail liquor outlets in Victoria.

Likely developments and expected results of operations

Other than comments on likely developments or expected results of certain of the operations of the Group which are included in this Report, the Chairman's Report and the Group Managing Director's Report in the opinion of the Directors, further information on likely developments in the Group's operations and the expected results of those operations have been omitted as the Directors believe it would be likely to result in unreasonable prejudice to the Group's interests if such further information were included in this Report.

Meetings of Directors

The table above sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 26 June 2005 and the number of meetings attended by each Director. The Board has previously determined that in order to deal effectively with all of the matters requiring its consideration, including ongoing strategic issues, four of the Board meetings were held over two days. In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, retail market study trips, as well as Board and Board Committee Meeting preparation and research. These additional responsibilities constitute a further significant time commitment by Directors.

Directors interests in shares/options

Particulars of Directors' relevant interests in shares in the Company as at 20 September 2005 are set out below:

Director	Relevant Interest
J F Astbury*	8,943
A E Clarke	39,323
R C Corbett	293,165
R S Deane*	40,000
D J Grady	33,801
L M L'Huillier*	119,044
J A Strong	68,647

* These relevant interests include superannuation fund, trust, joint or other ownership structure, as appropriate.

1 Introduction

At Woolworths, all of our employees play an important role in delivering the Company's financial performance and our remuneration policies have been developed to provide market competitive remuneration in order to sustain Woolworths' competitive advantage and protect the interests of shareholders.

Woolworths recognises that remuneration is an important factor in attracting, motivating and retaining talented employees, in conjunction with other elements of our approach to people management. The Woolworths Academy provides training and development for all employees to learn and develop the skills they need to succeed in their current roles and the development opportunities to enable them to reach their full potential. Effective succession planning means that employees are promoted and appointed to new challenges within the business.

Woolworths has an achievement and performance oriented culture which our remuneration policies serve to drive and support. In recognising the importance of our people to our success, in excess of 45,000 current Woolworths' employees participate in various equity-based schemes, sharing in the Company's success and aligning their experience with that of other shareholders.

2 Remuneration Policy

Remuneration policy is aligned with both our financial and strategic business objectives and recognises that people are a major contributor to sustained improvements in performance.

Woolworths' remuneration policy for all executives ensures:

– Remuneration is market competitive and designed to attract, motivate and retain key executives;
– Demanding performance measures are applied to both short and long-term "at risk" remuneration;
– Short term performance is linked to both financial and non-financial performance measures; and
– Long term performance is measured through shareholder value creation.

Company protection and employment stability is provided through pre-established employment agreements limiting the amount of termination payments and providing for restrictive covenants on future competitor employment.

2.1 Role of the Personnel Policy Committee

The Committee works closely with management to review processes and programs to ensure the Remuneration Policy is implemented. Accordingly, management provides to the Committee independent external advice on key remuneration issues, as required.
The Committee's role is to act on behalf of the Board to:

– Review the Company's overall human resource and remuneration strategies and policies;
– Review and recommend to the Board the senior executive remuneration structure based on external benchmarks and business strategy;
– Approve overall Company fixed remuneration increases;
– Review and approve the Chief Executive Officer (CEO) recommendations on Short Term Incentive Plan structure;
– Review the CEO recommendations on Short Term Incentive Plan performance measures for senior executives;
– Review and recommend to the Board the Long Term Incentive Plan structure and in particular the alignment of individual executive remuneration outcomes to shareholder value creation;
– Oversee performance management, succession planning and management development processes and programs; and
– Seek independent external advice regarding Non-Executive Directors' remuneration and their retirement benefits in accordance with a shareholder approved scheme, the Constitution of the Company and the Corporations Act 2001, and recommend any proposed changes to the Board.

Membership of the Committee consists of three independent Non-Executive Directors. Current members are Diane Grady (Chair), James Strong and Adrienne Clarke.
The members' attendance at Committee Meetings are set out on page 37.

3 Executive Remuneration including Executive Directors

3.1 Overview

Woolworths' current remuneration structure is comprised of two components:

– Fixed remuneration which is base salary, superannuation contributions and where appropriate, the use of a fully maintained motor vehicle; and
– The variable or "at risk" component is performance based and comprised of a cash based Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP).

The total remuneration package of all executives is designed to ensure an appropriate mix of fixed remuneration with short and long term incentive opportunities. The relative weighting of fixed and variable components, for target performance, varies with role level and complexity. Generally, the proportion of remuneration "at risk" increases with organisation responsibility and accountability level. Woolworths requires a significant proportion of senior executives' total potential reward to be at risk to reward performance in both the short and long term. To ensure alignment between the Company performance and individual performance, Woolworths aims to position all senior executives' remuneration at:

– The median of the relevant market for fixed remuneration; and
– The third quartile of the relevant market for total remuneration for outstanding performance.

3.1.1 Fixed Remuneration

The amount of base salary is determined by reference to independent research considering the scope and nature of the role and appropriate market rates as well as the executive's individual performance and experience. Base salaries are aligned to the median of the relevant market. Whilst Woolworths conducts annual remuneration reviews, there are no guaranteed remuneration increases contained in executive Service Agreements. Any increases are determined by individual performance, economic indicators and market data.

Woolworths targets the mix of fixed and variable remuneration as follows:

	Percentage of total target remuneration		
	Fixed remuneration %	Target short-term incentive %	Target long-term incentive %
CEO	30	35	35
Direct reports to CEO	40	30	30
Other senior executives	60	20	20

3.1.2 Variable "At Risk" Remuneration
Remuneration that is variable and dependent upon performance is delivered through the STIP and the LTIP.

3.1.2.1 Short Term Incentive Plan
The STIP has been structured to ensure that payments to the CEO and other executives are closely aligned to business performance and are designed to:

- Deliver Company performance improvements over the prior year;
- Provide rewards subject to the achievement of rigorous performance targets; and
- Align individual objectives to Company and business specific objectives.

The STIP provides an annual cash incentive that is based on a maximum percentage of the executive's base salary. The CEO's STIP is calculated up to a maximum percentage of fixed remuneration. STIP is payable upon the achievement of Woolworths' financial Key Result Areas (KRAs), as well as a component for non financial or individual performance. Generally the components are weighted 70% to financial KRAs and 30% to non financial or individual performance. However, the CEO's STIP is weighted 50% to financial KRAs and 50% to non financial KPIs. The financial KRAs may be measures such as Sales, Earnings Before Interest and Tax (EBIT), Return on Funds Employed (ROFE) and Cost of Doing Business (CODB). Non-financial measures may include objectives such as reducing staff turnover rates, safety, shrinkage or food safety compliance ratings. All targets are set at the beginning of the financial year for each business within the Woolworths Group and are measured based on improvements to the prior year.

There are three levels of targeted performance for each measure:

- Threshold, which is the minimum improvement to last year's results required to qualify for any incentive payment;
- Target, where established performance targets have been achieved; and
- Stretch, where performance targets have been exceeded.

The targets and weightings for each measure are adjusted at the beginning of the financial year to reflect the specific financial objectives of each business within the Woolworths Group for that financial year. This results in each executive having a STIP that is directly linked to their individual annual business objectives.

The Personnel Policy Committee reviews annually the ongoing appropriateness of the STIP including performance measures, weighting of performance measures, performance hurdles, and assessment of performance and reward outcomes.

3.1.2.2 Long Term Incentive Plan
The other variable remuneration component is the Long Term Incentive Plan which is designed to:

- Attract, retain and motivate all executives;
- Align executive rewards to shareholder value creation; and
- Provide rewards that are linked to the Company's strategic, financial and human resources objectives.

Long term incentives have been in place since 1993 and have been provided through various executive option plans. Since 1999, long term incentives have been provided through the Executive Option Plan which was designed to reward executives for share price and earnings growth.

Performance measures relate to cumulative Earnings per Share (EPS) growth and Total Shareholder Return (TSR) relative to peer companies. EPS and TSR offer a balance between internal and external performance indicators and are aligned to shareholder experiences. In addition, since 2002, Executive Option Plan participation has been linked to executives entering into Service Agreements that offer the Company protection and provide clarity for executives. From 2003 all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to participate in the Executive Option Plan.

At the 2004 Annual General Meeting, shareholders approved the introduction of a new long term incentive, the Woolworths Long Term Incentive Plan. The Plan has four Sub-Plans that together can provide Options, Performance Rights, Performance Shares or Cash Awards. This Plan allows the Board flexibility to determine which of the Sub-Plan's awards will be granted to deliver the overall LTIP objectives. Like the previous Executive Option Plan, stringent performance measures are set annually and relate to EPS and TSR hurdles.

In the event of cessation of employment, both the Executive Option Plan and the LTIP Rules provide the Board with discretion as to the treatment of unvested long term incentive awards.

Executive Option Plan

This Plan was approved by shareholders in November 1999. There are five tranches and each tranche is subject to performance hurdles established by the Personnel Policy Committee and approved by the Board. Hurdles relate to cumulative EPS growth and to relative TSR. As at 26 June 2005, there were 29,020,082 options issued under this Plan. This Plan was last offered with an effective grant date of 1 July 2004.

The Executive Option Plan has the following features:

- The exercise price is set at the weighted average market price of a Woolworths Ltd ordinary share on the five trading days prior to the date approved by the Board as the effective date of options for the purpose of determining the exercise period and performance hurdles;
- An exercise period that commences after five years, subject to performance hurdles being met and with a maximum exercise period of five and a half years;
- Upon exercise, each option entitles the optionholder to one ordinary fully paid Woolworths Ltd share;
- Vesting is subject to two performance hurdles based on cumulative EPS growth and relative TSR measured over the performance period;
- The performance measures, EPS growth and relative TSR are each weighted 50%;
- EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments) over the performance period;
- The EPS component vests in four tranches, dependent on attaining average annual growth of either 10% or 11% as follows:

Tranche	Percentage of options in total grant that may be exercised	Performance hurdle to be achieved	Exercise period
Tranche 1	12.5%	4 year 10% EPS	Between 5 and 5.5 years from the effective date
Tranche 2	12.5%	4 year 11% EPS	Between 5 and 5.5 years from the effective date
Tranche 3	12.5%	5 year 10% EPS	Between 5 and 5.5 years from the effective date
Tranche 4	12.5%	5 year 11% EPS	Between 5 and 5.5 years from the effective date

- The fifth tranche (50% of options) is linked to relative TSR and measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured over five years from the grant date but smoothed for three months to eliminate volatility. This reflects the increase in value delivered to shareholders over the performance period;
- TSR performance is measured against a comparator companies group comprised of the S&P/ASX 100 Industrials Index, excluding companies in the ASX Banks and Finance Accumulation Index, ASX All Resources and ASX Trusts and any companies in the comparator group that have merged, had a share reconstruction or been delisted as at the measurement date;
- TSR performance measurement for the purpose of calculating the number of options to vest is carried out by an independent third party; and
- The percentage of the total number of options granted that vest is dependent on Woolworths' ranking relative to the performance of the above comparator companies. The following table sets out the TSR vesting schedule:

Woolworths TSR equals or exceeds the following percentile of the comparator companies	Percentage of options in total grant that may be exercised
60th percentile	12.5%
65th percentile	25.0%
70th percentile	37.5%
75th percentile	50.0%

Woolworths Long Term Incentive Plan

The Woolworths Long Term Incentive Plan has four Sub-Plans as described below.

Option Sub-Plan

The Option Sub-Plan delivers a right to the holder of an option to acquire a share at a future date, subject to performance hurdles being met and the payment of an exercise price. For the 2006 financial year the Board has determined that the Option Sub-Plan will contain the same features and performance hurdles as the Executive Option Plan options granted during the 2005 financial year.

Performance Rights Sub-Plan

The Performance Rights Sub-Plan delivers a contractual right to a future grant of a Company share to the right holder at a future date, subject to the performance hurdles being met. Each Performance Right has the following features:

- It can be exercised for no monetary payment; and
- Upon exercise, each Performance Right entitles the right holder to the issue of one ordinary fully paid Woolworths Limited share.

Performance Share Sub-Plan

The Performance Share Sub-Plan provides for a contractual right to an immediate grant of Company shares to participants, entitlement to which are subject to performance hurdles being achieved. Each Performance Share has the following features:

- It can be exercised for no monetary payment; and
- Participants receive dividends or other distributions and entitlements of being an ordinary shareholder.

Cash Award Sub-Plan

The Cash Award Sub-Plan provides for participants to receive cash based long-term incentives subject to specified performance hurdles being met.

It is anticipated that the first offer under the Woolworths Long Term Incentive Plan will be made in 2005 and will be made under the Option Sub-Plan.

The Chief Executive Officer's Long Term Incentive Plan

The CEO participated in the Executive Option Plan in 2000 under the same terms and conditions as other executives but subject to a three year vesting period.

At the 2004 Annual General Meeting shareholder approval was given for the Board to grant up to 2 million options to the CEO on the basis that up to 1 million options would be granted for each of the 2004 and 2005 financial years.

The Board and CEO have since agreed that none of these options will be granted. Instead, in negotiating the CEOs extended Service Contract, the Board has agreed to replace the above arrangement with cash based incentives of up to a maximum of $3 million per annum in relation to key initiatives for the financial years ending 30 June 2005, 2006 and 2007. In addition to conventional performance measures, further measures will be considered by the Board that closely align the strategic positioning of Woolworths including:

– Growth and market share in key business categories;
– Pursuing acquisitions and alliance strategies;
– Initiation of management changes to prepare for succession and smooth transition for the new leadership team; and
– Developing further strategic initiatives to ensure future growth.

Directors and Executives

All Specified Executives were employed by Woolworths Limited during the year. The following is a list of the Executive and Non-Executive Directors and Specified Executives of Woolworths Limited and their positions at the date of this Report.

Executive Director

Roger Campbell Corbett	Group Managing Director and Chief Executive Officer

Non-Executive Directors

James Alexander Strong	Chairman of the Board and member of the Audit Committee and Personnel Policy Committee
Leon Michael L'Huillier	Non-Executive Director; Chairman of the Audit Committee
Adrienne Elizabeth Clarke	Non-Executive Director and member of the Personnel Policy Committee
Roderick Sheldon Deane	Non-Executive Director and member of the Audit Committee
Diane Jennifer Grady	Non-Executive Director and Chairman of the Personnel Policy Committee
John Frederick Astbury	Non-Executive Director, member of the Audit Committee and Chairman of the Woolworths Group Superannuation Scheme

Specified Executives	**Current position title**	**Title at 26 June 2005**
Steve Bradley(1)	Chief Logistics and Information Officer	Chief Logistics and Information Officer
Bernie Brookes(2)	Director of Corporate Marketing	Chief General Manager Project Refresh – Stage 3
Tom Flood(3)		
Marty Hamnett(4)	Director of Business Development	Director of General Merchandise
Michael Luscombe(5)	Director of Supermarkets	Director of Supermarkets
Naum Onikul(6)	Director of Liquor and Petrol	Chief General Manager – Freestanding Liquor and Petrol
Tom Pockett	Chief Financial Officer	Chief Financial Officer

Notes
(1) Mr Bradley was appointed Chief Logistics and Information Officer on 14 July 2004.
(2) Mr Brookes was appointed Director of Corporate Marketing on 1 July 2005.
(3) Mr Flood retired from the Company on 31 August 2004.
(4) Mr Hamnett was appointed Director of Business Development on 1 July 2005.
(5) Mr Luscombe was appointed Director of Supermarkets on 1 September 2004.
(6) Mr Onikul was appointed Director of Liquor and Petrol on 1 July 2005.

3.2 Conditional entitlement to and shareholdings of the CEO and Specified Executives

3.2.1

The table below summarises the movements during the year in holdings of option interests for the CEO, Specified Executives and their personally-related entities in the Company for the period. An option entitles the holder to one ordinary fully paid Woolworths Ltd share. There is no amount unpaid on options exercised.

	Options Holding at 27 June 2004	Options Granted as remuneration[3]		Options exercised[4]		Options Lapsed[5]		Options Holding at 26 June 2005	Options Vested at 26 June 2005		
									Total	Exercisable	Unexercisable
	No.	No.	$	No.	$	No.	$	No.	No.	No.	No.
Executive Director/CEO											
R Corbett	–	–	–	–	–	–	–	–	–	–	–
Specified Executives[1]											
S Bradley	960,000	150,000	291,000	437,500	3,217,375	–	–	672,500	87,500	–	87,500
B Brookes	970,000	60,000	116,400	750,000	4,732,500	–	–	280,000	–	–	–
T Flood[2]	660,000	–	–	350,000	2,747,500	310,000	414,600	–	–	–	–
M Hamnett	610,000	150,000	291,000	300,000	1,893,000	–	–	460,000	50,000	12,500	37,500
M Luscombe	872,500	150,000	291,000	537,500	3,378,375	–	–	485,000	25,000	–	25,000
N Onikul	810,000	100,000	194,000	750,000	4,732,500	–	–	160,000	–	–	–
T Pockett	350,000	150,000	291,000	–	–	–	–	500,000	–	–	–
Total	**5,232,500**	**760,000**	**1,474,400**	**3,125,000**	**20,701,250**	**310,000**	**414,600**	**2,557,500**	**162,500**	**12,500**	**150,000**

Notes
(1) Specified Executives report directly to the CEO.
(2) T Flood retired 31 August 2004 and Mr Luscombe was appointed Director of Supermarkets. All of Mr Flood's outstanding and vested options lapsed as at his retirement date.
(3) Granted as remuneration is the total fair value of options granted during the year determined by an independent actuary.
(4) The value of options exercised during the year is calculated as the market value of shares on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options.
(5) The value of lapsed options was determined based on the fair value of the options as at date of lapse using the Monte Carlo Simulation Binomial method.

The table below summarises the movements during the year in holdings of shares in Woolworths Limited held by the Executive Director/CEO, Specified Executives and their personally-related entities.

	Shareholding at 27 June 2004	Shares received on exercise of options	Other changes in shareholding[1]	Shareholding at 26 June 2005
	No.	No.	No.	No.
Executive Director				
R Corbett	3,341,165	–	(3,048,000)	293,165
Specified Executives				
S Bradley	59,002	437,500	(434,639)	61,863
B Brookes	234,936	750,000	(469,570)	515,366
T Flood[2]	26,430	350,000	(349,220)	27,210
M Hamnett	5,000	300,000	(300,000)	5,000
M Luscombe	187,230	537,500	(67,804)	656,926
N Onikul	131,685	750,000	(381,685)	500,000
T Pockett	–	–	–	–

Notes
(1) Figures in brackets indicates that these shares have been sold or otherwise disposed of.
(2) T Flood retired 31 August 2004.

The table below sets out the grants of options and outstanding options for the Executive Director/CEO and Specified Executives in Woolworths Limited for the period 27 June 2004 to 26 June 2005.

	Grant date	No. of options at 26 June 2005[1]	Expiry date	Exercise price per option	Exercise date	Maximum value of award to vest[2]	Fair value per option[3]
				$			$
Executive Director/CEO							
R Corbett	–	–	–	–	–	–	–
Specified Executives							
S Bradley	01/07/00	262,500	01/07/10	6.17	01/07/05	546,656	2.43
	01/07/02	160,000	31/12/07	12.94	01/07/07	248,000	1.55
	01/07/03	100,000	31/12/08	12.60	01/07/08	115,500	1.16
	01/07/04	150,000	31/12/09	11.54	01/07/09	291,000	1.94
		672,500				**1,201,156**	
B Brookes	01/07/02	160,000	31/12/07	12.94	01/07/07	248,000	1.55
	01/07/03	60,000	31/12/08	12.60	01/07/08	69,300	1.16
	01/07/04	60,000	31/12/09	11.54	01/07/09	116,400	1.94
		280,000				**433,700**	
M Hamnett	01/07/01	100,000	01/07/11	10.89	01/07/04	239,875	2.83
	01/07/02	60,000	31/12/07	12.94	01/07/07	93,000	1.55
	01/07/03	150,000	31/12/08	12.60	01/07/08	173,250	1.16
	01/07/04	150,000	31/12/09	11.54	01/07/09	291,000	1.94
		460,000				**797,125**	
M Luscombe	01/07/00	75,000	01/07/10	6.17	01/07/05	156,188	2.43
	01/07/02	160,000	31/12/07	12.94	01/07/07	248,000	1.55
	01/07/03	100,000	31/12/08	12.60	01/07/08	115,500	1.16
	01/07/04	150,000	31/12/09	11.54	01/07/09	291,000	1.94
		485,000				**810,688**	
N Onikul	01/07/03	60,000	31/12/08	12.60	01/07/08	69,300	1.16
	01/07/04	100,000	31/12/09	11.54	01/07/09	194,000	1.94
		160,000				**263,300**	
T Pockett	01/07/02	200,000	31/12/07	12.94	01/07/07	310,000	1.55
	01/07/03	150,000	31/12/08	12.60	01/07/08	173,250	1.16
	01/07/04	150,000	31/12/09	11.54	01/07/09	291,000	1.94
		500,000				**774,250**	

Notes

(1) The number of options at 26 June 2005 comprise both options that have vested and have not been exercised and options yet to vest.
(2) The maximum value of award to vest is determined by multiplying the number of options yet to vest at 26 June 2005 by the fair value per option at grant date.
(3) The fair value per option was determined by an independent actuary using the Monte Carlo Simulation Binomial method.

All Mr Flood's options were forfeited upon his retirement from the Company on 31 August 2004 and, therefore he is not included in this table. No other options were forfeited during the year.

The minimum value yet to vest is the minimum value of options that may vest if the performance criteria are not met. It is assessed as nil for each option grant and has not been specifically detailed in the table above on the basis that no options will vest if the performance criteria are not satisfied.

The following table summarises movements during the financial year ended 26 June 2005 for all outstanding options under the Executive Option Plan:

Grant Date	Expiry date	Exercise price	No. of Options 27 June 2004	Options granted during year	Options exercised during year	Options lapsed during year	No. of Options 26 June 2005	Fair value of shares received[1]
		$	No.	No.	No.	No.	No.	$
1 Jul 1999	1 Jul 2009	5.11	20,794,375	–	(19,318,043)	(524,457)	951,875	238,998,142
1 Jul 2000	1 Jul 2010	6.17	2,586,250	–	(328,125)	(6,000)	2,252,125	4,280,190
1 Jul 2001	1 Jul 2011	10.89	6,739,000	–	(360,686)	(270,332)	6,107,982	5,026,864
1 Jul 2002	31 Dec 2007	12.94	6,162,000	–	–	(776,000)	5,386,000	–
1 Jul 2003	31 Dec 2008	12.60	7,331,350	–	–	(762,000)	6,569,350	–
1 Jul 2004	31 Dec 2009	11.54	–	7,752,750	–	–	7,752,750	–
			43,612,975	**7,752,750**	**(20,006,854)**	**(2,338,789)**	**29,020,082**	**248,305,196**

Note
(1) The fair value of shares received is determined by multiplying the average monthly market price by the number of options exercised in that month.

3.3 Relationship of variable remuneration to Woolworths' financial performance

Woolworths' executive remuneration is directly related to the performance of the following results through the linking of short and long term incentive targets to these measures.

The effectiveness of the STIP in driving year-on-year growth and business improvements is highlighted in the following table. Each of these elements is currently linked to Woolworths STIP.

In monetary terms, since 2001:

5 Year Performance Table	2001	2002	2003	2004	2005
Sales ($m)	20,915.1	24,473.0	26,321.4	27,933.9	31,352.5
EBIT ($m)	706.6	832.7	945.7	1,065.1	1,283.0
ROFE (%)	35.04	38.07	42.81	49.32	38.73[1]
CODB (%)	22.22	21.84	21.55	21.10	20.79

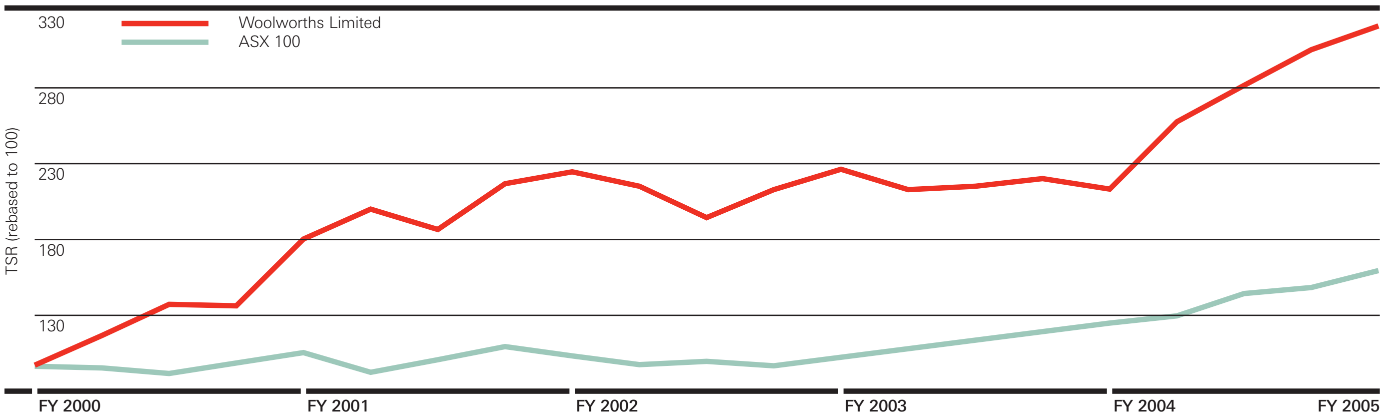
Note
(1) Impacted by increase in Funds Employed following the acquisition of ALH.

- Sales have increased in excess of $10.4 billion since 2001;
- EBIT has increased in excess of 80%;
- ROFE has increased; and
- CODB has decreased.

Whilst EBIT has grown in excess of 50% over the period, STIP paid to executives as a percentage of EBIT has remained less than 10% over the same period.

The following shows the performance of the Company (as measured by the Company's TSR) and the comparison of the Company's TSR to the median of the TSR for the ASX 100.

TSR performance over the past 5 financial years v ASX 100



A comparison of the improved financial performance and benefits for shareholder wealth derived from Woolworths' long term incentive arrangements and the number of options granted to all executives are shown in the following table:

Year ended June	2001	2002	2003	2004	2005
EPS (cents per share)	40.16	50.24	58.09	67.40	75.74
Total dividends (cents per share)	27.0	33.0	39.0	45.0	51.0
Market capitalisation ($m)	11,235	13,797	12,945	11,875	17,493
No. of options granted to executives (million)	3.2	8.5	6.4	7.5	7.8
No. of executives granted options	51	149	333	1,277	1,354

3.4 Remuneration tables

Set out in the following tables is the remuneration for the Specified Directors and Specified Executives of Woolworths Limited during the financial year ended 26 June 2005.

