Woolworths Limited

ABN 88 000 014 675

Half yearly results
27 June 2005 to 1 January 2006

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SHAREHOLDERS' CALENDAR

2006

March

31	Record date for Dividend

April

18	Announcement of 3rd Quarter Sales Results
28	Payment of Interim Dividend

June

5	Redemption and Final Interest Payment for Woolworths Income Notes (WINs)

July

18	Announcement of 4th Quarter Sales Results

August

21	Preliminary Full Year Results and Final Dividend Announcement

September

15	Interest Payment for Woolworth Notes

October

	Announcement of 1st Quarter Sales Results
	Payment of Final Dividend

November

24	Annual General Meeting Sydney

December

15	Interest Payment for Woolworths Notes

Note: *Timing of events can be subject to change.*
Please refer to website **www.woolworthslimited.com.au**
for Financial Calendar.

Shareholders' Information

For any queries about your Woolworths shareholding please visit the Shareholder Centre at:
www.woolworthslimited.com.au

or contact:

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SHARE REGISTRY

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HIGHLIGHTS FOR THE HALF YEAR

– Sales from continuing operations
+ 18.4% to $18,987.7 million

– Earnings before interest and tax (EBIT)
+ 31.5% to $902.4 million

– Net operating profit after tax and servicing income notes
+ 22.1% to $543.1 million

– Earnings per share (EPS)
+ 16.4% to 42.92 cents

– Interim dividend per share
+ 16.7% to 28 cents

CHAIRMAN'S REPORT

The company, led by Roger Corbett, is pleased to announce another set of excellent results for the half year ending 1 January 2006. For shareholders this has produced 31.5% EBIT growth and a 16.7% interim dividend increase.

This pleasing result has been achieved by all our people continuing the focus on every aspect of our operations, whilst simultaneously driving growth and expansion.

During the first half of FY2006 Woolworths completed the acquisition of Foodland Australia Limited (FAL) with stores in both New Zealand and Australia. This acquisition has further confirmed our position as the leading retailer in the Australian and New Zealand region and provided synergistic opportunities for our supermarkets business.

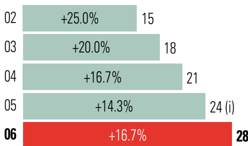
In addition, subsequent to the end of the half year, we completed the acquisition of the Taverner Group which is being integrated into the Group with the assistance of the Bruce Mathieson Group covering hotel management, gaming and entertainment. We welcome all new employees from these acquisitions into the Woolworths Group.

We also completed our move of several thousand staff to consolidate support operations in new premises at Norwest Business Park in Sydney.

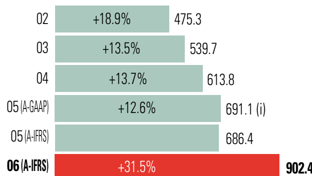
Looking ahead, growth will continue to be underpinned by maintaining the momentum in our core business maximising the opportunities that the acquisitions provide and the completion of our supply chain initiatives.

On behalf of the Woolworths Board, I would like to express our appreciation to all staff, customers and suppliers, the key people in our success.

J A STRONG
CHAIRMAN



INTERIM DIVIDENDS PER SHARE (cents)
(i) *Excluding Bruandwo and adjusted to reflect a comparable 28 week half.*



INTERIM EBIT ($m)
(i) *Excluding Bruandwo and adjusted to reflect a comparable 28 week half*

GROUP MANAGING DIRECTOR'S REPORT

I am pleased to be able to report, an excellent half year result for Woolworths. Our results have been achieved through a strong trading performance across all our business divisions, a disciplined and strategic growth strategy and the realisation of significant benefits arising from the improvement of our IT support systems and supply chain processes, all of which is an important foundation.

Each area of our business has performed strongly amid trading conditions that continue to be challenging. This achievement can be put down to a combination of many factors not least of which is the strength and depth of our management team, the dedication and resourcefulness of our employees, the strength and trust we have with our trading partners and a pervasive culture of getting the basics right.

An EPS increase of 16.4% further reflects our commitment to shareholder value growth whilst working to streamline and consistently reduce our cost base.

A significant acquisition in Foodland was completed during the half year with 150 supermarkets in New Zealand and an additional 20 supermarkets in Australia.

This represents a significant expansion in our core supermarkets business into the New Zealand market complimenting our Australian business.

In February we also completed the acquisition of the Taverner Group. This acquisition represents a unique and valuable long-term strategic opportunity and will add further value to our hotels and retail liquor business with the addition of some 33 hotels and 27 retail liquor outlets.

In the Supermarket Division sales grew 17.7% in the half to $16.1 billion. We continue to provide customers with a combination of greater convenience, freshness and quality, best range and consistently lower prices.

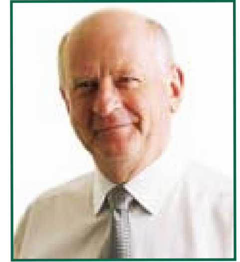
Petrol sales increased 35.6% for the half. At the end of the half year we had 472 sites, including 125 alliance sites.

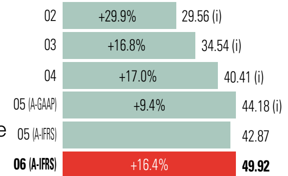
Liquor was a strong performer, with all our store formats – Dan Murphy's, BWS and Woolworths/ Safeway Liquor – showing growth in both sales and profits. Group liquor sales reached $1.6 billion for the half year.

BIG W achieved a 2.2% comparable sales increase during the half year. This outcome was driven by a strong December trading period with comparable sales in December exceeding 3% despite this market experiencing some difficult trading conditions.

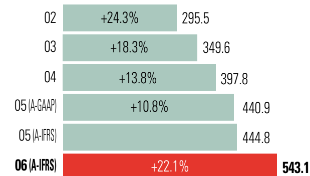
The results for our Consumer Electronics division, comprising Dick Smith Electronics, Dick Smith Powerhouse and Tandy, continue to perform strongly with earnings growth of 18.3% exceeding sales of 17.4%.

We have continued to aggressively pursue cost savings with a further reduction in costs in the half year of 16 basis points. On a comparable basis, excluding Petrol, Hotels and the recently acquired Foodland business, the cost reduction achieved exceeds our target of 20 basis points which is after incurring $9.4m in transition costs to our supply chain.





INTERIM EPS (cents)
(i) EPS before Goodwill



PROFIT AFTER TAX AND SERVICING INCOME NOTES ($m)

GROUP MANAGING DIRECTOR'S REPORT cont.

Our supply chain initiatives are nearing the completion phase and are on target with the Distribution Centre rollout expected to be completed before the end of this calendar year. In addition, our IT platform which is performing very well is now fully embedded into the business operations.

With respect to our full year earnings guidance, we expect sales growth including Foodland and Taverner to be in the range of 15% to 20%. We also anticipate that EBIT will continue to grow faster than sales. NPAT (excluding Foodland and Taverner) will be in the lower double digits (10% to 15%). Furthermore we expect that Foodland and Taverner will add between 5% and 8% to the result. This guidance is given subject to current retail trading patterns and the present business, competitive and economic climate continuing.

My thanks and appreciation goes to every staff member, supplier, customer and shareholder – their commitment and support has directly contributed to the excellent results in this half year.

GROUP MANAGING DIRECTOR
CHIEF EXECUTIVE OFFICER

BUSINESS PERFORMANCE

Supermarket Group

SUPERMARKET GROUP Summary of Results (Continuing Operations Including Petrol and FAL)	HY05[1] (A-GAAP)	HY05[2] (AIFRS)	HY06[3] (AIFRS)	Change (AIFRS)
Sales ($ million)	13,717.7	13,717.7	16,144.2	+17.7%
Gross Margin (%)	23.36	23.35	22.72	-0.63%pts
Cost of Doing Business (%)	19.18	19.17	18.36	-0.81%pts
EBIT to sales (%)	4.18	4.18	4.36	+0.18%pts
EBIT ($ million)	573.2	575.3	703.4	+22.3%
Funds Employed ($ million)	1,963.0	1,890.0	4,370.1	+131.2%
Return on Funds Employed (%)	29.2	30.4	16.1	-14.3%pts
Funds Employed ($ million) ex FAL	1,963.0	1,890.0	1,862.0	-1.5%
Return on Funds Employed (%) ex FAL	29.2	30.4	37.8	+7.4%pts

[1] *Includes ALH retail liquor results for the 2 months to 2 January 2005.*
[2] *HY05 restated under A-IFRS.*
[3] *Includes Foodland (NZ) business and 20 ex-FAL Australian store results from 2 November 2005, ALH retail, MGW retail and BMG retail for the 27 weeks.*

Supermarket Group sales (including New Zealand and the 20 ex-FAL Australian stores) were $16.1bn, an increase of 17.7%. The half year Australian Supermarket division sales increased 12%. First quarter comparable sales increased by 3.2% strengthening to 4.2% in the second quarter. Inflation in the half remained at under 2%.

New Zealand total sales increased by 4.3% over the equivalent period last year, with comparable store sales growing 4.3% in the half (Q1 2.8% and Q2 5.8%).

In New Zealand overall food inflation was between 1.5% and 2% in the half, with CPI of around 3%.

Cost savings continue to be vigorously pursued resulting in a reduction in the Supermarkets Group cost of doing business by 81 basis points, even after we expensed $9.4 million of conversion costs[4] associated with moving to our new Supply Chain arrangements. Excluding Petrol the CODB reduction exceeds 20bps. 80% of these cost savings were reinvested in gross margin with the balance going to increase EBIT margin. Gross margins reflected continued reductions in Food and Liquor shelf prices, lower petrol margins, improved buying and shrinkage and the benefit from the reduction of direct store deliveries.

EBIT grew faster than sales, increasing by 22.3% compared with sales growth of 17.7%. EBIT margin increased from 4.18% last year to 4.36% this year, an increase of 18bpts.

The 20 ex-FAL Australian stores made minimal contribution to EBIT during the period due to the write off of establishment costs. These will be significant contributors in future years.

During the half year, 9 new supermarkets were opened along with 20 ex-FAL Australian stores (from 2 November 2005), compared with 8 last half year. A further 11 stores are planned to be opened in the second half of this year with trading area expected to grow in excess of 3%.

Inventory levels at the half year for the Supermarket Group were down by 1.2 days. This is despite the impact of dual stocking required during transitioning to our new DCs.

BMG has been consolidated from 1 July 2005, and included in the Supermarkets Division are BMG's retail operations with BMG's hotel operations included in our Hotels segment.

All our existing liquor operations, including Dan Murphy's, BWS and attached liquor, continue to perform well and recorded strong growth in both sales and profits. Group liquor sales for the first half (including ALH/MGW/BMG) totalled $1.6 billion. On a 12 month annualised basis we anticipate that total liquor sales for the Group will exceed $3.1 billion, which is well on our way to our new target of $3.5 billion sales in the near to medium term.