	Primary				Post Employment		Equity		Total		
	Salary/ Fees	Short Term Incentive Plan	Long Term Incentive Plan[1]	Non-monetary Benefits[2]	Super-annuation Contributions	Retirement Allowance Accrual[3]	Options[7]	% of Total Remuneration	Other Benefits[8]	Total Remuneration	Accrued Retirement Allowance
	$	$	$	$	$	$	$	%	$	$	$
Specified Directors											
JF Astbury	186,974*		–	–	11,585	–	–	–	1,722	200,281	–
AE Clarke	120,000*		–	–	10,598	(41,345)[4]	–	–	1,722	90,975	627,777
RC Corbett	2,333,166	3,043,300	3,000,000	63,473	–	–	–	–	1,722	8,441,661	–
RS Deane	130,000		–	–	11,585	73,021	–	–	1,722	216,328	361,666
DJ Grady	130,000		–	–	11,585	76,666	–	–	1,722	219,973	620,000
LM L'Huillier[5]	195,000		–	–	11,585	75,532	–	–	1,722	283,839	539,629
JA Strong	330,000*		–	–	11,585	166,369	–	–	1,722	509,676	906,667
Total	**3,425,140**	**3,043,300**	**3,000,000**	**63,473**	**68,523**	**350,243**	**–**	**–**	**12,054**	**9,962,733**	**3,055,739**
Specified Executives											
S Bradley	602,898	338,874	–	22,733	90,435	–	249,295	19.1%	1,722	1,305,957	–
B Brookes	549,276	376,512	–	25,036	82,391	–	92,748	8.2%	1,722	1,127,685	–
T Flood[6]	377,446	–	–	24,671	16,522	–	–	–	1,722	420,361	–
M Hamnett	563,768	284,661	–	13,502	84,565	–	169,195	15.1%	1,722	1,117,413	–
M Luscombe	639,131	453,423	–	15,589	95,870	–	171,201	12.4%	1,722	1,376,936	–
N Onikul	563,949	442,297	–	22,176	84,593	–	56,313	4.8%	1,722	1,171,050	–
T Pockett	610,145	433,655	–	30,441	91,522	–	165,594	12.4%	1,722	1,333,079	–
Total	**3,906,613**	**2,329,422**	**–**	**154,148**	**545,898**	**–**	**904,346**	**11.5%**	**12,054**	**7,852,481**	**–**

Notes

(1) The Long Term Incentive Plan referred to in the table is only applicable to the CEO.
(2) Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable.
(3) These amounts are only payable to non-executive directors upon retirement. The Board resolved effective 1 January 2004 that in relation to the Directors' Retirement Allowance any director appointed from that date would not enter into a Directors' Retirement Deed with the Company. This resolution was made prior to the appointment of Mr Astbury and consequently he is not entitled to a retirement allowance.
(4) Ms Clarke attained the maximum 10 years entitlement to this allowance at 27 June 2004. Therefore no further provision was made in the year ended 26 June 2005. The reduction of $41,345 in the allowance accrued at 26 June 2005 arose due to the method of calculating the accrual using an average of a rolling three years fee base for the three years to June 2005.
(5) Mr L'Huillier receives an additional fee of $65,000 per annum as a non-executive Director and Chairman of the Audit Committee of Bruandwo Pty Limited.
(6) Mr Flood retired 31 August 2004. This amount includes statutory entitlements to annual leave and long service leave.
(7) These numbers represent the current year apportionment of the fair value of unvested options, on a pro-rata basis over the total vesting period, determined by an independent actuary.
(8) Other benefits comprise an allocation of the deemed premium in respect of the Directors' and Officers' Indemnity insurance.
* These fees include fees sacrificed for the purchase of shares in the Company under the Non-Executive Directors' Share Plan.

Set out in the following table is the remuneration for the Specified Directors and Specified Executives of Woolworths Limited during the financial year ended 27 June 2004.

	Primary			Post employment		Equity				
	Salary/Fees	Short Term Incentive Plan	Non-monetary benefits[1]	Superannuation contributions	Retirement Allowance Accrual[2]	Options[3]	% of total remuneration	Other benefits[4]	Total remuneration	Total accrued retirement allowance
2004	$	$	$	$	$	$	%	$	$	$
Specified Directors										
J F Astbury	72,141[5]	–	–	4,668	–	–	–	862	77,671	–
A E Clarke	120,000*	–	–	10,800	138,975	–	–	2,068	271,843	669,122
R C Corbett	1,792,692	2,298,961	53,485	–	–	–	–	2,068	4,147,206	–
R S Deane	130,000	–	–	11,002	88,229	–	–	2,068	231,299	288,646
D J Grady	130,000*	–	–	11,002	110,695	–	–	2,068	253,765	543,334
L M L'Huillier	130,000	–	–	11,002	103,565	–	–	2,068	246,635	464,097
J A Strong	330,000*	–	–	11,002	302,782	–	–	2,068	645,852	740,297
Total	**2,704,833**	**2,298,961**	**53,485**	**59,476**	**744,246**	**–**	**–**	**13,270**	**5,874,271**	**2,705,496**
Specified Executives										
S Bradley	527,536	385,600	17,024	79,130	–	204,983	16.9	2,068	1,216,341	–
B Brookes	527,536	273,659	13,786	79,130	–	205,638	18.7	2,068	1,101,817	–
T Flood	666,329	380,921	24,576	99,949	–	42,800	3.5	2,068	1,216,643	–
M Hamnett	501,448	347,100	7,556	75,217	–	184,710	16.5	2,068	1,118,099	–
M Luscombe	527,536	306,800	23,434	79,130	–	200,983	17.6	2,068	1,139,951	–
N Onikul	540,000	363,524	15,056	81,000	–	129,718	11.5	2,068	1,131,366	–
T Pockett	564,927	414,452	31,702	84,739	–	151,694	12.1	2,068	1,249,582	–
Total	**3,855,312**	**2,472,056**	**133,134**	**578,295**	**–**	**1,120,526**	**13.7**	**14,476**	**8,173,799**	**–**

Notes

* These fees include fees sacrificed for the purchase of shares in the Company under the Non-Executive Directors' Share Plan.
(1) Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items, where applicable.
(2) These amounts are only payable to non-executive Directors upon retirement.
(3) Option values are determined using the Black Scholes Valuation methodology.
(4) Other benefits comprise Directors' and Officers' indemnity insurance.
(5) Mr Astbury was appointed a Non-Executive Director in January 2004. This amount represents fees for the period from his appointment until 27 June 2004.

3.5 Executive Service Agreements

3.5.1 Chief Executive Officer

The CEO's Service Agreement which was effective 6 September 2004 terminates on 30 September 2006 and includes the components of remuneration to be paid to the CEO during the term of the Agreement. Upon retirement at the end of the term, the CEO is entitled to receive a payment of a retirement benefit of $3 million in addition to payment for STIP and LTIP as detailed in Section 3.1.2, Variable "At Risk" Remuneration of the Remuneration Report, as well as statutory leave entitlements and superannuation benefits. Should the CEO resign at any time prior to 30 September 2006, the CEO is required to provide three months notice of termination and is entitled to receive payments as noted above, however, the STIP and LTIP payments will be calculated on a pro rata basis.

The Agreement also provides for his consultancy services to Woolworths from his retirement in September 2006 until September 2011 and a restraint that will prevent him from providing services to major competitors of Woolworths in Australasia, for which Mr Corbett will be paid $600,000 per annum.

3.5.2 Executives

Since 2002, LTIP participation has been offered subject to executives entering into Service Agreements with the Company. The Service Agreements include the components of remuneration paid to executives (as detailed in Section 3.2) but do not prescribe how remuneration levels are to be modified from year to year. They do not provide for a fixed term although these Service Agreements can be terminated on specified notice.

For all of the Specified Executives, the Company is required to give three months notice, however, the Company retains the right to terminate any Service Agreement immediately in a number of circumstances including fraud, dishonesty, breach of duty or improper conduct. All of the specified executives are required to provide the Company with eight weeks notice of termination. In addition, for all executives, the Company may elect to invoke a restraint period not exceeding 12 months.

All executives are entitled to receive their statutory leave entitlements and superannuation benefits upon termination. In relation to incentive plans on termination, where an executive has resigned, STIP is paid only if the executive is employed on the last day of the financial year. In relation to LTIP, the treatment of vested and unvested options, in all instances of separation, remains subject to the discretion of the Board in accordance with the Plan rules.

4 Non-executive Directors' remuneration

4.1 Non-executive Directors' remuneration policy and structure

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid in Directors' fees, as approved at the Annual General Meeting on 20 November, 2000 is $1,250,000 per annum. No Directors' fees are paid to executive Directors.

At the date of this Report, the amount of Directors' base fees paid to each non-executive Director appointed prior to January 2004, is $110,000 per annum. The Chairman receives a multiple of three times this amount. Directors appointed after December 2003 receive a base fee of $140,000 per annum which has been increased in lieu of an entitlement to a Retirement Allowance described below, which the Board has determined will not apply to Board appointments after December 2003.

In addition to the above base fees, the non-executive Directors, other than the Chairman, receive a fee of $10,000 per annum for service on a Board Committee (except the Corporate Governance Committee). The Board Committee Chairmen, including the Chairman of the Woolworths Group Superannuation Scheme, receive $20,000 per annum in addition to their base fee.

An overseas Directors' Allowance of $10,000 is also provided to any non-executive Director residing outside Australia, representing the additional time and cost involved in attending to Board and Board Committee responsibilities.

The structure and level of non-executive Directors' fees was determined having regard to independent research and advice on the fees paid to non-executive Directors of Australian listed corporations. Directors (with the exception of the Chairman) receive a base fee for being a Director of the Board, and additional fees for either chairing or being a member of a Board Committee. No element of the remuneration of any non-executive Director is dependent on the satisfaction of a performance condition.

4.2 Non-executive Director Share Plan

The Non-Executive Director Share Plan (NEDSP) was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. The NEDSP allows non-executive Directors to forgo some of their future pre-tax Directors' fees to acquire shares in the Company at prevailing market prices on the Australian Stock Exchange. The rules of the NEDSP are virtually identical to the Woolworths Executive Management Share Plan as described in Note 25. During the 52 week period ended 26 June 2005, 5,177 shares (2004: 26,488) were purchased under the NEDSP.

4.3 Non-executive Directors' retirement benefits

Directors' Retirement Deeds, which were approved by shareholders in November 1998 entitle each non-executive Director (appointed prior to January 2004) to receive an allowance on retirement as a Director (Allowance) after a minimum period of service. Allowances for non-executive Directors appointed prior to January 2004 have been retained through a transition period and the Allowance will eventually be phased out as no Allowances apply to non-executive Directors appointed from 1 January 2004. The maximum amount of the Allowance is equivalent to five times the average annual remuneration of the non-executive Director (excluding superannuation and out-of-pocket expenses) over the three years prior to their retirement date.

The maximum Allowance entitlement accrues after 10 years' service as a non-executive Director and is reduced, pro rata, for periods of service less than 10 years, with no Allowance entitlement for periods of service of less than three years.

The amount of the Allowance is additional to compulsory contributions made pursuant to the Superannuation Guarantee legislation. The total of $3,055,739, representing the full amount of the accrual for these Allowances, has been set aside by way of an accrual at 26 June 2005.

4.4 Remuneration tables for non-executive Directors

For the financial year end 26 June 2005 details of the remuneration of the non-executive Directors are set out at Section 3.4 of this report.

4.5 Shareholdings of non-executive Directors

The table below summarises the movements during the financial year in holdings of shares in Woolworths Limited of the Specified Directors:

4.6 Appointment Letters, Deeds of Access, Insurance and Indemnity, Disclosure Deeds

The Company and each of the non-executive Directors has entered into an Appointment Letter together with a Deed of Access, Insurance and Indemnity, a Disclosure Deed (as required under ASX Listing Rules) and for non-executive Directors appointed prior to January 2004, a Directors' Retirement Deed. The Appointment Letter covers the key aspects of the duties, role and responsibilities of non-executive Directors.

Non-executive Directors are not appointed for a specific term and their appointment may be terminated by notice from the Director or otherwise pursuant to sections 203B, 203C or 203D of the Corporations Act 2001.

Movements in Shareholdings of Specified Directors

Name of Specified Director	WOW Shareholding at 27 June 2004	WOW Shares issued under DRP[1]	WOW Shares issued under NEDSP[2]	WOW Shareholding at 26 June 2005
J Astbury	7,835	–	551	8,386
A Clarke	35,669	683	2,414	38,766
R Deane	40,000	–	–	40,000
D Grady	33,031	770	–	33,801
L M L'Huillier	119,044	–	–	119,044
J A Strong	65,925	–	2,212	68,137

Notes

(1) Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

(2) Comprises shares issued under the Non-Executive Directors' Share Plan (NEDSP).

Environmental regulation

Except as set out below, the operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth of Australia or of any of its States or Territories.

The Woolworths Petrol operations are subject to regulations and standards governing the construction and operation of the facilities relating to the storage and dispensing of petroleum products.

The Group may also from time to time be subject to various State and Local Government food licensing requirements and environmental and town planning regulations incidental to the development of shopping centre sites.

As outlined in the Group Managing Director's Report the Group has implemented a number of environmental initiatives. The Group has not incurred any significant liabilities under any environmental legislation.

Directors' and Officers' indemnity/insurance

(i) The Constitution of the Company provides for an indemnity (to the maximum extent permitted by law) in favour of each Director of the Company referred to on pages 32 and 33 of this Report, the Company Secretary, Directors and secretaries of related bodies corporate of the Company, and previous Directors and secretaries of the Company and its related bodies corporate (Officers), against any liability to third parties (other than related Woolworths Group companies) incurred on or after 15 April 1994 by such Officers unless the liability arises out of conduct involving a lack of good faith. The indemnity includes costs or expenses incurred by an Officer in successfully defending proceedings or in connection with an application in which the court grants relief to the specified persons under the Corporations Act 2001;

(ii) Each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality; and

(iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Officers (and any persons who are Officers in the future) against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 49 of the annual report.

Non-audit services

During the year, Deloitte Touche Tohmatsu, the Company's auditors, have performed certain other services in addition to their statutory duties. The Board is satisfied that the provision of those non-audit services during the year provided by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 or as set out in Professional Statement F1, Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks or rewards.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the Financial Statements.

Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998 pursuant to section 341(1) of the Corporations Act 2001 relating to the "rounding off" of amounts in the Financial Report and Directors' Report. In accordance with that Class Order, amounts therein have been rounded off to the nearest tenth of a million dollars except where otherwise indicated.

This Report is made out in accordance with a Resolution of the Directors of the Company on 26 September 2005.

James Strong
Chairman

Roger Corbett
Group Managing Director/CEO

AUDITOR'S DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250
Grosvenor Place
Sydney NSW 1220
Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Woolworths Limited
540 George Street
Sydney NSW 2000

26 September 2005

Dear Board Members

Woolworths Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following Declaration of Independence to the Directors of Woolworths Limited.

As lead audit partner for the audit of the financial statements of Woolworths Limited for the 52 weeks ended 26 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

G Couttas
Partner
Chartered Accountants

CORPORATE GOVERNANCE

Corporate Governance is at the core of the Company's and Board's approach to the enhancement of shareholder value and protection of shareholders' funds.

Woolworths is committed to ensuring its policies and practices in the critical areas of financial reporting, remuneration reporting and corporate governance meet the highest levels of disclosure and compliance.

The Company has reviewed its current Corporate Governance Policies and Practices against the Australian Stock Exchange (ASX) Corporate Governance Council (CGC) Best Practice Recommendations (Recommendations) and considers that, except as explicitly indicated, they meet the Recommendations for the financial period ended 26 June 2005.

All information that the CGC recommend be made publicly available will be accessible on the Woolworths website – www.woolworthslimited.com.au.

The following sets out the Company's position relating to each of ASX Principles of Good Corporate Governance.

1 Lay solid foundations for management and oversight

Board responsibilities and objectives

The Board of Directors of the Company acknowledges its accountability to shareholders for the creation of shareholder value and the safeguarding of shareholders' funds.

The roles and responsibilities of the Board are formalised in the Board Charter as set out below, which define the matters that are reserved for the Board and its Committees, and those that are the responsibility of the CEO and management.

Board Charter

The Board is accountable to shareholders for Woolworths' performance and its responsibilities include:

1 *Strategy – Reviewing strategic direction and approving corporate strategic initiatives;*
2 *Board performance and composition – Evaluating the performance of the Board and determining its size and composition;*
3 *Leadership selection – Evaluating the performance of and selecting the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO);*
4 *Succession and remuneration planning – Planning for Board, CEO and executive succession and remuneration and setting non-executive Director remuneration within shareholder approved limits;*
5 *Financial performance – Reviewing Woolworths' budget, monitoring management and financial performance;*
6 *Financial reporting – Considering and approving Woolworths half yearly and annual financial statements;*
7 *Risk management – Reviewing and monitoring the effectiveness of risk management and compliance in the organisation;*
8 *Relationship with the Australian Stock Exchange and regulators, and continuous disclosure – Maintaining an appropriate level of dialogue with the ASX and other regulators and ensuring that the market and shareholders are continuously informed of material developments;*
9 *Social responsibility – Considering the social, ethical and environmental impact of Woolworths' activities and operations and setting standards and monitoring compliance with the Company's social responsibility policies and practices; and*
10 *Audit*
   a *External – Selecting and recommending to shareholders the appointment of the external auditor. Determining the duration, remuneration and terms of appointment of the external auditor and evaluating their performance and ongoing independence. Maintaining a direct and ongoing dialogue with the external auditor.*
   b *Internal – Maintaining a constant and close review of risk management and compliance utilising the internal audit function reporting to the Audit Risk Management and Compliance Committee.*

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, it makes use of Board Committees. Specialist Committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end, the Board has established the following Committees:

– *Audit Risk Management and Compliance Committee*
– *Corporate Governance Committee*
– *Personnel Policy Committee*

The day-to-day management and operations of the Company are the responsibility of the CEO who reports to the Board, on key management and operational issues including:

– *Developing and implementing corporate strategies and making recommendations to the Board on significant corporate strategic initiatives;*
– *Making recommendations for the appointment of senior management, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for senior management roles;*
– *Developing Woolworths annual budget and managing day-to-day operations within the budget;*
– *Maintaining an effective risk management framework;*
– *Keeping the Board and market fully informed about material continuous disclosure; and*
– *Managing day-to-day operations in accordance with standards for social, ethical and environmental practices.*

Details of each Directors' attendance at Board and Committee meetings is detailed in the Directors' Report on page 37.

2 Structure the Board to add value

Composition of the Board/Committees

The Board has adopted a policy of ensuring that it is composed of a majority of independent non-executive Directors who, with the executive Director, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. Details of the skills, experience and expertise of each Director are set out on page 32 and 33 of this Report. With the exception of the CEO, all of the Directors are non-executive Directors and each are considered to be independent.

A determination of non-executive Directors' independence is based on the Board's individual and ongoing assessment that the Director is free of any material business or any other relationship that could be reasonably considered to interfere with the exercise of their independent judgement.

In order for a Director to be considered independent the Board determines that the Director does not have a material relationship with the Company, other than solely as a consequence of being a Director.

A "material relationship" includes a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Directors' decisions in relation to the Company. When considering whether a relationship is "material", the Board will consider the materiality to each of the Company, the Director and the person or organisation with which the Director is related (as customer, supplier or advisor). Whilst the Board has not set materiality thresholds, it will consider all relationships on a case by case basis.

Any Director who considers that he/she has or may have a conflict of interest or a material personal interest in any matter concerning the Company is required to give the other Directors immediate notice of such interest.

The Chairman is elected by and from the non-executive Directors each of whom is appointed to the Corporate Governance Committee. The non-executive Directors are also appointed to at least one of the Audit, Risk Management and Compliance Committee, the Personnel Policy Committee or to the Board of Trustees of the Company's Superannuation Scheme. The Audit Risk Management and Compliance Committee and Personnel Policy Committee have each adopted comprehensive Charters defining their roles and responsibilities as summarised in this Report.

Information on the Company's Chairman is set out on page 32.

Information on the Company's CEO is set out on page 32.

There is no specified term of office for non-executive Directors and the period since appointment of each non-executive Director is set out on page 32 and 33.

The Board reviews, as considered appropriate, the terms of the non-executive Directors' Appointment Letter to ensure they are consistent, with the ASX Principles and Recommendations.

Corporate Governance Committee

The Corporate Governance Committee (CGC) consists of the non-executive Directors and its main responsibilities are to review all matters relating to corporate governance including the composition, criteria for membership, appointment, retirement and performance of the Board of Directors, the Board Committees and the Chief Executive Officer of the Company.

The Committee also monitors the Company's Corporate Governance policies and practices against relevant external benchmarks.

CGC Recommendation 2.4 calls for the Board to establish a Nomination Committee. The Board has established the Corporate Governance Committee with, amongst other matters, responsibilities commensurate with a Nomination Committee. In this respect, the Corporate Governance Committee is responsible for the:

- Assessment of the necessary and desirable competencies of Board members;
- Review of the Board's succession plans;
- Evaluation of the Board's performance; and
- Recommendations for the appointment and removal of Directors.

Directors' independent advice

The Directors, the Board and the Board Committees are empowered to seek external professional advice, as considered necessary, at the Company's expense, subject to prior consultation with the Chairman. If appropriate, any advice so received will be made available to all Directors.

3 Promote ethical and responsible decision making

Directors' policy statements

The Directors have approved and adopted a Directors Manual comprising Policy Statements setting out their legal and fiduciary duties relating to:

- Exercise of due care and diligence;
- Ensuring continuous disclosure of material matters;
- Dealing with conflicts of interest and duties;
- Access to Company documents, information, insurance, indemnities and independent advice;
- Confidentiality;
- Dealing in securities of the Company and insider trading; and
- Fair, open, ethical and honest standards of conduct and dealing.

Policy on Trading in Company Securities

The Company has a policy which requires Directors, executives and senior managers who trade, or propose to trade, in the securities of the Company, to act in accordance with strict guidelines which prohibit trading in the Company's securities other than during fixed periods of 42 days immediately following the release of the half year and full year results to the ASX and following the Company's AGM.

Notwithstanding this policy, there is no period during which an individual is exempt from compliance with the requirements of the Corporations Act in regard to insider trading prohibitions.

4 Safeguard integrity in financial reporting

Financial report accountability

Woolworths' Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to state to the Board, in writing, that the Company's Financial Statements and Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant Accounting Standards.

As part of the process of approving the Financial Statements, the CEO and CFO provide statements in writing to the Board on the effectiveness of the Company's risk management and internal compliance control systems.

Audit, Risk Management and Compliance Committee

The Audit, Risk Management and Compliance Committee of Directors is comprised of non-executive Directors who, at the date of this Report, are: Messrs LM L'Huillier (Chairman), JA Strong, JF Astbury and Dr RS Deane. The Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's risk management and compliance systems and practice, Financial Statements, financial and market reporting processes, internal accounting and control systems, internal and external audit and such other matters as the Board may request from time to time.

The Committee also provides advice and assistance to the Board on the compliance framework and its effectiveness including legal and regulatory compliance, health and safety, privacy, environment, trade practices and fair trading, trade weights and measures, and employment obligations. Woolworths has specific policies and processes for addressing these and other compliance areas and the Committee receives and reviews regular management reports.

The Committee processes are designed to establish a proactive framework and dialogue in which the Committee, management and external and internal Auditors review and assess the risk framework, the quality of earnings, liquidity and strength of the Statements of Financial Performance and Financial Position and transparency and accuracy of reporting. The Committee recommends any actions it deems appropriate to the Board for its consideration.

Composition

– Membership: The Audit, Risk Management and Compliance Committee comprises at least three independent non-executive members of the Board, appointed by the Board.
– Qualifications: All members have appropriate business and financial expertise to act effectively as members of the Committee, as determined by the Board.
– Chair: The Chair of the Committee is an independent non-executive Director who is not the Chairman of the Board.
– Secretary: The Secretary of the Audit Committee is appointed by the Board and has responsibility for circulating minutes and matters arising from each meeting to all members of the Committee and the Board.

Access and reporting

– Direct Access: The Audit, Risk Management and Compliance Committee maintains direct, unfettered access to external Auditors, internal Auditors and management. The Committee meets regularly with external and internal Auditors and the Board and Committee meet with the external and internal Auditors, at least twice a year, without management present. The Committee has full access to the Group's records and personnel. The Committee Chairman commits additional time and meets with the CEO, the CFO, senior management and external and internal Auditors between meetings to discuss and review matters relating to Committee functions as appropriate.
– Reports: The key issues and reports discussed at each Committee meeting are reported to the Board by the Chairman of the Committee at the immediately following Board meeting. The Committee's Charter includes providing periodical reports to the Board on the most significant risks facing the Group and the mitigation strategies and practices adopted by management.

Responsibilities

The Committee reviews and approves, annually, the overall audit strategy of the Group which uses a risk framework to identify, assess and assign accountability for risk and audit procedures. This ensures that the activities of external and internal audit are focused and coordinated and that there is no duplication of effort.

– Risk Management: The Committee assists the Board in overseeing and reviewing the risk management frameworks and the effectiveness of risk management in the Group. Management is responsible for identifying, managing and reporting on and effecting measures to address risk.
– Risk Event "Consideration": The Committee oversees the appropriate investigation and management reporting of significant risk events and incidents.
– Accounting Standards and Quality: The Committee oversees the adequacy and effectiveness of the Group's accounting and financial policies and controls and risk management systems and seeks assurance of compliance with relevant regulatory and statutory requirements.
– Financial Reports: The Committee oversees the Group's financial reporting processes and reports on the results of its activities to the Board. Specifically, the Committee reviews with management and the external auditor, the Group's annual and interim Financial Statements and Reports to shareholders.
– Internal Controls: The Committee examines the adequacy of the nature, extent and effectiveness of the internal audit control processes of the Group.
– Compliance: The Committee assists the Board in fulfilling its compliance responsibilities and oversees and reviews the Group compliance framework and its effectiveness. The Committee also assists management to foster and support a compliance culture.
– Special Reviews: The Committee undertakes other special activities as requested by the Board.
– Independent Advice: The Committee has the authority and resources to engage independent legal, accounting and other advice to assist it to carry out its duties.
– Complaint Handling Procedures: The Committee has established procedures to review complaints received by the Company concerning accounting and other matters which fall within the scope of its Charter, including any confidential and anonymous submissions by employees.

External audit appointment and supervision

– Appointment: The Committee nominates the external Auditor to the Board and this appointment is reviewed every three years. External audit performance is reviewed annually.
– Partner Rotation: The Company requires the position of the lead client service audit partner to rotate every five years.
– Independence: The Company will not invite to be appointed as Directors any ex-audit partners, and any who may be proposed for appointment in a management position will be subject to Board consent.
– Consulting: The Committee reviews all non-audit-related "consulting" tenders and submissions from the accounting firms. However, the Committee has not set any nominal "cap" on the level of non-audit services to be performed by the external Auditors, as they consider that this may restrict the ability for the Company to access the best advisers for the particular task. The Committee has procedures to review proposed services by the providers of the external audit which are unrelated to audit assurance activities.
– Audit Plans: Each year, the Committee reviews and approves the overall scope and plans for the external audit activities, including staffing and fees.
– Audit Reports: The Committee reviews all audit reports provided by the external Auditor.

Internal audit appointment and supervision

- Appointment: The Committee is involved in the performance, assessment and appointment or termination of the senior internal Auditor.
- Audit Plans: The Committee reviews the overall scope, annual plans and budget for internal audit activities and oversees the alignment of risk management programs and internal audit activities.
- Reports: The Committee reviews all key internal audit reports.
- Access: The Committee has regular direct access to the senior internal Auditor, who reports directly to the Group Managing Director/CEO.

5 Make timely and balanced disclosures

The Company has detailed policies and procedures designed to ensure compliance with ASX Listing Rules continuous disclosure requirements and accountability at senior management level for that compliance. A summary of these policies and procedures is available on the Company's website.

6 Respect the rights of shareholders

The Company is committed to keeping shareholders fully informed of significant developments and activities of the Company. This commitment is delivered through the Company's website (www.woolworthslimited.com.au) which includes financial and shareholder information that is updated regularly to ensure transparency and a high level of communication of the Company's operations and financial situation, to the extent that this information is not commercially sensitive.

Information available to shareholders includes, but is not limited to, the Company's annual reports, half-yearly reports, quarterly sales results, share price updates, dividend history and all other ASX announcements by the Company.

The Board requests the external Auditor to attend each Annual General Meeting of the Company and to be available to answer shareholder questions about the conduct of the audit, preparation and content of the Auditor's report, the accounting policies adopted by management and Auditor independence.

7 Recognise and manage risk

Risk Management

Woolworths has a sound system of risk management and internal control. It has a risk management policy framework and governance structure designed to ensure that the risks of conducting business are properly managed.

Management is responsible to the Board for identifying, managing, reporting upon and implementing measures to address risk.

The Board oversees and reviews the effectiveness of risk management in the organisation and is assisted and advised in this role by its Corporate Governance Committee, Audit Risk Management and Compliance Committee and Personnel Policy Committee. Further, internal audit provides regular compliance assurance reports to the Board and its Committees.

Certification

In complying with CGC Recommendation 7.2, the CEO and CFO state to the Board in writing that the integrity of Financial Statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. In addition, in the current period, certification by the CEO and CFO stating whether:

- the financial records of the entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
- the Financial Statements, and the Notes to the Financial Statements, for the financial year, comply with the relevant accounting standards; and
- the Financial Statements and the Notes for the financial year give a true and fair view;

is required in accordance with the Corporations Act and has been received by the Directors.

The Board's role in certification includes:

- Determining the scope of risk management and internal control to be covered by the CEO/CFO certification;
- Confirming the benchmark criteria – the Company uses the criteria contained in the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework upon which an assessment of the effectiveness of internal controls will be based; and
- Satisfying itself that the process underlying certification is appropriate and that the CEO and CFO are justified in providing their certification.

8 Encourage enhanced performance

The Chairman is responsible for monitoring the contribution of individual Directors and counseling them on any areas which might help improve Board performance. This has worked well in the past but the Board will engage external assistance in reviewing this process. The performance evaluation of key executives is undertaken by the CEO in conjunction with the Personnel Policy Committee.

9 Remunerate fairly and responsibly

Personnel Policy Committee

CGC Recommendation 9.2 proposes that the Board establishes a Remuneration Committee. The Board has established a Personnel Policy Committee which, amongst other matters, has responsibilities commensurate with a Remuneration Committee.

The Remuneration Committee's recommended responsibilities include a review of and recommendations to the Board on:

- Executive remuneration and incentive policies;
- The remuneration packages of senior management;
- The Company's recruitment, retention and termination policies and procedures for senior management evaluation and assessment;
- Incentive schemes;
- Superannuation arrangements; and
- The remuneration framework for Directors.

The Personnel Policy Committee has responsibilities in relation to each of these matters.

The Personnel Policy Committee's role is to ensure that the Company has appropriate human resources strategies in place; that the remuneration policies and practices of the Company are consistent with its strategic and financial goals and human resource objectives; and that processes are in place for succession planning and management development.

In carrying out this role the Committee operates independently of senior management of the Company in its recommendations to the Board in relation to:

1 Reviewing the Company's overall remuneration objectives, policies and strategies;

2 Reviewing, on an annual basis, the Senior Management Salary and Remuneration Program and Senior Executive/Chief Executive Officer remuneration structure and levels. This review includes the STIP for performance related incentive bonuses and the LTIP allocations;

3 Reviewing performance evaluation procedures for the Chief Executive Officer and Senior Executives;

4 Monitoring the Chief Executive Officer and Senior Executive Performance Appraisal and Succession Planning Programs and ensuring the Executive Development Programs are appropriate to the Company's needs;

5 Determining and monitoring the effectiveness of the major elements of the remuneration packages and other terms and conditions of appointment and continuing employment of Senior Executives of the Company; and

6 Reviewing, on independent advice, non-executive Directors' remuneration, (within the maximum amount approved by shareholders) and their retirement benefits in accordance with a shareholder approved scheme, the Constitution of the Company and the Corporations Act 2001.

The Personnel Policy Committee of Directors comprises non-executive Directors, who at the date of the Report are: Ms DJ Grady (Chair), Prof AE Clarke and Mr JA Strong. Their attendance at meetings of the Committee is set out on page 46 of the Directors' Report.

Remuneration Report
In accordance with the Corporations Act 2001 (section 300A) disclosures in relation to Director and Executive remuneration are included in a separate component of the Directors' Report, entitled Remuneration Report. The Remuneration Report is set out from page 38 to 47. Full details of the Company's remuneration philosophy, structure – including fixed and variable remuneration – and quantum are detailed in the Remuneration Report.

Employee Share Plans
The Company has established various Plans which have provided for the allocation of shares to over 45,000 of its permanent employees. Details of these Plans are set out in Note 25 to the Financial Statements – "Employee Benefits".

The Plans are aimed at aligning Woolworths' employee interests with those of Woolworths' other shareholders.

10 Recognise the legitimate interests of stakeholders

Corporate Conduct
In addition to the Directors' Policy Statements set out on page 51 of this Report, the Board has adopted a Corporate Governance Manual which provides for the Board's endorsement of the Company's corporate governance policies applicable to all levels of Management in the following key areas:

1 Code of Conduct/Ethics;

2 Trade Practices/Fair Trading Practices;

3 Tendering and Supply Arrangements;

4 Gifts and Gratuities/Political Donations;

5 Occupational Health and Safety/Discrimination;

6 Equal Employment Opportunity;

7 Continuous Disclosure;

8 Compliance;

9 Trading in the Company's Securities; and

10 Conflicts of Interest/Duties.

The policies which have been incorporated in the Company's Code of Conduct generally apply to all employees and set out the standards within which they are expected to act. The policies are aimed at the maintenance of standards of honesty, integrity and fair dealing by all employees in their dealings with customers, suppliers, the community, competitors and each other in the performance of their duties and responsibilities.

2005 Financial Report to Shareholders

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FIVE YEAR SUMMARY

	2005	2004	2003	2002	2001
Weeks	52	52	52	53	52
Sales ($m)					
Food and liquor[1]	23,569.6	21,997.6	21,039.0	19,595.0	16,772.3
Petrol	3,308.4	2,194.9	1,710.5	1,119.3	747.1
Total supermarkets	26,878.0	24,192.5	22,749.5	20,714.3	17,519.4
BIG W	2,908.7	2,717.9	2,500.3	2,280.5	2,069.8
Consumer electronics	1,007.5	886.3	791.2	659.0	418.0
Total general merchandise	3,916.2	3,604.2	3,291.5	2,939.5	2,487.8
Hotels[2]	415.8	–	–	–	–
Continuing operations	31,210.0	27,796.7	26,041.0	23,653.8	20,007.2
Wholesale	142.5	137.2	280.4	819.2	697.8
Other discontinued operations[3]	–	–	–	–	210.1
Total group	**31,352.5**	**27,933.9**	**26,321.4**	**24,473.0**	**20,915.1**
Earnings before interest and tax ($m)					
Food and liquor[1]	1,077.2	941.7	825.1	734.7	614.0
Petrol	36.3	18.6	29.9	12.7	4.6
Total supermarkets	1,113.5	960.3	855.0	747.4	618.6
BIG W	118.0	116.2	103.7	93.5	83.4
Consumer electronics	51.8	44.1	37.0	28.0	30.8
Total general merchandise	169.8	160.3	140.7	121.5	114.2
Hotels[2]	54.9	–	–	–	–
Total trading operations	1,338.2	1,120.6	995.7	868.9	732.8
Net property income	20.3	21.7	26.6	34.2	33.1
Head office overheads	(77.9)	(79.0)	(76.7)	(77.8)	(59.0)
Total unallocated[4]	(57.6)	(57.3)	(50.1)	(43.6)	(25.9)
Continuing operations	1,280.6	1,063.3	945.6	825.3	706.9
Wholesale	2.4	1.8	0.1	7.4	5.0
Other discontinued operations[3]	–	–	–	–	(5.3)
Total group	**1,283.0**	**1,065.1**	**945.7**	**832.7**	**706.6**
EBIT to Sales %					
Supermarkets[1]	4.14	3.97	3.76	3.61	3.53
BIG W	4.06	4.28	4.15	4.10	4.03
Consumer electronics	5.14	4.98	4.68	4.25	7.37
Hotels[2]	13.20	–	–	–	–
Wholesale	1.68	1.31	0.04	0.90	0.72
Other discontinued operations[3]	–	–	–	–	(2.52)
Total	**4.09**	**3.81**	**3.59**	**3.40**	**3.38**

	2005	2004	2003	2002	2001
Weeks	52	52	52	53	52
Profit and Loss ($m)					
Sales	31,352.5	27,933.9	26,321.4	24,473.0	20,915.1
Cost of goods sold	23,549.9	20,975.5	19,703.0	18,296.0	15,561.0
Gross profit	**7,802.6**	**6,958.4**	**6,618.4**	**6,177.0**	**5,354.1**
Gross profit margin %	24.89	24.91	25.14	25.24	25.60
Cost of doing business (CODB)	(6,519.6)	(5,893.3)	(5,672.7)	(5,344.3)	(4,647.5)
CODB %	20.79	21.10	21.55	21.84	22.22
Selling, general and admin expenses (excluding, rent, depreciation and amortisation)	(5,153.7)	(4,675.9)	(4,515.7)	(4,288.3)	(3,737.7)
EBITDAR	2,648.9	2,282.5	2,102.7	1,888.7	1,616.4
EBITDAR margin %	8.45	8.17	7.99	7.72	7.73
Rent (including fitout rent)	(904.9)	(809.8)	(758.7)	(705.0)	(600.0)
EBITDA	**1,744.0**	**1,472.7**	**1,344.0**	**1,183.7**	**1,016.4**
EBITDA margin (%)	5.56	5.27	5.11	4.84	4.86
Depreciation	(419.2)	(379.6)	(370.9)	(327.7)	(300.7)
Amortisation of goodwill	(41.8)	(28.0)	(27.4)	(23.3)	(9.1)
EBIT	**1,283.0**	**1,065.1**	**945.7**	**832.7**	**706.6**
EBIT margin (%)	4.09	3.81	3.59	3.40	3.38
Net interest	(108.5)	(47.3)	(39.7)	(50.5)	(13.1)
WINs interest	(45.2)	(42.9)	(41.1)	(39.8)	(47.7)
Profit before tax and abnormal items	**1,129.3**	**974.9**	**864.9**	**742.4**	**645.8**
Taxation	(337.7)	(286.7)	(255.0)	(218.5)	(217.4)
Profit after tax and before abnormal items	**791.6**	**688.2**	**609.9**	**523.9**	**428.4**
Outside equity interests	(1.1)	(0.4)	(0.4)	(0.7)	(0.4)
Net operating profit after tax and servicing income notes	**790.5**	**687.8**	**609.5**	**523.2**	**428.0**
Balance Sheet ($m)					
Funds employed					
Inventory	1,977.3	1,847.0	1,843.1	1,838.4	1,731.8
Accounts payable	(2,335.6)	(2,176.3)	(2,078.9)	(2,000.6)	(1,666.4)
Net investment in inventory	**(358.3)**	**(329.3)**	**(235.8)**	**(162.2)**	**65.4**
Fixed assets and investments	3,581.9	2,758.8	2,485.0	2,366.8	2,275.7
Intangibles	2,011.4	572.3	555.3	545.0	313.4
Receivables	689.9	423.0	543.1	496.6	318.6
Other creditors	(1,457.8)	(1,267.1)	(1,186.1)	(989.6)	(855.5)
Total funds employed[5]	**4,467.1**	**2,157.7**	**2,161.5**	**2,256.6**	**2,117.6**
Net tax balances	147.2	58.7	21.3	(7.9)	(49.0)
Provision for dividend[6]	–	–	–	(188.9)	(155.4)
Net assets employed	**4,614.3**	**2,216.4**	**2,182.8**	**2,059.8**	**1,913.2**
Net repayable debt[7]	(2,417.2)	(163.9)	(359.6)	(237.3)	(387.6)
Net assets	**2,197.1**	**2,052.5**	**1,823.2**	**1,822.5**	**1,525.6**
Noteholders' equity (WINs)[8]	–	583.0	583.0	583.0	583.0
Outside shareholders' equity	33.3	5.2	4.8	4.4	3.7
Shareholders' equity	2,163.8	1,464.3	1,235.4	1,235.1	938.9
Total equity	**2,197.1**	**2,052.5**	**1,823.2**	**1,822.5**	**1,525.6**

FIVE YEAR SUMMARY

	2005	2004	2003	2002	2001
Weeks	52	52	52	53	52
Cash Flow ($m)					
EBITDA	1,744.0	1,472.7	1,344.0	1,183.7	1,016.4
Movement in net investment in inventory	(44.0)	97.3	76.1	247.8	34.6
Other operating cash flows	80.8	69.2	155.5	38.7	8.7
Net interest paid (including cost of income notes)	(161.5)	(95.7)	(82.3)	(97.4)	(72.7)
Tax paid	(398.3)	(324.1)	(283.8)	(238.1)	(225.7)
Operating cash flow	**1,221.0**	**1,219.4**	**1,209.5**	**1,134.7**	**761.3**
Payments for property, plant and equipment	(1,180.5)	(718.7)	(593.4)	(596.7)	(537.4)
Proceeds on disposal of property, plant and equipment	97.7	138.1	114.5	203.8	173.1
Other investing cash flows	(1,285.4)	1.4	(65.3)	(350.9)	(154.2)
Free cash flow	**(1,147.2)**	**640.2**	**665.3**	**390.9**	**242.8**
Movement in gross debt	1,312.5	(133.7)	118.3	(114.4)	211.5
Dividends paid	(201.9)	(346.9)	(307.3)	(251.5)	(212.1)
Repayments/(advances) of employee loans	15.3	14.9	(25.5)	(42.7)	(30.8)
Buy-back of shares	–	(140.9)	(534.1)	–	(349.4)
New shares issued	104.7	28.0	75.6	56.7	44.0
Net cash flow	**83.4**	**61.6**	**(7.7)**	**39.0**	**(94.0)**
Shareholder Value					
ROFE[9] Pre-tax return on funds employed (%)					
Normal	38.73	49.32	42.81	38.07	35.04
DU PONT analysis (abnormals excluded) (%)					
EBIT to sales	4.09	3.81	3.59	3.40	3.38
Service burden[10]	88.02	91.53	91.46	89.15	91.40
Tax burden[11]	70.10	70.59	70.52	70.57	66.34
Asset turn[12]	4.15	4.64	4.53	4.53	4.23
Financial leverage[13]	4.16	4.46	4.70	4.97	4.99
Return on equity[14]	43.57	50.95	49.34	48.13	43.19
Earnings per share					
Ordinary share price closing ($)	16.48	11.62	12.68	13.15	10.85
Market capitalisation ($m)	17,493.2	11,874.8	12,945.0	13,797.0	11,235.2
Weighted average shares on issue (m)	1,043.7	1,020.5	1,049.2	1,041.3	1,065.8
Normal basic EPS (cents per share)	75.74	67.40	58.09	50.24	40.16
Total basic EPS (cents per share)[15]	75.74	67.40	58.09	50.24	40.16
EPS pre-goodwill amortisation (cents per share)	79.75	70.14	60.70	52.48	41.01
Interim dividend ($m)	251.0	213.6	192.0	157.0	128.70
Interim dividend (cents per share)	24.0	21.0	18.0	15.0	12.0
Final dividend ($m)	286.6	248.9	215.1	188.9	155.4
Final dividend (cents per share)	27.0	24.0	21.0	18.0	15.0
Total dividend ($m)	537.6	462.5	407.1	345.9	284.1
Total dividend (cents per share)	51.0	45.0	39.0	33.0	27.0
Payout ratio (%)	68.01	67.24	66.79	66.11	66.37
Price/earnings ratio (times)	21.8	17.2	21.8	26.2	27.0
Price/cash flow ratio (times)	14.09	9.76	11.03	12.06	15.28
Growth rates (% increase)					
Sales	12.24	6.13	7.55	17.01	10.14
Sales per equivalent week	12.24	6.13	9.62	14.90	10.14
Sales per square metre	1.10	1.41	3.73	4.45	5.64
EBITDA	18.42	9.58	13.54	16.46	11.63
EBIT	20.46	12.63	13.57	17.84	13.67
Profit before tax and abnormal items	15.84	12.72	16.50	14.96	13.76
Profit after tax and servicing income notes	14.93	12.85	16.49	22.24	44.84
Normal basic EPS	12.37	16.03	15.63	25.10	24.12

	2005	2004	2003	2002	2001
Weeks	52	52	52	53	52
Financial Strength					
Service cover ratio (times)[16]	8.35	11.81	11.70	9.22	11.62
Fixed charges cover (times)	2.48	2.52	2.50	2.32	2.40
Sales to Inventory (times)[17]	16.40	15.14	14.30	13.71	12.38
Capital expenditure to EBITDA (%)	67.69	48.80	44.15	50.42	52.88
Operating cash flow per share ($)	1.17	1.19	1.15	1.09	0.71
Repayable gearing (%)[18]	52.38	7.39	16.47	11.52	20.26
Serviced gearing (%)[19]	52.38	33.70	43.18	39.82	50.73
Current assets to current liabilities (%)	81.60	85.98	80.79	83.55	80.71
Productivity					
Stores (number)					
Supermarkets					
New South Wales and Australian Capital Territory	233	234	228	227	198
Queensland	147	143	141	130	115
Victoria	183	179	175	171	151
South Australia and Northern Territory	69	63	63	60	53
Western Australia	64	60	58	59	57
Tasmania	27	29	29	29	29
Total Supermarkets	723	708	694	676	603
Freestanding Liquor	192	192	164	139	130
ALH/MGW Retail Liquor Outlets[20]	382	–	–	–	–
Caltex/WOW Petrol	117	44	–	–	–
WOW Petrol	339	315	287	256	166
General Merchandise					
BIG W	120	111	104	96	90
Dick Smith Electronics	202	164	153	147	138
Dick Smith Electronics Powerhouse	18	18	16	15	9
Tandy	122	148	179	204	222
Hotels[20]	169	–	–	–	–
Total	**2,384**	**1,700**	**1,597**	**1,533**	**1,358**

FIVE YEAR SUMMARY

	June 04	Opened/Acquired	Closed	June 05
Stores (movement)				
Supermarkets				
New South Wales and Australian Capital Territory	234	2	3	233
Queensland	143	6	2	147
Victoria	179	4	–	183
South Australia and Northern Territory	63	6	–	69
Western Australia	60	4	–	64
Tasmania	29	–	2	27
Total Supermarkets store movements	708	22	7	723
Freestanding Liquor	192	14	14	192
ALH/MGW Retail Liquor Outlets[20]	–	394	12	382
Caltex/WOW Petrol	44	74	1	117
WOW Petrol	315	24	–	339
General Merchandise				
BIG W	111	9	–	120
Dick Smith Electronics	164	39	1	202
Dick Smith Electronics PowerHouse	18	–	–	18
Tandy	148	–	26	122
Hotels[20]	–	169	–	169
Total store movements	**1,700**	**745**	**61**	**2,384**

	2005	2004	2003	2002	2001
Weeks	52	52	52	53	52
Area (sqm)					
Supermarkets[21]	1,678,343	1,623,530	1,574,640	1,499,696	1,344,246
General Merchandise	783,685	731,788	695,338	640,832	602,718
Total	**2,462,028**	**2,355,318**	**2,269,978**	**2,140,528**	**1,946,964**
Sales per square metre (normalised 52 weeks $m)					
Supermarkets[21]	13,787.7	13,549.2	13,361.1	12,819.7	12,477.1
General Merchandise	4,997.2	4,925.2	4,733.7	4,513.5	4,127.6
Total	**10,989.6**	**10,869.8**	**10,718.4**	**10,332.9**	**9,892.4**

NOTES TO FIVE YEAR SUMMARY

(1) Includes ALH retail liquor results since 1 November 2004 and MGW retail liquor results since 3 January 2005.
(2) Represents ALH hotel results since 1 November 2004 and MGW hotel results since 3 January 2005.
(3) Other discontinued operations include Chisholm Manufacturing and Crazy Prices sold in 2001.
(4) Unallocated expense represents corporate costs relating to the Woolworths Group as a whole, and profits derived by the Group's corporate property division including the disposal of development properties. These amounts are not identifiable against any particular operating segment and accordingly they remain unallocated, as required by Accounting Standard AASB 1005.
(5) Funds employed is net assets excluding net tax balances, provision for dividends and net repayable debt.
(6) Following the introduction of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", effective since the year ended 29 June 2003, no provision for the final dividend has been raised as the dividend has not been declared, determined or publicly recommended as at the balance date.
(7) Net repayable debt is gross debt less cash on hand, cash at bank and cash on short term deposit.
(8) On 30 June 2004, the Company amended the WINs Trust Deed. As a result of these amendments the outstanding balance of $600.0 million, including issue costs of $17.0 million, is no longer classified as part of Shareholders' Equity in the Statement of Financial Position. The principal amount of $600.0 million has been reclassified as a non-current liability and the $17.0 million of issue costs has been recorded as an adjustment to retained earnings in accordance with Australian Accounting Standards.
(9) Return on funds employed (ROFE) is EBIT as a percentage of average funds employed for the year.
(10) Service burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.
(11) Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.
(12) Asset turn is total sales divided by average total assets for the year.
(13) Financial leverage is average total assets divided by average shareholders' funds for the year.
(14) Return on equity is profit after income tax attributable to shareholders, divided by average shareholders' funds for the year.
(15) Total basic earnings per share is profit after tax attributable to members of the Company and servicing WINs divided by the weighted average number of ordinary shares on issue during the year. The weighted average number of ordinary shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Fully diluted EPS is not significantly different from normal basic EPS.
(16) Service cover ratio is EBIT divided by the sum of interest and WINs interest.
(17) Sales to inventory is total sales for the period divided by average inventory.
(18) Repayable gearing is net repayable debt divided by net repayable debt plus total equity.
(19) Serviced gearing is net repayable debt plus WINs divided by net repayable debt plus total equity.
(20) As a result of the acquisition of ALH/MGW.
(21) Supermarkets excludes Petrol and ALH/MGW retail outlets.

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	Consolidated 52 weeks ended 26 June 05 $m	Consolidated 52 weeks ended 27 June 04 $m	Woolworths Limited 52 weeks ended 26 June 05 $m	Woolworths Limited 52 weeks ended 27 June 04 $m
Revenue from sale of goods	2a	31,352.5	27,933.9	26,027.8	24,610.2
Other operating revenue	2a	600.9	547.3	516.4	466.0
Total revenue from operations		31,953.4	28,481.2	26,544.2	25,076.2
Cost of sales		(24,150.8)	(21,522.8)	(20,100.2)	(18,955.9)
Gross profit		7,802.6	6,958.4	6,444.0	6,120.3
Other non-operating revenue from ordinary activities	2b	365.4	151.0	63.0	35.7
Share of profit in associated company accounted for using the equity method	10b	2.5	3.1	–	–
Branch expenses		(5,361.5)	(4,627.6)	(4,142.2)	(3,976.9)
Administration expenses		(1,526.0)	(1,419.8)	(1,296.6)	(1,219.4)
Earnings before interest and tax		1,283.0	1,065.1	1,068.2	959.7
Interest expense[*]	3	(164.1)	(57.4)	(122.6)	(56.6)
Interest income	3	10.4	10.1	32.1	9.1
Net profit from ordinary activities before income tax expense		**1,129.3**	**1,017.8**	**977.7**	**912.2**
Income tax expense	5	(337.7)	(286.7)	(321.3)	(272.2)
Net profit from ordinary activities after income tax expense		**791.6**	**731.1**	**656.4**	**640.0**
Net profit attributable to outside equity interests		(1.1)	(0.4)	–	–
Net profit attributable to the members of Woolworths Limited		**790.5**	**730.7**	**656.4**	**640.0**
(Increase)/decrease in foreign currency translation reserve	19	(0.1)	0.9	–	–
Increase in asset revaluation reserve	19	23.4	–	–	–
Total revenue, expense and valuation adjustments attributable to members of Woolworths Limited recognised directly in equity		23.3	0.9	–	–
Total changes in equity other than those resulting from transactions with owners as owners		**813.8**	**731.6**	**656.4**	**640.0**
Earnings per share (EPS)					
Basic EPS (cents per share)	18	75.74	67.40	–	–
Diluted EPS (cents per share)	18	75.35	66.63	–	–
Weighted average number of shares used in the calculation of basic EPS (million)	18	1,043.7	1,020.5	–	–
Reconciliation of retained profits					
Retained profits at beginning of period		704.3	445.2	506.0	337.6
Net profit attributable to the members of Woolworths Limited		790.5	730.7	656.4	640.0
Woolworths Income Notes distribution[(1)]		–	(42.9)	–	(42.9)
Woolworths Income Notes issue costs[(2)]		(17.0)	–	(17.0)	–
Dividends paid or provided	6	(499.8)	(428.7)	(499.8)	(428.7)
Retained profits at end of period		**978.0**	**704.3**	**645.6**	**506.0**

The Statement of Financial Performance should be read in conjunction with the notes to the financial statements set out on pages 65 to 109.

(1) As a result of a change in the Woolworths Income Notes (WINs) Trust Deed, WINs distributions are now recorded as part of interest expense in the Statement of Financial Performance. Prior to the change in the Trust Deed, the WINs distributions were disclosed within retained earnings.

(2) As a result of the reclassification of the WINs to a non-current interest bearing liability from shareholders equity, the issue costs of $17 million have been recorded as an adjustment to retained earnings.

STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated As at 26 June 05 $m	Consolidated As at 27 June 04 $m	Woolworths Limited As at 26 June 05 $m	Woolworths Limited As at 27 June 04 $m
Current assets					
Cash		432.3	348.9	311.7	314.9
Receivables	8	490.0	208.6	194.7	169.7
Inventories		1,977.3	1,847.0	1,526.7	1,472.3
Property, plant and equipment	12	28.2	259.6	0.2	26.2
Other	9	109.2	112.3	96.1	100.4
Total current assets		**3,037.0**	**2,776.4**	**2,129.4**	**2,083.5**
Non-current assets					
Receivables	8	79.8	96.4	3,011.4	1,049.8
Investments accounted for using the equity method	10	–	3.6	–	–
Other financial assets	11	1.1	28.0	152.3	106.0
Property, plant and equipment	12	3,552.6	2,467.6	1,945.9	1,609.6
Intangibles	13	2,011.4	572.3	395.2	392.1
Deferred tax assets		265.1	195.4	238.4	195.9
Other	9	10.9	5.7	10.9	5.7
Total non-current assets		**5,920.9**	**3,369.0**	**5,754.1**	**3,359.1**
Total assets		**8,957.9**	**6,145.4**	**7,883.5**	**5,442.6**
Current liabilities					
Accounts payable		2,335.6	2,176.3	2,080.2	1,994.4
Accruals		651.9	554.5	456.7	442.7
Interest bearing liabilities	14	235.5	18.0	235.0	17.0
Current tax liabilities		105.5	132.2	115.9	133.0
Provisions	16	393.5	348.0	327.9	316.7
Total current liabilities		**3,722.0**	**3,229.0**	**3,215.7**	**2,903.8**
Non-current liabilities					
Interest bearing liabilities	14	2,614.0	494.8	2,603.0	483.3
Deferred tax liabilities		12.4	4.5	12.8	3.6
Provisions	16	412.4	364.6	379.8	338.8
Total non-current liabilities		**3,038.8**	**863.9**	**2,995.6**	**825.7**
Total liabilities		**6,760.8**	**4,092.9**	**6,211.3**	**3,729.5**
Net assets		**2,197.1**	**2,052.5**	**1,672.2**	**1,713.1**
Equity					
Contributed equity	17	977.9	575.4	977.9	575.4
Reserves	19	207.9	184.6	48.7	48.7
Retained profits		978.0	704.3	645.6	506.0
Equity attributable to the members of Woolworths Limited		**2,163.8**	**1,464.3**	**1,672.2**	**1,130.1**
Woolworths Income Notes	21	–	583.0	–	583.0
Outside equity interest in controlled entities:					
Reserves		0.9	0.9	–	–
Retained profits		32.4	4.3	–	–
Total outside equity interest		**33.3**	**5.2**	**–**	**–**
Total equity	20	**2,197.1**	**2,052.5**	**1,672.2**	**1,713.1**

The Statement of Financial Position should be read in conjunction with the notes to the financial statements set out on pages 65 to 109.

STATEMENT OF CASH FLOWS

	Consolidated		Woolworths Limited	
	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m
Cash flows from operating activities				
Receipts from customers	33,258.7	29,681.7	27,609.1	26,135.6
Receipts from vendors and tenants	435.3	415.4	354.9	341.8
Payments to suppliers and employees	(31,913.3)	(28,457.9)	(26,482.6)	(25,043.3)
Interest and other borrowing costs paid(1)	(171.8)	(62.9)	(130.4)	(62.1)
Interest received	10.4	10.1	32.1	9.1
Income tax paid	(398.3)	(324.1)	(371.8)	(316.2)
Net cash provided by operating activities	**1,221.0**	**1,262.3**	**1,011.3**	**1,064.9**
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	97.7	138.1	16.6	31.8
Proceeds from the sale of investments	0.5	–	0.5	–
Payments for property, plant and equipment	(1,180.5)	(718.7)	(642.1)	(449.7)
Payment for purchase of investments	(0.4)	(26.8)	–	–
Repayments of employee loans	15.3	14.9	15.3	14.8
Loans to related entities	–	(69.9)	(2,023.5)	(90.8)
Loans repaid by related entities	–	153.4	–	153.4
Dividend received from related entities	6.1	1.1	2.4	1.1
Payments for purchase of businesses	(1,291.6)	(56.4)	(24.2)	(42.8)
Net cash used in investing activities	**(2,352.9)**	**(564.3)**	**(2,655.0)**	**(382.2)**
Cash flows from financing activities				
Proceeds from issue of shares	104.7	28.0	104.7	28.0
Payments for buy-back of shares	–	(140.9)	–	(140.9)
(Repayment of)/proceeds from short term deposits	(0.2)	0.4	–	0.1
Proceeds from external borrowings	10,882.7	9,716.3	10,840.7	9,716.4
Repayment of external borrowings	(9,570.0)	(9,850.4)	(9,103.0)	(9,849.0)
Dividends paid	(201.9)	(346.9)	(201.9)	(346.9)
Woolworths Income Notes distribution(1)	–	(42.9)	–	(42.9)
Net cash provided by/(used in) financing activities	**1,215.3**	**(636.4)**	**1,640.5**	**(635.2)**
Net increase/(decrease) in cash held	83.4	61.6	(3.2)	47.5
Cash at the beginning of the financial period	348.9	287.3	314.9	267.4
Cash at the end of the financial period	**432.3**	**348.9**	**311.7**	**314.9**
Non-cash financing and investing activities				
Dividend Reinvestment Plan				
In accordance with the Company's Dividend Reinvestment Plan (DRP) 60% (2004: 19%) of the dividend paid was reinvested in the shares of the Company.				
Dividends	499.8	428.7	499.8	428.7
Issuance of shares under the DRP	(297.9)	(81.8)	(297.9)	(81.8)
Net cash outflow	**201.9**	**346.9**	**201.9**	**346.9**

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements set out on pages 65 to 109.