Dan Murphy's has expanded its operations in the half year with 8 stores opened bringing the total number of Dan Murphy stores to 43. A further 5 stores are planned to be opened in the second half. We now have the sites and the licenses to have in excess of 90 Dan Murphy's around Australia. Dan Murphy's provides customers with excellent value for money, extensive product ranging and personalised advice and expertise.

At the end of the half year Woolworths Limited had 972 liquor outlets.

Petrol sales increased by 35.6% in the half year reflecting higher petrol prices in this half compared to last year. Litres sold increased 15.4% in the half year. Petrol EBIT was

[4] *Conversion costs relate to staff training, relocation costs, DC operational readiness costs, equipment hire, re-ranging etc.*

impacted by tighter retail margins in the first quarter caused by high petrol prices at that time. During the half year 16 new canopies were opened including 8 Woolworths / Caltex alliance sites. As at the end of the first half we had 472 sites, including 125 alliance sites.

We have achieved our target of 470 canopies and will rollout further petrol canopies as required by the growth of the Supermarket and BIG W networks.

BIG W

BIG W Summary of Results	HY05 (A-GAAP)	HY05[1] (AIFRS)	HY06 (AIFRS)	Change (AIFRS)
Sales ($ million)	1,669.9	1,669.9	1,796.4	+7.6%
Gross Margin (%)	29.34	29.27	29.48	+0.21%pts
Cost of Doing Business (%)	23.31	23.24	23.66	+0.42%pts
EBIT to sales (%)	6.03	6.03	5.82	-0.21%pts
EBIT ($ million)	100.6	100.6	104.5	+3.9%
Funds Employed ($ million)	394.2	381.9	360.2	-5.7%
Return on Funds Employed (%)	25.5	26.3	29.0	+2.7%pts

[1] *HY05 restated under A-IFRS.*

BIG W has recorded a solid result despite tighter trading conditions. Our Everyday Low Prices strategy remains strong and is a key driver behind continuing solid growth both in sales and profits.

BIG W sales for the half year grew 7.6%. Comparable sales for the half year rose 2.2% (comparable sales first quarter 1.2%, second quarter 2.9%). Comparable sales in the second quarter reflected stronger market trading conditions in December.

Gross margins improved 21bps mainly due to change in sales mix, in particular strong apparel sales.

EBIT increased 3.9% mainly reflecting the inability to fractionalise costs with lower comparable sales.

Inventory levels at the end of the first half were down 2.3 days on the prior period. Inventory levels were impacted by higher goods in transit reflecting higher levels of overseas purchasing which increased stock on hand 1.5 days relative to last year.

Three BIG W stores were opened in the half (3 last year), taking the total number of stores in the division to 123. We are on track to open approximately 9 new stores during the full year ending 25 June 2006.

Consumer Electronics

CONSUMER ELECTRONICS Summary of Results	HY05 (A-GAAP)	HY05[1] (AIFRS)	HY06 (AIFRS)	Change (AIFRS)
Sales ($ million)	545.8	545.8	641.0	+17.4%
Gross Margin (%)	29.67	29.67	28.90	-0.77%pts
Cost of Doing Business (%)	24.28	23.95	23.14	-0.81%pts
EBIT to sales (%)	5.39	5.72	5.76	+0.04%pts
EBIT ($ million)	29.4	31.2	36.9	+18.3%
Funds Employed ($ million)	262.6	263.1	305.3	+16.0%
Return on Funds Employed (%)	11.2	11.9	12.1	+0.2%pts

[1] *HY05 restated under A-IFRS.*

An excellent result all round with the division reporting double digit growth in both revenue and earnings. Sales for the half increasing by 17.4%. Comparable sales growth was 11.8% (first quarter 11.2%, second quarter 12.3%). Computers, Home Entertainment and Innovative Technology categories continued to achieve strong sales growth. During the half year, 15 new Dick Smith Electronics, Powerhouse and Tandy stores were opened with a plan to open a further 10 during the second half.

The Consumer Electronics formats of Dick Smith, Powerhouse and Tandy continue to prove to be an excellent set of formats to take full advantage of the technological evolution that is and will continue to impact customer demand.

The Consumer Electronics business continued to provide customers with lower prices reflected in the reduction in gross margins by 77bpts underpinned by continued reductions in cost of doing business.

Funds employed have increased due to an increase in fixed assets and inventory associated with the new store rollout.

BUSINESS PERFORMANCE cont.

Hotels

HOTELS Summary of Results	HY05[1] (A-GAAP) 2 months	HY05[2] (AIFRS) 2 months	HY06[3] (AIFRS) 27 weeks	Change (AIFRS)
Sales ($ million)	97.5	97.5	406.1	+316.5%
Gross Margin (%)	82.33	82.36	82.85	+0.49%pts
Cost of Doing Business (%)	67.05	74.87[4]	62.84	-12.03%pts
EBIT to sales (%)	15.28	7.49	20.01	+12.52%pts
EBIT ($ million)	14.9	7.3	81.2	+1,012.3%

[1] *Represents ALH Hotel results for 2 months.*
[2] *HY05 restated under AIFRS.*
[3] *Represents ALH/MGW/BMG Hotel results for 27 weeks.*
[4] *Increase represents a once off write off of provision for acquisition restructuring costs.*

Hotel sales of $406 million represent "on premise" sales from ALH/MGW/BMG for the 27 weeks to 1 January 2006. Sales growth increased by 4.2% over the equivalent period last year, in line with expectations.

Hotel sales have been driven by continued growth in major markets including Queensland and Victoria. Since acquisition we have been focusing on re-positioning and improving the performance of all operational areas. Gaming revenue continues to grow year on year at 4.7%, however has been impacted by the introduction of partial smoking restrictions in NSW, QLD and SA. The impacts were as forecast in our results.

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

There have been noticeable improvements in CODB attributable to a number of initiatives implemented post acquisition, including restructuring and rationalising of support offices and implementation of operating efficiencies at all venues.

At the end of the half year we had a premium portfolio of 210 Hotels (ALH/MGW/BMG). Including Taverner this increases to 243 Hotels.

Foodland Acquisition

In the latter part of the second quarter Woolworths acquired Foodland Limited's New Zealand business plus 20 Australian ex-FAL stores. The acquisition value was approximately $2.6 billion. Woolworths obtained control on 2 November 2005.

We recognise the strength of the New Zealand business and the many improvements the Foodland Management Team has made to the business in recent years. We believe that with the support and the backing of Woolworths we will be able to further grow and broaden the New Zealand business, providing further opportunities for employment and provide better prices to customers.

Woolworths has identified opportunities which may enhance the performance of the New Zealand business in various respects including:

- by reducing costs through:
  - applying Woolworths' supply chain and logistics technology to reduce supply chain costs and practices
  - eliminating the duplication of support office functions between Woolworths and the current New Zealand business
  - obtaining improved buying terms
- 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 investigating the viability in the New Zealand marketplace of introducing new formats including general merchandise, liquor and pharmacy
- furthering supplier relationships providing opportunity for Australian and New Zealand suppliers to widen their markets.

The 20 stores were carefully selected and compliment the Woolworths store network.

Taverner Acquisition

ALH Group Pty Ltd (previously Bruandwo Pty Ltd) entered into a contract to acquire 100% of the shares of the Taverner Hotel Group Pty Ltd (THG) for an enterprise value of $377.8m which was payable on completion. Completion occurred on 6 February 2006.

THG comprises 33 leasehold hotels located in Victoria (18), South Australia (12) and New South Wales (3). THG had developed

BUSINESS PERFORMANCE cont.

a strategic portfolio with a focus on large metropolitan gaming hotels located in growth corridors. Included in this portfolio are a number of "icon" hotels such as Matthew Flinders, Village Tavern and Castle Hill Tavern. THG was the second largest gaming operator in Australia with c2,000 electronic gaming machines and around 1,900 employees.

THG provides an excellent strategic fit with the existing ALH Group hotel business providing premium complimentary locations and an additional 27 retail liquor locations of which at least five Dan Murphy's future site opportunities exist. This acquisition consolidates ALH Group's position in a highly fragmented industry in a highly profitable business segment.

This acquisition will deliver synergies in the area of corporate overheads, the introduction of Woolworths buying terms, retail branding, insurance as well as operating efficiencies at venues. The integration is well advanced.

ALH Integration

During the half year significant progress has been made on integrating the ALH, BMG and MGW businesses.

Bruandwo has been renamed the ALH Group Pty Ltd. All support functions have been rationalised and the operational teams consolidated and rationalised with duplicate costs and functions eliminated. Significant progress has been made on integrating the IT platforms. ALH Group retail liquor stores have been branded BWS. Woolworths trading terms and merchandising support have been applied across the group.

The rollout of Dan Murphy's on ALH sites has commenced, however the majority of these benefits will arise in future periods.

Central Overheads and Net Property Income

With respect to the half year, central overheads have increased by $1.5m.

Net Property income was $6.5 million more than the previous half year due to a higher number of income generating properties being carried as some planned property sales are yet to be finalised.

Balance Sheet and Cash Flow

Our cash flow and balance sheet remain strong following the acquisition of ALH and Foodland. Inventory levels at the half year were down 2.2 days (excluding FAL). We are on track to achieve our targeted reduction of 1-2 days by the end of FY06.

Plant, property and equipment - this has increased from $3,359 million to $4,488 million. This is mainly due to fixed assets acquired as a result of the acquisition of Foodland and BMG, the rollout of the new Distribution Centre network as part of our supply chain initiatives and new store roll out.

Intangibles – this has increased from $2,046 million to $4,557 million. This increase has been driven by the acquisition of BMG and Foodland resulting in the acquisition of liquor and gaming licences ($125 million), brand names ($244 million) and goodwill ($2,090 million).

Trade creditors and other creditors have increased as a result of a combination of business acquisitions and general business growth.

Net repayable debt – this has increased by $1,010 million to $3,422 million primarily as a result of debt acquired to fund the acquisition and ongoing operation of the business.

ROFE declined in the HY06 period as a consequence of the acquisition of Foodland with funds employed being fully included, however the returns will relate to part of the year only.

Capital Management

Woolworths currently sets its capital structure with the objective of maintaining its credit ratings of A- from Standard and Poors and A3 from Moody's Investor Services. On 28 October 2005, Woolworths achieved for the first time a bond and issuer ratings of A3 from Moody's Investor Services.

Two significant debt transactions were undertaken during the half year:

1. Medium Term Notes of A$300 million were issued in September 2005 into the domestic market with a maturity date of 27 September 2008.

BUSINESS PERFORMANCE cont.

2. Senior Notes totalling US$725 million (A$991.8 million) were issued in November 2005 into the US bond market under Rule 144A (Regulation S). US$300 million (A$410.4 million) matures on 15 November 2011 and US$425 million (A$581.4 million) matures on 15 November 2015.

The Company announced on 26 October 2005 that it intends to redeem the Woolworths Income Notes (WINs). The redemption will be financed by the issuance of a hybrid capital instrument, containing high equity credit, which will raise approximately A$600 million. The hybrid capital raising will be offered to all eligible WINs holders on the register as at a date to be advised prior to the redemption date. It is expected to occur in the first half of calendar year 2006.

To the extent consistent with maintaining its credit ratings, Woolworths undertakes capital return strategies that seek to increase EPS and distribute franking credits to shareholders, mainly through ordinary dividends and share buybacks. Over the past 7 years, over $4,200 million, comprising off and on-market buybacks and dividends, has been returned to shareholders (including the interim dividend for the financial year ending 25 June 2006). Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities, such as the ALH and Foodland acquisitions.

To assist in strengthening the balance sheet and to maintain current credit ratings, Woolworths has entered into an underwriting agreement in connection with the WOW DRP which ensures that 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 subscribed for Woolworths Shares.

Woolworths will re-examine opportunities for future share buy backs once the ALH and Foodland integrations are completed. During the period Woolworths also issued 81.6 million shares in respect of the acquisition of the Foodland New Zealand businesses and 20 ex-FAL Australian stores and 2 development sites.

Our capital structure going forward will preserve our capital strength to retain flexibility to pursue further growth opportunities.

Whilst no decision has been made, Woolworths is reviewing strategies in regard to the sale of its distribution centres.

Franking Credits available for distribution as at 1 January 2006 amounted to $541 million (prior to interim dividend).

Project Refresh and Costs

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

Over the past six years to the end of FY05 Project "Refresh" has delivered cost savings amounting to 3.78% of sales. Measured in dollars, this was a cumulative saving over the last six years of $3.6 billion. We are on track to achieve a further $1.3 billion in savings by the end of FY06.

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 following which we determined was 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);
- process improvements across the network.

Woolworths carried out extensive and detailed planning to ensure each initiative will be

effective on implementation. The overall plan is broken down into 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 Woolworth's competitive position.

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

The technology required to support our new supply chain is critical to its success and was complex in its construction. We have now 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. The technology and systems are critical in achieving synergies in any supply chain transformation. These systems will have direct application to our recent business acquisitions which will be a critical enabler to deliver our synergies and future growth of these acquisitions.

Our inventory replenishment program is progressing well. As previously reported, Stocksmart (DC forecast based replenishment) has been implemented fully in our DCs and AutostockR (store forecast based replenishment) has been rolled out to all supermarkets five months ahead of the original schedule and under budget. During the current year we have started to utilise the significant advantages that these systems provide, and more will follow as we roll out our new Point of Sale technology during 2006. Further, we have expanded AutoStockR to cover other areas not originally planned because it has been so successful. The combination of Stocksmart, AutoStockR and our Warehouse Management System has significantly enhanced Woolworths' ability to plan its volumes and flows through its DCs and stores on a daily basis. This provides an enormous opportunity to effectively plan labour inputs, therefore increase productivity and to obtain a higher level of "in" stock performance which adds to customer satisfaction whilst reducing stock levels and costs. This is exactly as planned and in the post implementation stage is producing actual results exceeding expectations.

Supermarket DCs will be reduced from 31 DCs to 9 Regional Distribution Centres (RDCs) and 2 National Distribution Centres (NDCs). The strategic location of these DCs is imperative in order 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. Our SA RDC in Adelaide is fully operational. Our Wyong and Townsville RDCs commenced operation during the last quarter – on time and on budget.

Our Wodonga RDC commenced operations in January. All sites are performing well and supported our stores at record service levels over the Christmas trading period. Construction is well advanced on our Brisbane RDC and we expect this facility to come on line this calendar year.

Investment in existing distribution centre infrastructure has been undertaken in NSW, and VIC to further enhance the future DC network. Both our Mulgrave (VIC) and Yennora (NSW) sites are fully operational as NDCs. 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 this calendar year.

On establishing our RDCs we have exited all other sites in WA, SA and Townsville. We will exit non RDC/NDC sites in NSW and Queensland during 2006. These generally coincide with the termination of the leases.

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 costs 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 such as Shelf-ready trays and roll cages will reduce overall costs.

As reported previously Roll Cages have been successfully implemented in WA with

expectations having been exceeded. Rollout into South Australia and Queensland was completed in the last half. Rollout into NSW and Victorian Stores is underway and aligned with the commissioning of our new RDCs at Wyong and Wodonga.

The cost of inbound freight will be reduced by Woolworths' management of inbound freight volumes into our DC and utilising our Transport Management System (TMS) (developed by Woolworths). 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 has commenced and is aligned to the commissioning of our new RDCs.

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 our relationship with our suppliers. We will do this through collaboration with our vendors, sharing information, requesting feedback on areas to improve and by harnessing innovation so that mutually beneficial outcomes are achieved.

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

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

Current Trading and Future Outlook

We expect sales growth including Foodland and Taverner to be in the range of 15% to 20%.

We also anticipate that EBIT will continue to grow faster than sales in FY06.

NPAT (excluding Foodland and Taverner) will be in the lower double digits (10% to 15%). Furthermore we expect that Foodland and Taverner will add between 5% and 8% to the result.

Our long term EPS objective is to outperform EBIT growth, assisted by capital management. However, in FY06 EPS will be impacted by shares issued under the Group's employee share option plans, the shares issued under the Dividend Reinvestment Plan underwriting and the issue of 81.6 million shares as a result of the Foodland (NZ) acquisition.

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

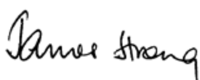
Rounding of Amounts

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

Lead auditor's independence declaration under section 307c of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors Report for the 27 weeks ended 1 January 2006.

This Report is made in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001 and is signed for and on behalf of the Board this 27th day of February 2006.



J A Strong
Chairman

R C Corbett
Group Managing Director

Deloitte.

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The Board of Directors
Woolworths Limited
1 Woolworths Way
Bella Vista
SYDNEY NSW 2153

27 February 2006

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 review of the financial report of Woolworths Limited for the 27 weeks ended 1 January 2006, 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 review; and

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

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

R Smith
Partner
Chartered Accountants

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF WOOLWORTHS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, selected explanatory notes and the directors' declaration for the consolidated entity for the 27 weeks ended 1 January 2006 as set out on pages 17 and 24 to 62. The consolidated entity comprises both Woolworths Limited (the company) and the entities it controlled at the end of the 27 weeks ended 1 January 2006 or from time to time during the 27 weeks.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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.

Review approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Woolworths Limited for the 27 weeks ended 1 January 2006 is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 1 January 2006 and of its performance for the 27 weeks ended on that date; and

b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

R Smith
Partner
Chartered Accountants

Sydney, NSW, 27 February 2006

Member of
Deloitte Touche Tohmatsu

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DIRECTORS' DECLARATION

In the opinion of the Directors of Woolworths Limited:

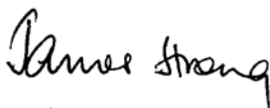
(a) the consolidated financial statements and notes attached hereto:

(i) Give a true and fair view of the consolidated entity's financial position as at 1 January 2006, and the performance represented by the results of its operations and its cash flows for the financial half year ended on that date; and

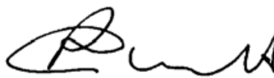
(ii) Comply with Accounting Standards and the Corporations Act 2001, and other mandatory professional reporting requirements; and

(b) At the date of this Declaration there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This Declaration is made on the 27th day of February 2006 in accordance with a resolution of the Directors made pursuant to s303(5) of the Corporations Act 2001 and is signed for and on behalf of the Directors by:

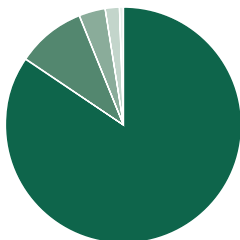


J A Strong
Chairman



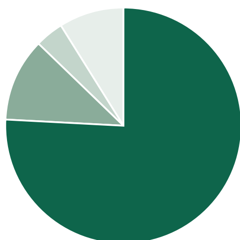
R C Corbett
Group Managing Director

SEGMENT ANALYSIS AND NEW STORES



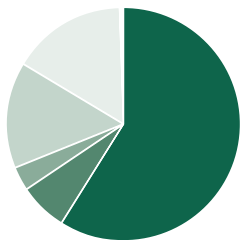
SEGMENT SALES

- 84.7% SUPERMARKETS
- 9.4% BIG W
- 3.4% CONSUMER ELECTRONICS
- 2.1% HOTELS
- 0.4% WHOLESALE



EBIT - RETAIL OPERATIONS

- 76.0% SUPERMARKETS
- 11.3% BIG W
- 4.0% CONSUMER ELECTRONICS
- 8.7% HOTELS



SEGMENT ASSETS

- 59.1% SUPERMARKETS
- 6.7% BIG W
- 3.2% CONSUMER ELECTRONIC
- 14.7% HOTELS
- 15.9% WHOLESALE
- 0.4% UNALLOCATED

STORE ANALYSIS

NET STORE MOVEMENTS* 27 JUNE 2005 - 1 JANUARY 2006

SUPERMARKET DIVISION	
Supermarkets in Australia	25
Supermarkets in New Zealand [1]	195
Total Supermarkets	**220**
Freestanding Liquor	8
ALH/MGW/BMG Retail Liquor Outlets	15
Caltex/WOW Petrol	8
WOW Petrol - Australia	8
WOW Petrol - New Zealand	22
Total Supermarket Division	**61**
GENERAL MERCHANDISE	
BIG W	3
Dick Smith Electronics	13
Dick Smith Electronics Powerhouse	1
Tandy	1
Total General Merchandise	**18**
HOTELS (ALH/MGW/BMG)	41

TOTAL NUMBER OF STORES AT 1 JANUARY 2006

SUPERMARKET DIVISION	
Supermarkets in Australia	748
Supermarkets in New Zealand	195
Total Supermarkets	**943**
Freestanding Liquor	200
ALH/MGW/BMG Retail Liquor Outlets	397
Caltex/WOW Petrol	125
WOW Petrol - Australia	347
WOW Petrol - New Zealand	22
Total Supermarket Division	**2,034**
GENERAL MERCHANDISE	
BIG W	123
Dick Smith Electronics	215
Dick Smith Electronics Powerhouse	19
Tandy	123
Total General Merchandise	**480**
HOTELS (ALH/MGW/BMG)	210
Total Group	**2,724**

AREA (square metres) AT 1 JANUARY 2006

Supermarket Division - Australia [2]	1,702,612
Action Stores - Australia	44,776
Supermarket Division - New Zealand [3]	285,585
General Merchandise	807,916
Total Group	**2,840,889**

* *Includes new stores opened less store closures.*
[1] *Supermarkets in New Zealand include franchise stores.*
[2] *Supermarkets trading area (excludes ALH/MGW/BMG retail outlets).*
[3] *Excluding franchise stores and petrol sites.*