(1) As a result of a change in the Woolworths Income Notes (WINs) Trust Deed, WINs distributions are now recorded as part of interest and other borrowing costs paid in the Statement of Cash Flows. Prior to the change in the WINs Trust Deed, the WINs distributions were disclosed as cash flows from financing activities.

STATEMENT OF CASH FLOWS

	Consolidated		Woolworths Limited	
	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m
Reconciliation of net cash provided by operating activities to operating profit after tax				
Operating profit after income tax	791.6	731.1	656.4	640.0
Depreciation	377.4	341.4	286.7	272.0
Amortisation	83.6	66.2	59.1	56.8
Share of profit of equity accounted associates	(2.5)	(3.1)	–	–
Profit on sale of property, plant and equipment	(10.2)	(31.6)	(4.9)	(4.0)
Borrowing costs capitalised	(7.7)	(5.5)	(7.7)	(5.5)
Increase in deferred tax asset	(43.3)	(22.8)	(42.5)	(19.3)
Decrease in income tax payable	(24.3)	(11.9)	(17.2)	(8.8)
Increase/(decrease) in deferred tax liability	6.5	(2.7)	9.2	3.6
(Increase)/decrease in receivables	(14.7)	26.0	(28.7)	16.0
(Increase)/decrease in inventories	(61.4)	(0.1)	(53.6)	12.0
(Increase)/decrease in sundry debtors and prepayments	1.8	(4.7)	2.7	(8.5)
Increase in payables	17.4	97.4	85.8	60.7
Increase in sundry payables and provisions	106.8	82.6	66.0	49.9
Net cash provided by operating activities	**1,221.0**	**1,262.3**	**1,011.3**	**1,064.9**
Acquisition of businesses				
Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses at the date of acquisition were as follows:				
Fair value of net assets acquired				
Property, plant and equipment	391.0	9.4	0.1	8.7
Inventories	69.0	3.8	0.8	1.7
Liquor and gaming licences and property development rights	1,024.9	32.1	11.1	22.3
Cash	64.2	–	–	–
Other assets	55.4	–	–	–
Interest bearing liabilities	(424.1)	–	–	–
Accounts payable	(141.8)	–	–	–
Provisions	(45.1)	(0.1)	–	–
Other liabilities	(11.8)	–	(1.7)	–
Outside Equity Interest – Bruandwo[1]	(27.0)	–	–	–
Revaluation reserve attributable to Woolworths Limited as a result of previous ownership interest	(23.5)	–	–	–
Net assets previously equity accounted	(3.5)	–	–	–
Net assets acquired	**927.7**	**45.2**	**10.3**	**32.7**
Goodwill on acquisition	455.0	11.2	13.9	10.1
Consideration (cash)	**1,382.7**	**56.4**	**24.2**	**42.8**
Less: Cash balances acquired	(64.2)	–	–	–
Less: Cash paid during previous financial year	(26.9)	–	–	–
Consideration paid this year	**1,291.6**	**56.4**	**24.2**	**42.8**

Details of acquisitions are shown at Note 31.

(1) Represents Bruce Mathieson's 25% interest in Bruandwo ($23.5 million) plus 50% of MGW's retained earnings prior to gaining control ($3.5 million).

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

The significant accounting policies that have been applied in the preparation of this general purpose financial report are as follows:

A Basis of preparation

This report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical cost. The accounting policies adopted are consistent with those of the previous years, except as otherwise stated.

The financial periods of the Company end on the last Sunday in June of each year. The financial period of the Company ended on 26 June 2005, which comprised 52 weeks and the corresponding financial period to 27 June 2004 comprised 52 weeks.

B Principles of consolidation

In these financial statements, Woolworths Limited is referred to as "the Company" and the "Consolidated" financial statements are those of the consolidated entity, comprising Woolworths Limited and its controlled entities.

All balances and the effects of all transactions between controlled entities that are included in the Consolidated financial statements have been eliminated.

Outside interests in the equity and results of controlled entities are shown as a separate item in the Consolidated financial statements.

Investments in associates are accounted for in the Consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the Consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

C Revenue recognition

In general, revenue is recognised only when it is probable that the economic benefits comprising the revenue will flow to the entity and that the flow can be reliably measured.

In addition to these general criteria, specific revenue recognition criteria apply as follows:

Sales revenue

Sales revenue represents the revenue earned from the provision of products and rendering of services to parties external to the consolidated entity. Sales revenue is only recognised when control of the products has passed to the buyer and for services when a right to be compensated has been attained and the stage of completion of the contract can be reliably measured.

Interest, rents and dividends

Interest, rental and dividend revenue is recognised when the consolidated entity has attained control of a right to be compensated for the provision of, or investment of, its assets. With interest and rents, control of the right to be compensated will accrue over time. For dividends, the right to be compensated is usually attained with the approval of the dividend at a meeting of shareholders.

Proceeds from sale of assets

The gross proceeds of asset sales are recognised as revenue at the date that an unconditional contract of sale is exchanged with the purchaser.

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Where a loss is expected to occur, this is recognised immediately and is made for both work in progress completed to date and for future work on the contract.

D Accounting for acquisitions

Assets and businesses acquired are accounted for using the cost method of accounting, whereby fair values are assigned to all the identifiable underlying assets acquired and the liabilities assumed at the date of acquisition.

Goodwill is brought to account on the basis described in Note 1(O).

E Income tax

Tax effect accounting is applied using the liability method, whereby the income tax expense for the period is based on the accounting profit after adjustment for permanent differences.

The deferred tax assets and deferred tax liabilities represent the net cumulative effect of items of income and expense that have been brought to account for tax and accounting purposes in different periods.

Deferred tax assets pertaining to timing differences have only been brought to account where the benefits are expected to be realised beyond reasonable doubt.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian resident wholly-owned subsidiaries set out in Note 29. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

F Pre-opening expenses

Pre-opening expenses in connection with new stores are charged to the statement of financial performance in the period in which they are incurred.

G Stock valuation of finished goods

Short life retail stocks are valued at the lower of average cost or net realisable value.

Long life retail stocks have been valued by the retail inventory method to arrive at cost.

Warehouse stocks are valued at the lower of average cost or net realisable value.

These methods of valuation are considered to achieve a valuation reasonably approximating the lower of cost or net realisable value.

H Purchase and promotional incentives

Purchase or promotional incentives are taken into income in the period to which the purchase or promotion relates, provided receipt of the incentive is reasonably assured.

1 Significant accounting policies (continued)

I Recoverable amount of non-current assets

The recoverable amount of a non-current asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the statement of financial performance in the reporting period in which the recoverable amount write-down occurs. In determining the recoverable amount, expected future cash flows have not been discounted to their present values.

J Valuation of non-current assets

Subsequent to initial recognition as assets, all non-current assets are measured at their original cost. This policy was adopted with effect from 28 June 1999.

K Freehold land and buildings

Freehold land and buildings and development properties are measured at cost. Borrowing and other holding and development costs on property under development are capitalised until completion of the development.

Annual internal assessments are supplemented by independent assessments, which are performed at least every three years.

Land and buildings held with the intent of sale within the next 12 months are classified as current assets and are valued at the lower of cost or net realisable value.

Construction work in progress is carried at cost plus profit recognised to date based on the value of work completed, less progress billings and less provision for foreseeable losses.

L Depreciation

(i) Buildings, fixtures, fittings and plant

Buildings and plant comprising lifts, air conditioning, fire protection systems and other installations are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2005	2004
Buildings	25-40 years	25-40 years
Fixtures, fittings and plant	3-40 years	3-40 years

(ii) Leasehold improvements

The cost of leasehold improvements is amortised over the remaining period of the individual leases or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over a maximum period of 20 years.

(iii) Plant, equipment and shop fittings

Plant, equipment and shop fittings (including application software) are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

	2005	2004
Plant, equipment and fittings	2.5-40 years	2.5-40 years

M Foreign exchange

Transactions

Transactions in foreign currencies within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at period end and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial period, or where applicable, the contractual exchange rate. The resulting gains or losses are credited or charged to the statement of financial performance.

Specific commitments

Exchange gains and losses, and costs, premiums and discounts on transactions intended to hedge the purchase or sale of goods or services are deferred up to the date of, and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains and losses are brought to account in the period in which the exchange rates change. Gains or costs arising on entry into such hedging transactions are brought to account over the lives of the hedges.

Where a hedging transaction is terminated prior to maturity and the underlying transaction is still expected to occur, any gains or losses occurring prior to termination continue to be deferred and are brought to account in the measurement of the underlying transaction. Where the underlying transaction is no longer expected to occur, any previously deferred gains and losses are taken to the statement of financial performance at the date of termination.

Where a hedging transaction is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur. Where the original transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

General commitments

Exchange gains and losses on other hedge transactions are not deferred, but brought to account in the statement of financial performance in the period in which the exchange rates change. Gains or costs arising on entry into these transactions are brought to account at the time of entry and amortised over the lives of the hedges.

Foreign controlled entities

All foreign controlled entities are self-sustaining, as each is financially independent of the Company. The accounts of the foreign controlled entities are translated using the current rate method and any exchange differences are taken to the foreign currency translation reserve.

N Receivables

Trade and other debtors

Trade and other debtors are carried at nominal amounts due less any allowance for doubtful debts. Allowances for doubtful debts are made when collection of the full nominal amount is no longer probable.

Short term deposits

Short term deposits are stated at the lower of cost and net realisable value. Interest income is brought to account in the period in which it is earned.

1 Significant accounting policies (continued)

O Intangibles

Liquor licences

Liquor licences are valued at cost.

Liquor licences are considered to have an indefinite useful life. As a consequence, no amortisation has been charged.

Gaming licences

Gaming licences are valued at cost.

Gaming licences are considered to have an indefinite useful life. As a consequence, no amortisation has been charged.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition.

Goodwill is amortised by the straight-line method over the period during which benefits are expected to be received, a period deemed to be five years for GreenGrocer.com.au Pty Limited and 20 years for all other relevant entities.

Other intangibles

Other intangibles are valued at cost.

Other intangibles consist mainly of property development rights.

P Investments

Interests in controlled entities are accounted for in the consolidated financial statements as set out in Note 1(B) and at cost in Woolworths Limited's financial statements. Investments in associates are accounted for under the equity method in the Consolidated financial statements and the cost method in Woolworths Limited's financial statements.

Interests in listed and unlisted shares are carried at the lower of cost and recoverable amount in Woolworths Limited's financial statements.

Interests in semi-government securities are carried at amortised cost, calculated after accounting for the discount or premium on acquisition. Interest income is taken to account as revenue on an effective yield basis.

Q Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

The cost of improvements made on or to leasehold properties is accounted for as described in Note 1(L)(ii).

R Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the consolidated entity which were unpaid at the end of the period. The amounts are unsecured and are usually settled within 45 days of recognition.

S Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

Provisions for dividends are recognised only when they have been declared, determined or publicly recommended by the directors.

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

Restructurings

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has either:

(i) entered into firm contracts to carry out the restructuring; or

(ii) raised a valid expectation in those affected by the restructuring that the restructuring will occur.

Where a restructuring arises as a consequence of an acquisition, a provision is recognised when, at or before the date of acquisition, the main features of a plan for restructuring are developed, and within three months of the date of acquisition, or by the time of completion of the financial report, the consolidated entity has developed a formal detailed plan for the restructuring and has either:

(i) entered into firm contracts to carry out the restructuring; or

(ii) raised a valid expectation in those affected by the restructuring that the restructuring will occur.

Such provisions are only made in respect of the restructuring of operations within the acquired entity.

Self-insured risks

The consolidated entity provides for self-insured liabilities relating to workers' compensation and public liability claims. The provisions for such liabilities are based on independent actuarial assessments, which consider numbers, amounts and duration of claims, and allow for future inflation and investment returns. Allowance is included for injuries which occurred before the balance date, but where the claim is expected to be notified after the balance date.

T Interest bearing liabilities

Loans and funds accepted on deposit are carried at their principal amounts, representing the present value of future cash flows associated with servicing of the debt. Interest is recognised as an expense in the period in which it accrues and is recorded as an accrual in the statement of financial position until it is paid. Costs incurred in connection with arrangement of borrowing are capitalised and amortised over the period of the borrowing.

U Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave, vested sick leave and other employee benefits expected to be settled within 12 months, are recognised, and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

1 Significant accounting policies (continued)

U Employee benefits (continued)

Long service leave

A liability for long service leave, which is not expected to be settled within 12 months, is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to period end. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The expected future cash flows are discounted, using interest rates attaching to Commonwealth government guaranteed securities which have terms to maturity, matching their estimated timing as closely as possible.

Employee share schemes

Shares issued to employees under the Employee Share Issue Plan and retention shares issued to executives under Executive Service Contracts as described in Note 25 are not considered to be a cost to the Company under current Australian Accounting Standards and, accordingly, are not recognised as an expense in the statement of financial performance.

Options granted to executives to subscribe for fully paid ordinary shares are not considered to be a cost to the Company under current Australian Accounting Standards and, accordingly, are not recognised as an expense in the statement of financial performance.

Superannuation

The Company has a Superannuation Scheme that provides accumulation type benefits to all permanent salaried employees and their dependants on retirement or death. Defined benefits have been preserved for former members of certain superannuation funds sponsored by the Company.

The Company's commitment in respect of accumulation benefits under the Scheme is limited to making the specified contributions in accordance with the Rules of the Scheme and/or any statutory obligations. In respect of defined benefits payable under the Scheme, the Company has committed to fund up to the level of members' vested benefits. For funding purposes, actuarial valuations are carried out every three years to determine the Company's liability for the defined benefit and accumulation enhancement portions of the Scheme. Annual actuarial reviews are performed to monitor the Scheme's funding position. The Company's contributions to the Superannuation Scheme are expensed in the statement of financial performance as incurred.

V Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the cost of qualifying assets.

Qualifying assets are assets that take more than 12 months to prepare for their intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the consolidated entity's outstanding borrowings during the year, in this case 6.6% (2004: 7.5%).

W Derivative financial instruments

The consolidated entity enters into forward foreign exchange contracts and interest rate swap agreements.

Accounting for forward exchange contracts is in accordance with Note 1(M).

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement.

The amount recognised is adjusted against interest expense during the period.

X Cash

For purposes of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

Y Earnings per share

Basic earnings per share is determined by dividing the operating net profit after tax attributable to the members of Woolworths Limited after deducting the Woolworths Income Notes distribution, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to potential dilutive ordinary shares.

Z Goods and services tax

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the acquisition cost of an asset or as part of an item of expense;

and:

(ii) for receivables or payables which are recognised inclusive of GST.

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

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

AA Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

	Consolidated		Woolworths Limited	
	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m

2 Profit from ordinary activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

	Consolidated 26 June 05 $m	Consolidated 27 June 04 $m	Woolworths Limited 26 June 05 $m	Woolworths Limited 27 June 04 $m
(a) Operating revenue				
Revenue from the sale of goods:				
Related parties	–	–	2.8	206.4
Other parties	31,352.5	27,933.9	26,025.0	24,403.8
	31,352.5	**27,933.9**	**26,027.8**	**24,610.2**
Other operating revenue – rebates, discounts received and other	600.9	547.3	516.4	466.0
Interest:				
Related parties	0.4	3.7	25.1	3.7
Other parties	10.0	6.4	7.0	5.4
Total operating revenue	**31,963.8**	**28,491.3**	**26,576.3**	**25,085.3**
(b) Other non-operating revenue from ordinary activities				
Gross proceeds from disposal of non-current assets[1]	303.4	138.1	16.6	31.8
Dividends	3.6	–	2.4	1.1
Rent	17.0	12.9	5.0	2.8
Other[2]	41.4	–	39.0	–
Total other non-operating revenue from ordinary activities	**365.4**	**151.0**	**63.0**	**35.7**
Share of net profits of associate accounted for using the equity method	2.5	3.1	–	–
Total revenue	**32,331.7**	**28,645.4**	**26,639.3**	**25,121.0**
(c) Expenses				
Amounts provided for:				
Bad and doubtful debts	0.9	2.9	0.4	2.2
Employee benefits	253.5	221.0	237.4	200.9
Self-insured risks	102.8	121.8	95.9	113.4
Net profit on disposal of:				
Property, plant, equipment, fixtures and fittings	(10.2)	(31.6)	(4.9)	(4.0)
Depreciation of:				
Buildings	11.4	9.7	1.9	0.2
Plant and equipment, fixtures and fittings	366.0	331.7	284.8	271.8
Amortisation of:				
Leasehold improvements	41.8	38.2	36.6	35.4
Goodwill	41.8	28.0	22.5	21.4
Contributions to defined benefit superannuation plans[3]	126.3	117.4	114.2	105.5
Operating lease rental expenses:				
Leased premises				
– minimum lease payments	754.8	659.2	590.5	554.7
– contingent rentals	80.6	79.0	72.5	75.0
– sub-leases	3.7	5.0	3.6	2.8
Leased equipment				
– minimum lease payments	65.8	66.6	57.3	58.5
Total operating lease rental expenses	904.9	809.8	723.9	691.0

Notes

(1) Includes proceeds from the sale of Norwest which was 85% complete at 26 June 2005.
(2) There has been a reclassification of some other operating revenues from 2(a) to (2b) during the financial year.
(3) These amounts represent contributions to the Woolworths Group Superannuation Scheme (Woolworths Super). Of this approximately $82.0 million (2004: $79 million) represents the funding of the Company's obligations under the Trust Deed governing Woolworths Super and the balance of approximately $44 million (2004: $38 million) represents standard and additional voluntary contributions made by the Company on behalf of members under salary sacrifice arrangements. Woolworths Super provides lump sum accumulation benefits to members on retirement or death. Defined benefits have been preserved in Woolworths Super for former members of some superannuation funds previously sponsored by the Company.

	Consolidated		Woolworths Limited	
	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m
3 Net finance costs				
Interest income:				
Related parties	0.4	3.7	25.1	3.7
Other parties	10.0	6.4	7.0	5.4
	10.4	**10.1**	**32.1**	**9.1**
Interest expense:				
Other parties	(171.8)	(62.9)	(130.4)	(62.1)
Less: borrowing costs capitalised (Note 1(V))	7.7	5.5	7.7	5.5
	(164.1)	**(57.4)**	**(122.7)**	**(56.6)**
Net finance costs	**(153.7)**	**(47.3)**	**(90.6)**	**(47.5)**
4 Auditors' remuneration				
Audit services:				
Deloitte Touche Tohmatsu[1]	1.537	0.780	0.975	0.780
Audit-related services:				
Deloitte Touche Tohmatsu	0.020	0.094	0.020	0.067
Other services:				
Deloitte Touche Tohmatsu[2]	0.233	0.227	0.169	0.158
Total auditors' remuneration	**1.790**	**1.101**	**1.164**	**1.005**

Notes

(1) Audit Fees in the current year have increased as a result of the acquisition of the Bruandwo Group and the review relating to the adoption of the Australian Equivalents to the International Financial Reporting Standards (AIFRS).

(2) Other services comprise advice on various accounting and tax matters and due diligence.

5 Taxation

	Consolidated 26 June 05 $m	Consolidated 27 June 04 $m	Woolworths Limited 26 June 05 $m	Woolworths Limited 27 June 04 $m
Prima facie income tax expense on the current period operating profit before income tax, calculated at 30% (2004 at 30%)	338.8	305.3	293.3	273.7
Tax effect of permanent differences:				
Amortisation of intangibles	12.5	8.2	6.8	7.0
Woolworths Income Notes	–	(12.9)	–	(12.9)
Other permanent differences reducing tax payable	(2.2)[1]	(8.4)	(0.9)	(7.4)
Other permanent differences increasing tax payable	2.2	2.4	1.0	1.4
Income tax expense on current year's operating profit	**351.3**	**294.6**	**300.2**	**261.8**
Impact of tax consolidation system:				
Initial recognition of current and deferred tax balances of subsidiaries	–	–	–	(4.7)
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax-consolidated group	–	–	34.7	22.9
	–	–	34.7	18.2
Over provision in prior period	(13.6)	(7.9)	(13.6)	(7.8)
Income tax expense attributable to operating profit	**337.7**	**286.7**	**321.3**	**272.2**
Income tax expense attributable to operating profit comprises:				
Provision for current tax liability	399.5	330.7	381.9	306.6
Provision for deferred tax liability	(29.8)	(24.8)	(29.2)	(2.2)
Deferred tax asset	(18.4)	(11.3)	(17.8)	(24.4)
Over provision in prior period	(13.6)	(7.9)	(13.6)	(7.8)
	337.7	**286.7**	**321.3**	**272.2**

Note

(1) Permanent differences reducing tax payable has reduced as a result of no shares being issued under the Share Issue Plan during the year.

5 Taxation (continued)

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

In the prior year, the directors elected for those entities within the Consolidated Entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2002. Woolworths Limited is the head entity of the tax-consolidated group and, consequently, records all tax balances of entities in the tax-consolidated group. No tax-sharing arrangements have been entered into. The adoption of tax consolidation has not had any material impact on the Company's income tax expense or deferred tax balances of the tax-consolidated group.

6 Dividends paid or provided

	Consolidated		Woolworths Limited	
	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m
Final dividend in respect of 2004 year of 24 cents (2003: 21 cents) per fully paid ordinary share paid 8 October 2004 (2003: 3 October 2003) 100% franked at 30% tax rate (2003: 100% franked at 30% tax rate)	248.9	215.1	248.9	215.1
Interim dividend of 24 cents (2004: 21 cents) per fully paid ordinary share paid 29 April 2005 (2004: 30 April 2004) 100% franked at 30% tax rate (2004: 100% franked at 30% tax rate)	250.9	213.6	250.9	213.6
Total dividends paid or provided	**499.8**	**428.7**	**499.8**	**428.7**
Dividends paid in cash or satisfied by the issue of new shares under the Dividend Reinvestment Plan during the 52 weeks ended 26 June 2005 and the 52 weeks ended 27 June 2004 were as follows:				
Paid in cash	201.9	346.9	201.9	346.9
Satisfied by the issue of new shares	297.9	81.8	297.9	81.8
	499.8	**428.7**	**499.8**	**428.7**

On 22 August 2005, the Board of Directors declared a final dividend in respect of the 2005 year of 27c (2004: 24c) per share 100% franked at a 30% tax rate. The amount that will be paid on 7 October 2005 (2004: 8 October 2004) will be $286.6 million (2004: $248.9 million). As the dividend was declared subsequent to 26 June 2005 no provision has been included as at 26 June 2005.

Woolworths has entered into a Dividend Reinvestment Plan (DRP) Agreement in relation to the Woolworths dividends. Under this arrangement Woolworths pays Shareholders their dividend entitlement in cash to the extent that they have not elected to take up their full entitlement under the Woolworths DRP and the underwriter subscribes for a number of Woolworths' shares calculated by reference to the aggregate amount of cash which has been paid to Woolworths shareholders who have not elected to take up their full share entitlement under the Woolworths DRP. The price per share paid by the underwriter is the average of the daily volume weighted average market price of Woolworths ordinary fully paid shares sold on the Australian Stock Exchange Automated Trading System over a period of ten trading days commencing on the third trading day after the Record Date for the relevant dividend. This Underwriting Agreement applied to the interim dividend dated 29 April 2005, and will apply to the following interim and final dividends payable in the calendar years 2005 and 2006. In relation to the 29 April 2005 interim dividend, 7,695,040 Woolworths ordinary fully paid shares were issued to the underwriter.

	Consolidated		Woolworths Limited	
	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m	52 weeks ended 26 June 05 $m	52 weeks ended 27 June 04 $m
Franked dividends				
The franked portions of the dividends proposed as at 26 June 2005 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ending 25 June 2006.				
Franking credits available for the subsequent financial year 30% (2004: 30%)	606.3	403.6	574.1	402.6

The above amounts represent the balances of the franking accounts as at the end of the financial period, adjusted for:

(a) franking credits that will arise from the payment of income tax payable at the end of the financial period; and
(b) franking debits that will arise from the payment of dividends provided at the end of the financial period.

Franking accounts are presented on a tax paid basis.

7 Segment disclosures

	Supermarkets[1]		BIG W		Consumer Electronics	
	2005 $m	2004 $m	2005 $m	2004 $m	2005 $m	2004 $m
Business segments						
Sales to customers	26,878.0	24,192.5	2,908.7	2,717.9	1,007.5	886.3
Rebates, discounts and other	334.1	306.7	221.0	198.9	30.3	30.6
Inter-segment revenue					0.3	0.3
Segment revenue	**27,212.1**	**24,499.2**	**3,129.7**	**2,916.8**	**1,038.1**	**917.2**
Eliminations						
Unallocated revenue						
Share of net profits of associate accounted for using the equity method	2.5	3.1				
Total revenue						
Segment operating profit	1,113.5	960.3	118.0	116.2	51.8	44.1
Unallocated revenue/(expenses)						
– Property						
– Head office						
Net interest						
Profit from ordinary activities before tax						
Income tax on ordinary activities						
Profit from ordinary activities after tax						
Segment assets	4,195.6	3,447.5	746.5	664.7	368.1	337.1
Unallocated						
Total assets						
Segment liabilities	2,191.5	2,030.0	364.9	328.3	110.0	103.3
Unallocated						
Total liabilities						
Acquisition of assets	910.3	362.7	62.1	68.1	34.8	17.2
Unallocated						
Acquisition of assets						
Segment depreciation and amortisation	322.1	305.1	34.7	32.8	21.4	19.8
Unallocated						
Total depreciation and amortisation						
Unallocated						
Total other non-cash expenses						
Share of gain of associates	2.5	3.1				
Carrying value of investment in associate		3.6				

Note
(1) Supermarkets comprise supermarket stores, liquor stores and petrol canopies.

7 Segment disclosures (continued)

	Hotels[2] 2005 $m	Hotels[2] 2004 $m	Wholesale[3] 2005 $m	Wholesale[3] 2004 $m	Consolidated 2005 $m	Consolidated 2004 $m
Business segments						
Sales to customers	415.8		142.5	137.2	31,352.5	27,933.9
Rebates, discounts and other			6.3	5.6	591.7	541.8
Inter-segment revenue			220.4	205.5	220.7	205.8
Segment revenue	**415.8**		**369.2**	**348.3**	**32,164.9**	**28,681.5**
Eliminations					(220.7)	(205.8)
Unallocated revenue					385.0	166.6
Share of net profits of associate accounted for using the equity method					2.5	3.1
Total revenue					**32,331.7**	**28,645.4**
Segment operating profit	54.9		2.4	1.8	1,340.6	1,122.4
Unallocated revenues/(expenses)						
– Property					20.3	21.7
– Head office					(77.9)	(79.0)
Net interest					(153.7)	(47.3)
Profit from ordinary activities before tax					**1,129.3**	**1,017.8**
Income tax on ordinary activities					(337.7)	(286.7)
Profit from ordinary activities after tax					**791.6**	**731.1**
Segment assets	1,521.0		57.7	61.2	6,888.9	4,510.5
Unallocated					2,069.0	1,634.9
Total assets					**8,957.9**	**6,145.4**
Segment liabilities	83.5		36.3	35.6	2,786.2	2,497.2
Unallocated					3,974.6	1,595.7
Total liabilities					**6,760.8**	**4,092.9**
Acquisition of assets	1,442.8		0.6	0.8	2,450.6	448.8
Unallocated					600.8	284.8
Total acquisition of assets					**3,051.4**	**733.6**
Segment depreciation and amortisation	32.8		1.6	3.0	412.6	360.7
Unallocated					48.4	46.9
Total depreciation and amortisation					**461.0**	**407.6**
Unallocated					297.9	81.8
Total other non-cash expenses					**297.9**	**81.8**
Share of gain of associates					2.5	3.1
Carrying value of investment in associate						3.6

Notes
(2) Hotels comprise on-premise liquor sales, food, accommodation, gaming and room hire.
(3) Wholesale comprises Statewide Independent Wholesalers (SIW).