FIVE YEAR SUMMARY

Weeks	2006 (A-IFRS) 27	2005 (A-IFRS) 27	2005 (A-GAAP) 27	2004 (A-GAAP) 28	2003 (A-GAAP) 28	2002 (A-GAAP) 28
PROFIT AND LOSS						
Sales ($ million)						
Food and liquor	13,938.5 [1]	12,090.5	12,090.5	11,860.0	11,216.7	10,177.5
Petrol	2,205.9	1,627.2	1,627.2	1,069.3	833.9	503.5
Total supermarkets	**16,144.4**	**13,717.7**	**13,717.7**	**12,929.3**	**12,050.6**	**10,681.0**
BIG W	1,796.4	1,669.9	1,669.9	1,559.3	1,437.2	1,291.7
Consumer electronics	641.0	545.8	545.8	486.7	435.2	353.9
Total general merchandise	**2,437.4**	**2,215.7**	**2,215.7**	**2,046.0**	**1,872.4**	**1,645.6**
Hotels	405.9 [2]	97.5	97.5			
Continuing operations	**18,987.7**	**16,030.9**	**16,030.9**	**14,975.3**	**13,923.0**	**12,326.6**
Wholesale	74.8	73.8	73.8	74.2	215.2	423.6
Total group	**19,062.5**	**16,104.7**	**16,104.7**	**15,049.5**	**14,138.2**	**12,750.2**
EBIT Earnings before interest and tax ($ million)						
Food and liquor	681.0 [1]	553.1	551.0	514.8	451.5	392.7
Petrol	22.4	22.2	22.2	10.5	11.9	5.4
Total supermarkets	**703.4**	**575.3**	**573.2**	**525.3**	**463.4**	**398.1**
BIG W	104.5	100.6	100.6	93.8	86.0	77.1
Consumer electronics	36.9	31.2	29.4	24.9	20.3	18.0
Total general merchandise	**141.4**	**131.8**	**130.0**	**118.7**	**106.3**	**95.1**
Hotels	81.2 [2]	7.3	14.9			
Total trading operations	**926.0**	**714.4**	**718.1**	**644.0**	**569.7**	**493.2**
Net property income	17.3	10.8	10.3	12.3	14.4	19.1
Head office overheads	(41.7)	(40.2)	(38.7)	(43.4)	(43.5)	(41.6)
Total unallocated [3]	**(24.4)**	**(29.4)**	**(28.4)**	**(31.1)**	**(29.1)**	**(22.5)**
Continuing operations	**901.6**	**685.0**	**689.7**	**612.9**	**540.6**	**470.7**
Wholesale	0.8	1.4	1.4	0.9	(0.9)	4.6
Total group	**902.4**	**686.4**	**691.1**	**613.8**	**539.7**	**475.3**
EBIT TO SALES (%)						
Supermarkets	4.36	4.18	4.18	4.06	3.85	3.73
BIG W	5.82	6.03	6.03	6.02	5.98	5.97
Consumer Electronics	5.76	5.72	5.39	5.12	4.65	5.10
Hotels	20.01	7.49	15.28			
Wholesale	1.12	1.95	1.90	1.21	(0.42)	1.08
Total group	**4.73**	**4.26**	**4.29**	**4.08**	**3.81**	**3.73**

FIVE YEAR SUMMARY cont.

Weeks	2006 (A-IFRS) 27	2005 (A-IFRS) 27	2005 (A-GAAP) 27	2004 (A-GAAP) 28	2003 (A-GAAP) 28	2002 (A-GAAP) 28
PROFIT AND LOSS						
Sales ($ million)						
Sales	19,062.5	16,104.7	16,104.7	15,049.5	14,138.2	12,750.2
Cost of Goods sold	14,331.1	12,158.0	12,157.8	11,302.1	10,586.3	9,517.5
Gross profit	**4,731.4**	**3,946.7**	**3,946.9**	**3,747.4**	**3,551.9**	**3,232.7**
Gross profit margin %	*24.82%*	*24.51%*	*24.51%*	*24.90%*	*25.12%*	*25.35%*
Cost of Doing Business (CODB)	(3,829.0)	(3,260.1)	(3,255.8)	(3,133.6)	(3,012.2)	(2,757.4)
CODB %	*20.09%*	*20.25%*	*20.22%*	*20.82%*	*21.31%*	*21.62%*
Selling, general & admin expenses	(3,053.7)	(2,613.3)	(2,587.5)	(2,506.1)	(2,410.6)	(2,227.3)
(Excl. rent,depreciation & amortisation)	*16.02%*	*16.23%*	*16.07%*	*16.65%*	*17.05%*	*17.47%*
EBITDAR	1,677.7	1,333.2	1,359.4	1,241.3	1,141.3	1,005.3
EBITDAR margin %	*8.80%*	*8.28%*	*8.44%*	*8.25%*	*8.07%*	*7.89%*
RENT (including fitout rent)	(522.9)	(451.8)	(454.6)	(427.0)	(403.9)	(355.5)
EBITDA	**1,154.8**	**881.4**	**904.8**	**814.3**	**737.4**	**649.8**
EBITDA margin (%)	*6.06%*	*5.47%*	*5.62%*	*5.41%*	*5.22%*	*5.10%*
Depreciation	(252.4)	(195.0)	(196.1)	(185.5)	(182.7)	(163.5)
Amortisation of Goodwill	-	-	(17.6)	(15.0)	(15.0)	(11.1)
EBIT	**902.4**	**686.4**	**691.1**	**613.8**	**539.7**	**475.3**
EBIT margin (%)	*4.73%*	*4.26%*	*4.29%*	*4.08%*	*3.81%*	*3.73%*
Net Interest	(112.1)	(56.4)	(60.0)	(27.0)	(20.8)	(26.8)
WINs Interest	-	-	-	(22.2)	(22.5)	(21.5)
Profit before tax & abnormal items	**790.3**	**630.0**	**631.1**	**564.6**	**496.4**	**427.0**
Taxation	(241.1)	(186.1)	(188.7)	(166.6)	(146.6)	(131.2)
Profit after tax & before abnormal items	**549.2**	**443.9**	**442.4**	**398.0**	**349.8**	295.8
Outside equity interest	(6.1)	0.9	(1.5)	(0.2)	(0.2)	(0.3)
Net operating profit after tax	**543.1**	**444.8**	**440.9**	**397.8**	**349.6**	**295.5**

FIVE YEAR SUMMARY cont.

Weeks	2006 (A-IFRS) 27	2005 (A-IFRS) 27	2005 (A-GAAP) 27	2004 (A-GAAP) 28	2003 (A-GAAP) 28	2002 (A-GAAP) 28
BALANCE SHEET						
($ million)						
FUNDS EMPLOYED						
Inventory	2,832.1	2,433.7	2,441.8	2,042.7	2,064.1	2,082.2
Accounts payable	(3,480.3)	(2,913.5)	(2,913.5)	(2,032.4)	(1,919.2)	(2,237.2)
Net investment in inventory	**(648.2)**	**(479.8)**	**(471.7)**	**10.3**	**144.9**	**(155.0)**
Fixed assets and investments	4,502.4	3,259.2	3,413.9	2,636.0	2,459.2	2,399.3
Intangibles	4,557.2	1,990.5	1,978.5	563.1	541.6	529.7
Receivables	581.2	464.1	546.0	490.0	486.1	454.1
Other creditors	(1,727.1)	(1,434.5)	(1,400.8)	(1,203.3)	(1,109.9)	(1,005.3)
Total Funds Employed [4]	**7,265.5**	**3,799.5 [19]**	**4,065.9**	**2,496.1**	**2,521.9**	**2,222.8**
Net tax balances	209.9	131.7	98.0	43.7	10.8	(24.9)
Provision for dividend [5]	-	-	-	-	-	(155.9)
Net assets employed	**7,475.4**	**3,931.2**	**4,163.9**	**2,539.8**	**2,532.7**	**2,042.0**
Net repayable debt [6]	(3,421.8)	(2,314.8)	(2,315.3)	(608.2)	(321.7)	(345.0)
Net assets	**4,053.6**	**1,616.4**	**1,848.6**	**1,931.6**	**2,211.0**	**1,697.0**
Noteholders equity (WINs) [7]	-	-	-	583.0	583.0	583.0
Outside shareholders equity	223.8	32.8 [20]	42.2	5.0	4.6	4.0
Shareholders equity	3,829.8	1,583.6 [21]	1,806.4	1,343.6	1,623.4	1,110.0
Total Equity	**4,053.6**	**1,616.4**	**1,848.6**	**1,931.6**	**2,211.0**	**1,697.0**
CASH FLOW						
($ million)						
EBITDA	1,154.8	881.4	904.8	814.3	737.4	649.9
Movement in net investment in inventory	246.1	67.3	67.3	(242.3)	(304.6)	220.4
Other operating cash flows	(40.5)	1.2	(22.2)	(19.6)	100.3	9.2
Net interest paid (including cost of income notes)	(113.3)	(65.7)	(65.7)	(51.3)	(44.5)	(52.7)
Tax paid	(229.2)	(201.8)	(201.8)	(188.8)	(165.1)	(134.3)
Operating cashflow	**1,017.9**	**682.4**	**682.4**	**312.3**	**323.5**	**692.5**
Payments for property, plant & equipment	(791.1)	(534.4)	(534.4)	(342.4)	(319.1)	(351.0)
Proceeds on disposal of property, plant & equipment	288.4	8.0	8.0	11.6	43.4	115.4
Other investing cash flows	(968.9)	(1,185.8)	(1,177.4)	(24.9)	(8.5)	(290.5)
Free cash flow	**(453.6)**	**(1,029.7)**	**(1,021.4)**	**(43.4)**	**39.3**	**166.4**
Movement in gross debt	699.7	1,207.2	1,207.2	246.4	65.7	(51.5)
Other	-	-	-	83.8	(3.3)	1.4
Dividends Paid	-	(201.9)	(201.9)	(174.5)	(153.3)	(125.1)
Repayments of employee loans	7.2	8.3	-	-	-	-
Buyback of shares	-	-	-	(140.9)	-	(1.4)
New shares issued	19.4	96.2	96.2	26.4	32.8	2.2
Net cash flow	**272.7**	**80.1**	**80.1**	**(2.2)**	**(18.8)**	**(8.0)**

FIVE YEAR SUMMARY cont.