The consolidated entity operates predominantly in Australia. More than 99% of revenue, operating profit before income tax and total assets relate to operations within Australia. Intersegment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
8 Receivables				
Current				
Trade receivables	57.8	49.6	33.9	28.8
Allowance for doubtful debts	(4.6)	(3.6)	(1.9)	(1.8)
	53.2	**46.0**	**32.0**	**27.0**
Other receivables	440.3[1]	162.0	165.4	141.2
Allowance for doubtful debts	(6.7)	(6.5)	(5.5)	(5.4)
	433.6	**155.5**	**159.9**	**135.8**
Short term deposits	0.4	0.2	–	–
Employee loans and other advances	2.8	6.9	2.8	6.9
	490.0	**208.6**	**194.7**	**169.7**
Non-current				
Other debtors	8.1	9.7	–	–
Employee loans	71.7	86.5	71.7	86.5
Loans to controlled entities	–	–	2,939.7	963.1
Loan to associate	–	0.2	–	0.2
	79.8	**96.4**	**3,011.4**	**1,049.8**
9 Other assets				
Current				
Prepayments	108.5	111.2	95.4	99.3
Deferred costs	–	0.9	–	0.9
Borrowing costs	1.8	1.6	1.8	1.6
Less: Amortisation	(1.1)	(1.4)	(1.1)	(1.4)
	109.2	**112.3**	**96.1**	**100.4**
Non-current				
Deferred costs	8.0	5.3	8.0	5.3
Borrowing costs	2.9	0.4	2.9	0.4
	10.9	**5.7**	**10.9**	**5.7**

(1) This includes receivables of approximately $242.0 million from the sale of the Woolworths Support Office at Norwest Business Park in Sydney.

10 Investments accounted for using the equity method

(a) Details of investments in associates

Name	Principal activity	% Ownership		Investment carrying amount	
		As at 26 June 05 $m	As at 27 June 04	As at 26 June 05 $m	As at 27 June 04 $m
Bruandwo Pty Limited and its controlled entities[1]	Hotel operation and liquor retailing	–	50%	–	3.6

	Consolidated	
	As at 26 June 05 $m	As at 27 June 04 $m
(b) Movements in investments in associates		
Equity accounted amount at the beginning of the financial year	3.6	1.6
Share of profit from ordinary activities before tax	3.6	4.4
Share of income tax expense related to ordinary activities	(1.1)	(1.3)
	2.5	**3.1**
Dividend received	(2.5)	(1.1)
Acquisition of controlling interest in associate	(3.6)	–
Equity accounted amount at the end of the financial year	**–**	**3.6**
(c) Share of reserves attributable to associate		
Retained profits:		
At the beginning of the financial year	3.6	1.6
At the end of the financial year	–	3.6
(d) Commitments		
Share of associate's capital expenditure commitments payable:		
Not later than one year	–	2.3
Share of associate's operating lease commitments payable:		
Not later than one year	–	3.6
Later than one year, not later than five	–	8.9
Later than five years	–	6.8
	–	**19.3**
(e) Contingent liabilities		
Bank guarantees	–	0.8

Note

(1) During the year ended 26 June 2005, Woolworths obtained control of Bruandwo Pty Ltd. Bruandwo Pty Ltd is now owned 75% by Woolworths and 25% by the Bruce Mathieson Group. Bruandwo Pty Ltd owns 100% of ALH which has been consolidated with effect from 31 October 2004, and 100% of MGW which has been consolidated with effect from 2 January 2005.

11 Other financial assets

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Non-current				
Controlled entities:				
Unlisted shares at cost	–	–	151.9	105.0
Listed shares at cost	0.4	26.8	–	–
Unlisted shares at cost	0.1	0.1	–	0.1
Semi-government securities, at cost	–	0.5	–	0.5
Other	0.6	0.6	0.4	0.4
	1.1	**28.0**	**152.3**	**106.0**

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
12 Property, plant and equipment				
Current				
Development properties:				
At cost	28.2	259.6	0.2	26.2
	28.2	**259.6**	**0.2**	**26.2**
Non-current				
Development properties:				
At cost	224.0	120.5	–	–
Less: Accumulated depreciation	(2.3)	(0.3)	–	–
	221.7	**120.2**	**–**	**–**
Freehold warehouse, retail and other properties:				
At cost	990.5	445.9	96.9	17.4
Less: Accumulated depreciation	(51.5)	(38.7)	(7.8)	(0.2)
	939.0	**407.2**	**89.1**	**17.2**
Leasehold improvements:				
At cost	617.8	520.6	436.8	392.2
Less: Accumulated amortisation	(258.3)	(226.4)	(147.7)	(119.3)
	359.5	**294.2**	**289.1**	**272.9**
Plant and equipment:				
At cost	5,188.3	4,541.1	2,988.7	2,479.4
Less: Accumulated depreciation	(3,155.9)	(2,895.1)	(1,421.0)	(1,159.9)
	2,032.4	**1,646.0**	**1,567.7**	**1,319.5**
	3,552.6	**2,467.6**	**1,945.9**	**1,609.6**
Total property, plant and equipment – net book value	**3,580.8**	**2,727.2**	**1,946.1**	**1,635.8**

An assessment as to the carrying value of Woolworths owned properties as at 26 June 2005 was performed. The basis of the assessment was a combination of external market assessments and/or valuations and Woolworths' property group assessments.

External valuations are obtained every three years. Based on the most recent assessment, a provision of $67.3 million (2004: $60.5 million) is held against the value of land and buildings as at 26 June 2005.

12 Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of non-current property, plant and equipment at the beginning and end of the current and previous financial periods are set out below:

	Development properties	Warehouse, retail and other properties	Leasehold improvements	Plant and equipment	Total
	$m	$m	$m	$m	$m
Consolidated – 2005					
Carrying amount at start of period	120.2	407.2	294.2	1,646.0	**2,467.6**
Additions (excluding additions arising from acquisitions of controlled entities)	91.6	230.6	89.7	599.9	**1,011.8**
Additions arising from acquisition of controlled entities	–	217.7	34.2	139.1	**391.0**
Disposals	(12.3)	(0.8)	(2.6)	(12.2)	**(27.9)**
Depreciation/amortisation expense	(0.4)	(11.0)	(41.8)	(366.0)	**(419.2)**
Transfers	22.6	95.3	(14.2)	25.6	**129.3**
Carrying amount at end of period	**221.7**	**939.0**	**359.5**	**2,032.4**	**3,552.6**
Woolworths Limited – 2005					
Carrying amount at start of period	–	17.2	272.9	1,319.5	**1,609.6**
Additions	–	35.9	64.3	520.9	**621.1**
Disposals	–	(0.3)	(1.2)	(12.3)	**(13.8)**
Depreciation/amortisation expense	–	(1.9)	(36.6)	(284.8)	**(323.3)**
Transfers	–	38.2	(10.3)	24.4	**52.3**
Carrying amount at end of period	**–**	**89.1**	**289.1**	**1,567.7**	**1,945.9**

13 Intangibles

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Non-current				
Liquor and gaming licences				
At cost	1,144.7	183.8	147.6	136.4
Accumulated amortisation	(13.1)	(13.1)	(7.8)	(7.8)
	1,131.6	**170.7**	**139.8**	**128.6**
Goodwill				
At cost	959.5	504.5	349.6	335.7
Accumulated amortisation	(144.7)	(102.9)	(94.2)	(72.2)
	814.8	**401.6**	**255.4**	**263.5**
Other intangibles				
At cost	65.0	–	–	–
Accumulated amortisation	–	–	–	–
	65.0	**–**	**–**	**–**
	2,011.4	**572.3**	**395.2**	**392.1**

Liquor and gaming licences are considered to have indefinite lives and are not amortised as set out in Note 1(O).

Licence values include the fair value of liquor and gaming licences arising from the acquisition of ALH/MGW. These licences are not amortised as they are considered to have an indefinite life.

Other intangibles include the fair value of property development rights arising from the acquisition of ALH.

Aggregate amortisation expense is disclosed in Note 2(c).

14 Interest bearing liabilities

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Current				
Unsecured				
Short term securities	140.0	17.0	140.0	17.0
Short term money market loans	95.0	–	95.0	–
Secured				
Bank loans	0.5	1.0	–	–
	235.5	**18.0**	**235.0**	**17.0**
Non-current				
Unsecured				
Bank loans	884.0	–	884.0	–
Other loans	1,120.5	484.9	1,119.0	483.3
Woolworths Income Notes	600.0	–	600.0	–
Secured				
Bank loans	9.5	9.9	–	–
	2,614.0	**494.8**	**2,603.0**	**483.3**

Short term securities
In December 2001 Woolworths arranged a perpetual $800.0 million Commercial Paper Program to meet its short term funding requirements. The Program is supported by standby facilities for a total value of $400.0 million. Standard & Poor's has rated the Program with a short term rating of A2. At period end there was $140.0 million (2004: $17.0 million) of commercial paper on issue under this Program.

14 Interest bearing liabilities (continued)

Bank loans

Unsecured bank loans represent:

(a) two to five year revolving credit facilities totalling $1,025.0 million, comprising a series of bilateral loan agreements, maturing from financial years 2007 to 2010. Draw-downs under the facilities are less than six months, and may be rolled over on maturity. Interest is payable on roll-over, at a rate calculated as the Bank Bill Swap Yield plus a margin. The facilities are subject to a negative pledge agreement. At period end there was $84.0 million (2004: Nil) outstanding under these facilities.

(b) a five year $800.0 million syndicated revolving credit facility maturing in financial year 2010. Draw-downs under the facility are for less than six months, and may be rolled over on maturity. Interest is payable on roll-over, at a rate calculated as the Bank Bill Swap Yield plus a margin. The facility is subject to a negative pledge agreement. At period end there was $800.0 million (2004: Nil) outstanding under this facility.

Secured bank loans represent draw-downs of $10.0 million on facilities of $16.0 million secured by a mortgage over land and buildings and an equitable charge over the assets of a controlled entity. Interest is payable on these facilities at both fixed and variable rates. At period end there was $10.0 million (2004: $10.9 million) outstanding under this facility.

Short term money market loans

Short term money market loans represent monies borrowed from financial institutions participating in the money market on an 11am call basis. There was $95.0 million (2004: Nil) of money market borrowings outstanding at 26 June 2005.

Other loans

Other loans comprise:

(a) Medium Term Notes of $150.0 million (issued in 1998) and $200.0 million (issued in 2002) into the domestic market with a maturity date of 20 August 2007 and 31 January 2007 respectively. Interest is payable, quarterly at the Bank Bill Swap Rate plus a margin on $80.0 million of Medium Term Notes. Interest on the remaining $270.0 million of Medium Term Notes is payable semi-annually at a fixed bond rate.

(b) $100.0 million US dollars which were a private placement in the United States in 1997 in the form of senior notes, maturing on 1 September 2007.

(c) $500.0 million US dollars which were also a private placement in the United States issued in 2005 in the form of senior notes, maturing on 26 April 2015 (US$100.0 million), 26 April 2017 (US$300.0 million) and 26 April 2020 (US$100.0 million).

Interest is payable semi-annually in US dollars, at a fixed rate. The Company has entered into cross currency swaps in respect of these borrowings (refer Note 28) which eliminate all foreign currency exposures.

Woolworths Income Notes (WINs)

On 30 June 2004, the Company amended the WINs Trust Deed. As a result of these amendments the outstanding balance of $600.0 million, including issue costs of $17.0 million, is no longer classified as part of Shareholders' Equity in the Statement of Financial Position. The principal amount of $600.0 million has been reclassified as a non-current liability and the $17.0 million of issue costs has been recorded as an adjustment to retained earnings in accordance with Australian Accounting Standards.

15 Financing arrangements

Unrestricted access was available at balance date relating to the following lines of credit:

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Total facilities				
Bank overdrafts	28.0	13.0	11.0	11.0
Bank loan facilities	2,335.0	1,442.0	2,320.0	1,425.0
	2,363.0	**1,455.0**	**2,331.0**	**1,436.0**
Used at balance date				
Bank loan facilities	989.0	10.9	979.0	–
	989.0	**10.9**	**979.0**	**–**
Unused at balance date				
Bank overdrafts	28.0	13.0	11.0	11.0
Bank loan facilities	1,346.0	1,431.1	1,341.0	1,425.0
	1,374.0	**1,444.1**	**1,352.0**	**1,436.0**

Bank loan facilities may be drawn at any time, subject to the covenants of the lending agreements. All facilities are denominated in Australian dollars. The bank overdraft facilities are unsecured and may be drawn at any time.

16 Provisions

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Current				
Employee benefits (Note 25)	310.2	270.1	263.0	242.3
Self-insured risks[1]	68.1	76.3	64.9	72.8
Other[2]	15.2	1.6	–	1.6
	393.5	**348.0**	**327.9**	**316.7**
Non-current				
Employee benefits (Note 25)	170.8	157.9	149.7	141.6
Self-insured risks[1]	241.6	206.7	230.1	197.2
	412.4	**364.6**	**379.8**	**338.8**
Total provisions	**805.9**	**712.6**	**707.7**	**655.5**
Movements in self-insured risk provisions were as follows:				
Balance at 27 June 2004	283.0	239.2	270.0	227.4
Additional provisions recognised	102.8	121.8	95.9	113.4
Arising from acquisition of controlled entities	2.8	–	–	–
Reductions arising from payments/other sacrifices of future economic benefits	(78.9)	(78.0)	(70.9)	(70.8)
Balance at 26 June 2005	**309.7**	**283.0**	**295.0**	**270.0**
Current	68.1	76.3	64.9	72.8
Non-current	241.6	206.7	230.1	197.2
Movements in current other provisions were as follows:				
Balance at 27 June 2004	1.6	4.3	1.6	4.3
Additional provisions recognised/(released)	20.4	(1.6)	(1.5)	(1.6)
Reductions arising from payments	(6.8)	(1.1)	(0.1)	(1.1)
Balance at 26 June 2005	**15.2**	**1.6**	**–**	**1.6**

Notes

(1) The provision for self-insured risks represents the estimated liability for workers' compensation and public liability claims in all Woolworths' self-insured jurisdictions based on actuarial valuations.

(2) Current other provisions consist of predominately of a provision for restructure in ALH.

17 Contributed equity

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Issued and paid-up share capital				
Fully paid ordinary shares: 1,061,480,001 (2004: 1,021,930,649)	977.9	575.4	977.9	575.4
Fully paid ordinary shares carry one vote per share and the right to dividends.				
Reconciliation of fully paid share capital				
Balance at beginning of period	575.4	606.5	575.4	606.5
Issue of shares as a result of options exercised under executive share option plans	104.6	28.0	104.6	28.0
Issue of shares as a result of dividend reinvestment plan	297.9	81.8	297.9	81.8
Shares bought back	–	(140.9)	–	(140.9)
Balance at end of period	**977.9**	**575.4**	**977.9**	**575.4**
	millions	millions	millions	millions
Reconciliation of fully paid share capital – (number of shares)				
Balance at beginning of period	1,021.9	1,020.9	1,021.9	1,020.9
Issue of shares under employee share plan	–	0.1	–	0.1
Issue of shares under employee share issue plan	–	1.5	–	1.5
Issue of shares as a result of options exercised under executive share option plans	20.0	4.9	20.0	4.9
Issue of shares as a result of dividend reinvestment plan	19.6	7.2	19.6	7.2
Shares bought back	–	(12.7)	–	(12.7)
Balance at end of period	**1,061.5**	**1,021.9**	**1,061.5**	**1,021.9**

	Consolidated	
	52 weeks ended 26 June 05	52 weeks ended 27 June 04

18 Earnings per share

Basic earnings per share (cents per share)	75.74	67.40
Diluted earnings per share (cents per share)	75.35	66.63

Basic Earnings per Share
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	$m	$m
Earnings (a)	790.5	687.8

	No. (m)	No. (m)
Weighted average number of ordinary shares (b)	1,043.7	1,020.5

Diluted Earnings per Share
The earnings and weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	$m	$m
Earnings (a)	790.5	687.8

	No. (m)	No. (m)
Weighted average number of shares and potential ordinary shares (c)	1,049.1	1,032.3

(a) Earnings used in the calculations of basic and diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	$m	$m
Operating net profit attributable to the members of Woolworths Limited	790.5	730.7
Woolworths Income Notes Distribution	–	(42.9)
Earnings used in the calculations of basic and diluted earnings per share	**790.5**	**687.8**

(b) Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

(c) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	No. (m)	No. (m)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,043.7	1,020.5
Shares deemed to be issued for no consideration in respect of outstanding employee options	5.4	11.8
	1,049.1	**1,032.3**

Since 26 June 2005, 402,000 shares (2004: 17,047,196) have been issued (as a result of the exercise of options). No options (2004: Nil) have been issued.

19 Reserves

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Reserves				
Capital profits reserve	66.2	66.2	2.6	2.6
Asset revaluation reserve	95.3	71.9	0.6	0.6
General reserve	46.9	46.9	45.5	45.5
Foreign currency translation reserve	(0.5)	(0.4)	–	–
	207.9	**184.6**	**48.7**	**48.7**
Reconciliation				
Capital profits reserve				
Balance at beginning of period	66.2	66.2	2.6	2.6
Balance at end of period	**66.2**	**66.2**	**2.6**	**2.6**
Asset revaluation reserve				
Balance at beginning of period	71.9	71.9	0.6	0.6
Restating MGW assets to fair value following Woolworths gaining control	23.4	–	–	–
Balance at end of period	**95.3**	**71.9**	**0.6**	**0.6**
General reserve				
Balance at beginning of period	46.9	46.9	45.5	45.5
Balance at end of period	**46.9**	**46.9**	**45.5**	**45.5**
Foreign currency translation reserve				
Balance at beginning of period	(0.4)	(1.3)	–	–
Net exchange differences on translation of controlled foreign entities	(0.1)	0.9	–	–
Balance at end of period	**(0.5)**	**(0.4)**	**–**	**–**
Total reserves	**207.9**	**184.6**	**48.7**	**48.7**

20 Total equity reconciliation

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Total equity at beginning of period	2,052.5	1,823.2	1,713.1	1,575.8
Total changes in equity recognised in the statement of financial performance	790.4	731.6	656.4	640.0
Transactions with owners as owners:				
– Issue of shares as per Note 17	402.5	109.8	402.5	109.8
– Shares bought back as per Note 17	–	(140.9)	–	(140.9)
– Woolworths Income Notes distribution	–	(42.9)	–	(42.9)
– Dividends paid or provided	(499.8)	(428.7)	(499.8)	(428.7)
Increase in outside equity interest	28.1	0.4	–	–
Asset Revaluation Reserve (Note 19)	23.4	–	–	–
Transfer of Woolworths Income Notes to Non-Current Interest Bearing Liabilities (Note 21)	(600.0)	–	(600.0)	–
Total equity at end of period	**2,197.1**	**2,052.5**	**1,672.2**	**1,713.1**

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m

21 Woolworths Income Notes

Issued and paid-up quasi-equity securities				
Fully paid, on issue:				
6,000,000 securities of $100 face value each	–	583.0	–	583.0

On 30 June 2004, the Company amended the WINs Trust Deed. As a result of these amendments the outstanding balance of $600.0 million, is no longer classified as part of Shareholders' Equity in the Statement of Financial Position. The principal amount of $600.0 million has been reclassified as a non-current interest bearing liability.

22 Contingent liabilities

The details and estimated maximum amounts of contingent liabilities which may become payable are shown below. No provision has been made in the financial statements in respect of these contingencies, however there is a provision of $309.7 million (2004: $283.0 million) for self-insured risks, which includes liabilities relating to workers' compensation claims, that has been recognised in the statement of financial position at balance date.

Guarantees				
Bank guarantees[1]	23.4	30.3	9.1	18.9
Workers' compensation self-insurance guarantees[2]	304.5	268.0	304.5	268.0
Litigation				
Litigation in progress or threatened against the Company and certain of its controlled entities	17.1	19.5	17.1	19.5
Other				
Outstanding letters of credit issued to suppliers	41.1	27.8	24.5	12.9
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group[3]	–	–	466.2	293.2

Notes

(1) This item mainly comprises guarantees relating to conditions set out in development applications and contracts for sale of properties in the normal course of business.

(2) State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability. Guarantees held at each balance date do not fully represent the liability at these dates due to delays in issuing the guarantees.

(3) As disclosed in Note 29 the company has entered into a deed of cross-guarantee with certain wholly-owned controlled entities. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that class order less the liabilities of the company. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate for the foreseeable future.

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
23 Commitments for expenditure				
Capital expenditure commitments				
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:				
Not later than one year[(1)]	618.0	302.3	332.3	92.4
Later than one year, not later than two years	76.5	–	76.5	–
	694.5	**302.3**	**408.8**	**92.4**
Operating lease commitments				
Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:				
Not later than one year	883.5	763.3	685.2	646.8
Later than one year, not later than five years	2,971.2	2,465.8	2,361.6	2,136.5
Later than five years	6,505.2	4,507.2	4,549.8	4,085.3
Total future minimum lease payments not provided for	**10,359.9**	**7,736.3**	**7,596.6**	**6,868.6**

The commitments set out above do not include contingent turnover rentals, which are charged on many of the retail premises leased by the Company and its controlled entities. These rentals are calculated as a percentage of the turnover of the store occupying the premises, with the percentage and turnover threshold at which the additional rentals commence varying with each lease agreement.

The Company and consolidated entity lease retail premises and warehousing facilities for periods of up to 40 years. Generally the lease agreements are for initial terms of between 10 and 15 years and most include multiple renewal options for additional five year terms. Under most leases, the Company is responsible for property taxes, insurance, maintenance and expenses related to the leased properties. However many of the more recent lease agreements have been negotiated on a gross or semi gross basis, which eliminates or significantly reduces the lessee's exposure to operational charges associated with the properties.

Note

(1) Capital expenditure commitments at 26 June 2005 mainly comprise commitments that relate to the development and construction of regional distribution centres and store fitouts.

24 Events subsequent to balance date

On 22 August 2005, the Directors declared a final dividend of 27 cents per share, fully franked at the 30% tax rate, on each of the issued ordinary shares of the Company. The final dividend is payable on 7 October 2005.

Acquisition of Foodland New Zealand business and Action Stores

On 25 May 2005, Woolworths Limited ("Woolworths") announced that it had entered into an agreement with Foodland Associated Limited ("Foodland") and Metcash Trading Limited ("Metcash") under which Woolworths agreed to acquire Foodland's New Zealand business and 22 Action stores (including two development sites) in Western Australia, Queensland and New South Wales for a total enterprise value of approximately A$2.5 billion following a demerger of those businesses by Foodland. The transaction will be effected by way of schemes of arrangement, which are to be submitted to Foodland shareholders in October 2005 in the absence of an alternative proposal on superior terms.

Woolworths will provide Foodland shareholders with the option to receive cash and/or Woolworths' shares subject to a total pool of Woolworths shares of approximately 81.6 million shares and a total cash pool of A$1.25 billion less any Foodland net debt assumed by Woolworths. The cash consideration will be funded by a Bridge Facility and will be refinanced with longer term debt.

Acquisition of BMG (Bruce Mathieson's Victorian assets)

As part of the shareholder arrangements between BMG and Woolworths in relation to the ALH/MGW business owned by Bruandwo, BMG will procure the transfer and/or lease to Bruandwo of certain of its hotels, club and liquor retailing assets. This transfer is expected to be completed prior to 31 December 2005 and will involve transfer to Bruandwo of the businesses of 25 hotels in Victoria, the management businesses of nine clubs (including five AFL clubs) in Victoria and the businesses of 13 retail liquor outlets in Victoria.

25 Employee benefits

	Consolidated		Woolworths Limited	
	As at 26 June 05 $m	As at 27 June 04 $m	As at 26 June 05 $m	As at 27 June 04 $m
Aggregate employee benefits				
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits				
Current (Note 16)	310.2	270.1	263.0	242.3
Non-current (Note 16)	170.8	157.9	149.7	141.6
Accrued salaries and wages (included in accruals)	177.9	171.7	162.8	165.7
	658.9	**599.7**	**575.5**	**549.6**

Superannuation plans

The Company's superannuation contributions are expensed in the statement of financial performance as incurred.

Contributions for permanent salaried employees of the Company and its controlled entities are made to certain Company sponsored superannuation funds including the Woolworths Group Superannuation Scheme (Woolworths Super). These superannuation funds provide lump sum accumulation benefits to members on retirement or death. The Company and certain of its controlled entities are legally obliged to contribute to the Company sponsored superannuation funds at fixed rates as set out in the Trust Deed and Rules. Members contribute to Woolworths Super at fixed rates dependent upon their membership category.

Also, certain members of these Company sponsored superannuation funds, who are former members of defined benefit categories of superannuation funds previously sponsored by the Company and its controlled entities, have the right to receive lump sum defined benefits based on years of service and final average salary.

The Company is also obliged to contribute at fixed rates to defined contribution retirement plans for certain employees under awards, industrial agreements, fund choice and superannuation guarantee legislation. The Company and its controlled entities contribute to various industry based superannuation funds and to Woolworths Super for award employees.

The Company funds the benefits payable from Woolworths Super using a method which provides funding up to members' vested benefits . Vested benefits are those benefits that would be currently payable to members on resignation from Woolworths Super, that do not depend on any other factor. This funding method is permitted by the Woolworths Super Trust Deed and superannuation law and defers the cost of funding members' benefits up until the time the Company financed benefits become vested in the members. Annual actuarial reviews are performed to monitor the Scheme's funding position.

Woolworths Super vested benefits based on the last actuarial review, and assets at net market value based on the last annual financial report of Woolworths Super dated 31 August 2004, are set out below.

	2004	2003	2002
	$m	$m	$m
Woolworths Super assets at net market value	899.0	769.0	686.5
Members Vested Benefits Reserve(1)	893.5(2)	762.9(3)	681.5(4)
Excess of Woolworths Super assets over Members Vested Benefit Reserves	5.5	6.1	5.0

Notes

(1) Members Vested Benefits Reserves are the sum of members vested benefits plus the Additional Death Benefit Reserve.
(2) Actual Members Vested Benefits Reserves as at 31 August 2004.
(3) Actual Members Vested Benefits Reserves as at 31 August 2003.
(4) Actual Members Vested Benefits Reserves as at 31 August 2002.

Full actuarial valuations of Woolworths Super are made at intervals of no more than three years. The last actuarial valuation was as at 31 August 2002. A report dated 17 March 2003 by actuary Peter Hughes FIA, FIAA concluded that the available net assets of Woolworths Super were sufficient to meet all benefits payable in the event of Woolworths Super's winding up, or the voluntary or compulsory termination of the employment of each member within the Company and its controlled entities.

Member accrued benefits, based on the last actuarial report, and the last annual financial report of Woolworths Super dated 31 August 2002, were $708.2 million. Accrued benefits are the actuarial value of the benefits that Woolworths Super is expected to pay at some future date and represent the sum of the members' accrued benefits plus the Additional Death Benefit Reserve. Members accrued benefits were estimated to be $929.2 million at 31 August 2004.

If the accrued benefits funding method was used in the Scheme year ended 31 August 2004, a comparison of Woolworths Super's assets at net market value to members accrued benefits reserves would show a deficit estimated to be $30.2 million (at 31 August 2003: $25.0 million). There is no obligation on the part of Woolworths Limited to fund this deficit unless Woolworths Super is wound up.

25 Employee benefits (continued)

Executive Options

Executive Option Plan (Option Plan)

Establishment of the Option Plan was approved by a special resolution of shareholders at the Company's Annual General Meeting on 26 November 1999. The Option Plan was established to more closely align executive remuneration with shareholder value creation. Under the Option Plan, eligible executives selected by the Company are invited to apply for up to a specified number of options over shares in the Company. The size and timing of invitations is at the discretion of the Company, but the total number of options outstanding and subject to invitation under the Option Plan is limited to no more than 5% of the total number of shares on issue at the date of the invitation.

Performance hurdles

Options granted to selected employees are issued and vest only on the basis of achievement of performance hurdles. Performance hurdles comprise Earnings per Share (EPS) and Total Shareholder Return (TSR) hurdles each for 50% of each grant.

Options granted prior to 30 June 2002

Of those options granted under the Option Plan prior to 30 June 2002, 10% of the EPS tranche vest annually (over five years) where the EPS growth is at least 8% per annum on a compound basis. Where EPS growth over the initial three financial years from grant date is at least 8% per annum compounded over five years, all options relating to the EPS hurdle (50%) vest.

In respect of the TSR hurdle, the percentage of options in the total grant that become vested depends upon the Company's TSR figure relative to the percentile performance of the comparator companies, is shown as follows:

Woolworths TSR equals or exceeds the following percentile of the Comparator Companies	Percentage of options in total grant that will vest
60th percentile	12.5%
65th percentile	25.0%
70th percentile	37.5%
75th percentile	50.0%

Each grant of options is divided into four tranches, with the tranches becoming exercisable progressively over years three to five following the grant date, upon achievement of the specified EPS and TSR performance hurdles.

Options granted subsequent to 30 June 2002

Options granted under the Option Plan subsequent to 30 June 2002 continue to require the achievement of both EPS and TSR based performance hurdles. In order to encourage above share market peer performance, the Board has approved the allocation of further options on the basis of an increase in the EPS growth hurdle with 12½% of options vesting after four years where the average annual EPS growth over the four year period is at least 10% per annum compounded. If the average annual EPS growth over the four year period is at least 11% per annum compounded, an additional 12½% of options vest. A further 12½% of options vest after five years where a growth rate of at least 10% per annum compounded is sustained and an additional 12½% vest if, over the five year period, an EPS growth rate of at least 11% is achieved.

The TSR performance hurdle remains unchanged to that applicable to options granted prior to 30 June 2002. Options become exercisable after a period of five years following the grant date, upon achievement of the specified EPS/TSR performance hurdles.

Price and exercise

Under the Option Plan there is no amount paid in respect of the grant of options. Options may only be exercised when they vest and become exercisable, as described above. In certain circumstances, as determined by the Board of the Company, any or all of the options may be exercised prior to becoming exercisable, however if an option holder resigns or is dismissed, the options will generally lapse.

Options expire after the earlier of 10 years (for grants prior to 30 June 2002) and 5½ years (for grants subsequent to 30 June 2002) from the date of grant, or up to 12 months after termination of employment. Options are not transferable except with the approval of the Company or by force of law on death or legal incapacity. Each option entitles the holder to subscribe for one new fully paid ordinary share in the Company and, when issued, the shares will rank equally with all other fully paid ordinary shares. The exercise price per share for those options comprising the initial grant date of 1 July 1999 is $5.11. For options issued subsequently, the exercise price is based on the weighted average market price of the Company's shares traded on the ASX on the five (5) trading days prior to the date of the grant as set out in the following table.

Since the establishment of the Option Plan, a total of 67,222,450 (2004: 59,469,700) options have been granted. At 26 June 2005 there were 29,020,082 (2004: 43,612,975) options outstanding. During the 52 week period ended 26 June 2005, 7,752,750 options (2004: 7,523,350) were granted at an exercise price of $11.54 (2004: $12.60).

25 Employee benefits (continued)

The following table summarises movements for the financial year ended 26 June 2005 for outstanding options under the EOP at these dates:

Grant Date	Expiry Date	Exercise Price	Balance at beginning of financial year	Options granted	Options exercised	Options lapsed	Balance at end of financial year	Fair value of shares received[1]
		$	No.	No.	No.	No.	No.	$
1-Jul-99	1-Jul-09	$5.11	20,794,375	–	(19,318,043)	(524,457)	951,875	238,998,142
1-Jul-00	1-Jul-10	$6.17	2,586,250	–	(328,125)	(6,000)	2,252,125	4,280,190
1-Jul-01	1-Jul-11	$10.89	6,739,000	–	(360,686)	(270,332)	6,107,982	5,026,864
1-Jul-02	31-Dec-07	$12.94	6,162,000	–	–	(776,000)	5,386,000	–
1-Jul-03	31-Dec-08	$12.60	7,331,350	–	–	(762,000)	6,569,350	–
1-Jul-04	31-Dec-09	$11.54	–	7,752,750	–	–	7,752,750	–
			43,612,975	**7,752,750**	**(20,006,854)**	**(2,338,789)**	**29,020,082**	**248,305,196**

Note

(1) The fair value of shares received is determined by multiplying the average monthly market price by the number of options exercised in that month.

The following table summarises movements for the financial year ended 27 June 2004 for outstanding options under the EOP at these dates.

Grant Date	Expiry Date	Exercise Price	Balance at beginning of financial year	Options granted	Options exercised	Options lapsed	Balance at end of financial year
		$	No.	No.	No.	No.	No.
1-Mar-99	1-Mar-04	$5.16	529,000	–	(495,000)	(34,000)	–
1-Jul-99	1-Jul-09	$5.11	24,120,625	–	(3,011,250)	(315,000)	20,794,375
8-Dec-00	1-Jul-05	$7.84	1,000,000	–	(1,000,000)	–	–
1-Jul-00	1-Jul-10	$6.17	2,940,000	–	(353,750)	–	2,586,250
1-Jul-01	1-Jul-11	$10.89	7,316,200	–	–	(577,200)	6,739,000
1-Jul-02	31-Dec-07	$12.94	6,466,000	–	–	(304,000)	6,162,000
1-Jul-03	31-Dec-08	$12.60	–	7,523,350	–	(192,000)	7,331,350
			42,371,825	**7,523,350**	**(4,860,000)**	**(1,422,200)**	**43,612,975**

Employee and Executive Shares

Employee Share Plan (Share Plan)

The Share Plan was established to enable all employees (other than executive officers) the opportunity to participate in the acquisition of shares in the Company at market price with an interest free loan from the Company to finance the acquisition. The Rules of this Plan were amended, with approval of shareholders at the Annual General Meeting on 26 November 1999.

Eligibility

All permanent employees of Woolworths (other than executive officers) with one year (formerly two years) full-time service, or its part-time or casual equivalent were eligible to participate in the Share Plan. The Directors may permit offers to employees with less service. The number of shares offered to each eligible employee range from 100 to 7,500 depending on the employee's position, salary and years of service.

Loans

The Company has provided an interest free loan to the Trustee of the Plan, as agent for each participant, to finance the acquisition of shares. Loans are limited in recourse to the proceeds of sale of shares acquired. Dividends and other distributions on the shares are applied to repay the loan. Following amendment of the Plan Rules in 1999, as noted above, part of each dividend or other distribution is paid to the participant to enable them to fund any tax liability arising from them. The loan may be repaid at any time after three years and in any event must be repaid when the employee ceases employment or after ten years or when a takeover offer is accepted for the shares, whichever is the earlier. If loans are not repaid, the shares will be sold and the funds received after payment of costs and expenses will be applied to repay the loan.

Entitlement to shares

Shares were allotted at the lower of the average market price of the shares in the Company traded on the ASX in the five trading days before the date of the offer, or in the five trading days up to and including the date Plan shares are allotted, with the total amount payable by each participant reduced by $1.00. Prior to amendment of the Plan Rules, shares were allotted at the average market price of the shares in the Company traded on the ASX in the five trading days before the date of the offer. All shares acquired under the Share Plan are held by a wholly-owned subsidiary of the Company (Woolworths Custodian Pty Limited) as Trustee of the Share Plan. At any time after three years from the date of acquisition a participant may request the Trustee to transfer the shares, but only if the loan made to acquire those shares is repaid in full. Shares may be transferred earlier at the discretion of the Directors on the employee's death or retirement but only if the loan made to acquire the shares is repaid in full. The Trustee may exercise the voting rights attached to the shares in the manner directed by the Directors until they are transferred to the participant.

25 Employee benefits (continued)

As at 26 June 2005, there were 24,092 (2004: 28,901) participating employees who held a total of 11,811,971 (2004: 14,261,125) shares. During the 52 week period ended 26 June 2005, no shares (2004: 135,249) were issued.

The total amount receivable by the Company in relation to these shares was $74,414,734 as at 26 June 2005 (2004: $89,711,131).

Employee Share Issue Plan (ESIP)
The ESIP was established with the approval of shareholders at the Company's Annual General Meeting on 26 November 1999. The ESIP allows for the issue of shares to eligible employees for no monetary consideration.

The ESIP complies with the various conditions specified by Government taxation legislation which enabled permanent employees to obtain a benefit of up to the $1,000 per employee per annum by way of a tax free concession on discounts under employee incentive schemes.

Offers
The initial offer under the ESIP was for 75 fully paid ordinary shares to each eligible staff member with a minimum period of continuous service. Shares are acquired in the individual employee's name and are non-transferable until the earlier of three years from the date of issue or the employees' cessation of employment. There is no provision for the forfeiture of shares.

Loans
As the shares issued under the ESIP were issued for no monetary consideration, the arrangement results in the Company giving financial assistance for the acquisition of shares. Shareholder approval relating to this assistance was given.

Rights attaching to shares
Shares issued under the ESIP rank equally with all other fully paid ordinary shares.

Limit
The ESIP rules allow for the issue of additional shares to employees from time to time.

During the 52 week period ended 26 June 2005 no shares (2004: 1,545,175) were issued to qualifying employees (2004: over 43,000). The market price on the date of issue in the prior year was $12.08.

Executive Management Share Plan (EMSP)
The EMSP was established with the approval of shareholders at the Company's Annual General Meeting on 26 November 1999. The EMSP allows any executive management, including any Executive Director, to forgo some of their future pre-tax remuneration to acquire shares in the Company on-market at prevailing market prices on the Australian Stock Exchange (ASX).

Operation
Under the EMSP executive managers are given the opportunity to agree to sacrifice an amount of their future potential salary or bonus, which the Company will contribute to the Plan Trustee for the purchase of Company shares on-market at the prevailing market price on the ASX. After acquisition of all shares during a particular buying period, the shares are allocated to the participating executive managers. The shares are allocated at the average buying price achieved by the Plan Trustee during the buying period. Allocation of the shares may be subject to conditions, which must be met, or the shares may be forfeited. The shares are also subject to forfeiture by a participant in a number of circumstances including dishonesty, fraud or breach of duty by the participant.

Shares may only be withdrawn from the EMSP on cessation of employment or on application to the Plan Trustee. Applications during any non-disposal period will only be allowed in special circumstances.

Loans
The Company does not provide employees with any loans to assist in the acquisition of the shares under the EMSP. Funds advanced to the Trustee of the Plan are funds that would otherwise have been distributed as remuneration to participating executives.

Rights attaching to shares
Shares issued under the EMSP rank equally with all other fully paid ordinary shares. Dividends and all other rights attaching to the shares that have been allocated to a participant, accrue to the participant.

Limit
Shares may not be acquired under the EMSP if as a result of that acquisition the maximum number of shares held under the EMSP and the Non-executive Director Share Plan (see Note 27) would exceed 2% of Woolworths total issued capital.

During the 52 week period ended 26 June 2005, 13,224 (2004: 19,445) shares were purchased under the EMSP.

Executive Service Contracts (Service Contracts)
In 1999, the Company entered into Service Contracts with senior executives and certain other executives which included the provision to these executives inter alia of long term incentives. The objective of these Contracts was to encourage these executives to remain with the Company at a time when the Company was embarking on a process of significant change. Project Refresh with its far reaching changes to organisation structure and business processes was about to be launched and in the absence of an appropriate long term incentive plan, these retention based Contracts were considered necessary to retain the services of these executives.

Provision was made under certain of these Contracts for the payment of a retention based cash bonus equivalent to the executive's annual salary as at 1 January 1999 or at the date of commencement of the Contract. There is no adjustment to the amount of the bonus for the movement in the Company's share price. Also no provision is made for receipt of bonuses by way of allotment of shares or granting of options. The cash bonuses were payable on 1 January 2004 or, at the election of the executive, on 1 January 2006 for an additional 50% of the January 2004 bonus amount.

25 Employee benefits (continued)

Provision was made for the payment of retention based cash bonuses equivalent to the executives' salary as at 1 January 1999 or at the date of the commencement of the contract. The amount paid on 1 January 2004 was $1.39 million. The total amount of cash bonus outstanding and payable on 1 January 2006 to individuals that have continued to be employed with the Company is $1.21 million.

Since these Contracts were entered into, there have been further Service Contracts made with over 1,500 executives. The CEO's Service Agreement which was effective 6 September 2004 terminates on 30 September 2006 and includes the components of remuneration to be paid to the CEO during the term of the Agreement. Upon retirement at the end of the term, the CEO is entitled to receive a payment of a retirement benefit of $3 million in addition to payment for STIP and LTIP as detailed in Section 3.1.2, Variable "At Risk" Remuneration of the Remuneration Report, as well as statutory leave entitlements and superannuation benefits. Should the CEO resign at any time prior to 30 September 2006, the CEO is required to provide three months notice of termination and is entitled to receive payments as noted above however the STIP and LTIP payments will be calculated on a pro rata basis. The Agreement also provides for Mr R. Corbett's consultancy services to Woolworths from his retirement in September 2006 until September 2011 and a restraint that will prevent him from providing services to major competitors of Woolworths in Australasia, for which Mr Corbett will be paid $600,000 per annum.

26 Related parties

Specified Directors
The names of each Specified Director of Woolworths Limited during the 52 weeks ended 26 June 2005 are Messrs L M L'Huillier (Non-executive), R C Corbett (Group Managing Director and Chief Executive Officer), J A Strong (Chairman, Non-executive), Dr R S Deane (Non-executive), Prof A E Clarke (Non-executive), Ms D J Grady (Non-executive) and Mr J Astbury (Non-executive).

Details of directors' remuneration are disclosed in Section 3.4 of the Remuneration Report in the Directors' Statutory Report from page 45 to 46.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial period, and there were no material contracts involving directors' interests existing at the end of the period other than the Directors' Retirement Deeds and Directors' Indemnity and Access Deeds referred to on page 47 of the Remuneration Report in the Directors' Statutory Report.

Mr R C Corbett, the Group Managing Director and Chief Executive Officer, has entered into an extended Service Agreement with the Company for the period ending 30 September 2006. The Woolworths Board announced to ASX on 1 September 2005 the terms of Mr Corbett's extended service agreement for the period ending 30 September 2006. Under this Agreement, Mr Corbett is entitled to receive:

- $2.5 million per annum in fixed remuneration;
- annual short term incentives not exceeding 130% of fixed remuneration; and
- long term incentives for the period to retirement and the transition period immediately following Mr Corbett's retirement not to exceed $3 million for each of the three years ending June 2005, June 2006 and June 2007. The Woolworths Board has determined to grant the maximum amount of $3 million to Mr Corbett with respect to the period ended June 2005.

Mr Corbett's entitlement to receive both the both the short term incentives and the long term incentives in each year will be judged against specified criteria set by the Woolworths Board. In addition to conventional performance measures, further measures will be considered by the Board that closely align the strategic positioning of Woolworths including:

- Growth and market share in key business categories;
- Pursuing acquisitions and alliance strategies;
- Initiation of management changes to prepare for succession and smooth transition for the new leadership team; and
- Developing further strategic initiatives to ensure future growth.

In addition, under the extended Service Agreement:

- Mr Corbett is entitled to receive a retirement benefit of $3 million upon his retirement (which will be paid in addition to Mr Corbett's entitlements under the Woolworths superannuation plan); and
- It has been agreed that Mr Corbett will provide consultancy services to Woolworths from his retirement in September 2006 until September 2011 and enter into a restraint that will prevent him from providing services to major competitors of Woolworths in Australasia, for which Mr Corbett will be paid $600,000 per annum.

26 Related parties (continued)

Specified Directors' equity holdings in shares

Fully paid ordinary shares issued by Woolworths Limited

	Balance as at 27 June 2004	Shares issued under NEDSP[1]	Net other change[2]	Balance as at 26 June 2005
	No.	No.	No.	No.
Specified Directors				
J F Astbury	7,835	551	–	8,386
A E Clarke	35,669	2,414	683	38,766
R C Corbett	3,341,165	–	(3,048,000)	293,165
R S Deane	40,000	–	–	40,000
D J Grady	33,031	–	770	33,801
L M L'Huillier	119,044	–	–	119,044
J A Strong	65,925	2,212	–	68,137

Notes
(1) Comprises shares issued under the Non-Executive Directors' Share Plan (NEDSP).
(2) Comprises new shares issued as a result of the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

Specified Executives

The Specified Executives of Woolworths Limited during the 52 weeks ended 26 June 2005 are as follows:

Name	Title at 26 June 2005	Employer
S Bradley[1]	Chief Logistics and Information Officer	All Specified Executives were employed by Woolworths Limited during the year.
B Brookes[2]	Chief General Manager Project Refresh – Stage 3	
T Flood[3]	Director of Supermarkets	
M Hamnett[4]	Director of General Merchandise	
M Luscombe[5]	Director of Supermarkets	
N Onikul[6]	Chief General Manager – Freestanding Liquor and Petrol	
T Pockett	Chief Financial Officer	

Notes
(1) Mr Bradley was appointed Chief Logistics and Information Officer on 14 July 2004.
(2) Mr Brookes was appointed Director of Corporate Marketing on 1 July 2005.
(3) Mr Flood retired from the Company on 31 August 2004.
(4) Mr Hamnett was appointed Director of Business Development on 1 July 2005.
(5) Mr Luscombe was appointed Director of Supermarkets on 1 September 2004.
(6) Mr Onikul was appointed Director of Liquor and Petrol on 1 July 2005.

Specified Executives' equity holdings in shares

Fully paid ordinary shares issued by Woolworths Limited

Name of individual	Holding at 27 June 2004	Received on exercise of options	Other changes[1]	Holding at 26 June 2005
	No.	No.	No.	No.
Specified Executives				
S Bradley	59,002	437,500	(434,639)	61,863
B Brookes	234,936	750,000	(469,570)	515,366
T Flood[2]	26,430	350,000	(349,220)	27,210
M Hamnett	5,000	300,000	(300,000)	5,000
M Luscombe	187,230	537,500	(67,804)	656,926
N Onikul	131,685	750,000	(381,685)	500,000
T Pockett	–	–	–	–

Notes
(1) Comprises new shares issued as a result of the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.
(2) T Flood retired 31 August 2004.

26 Related parties (continued)

Specified Directors' and Specified Executives' equity holdings in share options of Woolworths Limited

	Balance as at 27 June 2004	Granted as remuneration (Refer Note 27 for details)	Exercised	Balance as at 26 June 2005	Balance vested as at 26 June 2005	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Specified Director								
R C Corbett	–	–	–	–	–	–	–	–
Specified Executives								
S Bradley	960,000	150,000	(437,500)	672,500	87,500	87,500	–	225,000
B Brookes	970,000	60,000	(750,000)	280,000	–	–	–	500,000
M Hamnett	610,000	150,000	(300,000)	460,000	50,000	37,500	12,500	250,000
M Luscombe	872,500	150,000	(537,500)	485,000	25,000	25,000	–	350,000
N Onikul	810,000	100,000	(750,000)	160,000	–	–	–	500,000
T Pockett	350,000	150,000	–	500,000	–	–	–	–
T Flood[(1)]	660,000	–	(350,000)	–	–	–	–	200,000

Note
(1) T Flood retired 31 August 2004 and as a result his outstanding options lapsed.

All share options issued to the Specified Executives during the financial year were made in accordance with the provisions of the Executive Option Plan. The Specified Executives in the table above were granted options on 1 July 2004. The exercise value of the options granted was $11.54 per option. Further details of the terms and conditions of the Executive Option Plan and the options granted during the financial year are contained in Note 25 to the financial statements.

During the financial year the following Specified Executives received ordinary shares in the Company as a result of the exercise of options granted as remuneration:

	Options exercised and ordinary shares allotted	Amount paid per ordinary share[(1)]	
	No.	No.	
Specified Director			
R C Corbett	–	–	–
Specified Executives			
S Bradley	437,500	393,750	at $5.11
		43,750	at $6.17
B Brookes	750,000	750,000	at $5.11
T Flood	350,000	350,000	at $5.11
M Hamnett	300,000	300,000	at $5.11
M Luscombe	537,500	525,000	at $5.11
		12,500	at $6.17
N Onikul	750,000	750,000	at $5.11
T Pockett	–	–	–

(1) No amounts remain unpaid as at 26 June 2005.

26 Related parties (continued)

Specified Directors' and Specified Executives' transactions with the Company or its controlled entities
During the period, directors and their director-related entities supplied goods or services to the consolidated entity and purchased goods from the consolidated entity. These transactions were immaterial in nature and were entered into on commercial terms and conditions available to other suppliers and customers.

Transactions within the wholly-owned Group
The ultimate parent entity is Woolworths Limited, a company incorporated in New South Wales. The wholly-owned Group consists of Woolworths Limited and its wholly-owned controlled entities. During the financial period and previous financial periods, Woolworths Limited advanced and repaid loans to and received loans from, and provided treasury, accounting, legal, taxation and administrative services to, other entities within the wholly-owned Group.

Entities within the wholly-owned Group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions.

The details of sales, dividends and lease rentals transacted within the wholly-owned Group and with other partly owned controlled entities are disclosed at Note 2.

Ownership interests in controlled entities are disclosed at Note 30 and the balances of loans receivable from controlled entities is shown in Note 8.

Transactions with other related entities
During the year, $23.4 million was advanced to, and $15 million had been repaid by, an associate, MGW Hotels Pty Ltd. Aggregate amounts receivable from associates are shown at Note 8.

Australian Leisure and Hospitality Group Limited and MGW Hotels Pty Ltd purchased various building supplies and services totalling $26,807,600 from Lifetime Developments Pty Ltd, a company with which Mr Bruce Mathieson is a related party through a family member/s who is/are a Director/Directors of Lifetime Developments Pty Ltd. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

Australian Leisure and Hospitality Group Limited and MGW Hotels Pty Ltd purchased various building supplies and services totalling $1,435,327, from TAG Constructions Pty Ltd, a company with which Mr Bruce Mathieson is a related party through a family member/s who is/are a Director/Directors of TAG Constructions Pty Ltd. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

MGW Hotels Pty Limited purchased goods totalling $109,000 from Daily Roast Coffee Company Pty Ltd, a company of which Mr Bruce Mathieson and Mr Ross Blair-Holt are directors. Mr Bruce Mathieson also holds 75% of the issued capital of Daily Roast Coffee Company Pty Ltd. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

27 Specified Directors and Specified Executives Remuneration

The required disclosures are set out in the Remuneration Report in the Directors' Statutory Report:

- Section 3 "Executive Remuneration including Executive Directors" except for sub-section 3.2 "Conditional Entitlement to and Share Holdings of the CEO and Specified Executives"; and
- Section 4 "Non-executive Directors' Remuneration" except for sub-sections 4.5 "Shareholdings of Non-executive Directors" and 4.6 "Appointment Letters, Deeds of Access, Insurance and Indemnity, Disclosure Deeds".

28 Financial instruments

Off-balance sheet derivative instruments
Woolworths Limited is party to financial instruments with off-balance sheet risk in order to hedge exposure to fluctuations in interest and foreign exchange rates. The interest rate instruments that may be used include swaps and forward rate agreements. Foreign exchange instruments that may be used include forward contracts, cross currency swaps and options.

Debt instruments
Bank loans, commercial paper issues, short term money market loans and other unsecured loans are subject to variable interest rates. Bank loan facilities and the Commercial Paper Program have been regularly utilised during the 52 weeks ended 26 June 2005. At the end of the period there was $140 million (2004: $17 million) of Commercial Paper on issue (Note 14). In addition, the Woolworths Income Notes (WINs) pay a distribution that is similar in nature to interest at variable rates (Note 14).

Interest rate swap agreements
Under the swap agreements the consolidated entity will receive interest at variable rates and pay interest at fixed rates. The contracts are used to protect against rising interest rates on the variable interest component of the underlying debt. The contracts are settled on a net basis, and the net amount receivable or payable on the contract is accrued against interest expense.

All swap contracts are settled on a quarterly basis to match the dates on which the interest is payable on the syndicated revolving credit facilities, WINs, US Senior Notes (which were swapped back to floating Australian dollars) and floating rate Domestic Medium Term Notes.

Swap agreements in place at 26 June 2005 cover approximately 66% (2004: 50%) of the aggregate principal outstanding on the above mentioned debt instruments.

At 26 June 2005, the notional principal amounts and periods of expiry of the interest rate swap agreements are as follows:

	As at 26 June 2005 $m	As at 27 June 2004 $m
Less than one year	100.0	90.0
One to two years	40.0	–
Two to three years	215.0	140.0
Three to four years	370.0	185.0
Four to five years	200.0	100.0
Greater than five years	735.3	100.0
	1,660.3	**615.0**

28 Financial instruments (continued)

Foreign currency exposure

The consolidated entity has exposure to movements in foreign currency exchange rates through term borrowings and anticipated purchases of inventory and equipment, which are denominated in foreign currencies. In order to hedge against the majority of this exposure, the consolidated entity enters into forward exchange contracts and cross currency swap agreements. The term borrowings are fully hedged.

Forward exchange contracts and foreign currency options

Under these agreements, the consolidated entity has contracted to buy foreign currencies in exchange for Australian dollars at a pre-determined rate to be settled at a future date. The maturity dates of the contracts are timed to match the anticipated timing of major foreign currency payments that are expected to occur within the ensuing financial period.

At period end, the details of outstanding forward contracts and foreign currency options and collars, stated in Australian dollar equivalents, are:

	26 June 2005		27 June 2004	
	Buy $m	Average exchange rate	Buy $m	Average exchange rate
Forward contracts				
Maturing:				
Within 12 months:				
United States dollars	79.4	0.77	100.5	0.70
Euros	25.7	0.63	21.1	0.58
Swiss Francs	–	–	6.9	0.87
Great Britain Pounds	7.2	0.41	0.8	0.38
Foreign currency options				
Purchased options				
Maturing:				
Within six months				
United States Dollars	–	–	1.5	0.71
Collars				
Maturing:				
Within six months				
United States Dollars	6.0	0.75/0.78	8.6	0.70/0.75

Where these contracts are used to hedge specific anticipated future transactions, any unrealised gains or losses on the contracts are deferred and will be recognised in the measurement of the underlying transactions when they occur.

No material gains, losses and costs have been deferred as at 26 June 2005.

Cross currency swap agreements

To hedge the US dollar denominated Senior Notes issued by the consolidated entity in September 1997 (US$100 million) and April 2005 (US$500 million), the consolidated entity entered into cross currency swap agreements to fully hedge the US dollar value of the notes issued. The effect of the cross currency swaps is to offset all of the US dollar exposure on both interest and principal payments associated with the notes. Consequently, the maturity and settlement dates under the swaps match the maturity and coupon payments for the term of the notes. The exposure to the consolidated entity subsequent to the cross currency swap agreements is in Australian dollars with 91% (2004: 50%) of the relevant interest rate exposure fixed at 5.97% (2004: 7.10%) paid quarterly, and 9% (2004: 50%) at a variable rate of the Bank Bill Swap and a margin paid quarterly. At balance date the effective variable rate was 6.09% (2004: 5.91%).

Credit exposure

The credit risk on financial assets of the consolidated entity which has been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any, allowance for doubtful debts.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives, which are deliverable, credit risk may also arise from the potential failure of the counterparties to meet their obligations under the respective contracts at maturity. As at 26 June 2005, no material credit risk exposure existed in relation to potential counterparty failure on deliverable off-balance sheet financial instruments.