Weeks	2006 (A-IFRS) 27	2005 (A-IFRS) 27	2005 (A-GAAP) 27	2004 (A-GAAP) 28	2003 (A-GAAP) 28	2002 (A-GAAP) 28
ROFE [8] Pre-Tax return on funds employed (%)						
Normal	12.42	18.07	17.00	24.59	21.40	21.38
DU PONT ANALYSIS (abnormals excluded) (%)						
EBIT to sales	4.73	4.26	4.29	4.08	3.81	3.73
Service burden [9]	87.58	91.79	91.32	91.98	91.97	89.82
Tax burden [10]	69.50	70.47	70.10	70.49	70.48	69.28
Asset turn [11]	1.41	1.83	1.78	2.43	2.35	2.15
Financial leverage [12]	3.53	5.56	5.00	4.61	3.70	5.34
Return on equity [13]	14.18	28.09	24.41	29.61	21.53	26.62
EARNINGS PER SHARE						
Ordinary share price closing ($)	16.85	15.01	15.01	11.90	11.44	11.09
Market capitalisation ($million)	19,610.1	15,670.4	15,670.4	12,096.4	12,112.4	11,528.5
Weighted average shares on issue (million)	1,088.0	1,037.7	1,037.7	1,021.4	1,055.6	1,037.2
Normal basic EPS (cents per share) [14]	49.93	42.86	42.49	38.95	33.12	28.49
EPS pre-goodwill amortisation (cents per share)	49.93	42.86	44.18	40.41	34.54	29.56
Interim dividend ($million)	326.3	251.0	251.0	213.6	190.6	155.9
Interim dividend (cents per share)	28.0	24.0	24.0	21.0	18.0	15.0
Payout ratio (%)	60.07	56.44	56.93	53.70	54.51	52.78
Price/cash flow (times)	17.93	22.74	22.74	38.39	36.90	16.55
GROWTH RATES (% increase)						
Sales	18.37	7.01	7.01	6.45	10.89	13.38
Sales per equivalent week	18.37	9.25	9.25	6.45	10.89	13.38
EBITDA	31.01	8.25	11.11	10.43	13.48	16.75
EBIT	31.47	11.83	12.59	13.73	13.55	18.95
Profit before tax & abnormal items	25.45	11.58	11.78	13.74	16.26	18.05
Profit after tax and servicing income notes	22.12	11.81	10.83	13.79	18.33	24.30
Normal basic EPS	16.48	10.06	9.09	17.60	16.26	27.36
FINANCIAL STRENGTH						
Service cover ratio (times) [15]	7.97	11.05	10.52	11.97	12.15	9.02
Fixed charges cover (times)	2.64	2.59	2.61	2.59	2.55	2.46
Sales to inventory (times) [16]	7.24	7.20	7.18	7.33	6.82	6.51
Capital expenditure to EBITDA (%)	43.53	59.71	58.17	40.62	37.39	36.25
Operating cash flow per share ($)	0.94	0.66	0.66	0.31	0.31	0.67
Serviced gearing (%) [17]	47.19	59.38	56.17	46.99	35.80	45.54
Repayable gearing (%) [18]	47.19	59.38	56.17	23.99	12.74	16.94
Current assets to current liabilities (%)	72.93	68.80	68.27	83.44	93.37	80.73

FIVE YEAR SUMMARY cont.

NOTES TO STATISTICS

Note: Only HY05 has been restated under AIFRS. Consequently HY02, HY03 and HY04 are presented under AGAAP, being the applicable Australian Accounting Standards in place at that time.

1 Includes FAL New Zealand and the 20 Australian Action Stores from 2 November 2005. Includes ALH, MGW and BMG retail for the full 27 weeks.

2 Represents ALH, MGW and BMG hotels for the full 27 weeks.

3 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 114.

4 Funds Employed is net assets excluding net tax balances, provision for dividends and net repayable debt.

5 Following the introduction of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (now replaced by AASB 137),effective since the year ended 29 June 2003, no provision for the final dividend has been raised as the dividend had not been declared, determined or publicly recommended as at the balance date.

6 Net repayable debt is gross debt less cash on hand, cash at bank and cash on short term deposit.

7 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.

8 Return on funds employed (ROFE) is EBIT as a percentage of funds employed at the end of the period.

9 Service burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.

10 Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.

11 Asset turn is total sales divided by total assets at the end of the period.

12 Financial leverage is total assets divided by shareholders funds at the end of the period.

13 Return on equity is profit after income tax and servicing WINs, divided by closing shareholders funds for the period.

14 Normal 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 Standards AASB 133. Fully diluted EPS is not significantly different from basic EPS.

15 Service cover ratio is EBIT divided by the sum of interest (including WINs interest) and other borrowing costs paid.

16 Sales to inventory is total sales for the period divided by average inventory.

17 Repayable gearing is net repayable debt divided by net repayable debt plus WINs and shareholders' equity.

18 Serviced gearing is net repayable debt plus WIN's divided by net repayable debt plus WINs and shareholders' equity.

19 The impact on Total Funds Employed due to A-IFRS at Dec 2004 is a reduction of $266.5m largely due to the effect of writing off assets from the reversal of the Asset Revaluation Reserve, and expensing of assets that do not qualify for capitalisation under A-IFRS $(74.6)m, the recognition of a liability in respect of straight lining fixed increases included in operating leases $(53.3)m, the requirement to recognise a liability in respect to the company sponsored defined benefit plan $(31.0)m, elimination of receivable from employees due to the consolidation of the Employee Share Plan Trust assets $(97.6)m, and the inclusion of other adjustments totalling $(10.0m).

20 The impact on Outside Shareholders Equity due to A-IFRS is a reduction of $9.6m due to the effect of recognising the tax impact on the revaluation of the MGW liquor licences, and the effect of recognising additional expenses in relation to business combination restructuring and straight line rentals.

21 The impact on Shareholders Equity due to A-IFRS is a decrease of $222.8m due to the effects of recognising transitional impacts of A-IFRS to retained earnings $66.7m, reversal of reserves $(191.6)m, recognition of Shares Held in Trust $(109.2)m and the recognition of the Employee Share scheme reserve $10.4m.

INTERIM CONSOLIDATED INCOME STATEMENT FOR THE 27 WEEKS ENDED 1 JANUARY 2006

	Consolidated	
	27 weeks ended 1-Jan-06 $m	27 weeks ended [1] 2-Jan-05 $m
Revenue from sale of goods	19,062.5	16,104.7
Other operating revenue	55.4	67.9
Total revenue from operations	19,117.9	16,172.6
Cost of Sales	(14,386.5)	(12,226.1)
Gross profit	4,731.4	3,946.5
Other income from ordinary activities	54.0	50.2
Share of profit in associated company accounted for using the equity method	-	2.5
Branch expenses	(3,038.2)	(2,559.3)
Administration expenses	(844.8)	(753.5)
Earnings before interest and tax	902.4	686.4
Financial expenses	(122.1)	(66.3)
Financial income	10.0	9.9
Net Financing cost	(112.1)	(56.4)
Net profit before income tax expense	**790.3**	**630.0**
Income tax expense	(241.1)	(186.1)
Net profit from continuing operations after income tax expense	**549.2**	**443.9**
Net profits attributable to outside equity interests	(6.1)	0.9
Net profit attributable to the members of Woolworths Limited	**543.1**	**444.8**
Earnings per share (EPS)		
Basic EPS (cents per share)	49.92	42.87
Diluted EPS (cents per share)	49.59	42.69
Weighted average number of shares used in the calculation of basic EPS (million)	1,088.0	1,037.7

The interim consolidated income statement should be read in conjunction with the notes to the interim consolidated financial statements set out on pages 28 to 62.

[1] *Results for the 27 weeks ended 2 January 2005 have been restated to AIFRS.*

INTERIM CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE 27 WEEKS ENDED 1 JANUARY 2006

	Note	Consolidated 27 weeks ended 1-Jan-06 $m	 27 weeks ended 2-Jan-05 $m
Movements in translation of foreign operations taken to equity		(12.6)	0.5
Revaluation of Intangibles		-	23.4
Cash flow hedges:			
Effective portion of changes in fair value		(34.3)	-
Actuarial losses on defined benefit plans		(9.3)	(3.6)
Tax effect of items recognised directly in equity		12.3	(5.9)
Net (expense) / income recognised directly in equity	10	(43.9)	14.4
Profit for the period		549.2	443.9
Total recognised income and expense for the period		505.3	458.3
Attributable to:			
Equity holders of the parent		499.2	459.2
Minority interest		6.1	(0.9)
Total recognised income and expense for the period		505.3	458.3
Effects of changes in accounting policy		6.9	-

The interim consolidated statement of recognised income and expense should be read in conjunction with the notes to the interim consolidated financial statements set out on pages 28 to 62.

INTERIM CONSOLIDATED BALANCE SHEET AS AT 1 JANUARY 2006

	Consolidated		
	As at 1-Jan-06 $m	As at 26-Jun-05 $m	As at 2-Jan-05 $m
Current assets			
Cash	706.5	433.8	429.0
Receivables	377.7	487.2	315.1
Inventories	2,832.1	1,969.6	2,433.7
Non current assets held for sale	14.2	65.4	437.3
Other financial assets	1.0	-	-
Other	146.4	108.4	135.8
Total current assets	**4,077.9**	**3,064.4**	**3,750.9**
Non-current assets			
Receivables	7.2	8.2	7.1
Other financial assets	37.2	1.1	1.2
Property, plant and equipment	4,487.5	3,359.3	2,820.7
Intangibles	4,557.2	2,046.4	1,990.5
Deferred tax assets	334.5	287.7	236.1
Other	12.4	8.0	6.1
Total non-current assets	**9,436.0**	**5,710.7**	**5,061.7**
Total assets	**13,513.9**	**8,775.1**	**8,812.6**
Current liabilities			
Accounts payable & accruals	4,173.0	2,911.8	3,455.4
Interest-bearing liabilities	840.6	235.5	1,492.3
Current tax liabilities	124.1	105.5	104.4
Provisions	449.6	397.1	395.2
Other	3.9	4.3	4.6
Total current liabilities	**5,591.2**	**3,654.2**	**5,451.9**
Non-current liabilities			
Interest-bearing liabilities	3,287.7	2,610.4	1,251.5
Deferred tax liabilities	0.5	-	-
Other financial liability	27.6	-	-
Provisions	456.3	416.4	396.5
Other	97.0	93.9	96.3
Total non-current liabilities	**3,869.1**	**3,120.7**	**1,744.3**
Total liabilities	**9,460.3**	**6,774.9**	**7,196.2**
Net assets	**4,053.6**	**2,000.2**	**1,616.4**
Equity			
Contributed equity	2,617.5	981.0	718.6
Shares held in trust	(95.0)	(102.2)	(109.2)
Employee remuneration reserve	20.7	15.3	10.4
Reserves	(26.8)	16.3	16.9
Retained profits	1,313.4	1,063.8	946.9
Equity attributable to the members of Woolworths Limited	**3,829.8**	**1,974.2**	**1,583.6**
Outside equity interest in controlled entities:			
Contributed equity	191.7	-	-
Reserves	16.4	17.3	17.3
Retained profits	15.7	8.7	15.5
Total outside equity interest	**223.8**	**26.0**	**32.8**
Total equity	**4,053.6**	**2,000.2**	**1,616.4**

The interim consolidated balance sheet should be read in conjunction with the notes to the interim consolidated financial statements set out on pages 28 to 62.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL HALF YEAR ENDED 1 JANUARY 2006

	Consolidated	
	27 weeks ended 1-Jan-06 $m	27 weeks ended 2-Jan-05 $m
Cash flows from operating activities		
Receipts from customers	20,114.6	16,983.9
Receipts from vendors and tenants	54.0	7.1
Payments to suppliers and employees	(18,808.2)	(16,044.8)
Interest and other borrowing costs paid	(123.3)	(72.0)
Interest received	10.0	9.9
Income tax paid	(229.2)	(201.8)
Net cash provided by operating activities	**1,017.9**	**682.4**
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	288.4	8.0
Payments for property, plant and equipment	(791.1)	(534.4)
Payments for purchase of businesses	(969.2)	(1,191.8)
Proceeds from sale of investment	0.4	-
Dividend received from related entity	-	6.1
Net cash used in investing activities	**(1,471.5)**	**(1,712.1)**
Cash flows from financing activities		
Proceeds from issue of shares	19.4	96.2
(Payments)/ Proceeds from short term deposits	(0.6)	(0.3)
Proceeds from external borrowings	5,163.0	4,292.0
Repayment of external borrowings	(4,462.7)	(3,084.5)
Repayment of Employee Share Plan Loan	7.2	8.3
Dividends paid	-	(201.9)
Net cash provided by financing activities	**726.3**	**1,109.8**
Net increase in cash held	272.7	80.1
Cash at the beginning of the financial period	433.8	348.9
Cash at the end of the financial period	**706.5**	**429.0**

The interim consolidated statement of cash flows should be read in conjunction with the notes to the interim consolidated financial statements set out on pages 28 to 62

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

Woolworths Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the 27 weeks ended 1 January 2006 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in jointly controlled entities.

The condensed consolidated interim financial report was authorised for issue by the directors on 27 February 2006.

(a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB134 "Interim Financial Reporting" and the Corporations Act 2001. Compliance with AASB134 ensures compliance with IAS34 "Interim Financial Reporting".

This is the consolidated entity's first Australian equivalents to International Financial Reporting Standards ("AIFRS") condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report. The transition to AIFRS is accounted for in accordance with AASB 1 "First time adoption of Australian equivalents to International Financial Reporting Standards". The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRS. This report must also be read in conjunction with any public announcements made by Woolworths Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in Note 9. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP ("previous GAAP or A-GAAP") to those reported for those periods under AIFRS.

In the current financial year the consolidated entity adopted AASB 132: Financial Instruments: Disclosure and Presentation ("AASB 132") and AASB 139: Financial Instruments: Recognition and Measurement ("AASB 139") for the first time. This change in accounting policy resulted from the election made in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

(b) Basis of Preparation

The condensed consolidated interim financial report is presented in Australian dollars.

The condensed consolidated interim financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the condensed consolidated interim financial report and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of an interim financial report in conformity with AASB 134 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRS on issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 25 June 2006. Based on these AIFRS, the Board of Directors has made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the 52 weeks ending 25 June 2006.

The entity has elected to early adopt the following revised accounting standards:

- AASB 119 Employee Benefits (December 2004) – application date of the standard is 1 January 2006;
- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 119 Employee Benefits, AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements, AASB 124 Related Party Disclosures – application date of the standard is 1 January 2006.
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement – application date of the standard is 1 January 2006.
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts – application date of the standard is 1 January 2006.
- AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004) and AASB 139 Financial Instruments: Recognition and Measurement – application date of the standard is 1 January 2006.
- AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations – application date of the standard is 1 January 2006.
- AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) amending AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 132 Financial Instruments: Disclosure and Presentation, and AASB 139 Financial Instruments: Recognition and Measurement – application date of the standard is 1 January 2006.
- AASB 2005-11 Amendments to Australian Accounting Standards (September 2005) amending AASB 101 Presentation of Financial Statements, AASB 112 Income Taxes, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, and AASB 141 Agriculture – application date of the standard is 31 December 2005.
- UIG 4 Determining whether an Arrangement contains a Lease – application date of the standard is 1 January 2006.

1 Significant accounting policies (continued)

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the 52 weeks ending 25 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 25 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. Except for the change in accounting policy relating to classification and measurement of financial instruments, the accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 27 June 2004 for the purposes of the transition to AIFRS, as required by AASB 1. The impact of the transition from previous GAAP to AIFRS is explained in Note 9. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy.

Except as set out in Note 1(e), (f), (i) and (o), the accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

(c) Basis for Consolidation

(i) Subsidiaries

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.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial report from the date that control commences until the date that control ceases.

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

Investments and 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 income statement, 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.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Financial Statements of Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(e) Derivative Financial Instruments

Current period policy

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless the derivatives qualify for hedge accounting whereby the recognition of any resultant gain or loss depends on the nature of the item being hedged (refer Note 1(f)).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

1 Significant accounting policies (continued)

Comparative Period Policy

The consolidated entity enters into forward foreign exchange contracts and interest rate swap agreements. Accounting for forward exchange contracts and interest rate swaps is in accordance with the accounting policy set out in Note 1(f).

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.

(f) Hedging

Current period policy

(i) Cash Flow Hedges

A cash flow hedge is a hedge of an exposure to uncertain future cash flows. A cash flow hedge results in the uncertain future cash flows being hedged back into fixed amounts. Woolworths' cash flow hedges include:

- Interest rate swap contracts that convert floating interest rate payments on borrowings into fixed amounts; and
- Cross currency interest rate swaps that convert foreign currency denominated principal and interest rate payments on offshore loans into fixed Australian dollar amounts.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

The ineffective part of any derivative designated as a hedge is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Fair Value Hedge

A fair value hedge is a hedge of a fair value (i.e. "mark-to-market") exposure arising on a recognised balance sheet asset or liability. A fair value hedge results in the fair value exposure being offset. Woolworths' fair value hedges include:

- Cross currency interest rate swaps that convert fixed interest rate foreign currency borrowings into floating rate Australian dollars borrowings. The CCIRS offsets the foreign currency and fixed interest rate fair value exposures arising on those borrowings.

1 Significant accounting policies (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(iii) Hedge of Monetary Assets and Liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

Comparative Period Policy

(i) 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 income statement 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 income statement for the period.

(ii) General commitments

Exchange gains and losses on other hedge transactions are not deferred, but brought to account in the income statement 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.

(g) Property, Plant and Equipment

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.

Land and buildings held for sale are classified as current assets and are valued at the lower of cost and fair value less costs to sell and depreciation on such assets ceases.

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer Note 1(m)). The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads. The cost of self-constructed assets and acquired assets includes estimates of the costs of dismantling and removing the items and restoring the site on which they are located where it is probable that such costs will be incurred, and changes in the measurement of existing liabilities recognised for these

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(i) Leased Assets

Leases whereby the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy 1(m)). Lease payments are accounted for as described in accounting policy 1(t).

(ii) Depreciation

(a) 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:

	2006	**2005**
Buildings	25-40 years	25-40 years
Fixtures, fittings and plant	3-10 years	3-10 years

(b) 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.

(c) 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:

	2006	**2005**
Plant, equipment and fittings	2.5-10 years	2.5-10 years

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

(h) Intangible Assets

(i) Goodwill

Business Combinations prior to 27 June 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 27 June 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet.

Business Combinations since 27 June 2004

All business combinations are accounted for by applying the purchase method whereby entities 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, including contingent liabilities, at the date of acquisition.

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is not amortised, but tested for impairment annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (refer Note 1 (n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Any impairment is recognised directly in the income statement and is not subsequently reversed.

(ii) 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. They are tested for impairment annually and any impairment is recognised immediately in profit or loss.

(iii) 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. They are tested for impairment annually and any impairment is recognised immediately in profit or loss.

(iv) Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (refer Note 1(m)).

(v) Other Intangible Assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (refer Note 1(m)).

1 Significant accounting policies (continued)

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

(vi) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date that they are available for use.

(i) Investments

Current Accounting Policy

Interests in controlled entities are accounted for in the consolidated financial statements as set out in Note 1(c) 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.

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. The consolidated entity has not designated any other financial assets or liabilities as measured at fair value through the income statement.

Where the consolidated entity has the positive intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses (refer Note 1(m)).

Comparative Accounting Policy

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

Interest 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.

(j) Trade and Other Receivables

Trade and other receivables are stated at their cost less impairment losses (refer Note 1(m)).

(k) Inventories

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

Long life retail stocks have been valued using 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. Cost includes all purchase related rebates, settlement discounts and other costs incurred to bring inventory to its condition and location for sale.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1 Significant accounting policies (continued)

(m) Impairments

The carrying amounts of the consolidated entity's assets, excluding inventories and deferred tax assets (refer Note 1(v)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer below).

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and whenever there is an impairment indicator.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit ('CGU') exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Goodwill, indefinite-lived intangible assets and all non-current assets on a CGU basis were tested for impairment at the date of transition to AIFRS, even though no indication of impairment existed.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an

1 Significant accounting policies (continued)

impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Capital

(i) 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.

(ii) 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.

(iii) Interest and dividends

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

(o) Interest-bearing borrowings

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in Trade and Other Payables.

Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(p) Employee benefits

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.

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

(ii) Defined benefit plans

The consolidated entity has early adopted the revised AASB 119 Employee Benefits (December 2004).

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 consolidated entity's net obligation in respect of defined benefit pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All movements in the defined benefit obligation are recognised in the income statement except actuarial gains and losses. All actuarial gains and losses as at 28 June 2004, the date of transition to AIFRS, were recognised. Actuarial gains and losses that arise subsequent to 28 June 2004 are recognised in full in retained earnings in the period in which they occur and are presented in the Statement of recognised income and expense.

When the calculation results in plan assets exceeding liabilities to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iv) Share-based payment transactions

Equity settled share based payments form part of the remuneration of employees (including executives) of both the consolidated entity and Company.

The consolidated entity recognises 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 is measured at grant date using a binominal model which takes into account market based performance conditions. The fair value per instrument is 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 is recognised as an employee **1**

1 Significant accounting policies (continued)

benefit expense proportionally over the vesting period during which the employees become unconditionally entitled to the instruments.

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 has not retrospectively recognised the fair value of share based payments that have vested prior to 1 January 2005. Furthermore, no adjustment has been made for share based payments granted before 7 November 2002.

The consolidated entity operated 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.

(v) Wages and Salaries and related employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of 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.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months, are 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.

(q) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

(i) Restructuring

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.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(iii) Self-insurance

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.

The provision is discounted using the Commonwealth Government bond rate with a maturity date approximating the term of the consolidated entity's obligation.

(iv) Warranty

The consolidated entity provides for anticipated warranty costs when the underlying products or services are sold. The provision is based upon historical warranty data.

(v) Dividends

The consolidated entity provides for dividends when the provision is declared by the Board of Directors.

(r) Trade and other payables

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) Revenue Recognition

In general, revenue is recognised only when it is probable that the economic benefits comprising the revenue will flow to the entity, the flow can be reliably measured and the entity has transferred the significant risks and rewards of ownership.

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

(i) 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 the significant risks and rewards of ownership of the products, including possession, have 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.

Revenue is recognised on a commission only basis where Woolworths acts as an agent rather than a principal in the transaction. Revenue is recognised net of returns.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

Revenue from the sale of customer gift cards is recognised when the card is redeemed and the customer purchases the goods by the using card. Where a revenue transaction involves the issue of a voucher they may be subsequently redeemed, the future expected cost of settling the obligation is provided for.