Interest rate exposure

The consolidated entity's exposure to interest rate risk and the effective average interest rate for each class of financial assets and financial liabilities as at 26 June 2005 is set out below. Exposure will arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

28 Financial instruments (continued)

	Floating Interest rate $m	Fixed interest maturing in: 1 year or less $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Total $m	Average Interest Rate %
2005							
Financial assets							
Cash and deposits	36.5	–	–	–	395.8	**432.3**	5.50%
Receivables	–	–	–	–	569.8	**569.8**	–
Other financial assets	–	–	–	–	1.1	**1.1**	–
	36.5	**–**	**–**	**–**	**966.7**	**1,003.2**	
Financial liabilities							
Accounts payable	–	–	–	–	2,335.6	**2,335.6**	–
Accruals	–	–	–	–	651.9	**651.9**	–
Short term securities	140.0	–	–	–	–	**140.0**	5.77%
Other bank loans:							
Fixed	–	–	7.0	–	–	**7.0**	6.80%
Variable	981.9	–	–	–	–	**981.9**	6.08%
Other loans	–	–	–	–	1.1	**1.1**	–
Variable rate domestic notes	80.0	–	–	–	–	**80.0**	5.34%
Fixed rate domestic notes	–	–	270.0	–	–	**270.0**	6.66%
USD notes	–	–	134.2	635.3	–	**769.5**	6.37%
WINs	600.0	–	–	–	–	**600.0**	7.68%
Interest rate swaps*	(1,660.3)	100.0	825.0	735.3	–	**–**	6.01%
Cross currency swaps (fixed/floating)	702.4	–	(67.1)	(635.3)	–	**–**	6.30%
	844.0	100.0	1,169.1	735.3	2,988.6	**5,837.0**	
Net financial (liabilities)	**(807.5)**	**(100.0)**	**(1,169.1)**	**(735.3)**	**(2,021.9)**	**(4,833.8)**	
2004							
Financial assets							
Cash and deposits	114.0	–	–	–	234.9	**348.9**	5.25%
Receivables	–	–	–	–	305.0	**305.0**	–
Other financial assets	–	0.5	–	–	27.5	**28.0**	5.58%
	114.0	**0.5**	**–**	**–**	**567.4**	**681.9**	
Financial liabilities							
Accounts payable	–	–	–	–	2,176.3	**2,176.3**	–
Accruals	–	–	–	–	554.5	**554.5**	–
Short term securities	17.0	–	–	–	–	**17.0**	5.49%
Other bank loans:							
Fixed	–	–	–	7.5	–	**7.5**	6.80%
Variable	3.4	–	–	–	–	**3.4**	6.21%
Variable rate domestic notes	80.0	–	–	–	–	**80.0**	5.35%
Fixed rate domestic notes	–	–	270.7	–	–	**270.7**	6.66%
USD notes	–	–	134.2	–	–	**134.2**	6.76%
Interest rate swaps*	(285.0)	–	285.0	–	–	**–**	6.10%
Cross currency swaps (fixed/floating)	67.1	–	(67.1)	–	–	**–**	6.41%
	(117.5)	–	622.8	7.5	2,730.8	**3,243.6**	
Net financial assets/(liabilities)	**231.5**	**0.5**	**(622.8)**	**(7.5)**	**(2,163.4)**	**(2,561.7)**	

* Notional principal amounts

28 Financial instruments (continued)

Net fair value of financial assets and liabilities

On-balance sheet

The carrying value of cash and cash equivalents, financial assets and non-interest bearing monetary financial liabilities of the consolidated entity approximates their net fair value and as such they have been omitted from these disclosures.

The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or the expected future cash flows, discounted where appropriate by current interest rates for assets and liabilities with similar risk profiles.

	As at 26 June 2005		As at 27 June 2004	
	Carrying amount $m	Net fair value $m	Carrying amount $m	Net fair value $m
On-balance sheet financial instruments				
Financial liabilities:				
Bank loans	989.0	989.0	10.9	10.9
Short term securities	140.0	139.6	17.0	17.0
Other loans	1,720.5	1,824.8	484.9	524.1
	2,849.5	**2,953.4**	**512.8**	**552.0**

Off-balance sheet

The net fair value of financial assets or liabilities arising from interest rate swaps, forward foreign currency contracts and cross currency swap agreements at period end are shown against their carrying values.

For interest rate and cross currency swaps, the net fair value has been determined by the net present value of cash flows due under the contracts, using a discount rate appropriate to the type and maturity of the contract.

For forward foreign currency contracts, the net fair value is taken to be the unrealised gain or loss at period end calculated by reference to the current forward rates for contracts with similar maturity profiles.

	As at 26 June 2005		As at 27 June 2004	
	Carrying amount $m	Net fair value $m	Carrying amount $m	Net fair value $m
Off-balance sheet financial instruments				
Financial assets/(liabilities):				
Forward foreign currency contracts and foreign exchange options	–	(0.4)	–	(0.2)
Interest rate swaps	(0.3)	(29.5)	(0.1)	(3.4)
Cross currency swaps	(8.7)	25.3	(1.8)	19.1
	(9.0)	**(4.6)**	**(1.9)**	**15.5**

None of the classes of financial assets are readily traded on organised markets in standardised form.

NOTES TO THE FINANCIAL STATEMENTS

29 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

It is a condition of the class order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee (Deed). Under the Deed the Company guarantees the payment of all debts of each of the subsidiaries in full, in the event of a winding up. The subsidiaries in turn guarantee the payment of the debts of the Company in full in the event that it is wound up.

The subsidiaries that are party to the Deed are:

Woolworths Properties Pty Limited
Woolworths (Victoria) Pty Limited
Woolworths (W.A.) Pty Limited
Woolworths Trust Management Pty Limited
Woolworths (Publishing) Pty Limited
Universal Wholesalers Pty Limited
Barmos Pty Limited
Nalos Pty Limited
Josona Pty Limited
Woolstar Pty Limited
QFD Pty Limited
Queensland Property Investments Pty Limited
Philip Leong Stores Pty Limited
Woolies Liquor Stores Pty Limited
Calvartan Pty Limited
Australian Safeway Stores Pty Limited
Dick Smith Electronics Staff Superannuation Fund Pty Limited
Weetah Pty Limited
Woolworths (Q'land) Pty Limited
Woolworths (South Australia) Pty Limited
Australian Liquor and Grocery Wholesalers Pty Limited
Woolworths Trustee No. 2 Pty Limited
Charmtex Pty Limited
Grocery Wholesalers Pty Limited
DSE Holdings Pty Limited
Woolworths Custodian Pty Limited
Fabcot Pty Limited
Woolworths Australian Communities Foundation Pty Limited, formerly Barjok Pty Limited
A.C.N. 001 259 301 Pty Limited
Woolworths (R&D) Pty Limited
Dentra Pty Limited
Jack Butler and Staff Pty Limited
Woolworths Group Superannuation Scheme Pty Limited
Woolworths Executive Superannuation Scheme Pty Limited
Mac's Liquor Stores Pty Limited
Dick Smith Electronics Pty Limited
Dick Smith (Wholesale) Pty Limited
Dick Smith Management Pty Limited
Dick Smith Electronics (Franchising) Pty Limited
Advantage Supermarkets Pty Limited
Advantage Supermarkets WA Pty Limited
Leasehold Investments Pty Limited
Andmist Pty Limited
Woolworths (Project Finance) Pty Limited
InterTAN Australia Pty Limited
Gembond Pty Limited
Cenijade Pty Limited

A consolidated statement of financial performance and consolidated statement of financial position for the closed group representing the Company and the subsidiaries noted on pages 97 and 98, which are party to the Deed as at 26 June 2005 is set out below. The following controlled entities (see Note 30) are excluded from this consolidation:

Aceridge Pty Ltd
Advantage Supermarkets Unit Trust
ALH Group (No. 1) Pty Limited
Australian Independent Retailers Pty Limited
Australian Leisure and Hospitality Group Limited
Bergam Pty Limited
Breeders Rights International Pty Ltd
Bruandwo Property Holdings Pty Ltd
Bruandwo Pty Ltd
Chatswood Hills Tavern Pty Ltd (Trustee)
Como Imports (New Zealand) Ltd
Dapara Pty Ltd (Holding Co)
David Reid Electronics (1992) Limited
Dick Smith Electronics (HK) Limited
Dick Smith Electronics (UK) Ltd
DSE (NZ) Limited
DSE Investments Inc.
DSE Merge Corporation Inc
Fenbridge Pty Ltd
GreenGrocer.com.au Pty Limited
Kawana Waters Hotel No. 1 Pty Limited
Kawana Waters Hotel No. 2 Pty Limited
Kawana Waters Hotel No. 3 Pty Limited
Kiaora Lands Pty Limited
MGW Hotels Pty Ltd
Shellbelt Pty Limited
Stadform Developments Pty Ltd
Statewide Independent Wholesalers Limited
Vicpoint Pty Ltd
Woolstar Investments (NZ) Ltd
Woolstar Investments Limited
Woolworths Insurance Pte Limited
Woolworths Townsville Nominee Pty Limited

29 Deed of cross guarantee (continued)

	52 weeks ended 26 June 2005	52 weeks ended 27 June 2004
	$m	$m
Statement of financial performance		
Revenue from sale of goods	29,358.8	27,230.2
Other operating revenue	582.9	532.7
Total revenue from operations	29,941.7	27,762.9
Cost of sales	(22,680.9)	(20,892.8)
Gross profit	7,260.8	6,870.1
Other non-operating revenue from ordinary activities	371.4	162.9
Share of profit in associated company accounted for using the equity method	2.5	3.1
Other expenses from ordinary activities		
Branch expenses	(4,965.5)	(4,581.9)
Administration expenses	(1,474.6)	(1,425.2)
Earnings before interest and tax	1,194.6	1,029.0
Interest expense	(123.3)	(56.6)
Interest income	33.3	9.2
Profit from ordinary activities before income tax expense	**1,104.6**	**981.6**
Income tax expense	(321.3)	(269.5)
Net profit from ordinary activities after income tax expense	**783.3**	**712.1**
Reconciliation of retained profits		
Retained profit at beginning of period	688.3	422.1
Adjustment to retained earnings: companies removed from class order	–	25.7
Net profit from ordinary activities after income tax expense	783.3	712.1
Woolworths Income Notes distribution	–	(42.9)
Woolworths Income Notes issue costs	(17.0)	–
Dividends paid or provided	(499.8)	(428.7)
Retained profits at end of period	**954.8**	**688.3**

29 Deed of cross guarantee (continued)

	52 weeks ended 26 June 2005	52 weeks ended 27 June 2004
	$m	$m
Statement of financial position		
Current assets		
Cash	328.3	329.4
Receivables	462.3	196.0
Inventories	1,866.6	1,794.2
Property, plant and equipment	28.2	259.6
Other	106.2	111.8
Total current assets	**2,791.6**	**2,691.0**
Non-current assets		
Receivables	1,858.8	96.4
Investments accounted for using the equity method	–	3.6
Other financial assets	70.6	49.3
Property, plant and equipment	3,114.3	2,441.5
Intangibles	579.5	570.6
Deferred tax assets	238.4	195.0
Other	10.9	5.7
Total non-current assets	**5,872.5**	**3,362.1**
Total assets	**8,664.1**	**6,053.1**
Current liabilities		
Accounts payable	2,216.2	2,130.5
Accruals	597.3	547.1
Interest bearing liabilities	235.0	18.0
Current tax liabilities	115.7	132.2
Provisions	362.2	345.8
Total current liabilities	**3,526.4**	**3,173.6**
Non-current liabilities		
Interest bearing liabilities	2,603.0	482.3
Deferred tax liabilities	12.8	3.1
Provisions	405.5	363.7
Total non-current liabilities	**3,021.3**	**849.1**
Total liabilities	**6,547.7**	**4,022.7**
Net assets	**2,116.4**	**2,030.4**
Equity		
Contributed equity	977.9	575.4
Reserves	183.7	183.7
Retained profits	954.8	688.3
Equity attributable to the members of Woolworths Limited	**2,116.4**	**1,447.4**
Woolworths Income Notes	–	583.0
Total equity	**2,116.4**	**2,030.4**

30 Controlled entity disclosures

Name	Place of incorporation	Beneficial holding 2005 %	Beneficial holding 2004 %
Woolworths Limited	NSW		
Controlled entities of Woolworths Limited:			
• Woolworths Properties Pty Limited	NSW	100	100
Controlled entity of Woolworths Properties Pty Limited:			
1. QFD Pty Limited	ACT	100	100
2. Dentra Pty Limited	ACT	100	100
Controlled entity of Dentra Pty Limited:			
1. Weetah Pty Limited	NT	100	100
• Woolworths (Q'land) Pty Limited		100	100
Controlled entity of Woolworths (Q'land) Pty Limited:			
1. Queensland Property Investments Pty Ltd	QLD	100	100
• Woolworths (Victoria) Pty Limited	VIC	100	100
Controlled entity of Woolworths (Victoria) Pty Limited:			
1. Statewide Independent Wholesalers Limited	TAS	60	60
• Woolworths (South Australia) Pty Limited	SA	100	100
• Woolworths (WA) Pty Limited	WA	100	100
• Australian Liquor and Grocery Wholesalers Pty Limited	NT	100	100
• Woolworths Trust Management Pty Limited	NSW	100	100
• Woolworths Trustee No. 2 Pty Limited	NSW	100	100
• Woolworths (Publishing) Pty Ltd	QLD	100	100
• Woolworths Australian Communities Foundation Pty Limited, formerly Barmos Pty Limited	NSW	100	100
• Charmtex Pty Limited	NSW	100	100
• Universal Wholesalers Pty Limited	NSW	100	100
• Grocery Wholesalers Pty Limited	NSW	100	100
• Australian Independent Retailers Pty Limited	VIC	49	49
• DSE Holdings Pty Limited	NSW	100	100
Controlled entities of DSE Holdings Pty Limited:			
1. Dick Smith Electronics Pty Limited	NSW	100	100
Controlled entity of Dick Smith Electronics Pty Limited:			
1. Dick Smith Electronics Staff Superannuation Fund Pty Limited	NSW	100	100
2. Dick Smith (Wholesale) Pty Limited	NSW	100	100
3. Dick Smith Management Pty Limited	NSW	100	100
4. Dick Smith Electronics (Franchising) Pty Limited	NSW	100	100
5. DSE (New Zealand) Limited	NZ	100	100
Controlled entities of DSE (New Zealand) Limited:			
1. Como Imports (New Zealand) Ltd	NZ	100	100
2. David Reid Electronics (1992) Ltd	NZ	100	100
6. Dick Smith Electronics (UK) Ltd	UK	100	100
7. InterTAN Australia Pty Ltd	NSW	100	100
8. Dick Smith Electronics (HK) Ltd	Hong Kong	100	100
• Woolworths Custodian Pty Limited	NSW	100	100
• Fabcot Pty Limited	NSW	100	100
Controlled entity of Fabcot Pty Limited:			
1. Kiaora Lands Pty Limited	NSW	100	100
• Nalos Pty Limited	NSW	100	100
• Barjok Pty Limited	NSW	100	100
• Josona Pty Limited	NSW	100	100
• Woolstar Investments (NZ) Limited	NZ	100	100
• Woolworths Insurance Pte Limited	SING	100	100
• DSE Investments Inc.	USA	100	100
• A.C.N. 001 259 301 Pty Limited	NSW	100	100
• Woolstar Pty Limited	ACT	100	100
• Woolworths (R&D) Pty Limited	NSW	100	100
Controlled entity of Woolworths (R&D) Pty Ltd			
1. Breeders Rights International Pty Ltd			

30 Controlled entity disclosures (continued)

Name	Place of incorporation	Beneficial holding 2005 %	Beneficial holding 2004 %
• Advantage Supermarkets Pty Limited	WA	100	100
Controlled entity of Advantage Supermarkets Pty Limited:			
1. Advantage Supermarkets WA Pty Limited	WA	100	100
• Advantage Supermarkets Unit Trust	WA	100	100
• Andmist Pty Limited	NSW	100	100
• Woolworths (Project Finance) Pty Limited	NSW	100	100
• GreenGrocer.com.au Pty Limited	NSW	100	100
• Cenijade Pty Limited	NSW	100	100
• Shellbelt Pty Limited	NSW	100	100
• Gembond Pty Limited	NSW	100	100
• Philip Leong Stores Pty Limited	QLD	100	100
• Woolies Liquor Stores Pty Limited	SA	100	100
• Calvartan Pty Limited	ACT	100	100
• Australian Safeway Stores Pty Limited	VIC	100	100
• Jack Butler & Staff Pty Limited	QLD	100	100
• Woolworths Group Superannuation Scheme Pty Limited	QLD	100	100
• Woolworths Executive Superannuation Scheme Pty Limited	QLD	100	100
• Mac's Liquor Stores Pty Limited	NSW	100	100
• Bergam Pty Limited	NSW	100	100
• Bruandwo Pty Limited	VIC	75	50
Controlled entities of Bruandwo Pty Limited:			
1. Bruandwo Property Holdings Pty Limited	VIC	100	–
2. Australian Leisure and Hospitality Group Limited	VIC	100	–
Controlled entity of Australian Leisure and Hospitality Group Limited:			
1. Australian Leisure and Hospitality Group (No. 1) Limited	QLD	100	100
3. MGW Hotels Pty Limited	QLD	100	100
Controlled entities of MGW Hotels Pty Limited:			
1. Kawana Waters Hotel No. 3 Pty Limited	QLD	100	–
Controlled entity of Kawana Waters Hotel No. 3 Pty Limited:			
1. Kawana Waters Hotel No. 1 Pty Limited	QLD	100	–
2. Kawana Waters Hotel No. 2 Pty Limited	QLD	100	–
3. Dapara Pty Limited	NSW	100	–
Controlled entity of Dapara Pty Limited:			
1. Stadform Developments Pty Ltd	QLD	100	–
4. Fenbridge Pty Limited	QLD	100	–
5. Vicpoint Pty Limited	QLD	100	–
6. Aceridge Pty Limited	QLD	100	–
7. Chatswood Hills Tavern Pty Limited	VIC	100	–
Controlled entity of Chatswood Hills Tavern Pty Limited:			
1. Chatswood Hills Tavern Unit Trust	VIC	100	–
• Leasehold Investments Pty Limited	WA	100	100
• Woolworths Townsville Nominee Pty Limited	VIC	100	–

31 Business acquisitions

	Principal activity	Date of acquisition	Cost of acquisition	% acquired
			$m	
Entities				
ALH	Liquor and gaming	31/10/2004	1,275.7[(1)]	75%
MGW	Liquor and gaming	02/01/2005	11.7[(2)]	25%
Total entity acquisitions			**1,287.4**	
Businesses				
Supermarkets	Supermarkets and retail liquor	Various	24.3	
Hotels	Liquor and gaming	Various	65.8	
Consumer electronics	General merchandise	Various	5.2	
Total business acquisitions			**95.3**	
Total acquisitions			**1,382.7**	

100% of the businesses were acquired during the year ended 26 June 2005.

(1) Acquisition of all the issued capital in ALH by Woolworths 75% owned controlled entity Bruandwo.
(2) Acquisition of an additional 25% interest in MGW to give Woolworths a 75% ownership interest.

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards

Woolworths will be required to prepare financial statements using the Australian equivalents to International Financial Reporting Standards (AIFRS) for the first time in respect of the half year financial report for the 27 weeks ending 1 January 2006 and the Annual Report for the 52 weeks ending 25 June 2006.

This financial report has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group Consensus Views applicable to Woolworths Limited for the 52 weeks ended 26 June 2005 (Australian GAAP).

Transition management

In August 2003, the board established a formal implementation project to monitor and plan for the adoption of AIFRS. An AIFRS implementation team was established which involved representatives from the finance team, other departments and third party advisers. The team liaises directly with each of the business units and reports to the Chief Financial Officer.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. The assessment and planning phase is considered complete as at 26 June 2005.

Design phase

The design phase formulated the changes required to existing accounting policies, procedures, systems and processes in order to transition to AIFRS. The design phase incorporated formulation of revised accounting policies and procedures for compliance with AIFRS requirements, identification of potential financial impacts on adoption of AIFRS, and development of accounting and business processes to support AIFRS reporting obligations. The design phase is considered complete as at 26 June 2005.

Implementation phase

The implementation phase includes implementation of identified changes to Woolworths accounting and business procedures, processes and systems and operational training for staff and enables the consolidated entity and Company to comply with the measurement, recognition and disclosure requirements of AIFRS. This phase is substantially complete as at 26 June 2005.

Impact of transition to AIFRS

The disclosures in this note in respect of the impact of transition to AIFRS, including the transitional adjustments disclosed, are based on the AIFRS standards that management expect to be in place, or where applicable, expect to early adopt, when preparing the first complete AIFRS financial report (being the half year financial report for the 27 weeks ending 1 January 2006). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, and therefore further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

There is a significant amount of judgement involved in the preparation of the reconciliations from Australian GAAP to AIFRS. These reconciliations are Woolworths best estimates at the date of preparing this financial report. However, further changes could arise for the reasons set out below. Consequently, the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this note. Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- Changes to financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 2005 Annual Report; or
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

The significant changes in accounting policies expected to arise on the adoption of AIFRS and the elections expected to be made under AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards (AASB 1) are set out below. An estimate of the financial impact of these key differences has been provided where the impact is known and reliably measurable. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 28 June 2004.

(a) Reclassifications

The Australian GAAP definition of revenue requires proceeds on sale of non-current assets to be included as revenue – this has the effect of "grossing up" the income statement. Under AIFRS the proceeds on disposal will no longer be disclosed as revenue. For the consolidated entity an amount of $303.4 million (Company: $16.6 million) is expected to be reclassified from revenue to other income/expenses for the 52 weeks ended 26 June 2005.

Woolworths plan to utilise the option available in AASB 1 to reclassify the transition date reserve balances relating to capital profits reserve and general reserve to retained earnings. This transfer is expected to result in a decrease in these reserve balances of $66.2 million (Company: $2.6 million) and $46.9 million (Company: $45.5 million) respectively and an equal increase in retained earnings.

Under AIFRS, non-current assets classified as held for sale, and assets and liabilities of a disposal group classified as held for sale, will be presented separately as current assets and current liabilities on the balance sheet. A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

For the consolidated entity this is expected to result in $45.3 million (Company: Nil) being reclassified from non–current property, plant and equipment to current assets at 26 June 2005.

(b) Property, plant and equipment

On initial adoption of AIFRS, the directors have elected that property, plant and equipment will be measured at cost. As permitted by the election available under AASB 1, certain items of property, plant and equipment that were previously revalued will be restated at cost on transition. Consequently, the asset revaluation reserve balance of $63.3 million (Company: Nil) relating to these assets will be adjusted against property, plant and equipment and depreciation of $10.3 million (Company: Nil) relating to the revaluations recognised prior to transition will be reversed against retained earnings on transition. The remaining balance in the asset revaluation reserve of $8.6 million (Company: $0.6 million) represents revaluations that relate to assets disposed of in prior periods. This balance will be transferred to retained earnings on transition. For the 52 week period ended 26 June 2005, further depreciation of $1.1 million (Company: Nil) relating to the previous revalued amounts will not be recognised in the AIFRS income statement.

AIFRS requires that all research activities in relation to a project be expensed as incurred, including evaluative and feasibility expenditure. Previously this expenditure was capitalised if it was expected, beyond reasonable doubt, to be recoverable. Assets that have previously been capitalised up to the transition date and that will now be expensed amount to $21.1 million (Company: $21.1 million). During the 52 weeks ended 26 June 2005 a further $14.6 million (Company: $14.6 million) was capitalised. Depreciation of $3.8 million (Company: $3.8 million) was recorded as an expense during the financial year ended 26 June 2005 in respect of assets that have previously been capitalised and will now be expensed. The net carrying value of $10.8 million (Company: $10.8 million) as at 26 June 2005 will also be required to be expensed under AIFRS.

(c) Leased assets

Classification

On transition leases are required to be classified as either operating leases or finance leases on the basis of circumstances existing at inception of the lease. For the consolidated entity and Company, no leases have been identified that are required to be reclassified as a finance lease under AIFRS.

Operating lease expenditure

Under AASB 117 Leases, operating lease expenses should be recognised on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Fixed rate increases to lease rental payments, excluding contingent or index based rental increases, such as CPI, turnover rental and other similar increases, are recognised on a straight-line basis over the lease term. An asset or liability arises for the difference between the amount paid and the lease expense brought to account on a straight-line basis. Under Australian GAAP, fixed rental escalations were recognised as an expense in the period that they were incurred.

The effect of this change is not expected to be material at transition nor for the 52 week period ended 26 June 2005 for either the consolidated entity or the Company.

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

(d) Business combinations

On initial adoption of AIFRS the directors have elected not to restate business combinations that occurred before 28 July 2004. Accordingly, the impacts of the adoption of AIFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and cessation of goodwill amortisation.

Woolworths acquired control of Australian Leisure and Hospitality Limited (ALH) and MGW Hotels Pty Ltd (MGW) through its 75% shareholding in Bruandwo Pty Ltd during the financial year (refer Note 31). Under AIFRS, deferred tax liabilities and deferred tax assets acquired are measured on a different basis to present and contingent liabilities that are reliably measurable are required to be recognised as part of the business combination. In respect of the acquisitions made during the year there were no contingent liabilities or new intangible assets requiring recognition under AIFRS. However, the restructuring provision recognised on the acquisition of ALH under Australian GAAP does not meet the recognition requirements under AIFRS. As a result goodwill and profit before tax for the 52 weeks ended 26 June 2005 will decrease by $11.0 million (Company: Nil).

However, the initial accounting for the acquisitions of ALH and MGW has only been provisionally determined. ALH became wholly owned by Bruandwo Pty Limited on acquisition and is anticipated to join the Bruandwo Pty Ltd's tax-consolidated group. For tax purposes, the tax values of ALH's assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill has therefore only been provisionally determined based on the directors' best estimate of the likely tax values based on the pre-combination tax values recognised by ALH. These market valuations may also impact the recognised fair values of certain intangibles and other assets acquired as part of the business combination.

(e) Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to the transition date, goodwill will be included on the basis of its deemed cost, being its written down value recorded under Australian GAAP as at 28 June 2004. Under AIFRS, goodwill will be stated at cost less any accumulated impairment losses. (Refer note (f) for details on impairment testing).

Amortisation

Under AIFRS, goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but instead will be tested for impairment annually and whenever there is an indication of impairment. Changes in useful life on transition to AIFRS will be accounted for prospectively.

The estimated useful lives at 28 June 2004 are expected to be as follows:

	AIFRS	Australian GAAP
Goodwill	indefinite	20 years
Liquor and Gaming Licences	indefinite	indefinite

The consolidated entity's net profit after tax for the 52 weeks ended 26 June 2005 is expected to increase by $41.8 million (Company: $22.5 million) as a result of the cessation of goodwill amortisation.

(f) Impairment

Under Australian GAAP, the carrying amounts of non-current assets are reviewed at each reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount exceeds the recoverable amount the asset is written down to recoverable amount. Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AIFRS, both current and non-current assets (excluding goodwill and indefinite life intangibles) will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount. Recoverable amount under AIFRS is the higher of "fair value less costs to sell" and "value in use". In assessing "value in use" AIFRS requires the estimated future cash flows to be discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Goodwill and intangible assets that have an indefinite useful life and intangible assets not yet ready for use will be required to be tested for impairment annually and whenever there is an indication of impairment.

If there is any indication that an asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement. Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis to their carrying amounts.

For the consolidated entity and Company no impairment loss has been identified either on transition to AIFRS or for the 52 weeks ended 26 June 2005.

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

(g) Taxation

Under AIFRS tax balances are determined using a 'balance sheet' approach, which differs significantly from the current methodology in Australian GAAP. Under the balance sheet approach, current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes, and the corresponding tax base of those items.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled.

Current and deferred tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

The expected impact on the consolidated entity at 28 June 2004 is an increase in deferred tax assets of $19.4 million (Company: $19.4 million), a decrease in deferred tax liabilities of $11.4 million (Company: Nil) and an increase in retained earnings of $30.8 million (Company: $19.4 million) mainly arising from the recognition of carried forward tax losses (which were not recognised under Australian GAAP but can be recognised under AIFRS where it is probable that future tax profit will be available against which the unused tax losses can be utilised) and temporary differences arising from the recognition of the defined benefit plan liability (refer note (i)) and the write off previously capitalised assets for accounting purposes.

The expected impact of the change in basis on the tax expense for the 52 week period ended 26 June 2005 is a decrease in tax expense of $3.2 million for the consolidated entity (Company: $3.5 million). Deferred tax assets of the consolidated entity are expected to increase by $3.5 million (Company: $3.5 million) and deferred tax liabilities of the consolidated entity are expected to increase by $0.3 million (Company: Nil) as at 26 June 2005.

Tax consolidations

The Urgent Issues Group (UIG) finalised Interpretation 1052 *Tax Consolidation Accounting* in June 2005. This Interpretation will change the method of accounting for tax consolidation by the company (as head entity in the tax-consolidated group) and its subsidiaries that are members off the tax-consolidated group. As noted in Note 1(E), all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are currently recognised in the financial statements of the company (as head entity).