(ii) Proceeds from sale of assets

The gross proceeds of asset sales are recognised at the date that an unconditional contract of sale is exchanged with the purchaser. The proceeds are disclosed in branch costs as part of the determination of profit/loss on disposal.

(iii) Rental income

Rental income is recognised on a straight line basis over the term of the lease. Lease rentals granted are recognised as an integral part of the total rental income.

(iv) Financing income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

(t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

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.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(u) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (refer Note 1(f)).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

(v) Income Tax

Income tax in the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Where it arises from the initial accounting for a business combination, it is taken into account in the determination of goodwill or excess.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability to the extent it is unpaid.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the consolidated entity is able to control the reversal of the temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Woolworths Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

1 Significant accounting policies (continued)

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing agreements

In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) and deferred tax assets arising from unused tax losses / credits initially recognised be the members in the tax consolidation group. There is no impact on the consolidated entity upon adoption of UIG 1052 Tax Consolidation Accounting.

(w) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

(x) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

2 Segment Information

	Supermarkets [1]		BIG W		Consumer Electronics		Hotels [2]		Wholesale [3]		Consolidated	
	2006 $m	2005 $m	2006 $m	2005 $m	2006 $m	2005 $m	2006 $m	2005 $m	2006 $m	2005 $m	2006 $m	2005 $m
Business segments												
Sales to customers	16,144.4	13,717.7	1,796.4	1,669.9	641.0	545.8	405.9	97.5	74.8	73.8	19,062.5	16,104.7
Other operating revenue	55.4	67.9	-	-	-	-	-	-	-	-	55.4	67.9
Inter-segment revenue	-	-	-	-	0.2	0.2	1.2	-	118.0	114.2	119.4	114.4
Segment revenue	**16,199.8**	**13,785.6**	**1,796.4**	**1,669.9**	**641.2**	**546.0**	**407.1**	**97.5**	**192.8**	**188.0**	**19,237.3**	**16,287.0**
Eliminations											(119.4)	(114.4)
Unallocated revenue [4]											64.0	60.1
Share of net profits of associate accounted for using the equity method	-	2.5	-	-	-	-	-	-	-	-	-	2.5
Total revenue											**19,181.9**	**16,235.2**
Segment operating profit	703.4	575.4	104.5	100.6	36.9	31.2	81.2	7.3	0.8	1.4	926.8	715.9
Unallocated expenses												
- Property											17.3	10.8
- Head Office											(41.7)	(40.3)
Net financing costs											(112.1)	(56.4)
Profit from ordinary activities before tax											**790.3**	**630.0**
Income tax on ordinary activities											**(241.1)**	**(186.1)**
Profit from ordinary activities after tax											**549.2**	**443.9**
Segment assets	7,982.4	4,737.8	909.2	845.9	429.0	395.4	1,980.2	1,366.4	68.5	70.0	11,369.3	7,415.5
Unallocated [5]											2,144.6	1,397.1
Total Assets											**13,513.9**	**8,812.6**
Segment liabilities [6]	3,242.8	2,693.9	513.5	438.6	135.9	112.5	87.0	389.6	54.5	45.1	4,033.7	3,679.7
Unallocated [5]											5,426.6	3,516.5
Total Liabilities											**9,460.3**	**7,196.2**
Acquisition of assets	3,003.4	396.1	43.0	40.4	13.4	12.9	466.1	242.2	1.0	2.0	3,526.9	693.6
Unallocated [5]											404.3	188.7
Acquisition of Assets											**3,931.2**	**882.3**
Segment depreciation and amortisation	175.9	141.0	19.1	17.5	10.8	9.1	20.2	4.6	0.7	0.7	226.7	172.9
Unallocated [5]											25.6	22.1
Total depreciation and amortisation											**252.3**	**195.0**
Segment other non cash expenses											-	-
Unallocated [7]											40.6	43.2
Total other non cash expenses											**40.6**	**43.2**

[1] Supermarkets comprise supermarket stores, liquor stores and petrol canopies in Australia and New Zealand.
[2] Hotels comprise on-premise liquor sales,food, accommodation, gaming and room hire.
[3] Wholesale comprises Statewide Independent Wholesalers (SIW).
[4] Unallocated revenue comprise financial income, dividends, rent and other revenue from operating activities.
[5] Unallocated comprise corporate head office and property division.
[6] Included in Hotels and Supermarkets for 2005 is the interest bearing liabilities acquired with ALH/MGW. These were repaid during H2'05.
[7] Includes non cash transactions including the Defined Benefit Liability movement, Financial Instruments and Employee Share Scheme expenses.
The consolidated entity operates predominantly in Australia and New Zealand.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

3 Significant Transactions

Acquisition of Businesses

Acquisition of Progressive Enterprises Holdings Limited and its controlled entities

On 2 November 2005, the consolidated entity acquired all the shares in Progressive Enterprises Holdings Limited and its controlled entities for $958,944,900 in cash and the issue of 81,592,689 shares in Woolworths Limited. At the close of trading on 2 November 2005, shares in Woolworths Limited were trading at $16.30 per share.

The acquired entity operates supermarket chains throughout New Zealand and also owns a number of supermarkets in Australia.

Since acquisition, the business has contributed $849 million in revenue and $12.3 million in Net Profit after Tax to the consolidated entity.

All the shares in the following companies were acquired as part of the acquisition:

Companies registered in New Zealand

Progressive Enterprises Holdings Limited

Foodland N.Z. Finance Limited

Foodland (N.Z.) Holdings Limited

FAL Insurance Limited

Progressive Enterprises Limited

Wholesale Services Limited

General Distributors Limited

The Supply Chain Limited

Wholesale Distributors Limited

Caledonian Leasing Limited

Companies registered in Australia

Drumstar Pty Limited

New Zealand IP Pty Limited

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

3 Significant Transactions (continued)

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Woolworths recognised value	Fair value adjustments	Notes	Acquired amounts
	$'000s	$'000s		$'000s
Cash	54,090	-		54,090
Receivables	41,440	-		41,440
Inventories	260,003	-		260,003
Prepayments and other assets	5,780	-		5,780
Property, plant & equipment	387,205	(5,716)	(1)	392,921
Intangible assets	244,663	158,279	(2)	86,384
Deferred tax asset	34,905	3,785	(3)	31,120
Accounts payable	(286,049)	-		(286,049)
Accruals	(82,713)	-		(82,713)
Current tax liabilities	(6,803)	-		(6,803)
Provisions	(61,252)	(5,865)	(4)	(55,387)
Interest bearing liabilities	(353,693)	-		(353,693)
Net identifiable assets and liabilities	**237,576**	**150,483**		**87,093**
Goodwill on acquisition	**2,051,329**			
Consideration paid, satisfied in cash	958,945			
Consideration paid via issue of shares	1,329,960			
	2,288,905			
Cash acquired	54,090			
Net cash outflow	**904,855**			

Notes

(1) *Property, plant and equipment in both Australia and New Zealand were subjected to fair value assessments upon acquisition in accordance with AASB 3.*
(2) *An independent firm was engaged to conduct an external valuation of trademarks acquired. A value of $244.1m was determined on the basis of the 'relief from royalty' method.*
(3) *The fair value adjustments booked upon acquisition has resulted in an uplift to the entity's deferred tax asset.*
(4) *Represents onerous lease commitments identified and provided for in accordance with AASB 3.*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

3 Significant Transactions (continued)

The cash consideration includes costs incurred by the consolidated entity in relation to the acquisition.

Goodwill has arisen on acquisition of Progressive Enterprises Holdings Limited and its controlled entities primarily because of the capacity of the business to generate recurring revenue streams in the future and as the company believes that it will be able to introduce additional synergies to the benefit of the overall business. The initial accounting for the acquisition has been determined provisionally.

Acquisition of hotels and club management contracts associated with Bruce Mathieson

On 1 July 2005, ALH Group Pty Ltd ("ALH Group"), (formerly Bruandwo Pty Ltd), a 75% owned subsidiary of Woolworths Limited, acquired 26 hotels and 7 club management contracts previously owned by interests associated with Bruce Mathieson for $199.8 million in cash and 191.7 million shares issued at a price of $1 per share.

Since acquisition, the business has contributed $56.7 million in revenue and $9.3 million in Net Profit after Tax to the consolidated entity before minority interests of $2.3 million.

The acquisition has had the following effect on the consolidated entity's assets and liabilities:

	Woolworths recognised value	Provisional Fair value adjustments	Notes	Acquired amounts
	$'000s	$'000s		$'000s
Cash	9,217	-		9,217
Inventories	1,709	-		1,709
Property, plant & equipment	208,405	17,408	(1)	190,997
Intangible assets - Liquor and gaming licences	125,000	125,000	(2)	-
Employee provisions	(2,440)	-		(2,440)
Net identifiable assets and liabilities	**341,891**	**142,408**		**199,483**
Goodwill on acquisition	**49,652**			
	391,543			
Consideration payable/paid	199,843			
Consideration paid via equity issuance	191,700			
	391,543			
Cash acquired	9,217			
Current and future cash outflows	**190,626**			
Outside Equity Interest	**97,886**			

Notes

(1) *An independent firm was engaged to conduct an external valuation of property, plant and equipment. This formed the basis of the fair value adjustments booked upon acquisition.*

(2) *An independent firm engaged to conduct an external valuation of the liquor and gaming licences acquired which have been valued at $125 million.*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

3 Significant Transactions (continued)

The consideration includes costs incurred by the consolidated entity in relation to the acquisition.

The initial accounting for the acquisition has been determined provisionally. This is on the basis that legal settlement for the acquisition is yet to be finalised.

Goodwill has arisen on acquisition because of management expertise, and customer relationships and synergies that the Company believes will benefit the overall business.

Acquisition of Taverner Hotel Group Pty Ltd

On 6 February 2006, ALH Group Pty Ltd (formerly Bruandwo Pty Ltd), a 75% owned subsidiary of the consolidated entity, acquired all the shares in Taverner Hotel Group Pty Ltd for $377.8m cash (exclusive of acquisition costs).

The company acquired owns and operates hotels throughout Victoria, South Australia and New South Wales.

Given the limited timeframe between acquisition date and the date of this report, it has not been possible to determine the net identifiable assets and goodwill on acquisition.

4 Changes in the Composition of the Group

Name of Business Acquired	Principal Activity	Date of Acquisition	Proportion of ownership acquired	Cost of acquisition $m
Progressive Enterprises Holdings Limited and its controlled entities	Supermarket	2 November 2005	100%	2,288.9 [1]
26 Hotels and 7 club management contracts previously owned by interests associated with Bruce Mathieson	Hotels and Liquor retail	1 July 2005	75%	391.5 [2]
Miscellaneous business	Supermarkets and Liquor retail	various	-	73.9
Total				**2,754.3**

[1] *The cost of acquisition includes consideration paid in cash, and consideration paid via the issuance of 81,592,689 shares in Woolworths Limited, plus acquisition costs. At the close of trading on 2 November 2005, shares in Woolworths Limited were trading at $16.30 per share.*

[2] *The cost of acquisition includes consideration to be satisfied in cash, and consideration paid via the issuance of 191,700,000 shares in the ALH Group Pty Ltd at a price of $1 per share, plus acquisition costs.*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

5 Subsequent Events

Taverner acquisition

ALH Group Pty Ltd (previously Bruandwo Pty Ltd) ("ALH Group") entered a contract to acquire 100% of the shares of the Taverner Hotel Group Pty Ltd (THG) for an enterprise value of $377.8m which was payable on completion.