Under Interpretation 1052, current and deferred tax of the tax-consolidated group will be allocated to the members of the tax-consolidated group using an allocation method that is rational, systematic and consistent with the broad principles of AASB 112 Income Taxes. The current tax liability (and tax losses) of the tax-consolidated group will then be assumed by the parent entity, which may give rise to contributions by or distributions to equity participants, depending on the nature of any tax funding arrangement between the entities in the tax-consolidated group.

There will be no impact from this change in accounting policy on the consolidated financial statements of the company. The directors are currently assessing the impact of Interpretation 1052 and have not yet finalised a determination of what allocation method will be used and the form of any related tax funding arrangement. The separate financial statements of the company will change depending on the decisions ultimately made and so cannot be fully determined at the date of this financial report.

(h) Foreign currency

Financial statements of foreign operations

On initial adoption of AIFRS, as permitted by the elections available under AASB 1, the foreign currency translation reserve will be reset to zero with an offsetting decrease in retained earnings of the consolidated entity of $0.4 million (Company: Nil).

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

(i) Employee benefits

Defined benefit plans

Woolworths is the employer sponsor of a defined benefit superannuation fund. Under AIFRS, the employer sponsor is required to recognise a liability (or asset) where the present value of the defined benefit obligation, adjusted for unrecognised past service cost exceeds (is less than) the fair value of the underlying net assets of the fund (hereinafter referred to as the "defined benefit obligation"). Any resulting liability or asset will be grossed up for any contributions tax as required by AASB 119 *Employee Benefits* (AASB 119) (revised).

The defined benefit obligation recognised in the balance sheet is determined using actuarial valuations carried out at each reporting date as required by AASB 119. The consolidated entity's and Company's defined benefit obligation in respect of defined benefit superannuation plans will be calculated separately for each plan. The discount rate that will be used is the Federal Government bond rate at each reporting date which most closely matches the terms of maturity of the related liabilities.

After initial adoption, further movements in the defined benefit obligation will be recognised in the income statement except for actuarial gains or losses which will be recognised directly in retained earnings (in accordance with the options available under AASB 119).

Under Australian GAAP, Woolworths recognises contributions to the superannuation funds as an expense when due and payable and does not recognise any liability or asset in relation to fund deficits or surpluses unless there is a current obligation to fund the deficit.

Woolworths contributions to the defined benefit superannuation funds have been determined on a vested benefits basis. The additional funding that would be required if Woolworths were to have funded the accrued benefits has been disclosed in the Woolworths Annual Report for the 52 weeks ended 27 June 2004. This Annual Report disclosed a shortfall of $25.0 million as of the latest actuarial valuation performed, being 31 August 2002.

At the date of transition, an estimated amount of $31.0 million (Company: $31.0 million) is expected to be recognised as a liability for both the consolidated entity and the Company with a corresponding decrease in retained earnings.

For the 52 weeks ended 26 June 2005, an expense relating to the the defined benefit plan of $73.0 million (Company: $73.0 million) will be recognised under AIFRS with a further $10.0 million (Company: $10.0 million) recognised directly in retained earnings (representing the actuarial gains and losses for the period). The previous Australian GAAP expense for the 52 week period ended 26 June 2005, being the contributions paid by the consolidated entity to the fund, of $82.0 million (Company: $82.0 million) is reversed under AIFRS. This results in a net increase to the AIFRS net profit before tax compared to Australian GAAP for the 52 week period ended 26 June 2005 of $9.0 million (being the $73.0 million (Company: $73.0 million) expense required by AIFRS less the $82.0 million (Company: $82.0 million) expense determined using Australian GAAP). The resulting liability at 26 June 2005 is $32.0 million (Company: $32.0 million).

(j) Share based payments

Equity settled share based payments form part of the remuneration of employees (including executives) of both the consolidated entity and Company as disclosed in note 27 of the financial statements. Under Australian GAAP, the consolidated entity and the Company do not recognise an expense for any share based remuneration, including equity settled share based payments such as options.

Under AIFRS, Woolworths will recognise the fair value at the grant date of equity settled share based payments (such as options) as an employee benefit expense with a corresponding increase in equity. Fair value will be measured at grant date using a binominal model which takes into account market based performance conditions. The fair value per instrument will be multiplied by the number of instruments expected to vest based on achievement of non-market based performance conditions (e.g. service conditions) to determine the total cost. This total cost will be recognised as an employee benefit expense proportionally over the vesting period during which the employees become unconditionally entitled to the options. On vesting and over the vesting period the amount recognised as an employee benefit expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to failure to achieve market based performance conditions.

As permitted by the elections available under AASB 1, Woolworths will not retrospectively recognise the fair value of share based payments that have vested prior to 1 January 2005. Furthermore, no adjustment will be made for share based payments granted before 7 November 2002.

On transition to AIFRS, retained earnings are expected to decrease and reserves are expected to increase by $4.8 million in the consolidated entity (Company: $4.4 million).

For the financial year ended 26 June 2005, employee benefits expense and reserves are expected to increase by $7.0 million in the consolidated entity (Company: $6.4 million).

Equity settled share based payments of $1.0 million to employees of entities in the consolidated group other than the company will be transferred through intercompany loan accounts and reserves.

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

(j) Share based payments (continued)

Employee share plan (ESP)

The consolidated entity operates an Employee Share Plan (ESP) whereby it provided interest free loans to selected employees to purchase shares in the Company. All shares acquired under the ESP are held by a wholly-owned subsidiary of Woolworths as trustee of the share plan trust. Dividends paid by Woolworths are used to repay the loan (after payment of a portion of the dividend to the employee to cover any tax liabilities). The loans are limited recourse and if the employee elects not to repay the loan, the underlying shares are sold to recover the outstanding loan balance.

Certain employee receivables in respect of the Woolworths ESP were sold in 2002 to a financial institution. Under AIFRS, a liability equal to that part of these receivable balances not yet repaid by the employee will be recognised as a liability as the financial institution has recourse to the Company until the share plan vesting conditions have been satisfied. At 26 June 2005, this is expected to give rise to an increase in liabilities in the consolidated entity of $14.3 million (Company: $14.3 million), with $3.6 million (Company: $3.6 million), being disclosed as a current liability and the balance of $10.7 million (Company: $10.7 million), being disclosed as a non-current liability.

Under AIFRS, assets and equity of the consolidated entity and Company will reduce by $88.7 million (Company $88.7 million).

(k) Inventory

Woolworths receives settlement discounts from suppliers for early payment of amounts due. Currently these amounts are recognised as revenue when earned. AIFRS requires that settlement discounts and rebates received from vendors are recognised as a reduction of cost of sales (or inventory) unless the rebate represents a reimbursement of a specific, incremental, identifiable cost incurred by the entity in selling the vendors products. Such a rebate is recognised as a reduction of that cost. If the amount of the rebate credited or paid by the supplier exceeds the cost being reimbursed, AIFRS requires that the excess shall be deducted in determining the cost of inventories.

This will result in:

- settlement discounts, rebates and other purchase allowances totalling $600.9 million (Company: $516.4 million), currently recognised in other operating revenue in Note 2, being reclassified as either a reduction in cost of sales of $418.3 million (Company: $333.8 million), a reduction in administration expenses of $36.1 million (Company: $36.1 million), or an increase in other revenue from ordinary activities of $146.5 million (Company: $146.5 million); and
- a reduction in inventory and retained earnings of the consolidated entity on transition to AIFRS of approximately $11.0 million (Company: $11.0 million). The adjustment relating to the 52 weeks ended 26 June 2005 will be a decrease in inventory and profit before taxation of approximately $0.3 million (Company: $0.3 million).

(l) Make good provisions

The consolidated entity and Company have certain operating leases that require the asset to be returned to the lessor in its original condition. The operating lease payments do not include an element for repairs/overhauls.

Under Australian GAAP, the costs of refurbishment are not recognised until it is probable that the expenditure will be incurred, whereas under AIFRS a provision for refurbishment costs must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

At the date of transition, an amount of $7.0 million (Company: Nil) will be recognised as a liability in the consolidated entity with a corresponding decrease in retained earnings.

(m) Financial instruments

Woolworths has elected to apply the first-time adoption election available in AASB 1 to defer the date of transition of AASB 132 *Financial Instruments: Disclosure and Presentation* (AASB 132) and AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) until 27 June 2005. Accordingly, there are no expected adjustments in relation to these standards on transition (28 June 2004) or for the 52 weeks ended 26 June 2005.

Summary of transitional AIFRS adjustments

The following tables set out the proforma financial statements of Woolworths and a reconciliation of the differences between the accounting policies under AIFRS and the current treatment of those items under Australian GAAP.

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

Woolworths Pro Forma AIFRS Balance Sheet as at 26 June 2005

	Consolidated				Company			
	2005 AGAAP $m	AIFRS Adjustments $m	Note	2005 AIFRS $m	2005 AGAAP $m	AIFRS Adjustments $m	Note	2005 AIFRS $m
Current assets								
Cash	432.3			432.3	311.7	–		311.7
Receivables	490.0	(88.7)	j	415.6	194.7	(88.7)	j	120.3
		14.3	j			14.3	j	
Inventories	1,977.3	(11.3)	k	1,966.0	1,526.7	(11.3)	k	1,515.4
Property, plant and equipment	28.2	45.3	a	73.5	0.2	–		0.2
Other – receivables	109.2			109.2	96.1	–		96.1
Total current assets	**3,037.0**	**(40.4)**		**2,996.6**	**2,129.4**	**(85.7)**		**2,043.7**
Non-current assets								
Receivables	79.8	–		79.8	3,011.4	–		3,011.4
Other financial assets	1.1	–		1.1	152.3	1.0	j	153.3
Property, plant and equipment	3,552.6	(63.3)	b	3,423.5	1,945.9	(31.9)	b	1,914.0
		11.4	b					
		(45.3)	a					
		(31.9)	b					
Intangibles	2,011.4	41.8	e	2,042.2	395.2	22.5	e	417.7
		(11.0)	d					
Deferred tax asset	265.1	22.9	g	288.0	238.4	22.9	g	261.3
Other	10.9	–		10.9	10.9	–		10.9
Total non-current assets	**5,920.9**	**(75.4)**		**5,845.5**	**5,754.1**	**14.5**		**5,768.6**
Total assets	**8,957.9**	**(115.8)**		**8,842.1**	**7,883.5**	**(71.2)**		**7,812.3**
Current liabilities								
Accounts payable	2,335.6	–		2,335.6	2,080.2	–		2,080.2
Accruals	651.9	–		651.9	456.7	–		456.7
Interest bearing liabilities	235.5	–		235.5	235.0	–		235.0
Current tax liabilities	105.5	–		105.5	115.9	–		115.9
Provisions	393.5	7.0	l	400.5	327.9	–		327.9
Other	–	3.6	j	3.6	–	3.6	j	3.6
Total current liabilities	**3,722.0**	**10.6**		**3,732.6**	**3,215.7**	**3.6**		**3,219.3**
Non-current liabilities								
Interest bearing liabilities	2,614.0	–		2,614.0	2,603.0	–		2,603.0
Deferred tax liabilities	12.4	(11.1)	g	1.3	12.8	–		12.8
Provisions	412.4	–		412.4	379.8	–		379.8
Other	–	32.0	i	42.7	–	32.0	i	42.7
		10.7	j			10.7	j	
Total non-current liabilities	**3,038.8**	**31.6**		**3,070.4**	**2,995.6**	**42.7**		**3,038.3**
Total liabilities	**6,760.8**	**42.2**		**6,803.0**	**6,211.3**	**46.3**		**6,257.6**
Net assets	**2,197.1**	**(158.0)**		**2,039.1**	**1,672.2**	**(117.5)**		**1,554.7**

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

Woolworths Pro Forma AIFRS Balance Sheet as at 26 June 2005 (continued)

	Consolidated				Company			
	2005 AGAAP $m	AIFRS Adjustments $m	Note	2005 AIFRS $m	2005 AGAAP $m	AIFRS Adjustments $m	Note	2005 AIFRS $m
Equity								
Contributed Equity	977.9	–		977.9	977.9	–		977.9
Shares held in Trust	–	(88.7)	j	(88.7)	–	(88.7)	j	(88.7)
Employee remuneration reserve	–	11.8	i	11.8	–	11.8	i	11.8
Reserves	207.9	0.4	h	23.3	48.7	(0.6)	b	–
		(71.9)	b			(2.6)	a	
		(46.9)	a			(45.5)	a	
		(66.2)	a					
Retained earnings	978.0	103.5		1,081.5	645.6	8.1		653.7
Equity attributable to the members of Woolworths Limited	**2,163.8**	**(158.0)**		**2,005.8**	**1,672.2**	**(117.5)**		**1,554.7**
Outside equity interest in controlled entities								
Reserves	0.9	–		0.9	–	–		–
Retained profits	32.4	–		32.4	–	–		–
Total outside equity interest	**33.3**	**–**		**33.3**	**–**	**–**		**–**
Total Equity	**2,197.1**	**(158.0)**		**2,039.1**	**1,672.2**	**(117.5)**		**1,554.7**

Reconciliation Transitional Balance Sheet

Consolidated entity	Note	$m	$m
Opening retained earnings			**978.0**
Transitional Adjustments:			
Plant, property and equipment – depreciation	b	10.3	
Plant, property and equipment	b	(21.1)	
Reserves	b	8.6	
Reserves	a	46.9	
Reserves	a	66.2	
Income tax	g	30.8	
Foreign currency translation reserve	h	(0.4)	
Defined Benefit Plan	i	(31.0)	
Option Expense	j	(4.8)	
Make Good Provision	l	(7.0)	
Inventory	k	(11.0)	
Total Transitional Adjustments			**87.5**
FY05 Adjustments:			
Plant, property and equipment – depreciation	b	1.1	
Plant, property and equipment	b	(10.8)	
Restructuring Provision	d	(11.0)	
Goodwill	e	41.8	
Income tax	g	3.2	
Defined Benefit Plan	i	82.0	
Defined Benefit Plan	i	(73.0)	
Option Expense	j	(7.0)	
Inventory	k	(0.3)	
Total 2005 income statement			**26.0**
Direct to 2005 retained earnings			
Defined benefit	i	(10.0)	
Total 2005 Adjustments			**(10.0)**
Closing retained earnings			**1,081.5**

Company	Note	$m	$m
Opening retained earnings			**645.6**
Transitional Adjustments:			
Plant, property and equipment – depreciation	b	–	
Plant, property and equipment	b	(21.1)	
Reserves	b	0.6	
Reserves	a	2.6	
Reserves	a	45.5	
Income tax	g	19.4	
Foreign Currency Translation Reserve	h	–	
Defined Benefit Plan	i	(31.0)	
Option Expense	j	(4.4)	
Make Good Provision	l	–	
Inventory	k	(11.0)	
Total Transitional Adjustments			**0.6**
FY05 Adjustments:			
Plant, property and equipment – depreciation	b	–	
Plant, property and equipment	b	(10.8)	
Restructuring Provision	d	–	
Goodwill	e	22.5	
Income tax	g	3.5	
Defined Benefit Plan	i	82.0	
Defined Benefit Plan	i	(73.0)	
Option Expense	j	(6.4)	
Inventory	k	(0.3)	
Total 2005 income statement			**17.5**
Direct to 2005 retained earnings			
Defined benefit	i	(10.0)	
Total 2005 Adjustments			**(10.0)**
Closing retained earnings			**653.7**

32 Impact of adopting the Australian equivalents to International Financial Reporting Standards (continued)

	Consolidated				Company			
	2005 AGAAP $m	2005 AIFRS Adjustments $m	Note	2005 AIFRS $m	2005 AGAAP $m	AIFRS Adjustments $m	Note	2005 AIFRS $m
Revenues from sales of goods	31,352.5	–		31,352.5	26,027.8	–		26,027.8
Other operating revenue	600.9	(600.9)	k	–	516.4	(516.4)	k	–
Total revenue from operations	31,953.4	(600.9)		31,352.5	26,544.2	(516.4)		26,027.8
Cost of Sales	(24,150.8)	(0.3)	k	(23,732.8)	(20,100.2)	(0.3)	k	(19,766.7)
		418.3	k			333.8	k	
Gross Profit	**7,802.6**	**(182.9)**		**7,619.7**	**6,444.0**	**(182.9)**		**6,261.1**
Other revenues from ordinary activities	365.4	146.5	k	208.5	63.0	146.5	k	192.9
		(303.4)	a			(16.6)	a	
Share of net profits of associates and joint venture partnerships accounted for using equity method	2.5	–		2.5	–	–		–
Branch expenses	(5,361.5)	(9.7)	b	(5,026.0)	(4,142.2)	(10.8)	b	(4,113.9)
		41.8	e			22.5	e	
		303.4	a			16.6	a	
Administration expenses	(1,526.0)	36.1	k	(1,498.9)	(1,296.6)	36.1	k	(1,257.9)
		(7.0)	j			(6.4)	j	
		9.0	i			9.0	i	
		(11.0)	d					
Earnings before interest and tax	**1,283.0**	**22.8**		**1,305.8**	**1,068.2**	**14.0**		**1,082.2**
Interest Expense	(164.1)	–		(164.1)	(122.6)	–		(122.6)
Interest Income	10.4	–		10.4	32.1	–		32.1
Profit from ordinary activities before income tax expense	**1,129.3**	**22.8**		**1,152.1**	**977.7**	**14.0**		**991.7**
Income Tax Expense	(337.7)	3.2	g	(334.5)	(321.3)	3.5	g	(317.8)
Net Profit from ordinary activities after income tax expense	**791.6**	**26.0**		**817.6**	**656.4**	**17.5**		**673.9**
Net profit attributable to outside equity interest	(1.1)	–		(1.1)	–	–		–
Operating net profit attributable to the members of Woolworths Ltd	**790.5**	**26.0**		**816.5**	**656.4**	**17.5**		**673.9**

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 61 to 109:

(a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's and consolidated entity's financial position as at 26 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial period ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001 including section 296 and section 297;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this Declaration, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 29.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 26 June 2005.

This Declaration is made on the 26th day of September 2005 in accordance with a resolution of the Directors.

James Strong
Chairman

Roger Corbett
Group Managing Director/CEO

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250
Grosvenor Place
Sydney NSW 1220
Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Woolworths Limited (the company) and the consolidated entity, for the financial year ended 26 June 2005 as set out on pages 61 to 110. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" ("AASB 1046") in the "Remuneration Report" which forms part of the directors' report, as permitted by the Corporations Regulations 2001 period. The requirements of AASB 1046 are set out in:

- Section 3 "Executive Remuneration including Executive Directors" except for Sub-Section 3.2 "Conditional Entitlement to and Shareholdings of the CEO and Specified Executives"; and
- Section 4 "Non-executive Directors' Remuneration" except for Sub-Sections 4.5 "Shareholdings of Non-executive Directors" and 4.6 "Appointment Letters, Deeds of Access, Insurance and Indemnity, Disclosure Deeds".

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion,

(1) the financial report of Woolworths Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 26 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

(2) the remuneration disclosures that are contained in:

(a) Section 3 "Executive Remuneration including Executive Directors" except for Sub-Section 3.2 "Conditional Entitlement to and Shareholdings of the CEO and Specified Executives"; and

(b) Section 4 "Non-executive Directors' Remuneration" except for Sub-Sections 4.5 "Shareholdings of Non-executive Directors" and 4.6 "Appointment Letters, Deeds of Access, Insurance and Indemnity, Disclosure Deeds"

of the "Remuneration Report" which forms part of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu   G Couttas

DELOITTE TOUCHE TOHMATSU

G Couttas

Partner, Chartered Accountants
Sydney, 26 September 2005

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 September 2005.

Distribution of equity securities

(a) Analysis of numbers of shareholders by size of holding:

Range of fully paid ordinary (FPO) shares/options	Number of FPO holders	Number of FPO shares	Number of option holders*
1 – 1,000	181,509	71,706,399	–
1,001 – 5,000	124,591	241,761,977	367
5,001 – 10,000	11,527	82,155,527	672
10,001 – 100,000	5,408	110,394,220	378
100,001 – and over	197	557,895,970	22

* Details of options over unissued FPO Shares are set out in the Directors' Statutory Report on page 44.

(b) There were 9,617 holders of less than a marketable parcel of ordinary shares.

20 largest shareholders

The names of the 20 largest holders of shares are listed below:

	Name	No. of Fully paid ordinary shares	Percentage of issued capital %
1	JP Morgan Nominees Australia Limited	142,044,956	13.35
2	National Nominees Limited	97,750,273	9.19
3	Westpac Custodian Nominees Limited	81,845,695	7.69
4	Citicorp Nominees Pty Limited	24,971,049	2.35
5	ANZ Nominees Limited	23,733,816	2.23
6	Queensland Investment Corporation	22,602,424	2.12
7	Cogent Nominees Pty Limited	15,570,320	1.46
8	AMP Life Limited	12,091,965	1.14
9	Woolworths Custodian Pty Limited	11,473,134	1.08
10	HSBC Custody Nominees (Australia) Limited	6,334,003	0.60
11	ANZ Nominees Limited	6,313,571	0.59
12	Government Superannuation Office (A/C State Super Fund)	6,006,884	0.56
13	Australian Foundation Investment Company Limited	5,251,465	0.49
14	ANZ Nominees Limited	4,883,557	0.46
15	Perpetual Trustee Company Limited	4,322,705	0.41
16	Cogent Nominees Pty Limited	4,193,144	0.39
17	Victorian Workcover Authority	3,693,444	0.35
18	Citicorp Nominees Pty Limited	3,083,531	0.29
19	IAG Nominees Pty Limited	3,054,131	0.29
20	Citicorp Nominees Pty Limited	2,933,158	0.28

SHAREHOLDER INFORMATION

Shareholder Information

Substantial Shareholders
As at 20 September 2005 there was one (1) substantial shareholder in the Company. The Capital Group Companies Inc. has provided substantial shareholding notices in respect of a relevant interest in 61,822,101 shares in the Company.

Unquoted equity securities
As at 20 September 2005 there were 26,039,990 options granted over unissued ordinary shares in the Company to employees.

Woolworths Income Notes
The Company announced to the Australian Stock Exchange (ASX) on 2 December 1999 an issue of 6,000,000 Woolworths Income Notes. These are listed on the ASX under the code WOWHA.

Voting rights
On a show of hands, at a General Meeting of the Company, every member present in person or by proxy shall have one vote and upon a poll each person present in person or by proxy shall have one vote for each ordinary share held.

Shareholder enquiries
Shareholders with enquiries about their shareholdings should contact Woolworths Limited's Share Registrar: Computershare Investor Services Pty Limited by telephone on 1300 368 664 or by facsimile on (02) 8234 5050.

Shareholders can access details about their shareholding via the Shareholder Centre on Woolworths Limited website at www.woolworthslimited.com.au.

Changed your address?
If you change your address, please promptly notify our Share Registrar in writing. Please quote your Shareholder Reference Number and your old address as added security. Change of address advice forms can be downloaded via the Shareholder Centre on Woolworths Limited website at www.woolworthslimited.com.au.

Shareholder information
For any queries about your Woolworths Limited shareholding please contact:

Shareholder relations
1 Woolworths Way
Bella Vista, Sydney NSW 2153
Australia
Telephone: (02) 8885 1066
Facsimile: (02) 8888 1066

Final dividend
The final dividend of 27 cents per share will be paid on 7 October 2005 to shareholders entitled to receive dividends and registered on 7 September 2005 (record date).

Direct payment to shareholders' accounts
Dividends may be paid directly into bank, building society or credit union accounts in Australia. Payments are electronically credited on the dividend payment date and confirmed by mailed payment advice. Shareholders who want their dividends paid this way should advise Woolworths Limited's Share Registrar in writing by the record date. Application forms are available from Woolworths Limited's Share Registrar, or can be downloaded from Woolworths Limited website.

If you subsequently change your bank account, please promptly notify the Share Registrar in writing quoting your old bank account number as an added security check.

Dividend Reinvestment Plan (DRP)
Eligible shareholders may elect to participate in the DRP in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the DRP that the Directors may specify. There is currently no minimum or maximum number of shares which a shareholder (other than a broker's clearing accounts, nominees and certain trustees) may designate as participating in the DRP. Application forms are available from Woolworths Limited's Share Registrar, or can be downloaded from Woolworths Limited website.

Uncertificated share register
The Share Register is wholly uncertificated. Shareholder statements are issued to you within five business days after the end of any month in which transactions are registered in respect of your shareholding.

Woolworths communications
As well as this Annual Report, Woolworths communications for shareholders include:

- The Half Year Results Summary, which is mailed with the Interim Dividend in April.
- Our Internet site, www.woolworthslimited.com.au, provides investors with information about Woolworths Limited, including copies of Annual Reports, Chairman's Address, Half Year Results Summary and Releases to the ASX by the Company.

Removal from the annual report mailing list
Shareholders who do not want to receive the Annual Report should advise Woolworths Limited's Share Registrar in writing. These shareholders will continue to receive all other shareholder information, including Notices of all Annual General Meetings.

Stock exchange listings
Woolworths Limited ordinary shares are listed on the Australian Stock Exchange.

American depository receipts
Woolworths Limited shares may be traded in sponsored American Depository Receipts form in the United States.

History of dividends paid

Date of dividend	Type	Cents per share	Franking Rate	DRP Price
30 November 1993	Final	6 cents	39%	$2.95
29 April 1994	Interim	6 cents	39%	$2.89
30 November 1994	Final	6 cents	39%+33%	$2.60
28 April 1995	Interim	6 cents	33%	$2.72
17 November 1995	Final	8 cents	39%+33%	$2.90
26 April 1996	Interim	7 cents	33%	$2.87
12 November 1996	Final	8 cents	36%	$2.58
24 April 1997	Interim	7 cents	36%	$3.22
15 October 1997	Final	9 cents	36%	$3.94
24 April 1998	Interim	8 cents	36%	$5.35
9 October 1998	Final	9 cents	36%	$5.18
30 April 1999	Interim	8 cents	36%	$4.83
5 October 1999	Final	10 cents	36%	$5.19
28 April 2000	Interim	10 cents	36%	$4.92
5 October 2000	Final	13 cents	34%	$6.61
27 April 2001	Interim	12 cents	34%	$7.99
5 October 2001	Final	15 cents	30%	$10.98
30 April 2002	Interim	15 cents	30%	$12.23
8 October 2002	Final	18 cents	30%	$11.78
30 April 2003	Interim	18 cents	30%	$11.71
3 October 2003	Final	21 cents	30%	$11.37
30 April 2004	Interim	21 cents	30%	$11.49
8 October 2004	Final	24 cents	30%	$13.16
29 April 2005	Interim	24 cents	30%	$15.50
7 October 2005	Final	27 cents	30%	$15.77

SHAREHOLDERS' CALENDAR

2005

October

7	Payment date for Final Dividend
19	Announcement of first quarter sales results

November

25	Annual General Meeting Sydney Town Hall George Street Sydney NSW 2000

December

15	Interest Payment on Woolworths Income Notes

2006

January/February

Announcement of second quarter sales results
Half Year Results announcement

March

15	Interest payment on Woolworths Income Notes

April

Record date for Interim Dividend
Payment of Interim Dividend
Mailing of Summary of Half Year Results
Announcement of third quarter sales results

June

15	Interest payment on Woolworths Income Notes

July

Announcement of fourth quarter sales results

August

Preliminary Full Year Results and Final Dividend announcement

Please note the timing of events may be subject to change.

COMPANY DIRECTORY

Woolworths Limited Registered Office

1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000
Web: www.woolworthslimited.com.au

BIG W
National Supermarkets
Woolworths Petrol
BWS/First Estate
Woolworths Ezy Banking
1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000
Web: www.woolworthslimited.com.au

Dan Murphy's
789 Heidelberg Road
Alphington VIC 3078
Tel: (03) 9497 3388
Fax: (03) 9497 2782

Dick Smith Electronics/Tandy
2 Davidson Street
Chullora NSW 2190
Tel: (02) 9642 9100
Fax: (02) 9642 9111

Bruandwo Pty Ltd
Registered Office
1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000

Victorian Office
Ground Floor
15-20 Claremont Street
South Yarra VIC 3141

Queensland Office
Morrison Hotel
640 Stanley Street
Woolloongabba QLD 4102

Secretary

Rohan K S Jeffs BA, LLB, LLM, FCIS

Share Registrar

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Tel: 1300 368 664
Fax: (02) 8234 5050
Web: www.computershare.com.au

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Designed by Precinct Design. Project management and production by Ideassociates. Principal photography by Jason Loucas.