Completion occurred on 6 February 2006.

THG comprises 33 leasehold hotels located in Victoria (18), South Australia (12) and New South Wales (3). THG have developed a strategic portfolio with a focus on large metropolitan gaming hotels located in growth corridors. Included in this portfolio are a number of "icon" hotels such as Matthew Flinders, Village Tavern and Castle Hill Tavern. THG is the second largest gaming operator in Australia with c2,000 electronic gaming machines and around 1,900 employees.

THG provides an excellent strategic fit with the existing ALH Group hotel business providing premium complimentary locations and an additional 27 retail liquor locations of which five Dan Murphy's future site opportunities exist. This acquisition consolidates ALH Groups position in a highly fragmented industry in a highly profitable business segment.

This acquisition will deliver synergies in the area of corporate overheads, the introduction of Woolworths buying terms, retail branding, insurance as well as operating efficiencies at venues. It is envisaged that a full integration of the THG within the ALH Group will be completed by the end of the financial year.

WINs Redemption

The Company announced on 26 October 2005 that it intends to redeem the Woolworths Income Notes ("WINs") in early calendar year 2006.

The redemption will be financed by the issuance of a hybrid capital instrument, containing high equity credit, which will raise approximately A$600 million. The hybrid capital raising will be offered to all WIN's holders on the register as at a date to be advised prior to the redemption date.

6 Dividends Paid

	27 Weeks Ended 1 Jan 2006 $m	52 Weeks Ended 26 June 2005 $m	27 Weeks Ended 2 Jan 2005 $m
Final dividend in respect of 2005 year of 27 cents (2004: 24 cents) per fully paid ordinary share 100% franked at 30% tax rate (2004: 100% franked at 30% tax rate)	287.2	-	248.9
Interim dividend in respect of 2005 year of 24 cents per fully paid ordinary share 100% franked at 30% tax rate	-	251.0	-
Total dividends paid	**287.2**	**251.0**	**248.9**

On 27 February 2006, the board of directors declared a dividend of 28 cents (2005: 24 cents) per share. The amount that will be paid on 28 April 2006 will be $325.9m (2004: $251.0m). No provision for the dividend has been made in the Half Year Financial Report in line with the requirements of AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS cont.

7 Contingent Liabilities

Contingent liabilities at 1 January 2006 were $398.2 million (26 June 2005: $386.1 million) comprising:

	1 Jan 2006 $m	26 June 2005 $m
Trading guarantees	27.8	23.4
Workers' compensation self insurance guarantees	333.7	304.5
Litigation	13.3	17.1
Other (outstanding letters of credit issued to suppliers)	23.4	41.1

No provision has been made in the financial statements in respect of these contingencies, however there is a provision of $329.3 million (2005: $307.0 million) for self-insured risks, which includes liabilities relating to workers' compensation claims, that has been recognised in the balance sheet.

8 Explanation of significant balance sheet movements from 26 June 2005 to 1 January 2006

(a) Plant, property and equipment - this has increased from $3,359 million to $4,488 million. This is mainly due to fixed assets acquired as a result of the acquisition of Foodland and BMG and the rollout of the new Distribution Centre network as part of our supply chain initiatives.

(b) Intangibles – this has increased from $2,046 million to $4,557 million. This increase has been largely driven by the acquisition of BMG and Foodland resulting in the acquisition of liquor and gaming licences ($125 million), brand names ($244 million) and goodwill ($2,090 million).

(c) Trade creditors and other creditors have increased as a result of a combination of business acquisitions, higher inventory levels and timing differences in creditors' payment cycles.

(d) Net repayable debt – this has increased by $1,010 million to $3,422 million primarily as a result of debt acquired to fund the ongoing operation of the business. This predominantly relates to Senior Notes totalling US$725 million (A$991.8 million) issued in November 2005 into the US bond market under Rule 144A (Regulation S). US$300 million (A$410.4 million) matures on 15 November 2011 and US$425 million (A$581.4 million) matures on 15 November 2015.

9 Explanation of AIFRS Adjustments

The consolidated entity changed its accounting policies on 28 June 2004 to comply with Australian equivalents to international financial reporting standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 "First time Adoption of Australian Equivalents to International Reporting Standards", with 28 June 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 27 June 2005. An explanation of how the transition from previous A-GAAP to AIFRS has affected the consolidated entity's balance sheet, income statement and cash flows is set out in the following tables and the notes that accompany the tables.

9 Explanation of transition to AIFRS cont.

Notes to the reconciliation of implementation of AIFRS

(a) Reclassification

Revenue

The A-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 $303.3 million was reclassified from revenue to other expenses for the 52 weeks ended 26 June 2005 ($8.0 million for the 27 weeks ended 2 January 2005). In addition, some $37.2 million of operational expense has been reclassified to other operating income in the 52 weeks ended 26 June 2005.

Dividend and interest income of $3.6 million has been reclassified from other operating revenue to financing income in both the 52 weeks ended 26 June 2005 and the 27 weeks ended 2 January 2005.

Reserves

Woolworths has utilised the option available in AASB1 "First time adoption of the Australian equivalents to International Financial Reporting Standards" to reclassify the capital profits reserve and general reserves to retained earnings. This transfer resulted in a decrease in these reserve balances of $66.2 million and $46.9 million respectively as at 28 June 2004 with a corresponding increase in retained earnings.

Assets held for sale

Under AIFRS, non-current assets classified as held for sale, are presented separately as current assets on the balance sheet. A non-current asset 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.

The consolidated entity applied AASB 5 prospectively from 28 June 2004 to assets held for sale and discontinued operations. For the consolidated entity this has resulted in $45.3 million of assets 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 were restated at cost on transition. Consequently, the asset revaluation reserve balance of $63.3 million relating to these assets was adjusted against property, plant and equipment as at 28 June 2004 and depreciation of $10.3 million relating to the revaluations recognised prior to transition was reversed against retained earnings on transition. The remaining balance in the asset revaluation reserve of $8.7 million represents revaluations that relate to assets disposed of in prior periods. This balance was transferred to retained earnings on transition. For the 52 week period ended 26 June 2005, further depreciation of $1.2 million relating to the previous revalued amounts was not recognised in the AIFRS income statement. The reduction was $0.6 million for the 27 weeks ended 2 January 2005.

9 Explanation of transition to AIFRS (continued)

AIFRS requires that all research activities in relation to a project be expensed as incurred, including evaluative and certain feasibility expenditure. Previously this expenditure was capitalised if it was expected, beyond reasonable doubt, to be recoverable. The carrying value of assets that have previously been capitalised up to the transition date amounting to $18.9 million, net of accumulated amortisation, was adjusted against retained earnings. During the 52 weeks ended 26 June 2005 a further $11.8 million of assets previously capitalised was written off to the income statement under AIFRS ($9.9 million for the 27 weeks ended 2 January 2005).

(c) Leased assets

Operating lease expenditure

Under AASB 117, operating lease expenses are 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 A-GAAP, fixed rental escalations were recognised as an expense in the period that they were incurred.

This has resulted in the recognition of a deferred rental expense liability of $53.3 million and a corresponding reduction in retained earnings as at transition date. There has been a decrease in the rental expense with a corresponding reduction in the liability of $2.0 million for the 27 weeks ended 2 January 2005 and $3.8 million for the 52 weeks ended 26 June 2005. A further $2.4 million was recognised against goodwill on acquisition of ALH during 2005.

(d) Business combinations

The consolidated entity has applied AASB 3 to all business combinations that have occurred since 28 June 2004 (the date of transition to AIFRS).

The restructuring provision recognised on the acquisition of Australian Leisure and Hospitality Limited (ALH) under A-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 has decreased by $9.2 million (net of tax of $3.9 million). As at 2 January 2005, this has resulted in a decrease to goodwill and profit before tax of $8.0 million (net of tax of $3.4 million).

(e) Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to the transition date, goodwill has been included on the basis of its deemed cost, being its written down value recorded under previous A-GAAP as at 28 June 2004.

Amortisation

From 28 June 2004, 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 are accounted for prospectively. As a result, the carrying amount of goodwill has increased by $17.6 million at 2 January 2005 and by $41.8 million at 26 June 2005 being the reversal of the goodwill amortisation charge for the 27 weeks ended 2 January 2005 and for the 52 weeks ended 26 June 2005 respectively.

9 Explanation of transition to AIFRS (continued)

(f) Impairment

For the consolidated entity and Company no impairment loss has been identified either on transition to AIFRS, for the 27 weeks ended 2 January 2005 or for the 52 weeks ended 26 June 2005.

(g) 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 was reset to zero as at 28 June 2004 with an offsetting decrease in retained earnings of the consolidated entity of $0.4 million. From 28 June 2004, the net assets and related goodwill on consolidation related to foreign operations have been restated at year end spot rates in accordance with AASB 121.

(h) 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"). The resulting liability or asset is grossed up for any contributions tax as required by AASB119 Employee Benefits (AASB 119) (revised). The basis of calculating the defined benefit obligation and related expenses under AIFRS, and the treatment of actuarial gains and losses is set out in Note 1(p).

Under previous A-GAAP, Woolworths recognised contributions to the superannuation funds as an expense when due and payable and did not recognise any liability or asset in relation to fund deficits or surpluses unless there was a current obligation to fund the deficit. Woolworths contributions to the defined benefit superannuation funds were determined on a vested benefit basis. The additional funding that would be required if Woolworths were to have funded the accrued benefits have been disclosed in the Woolworths Annual Report for the 52 weeks ended 27 June 2004. The 2005 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 amount of $31.0 million, including cumulative actuarial gains and losses existing at that time, was recognised as a liability of the consolidated entity with a corresponding decrease in retained earnings.

For the 52 weeks ended 26 June 2005 the adjustment in the consolidated entity to recognise the increase in the defined benefit obligation for the financial year is $1.0 million. An expense relating to the defined benefit plan of $73 million was recognised under AIFRS with a further $10 million recognised directly in retained earnings (representing the actuarial gains and losses for the period). The previous A-GAAP expense for the 52 week period ended 26 June 2005, being the contributions paid by the Company to the fund, of $82 million is reversed under AIFRS. This resulted in a net increase to the net profit before tax compared to previous A-GAAP for the 52 week period ended 26 June 2005 of $9 million (being the $73 million expense required by AIFRS less the $82 million expense determined using previous A-GAAP). At 26 June 2005 the defined benefit liability is $32.0 million. For the 27 weeks ended 2 January 2005 the A-GAAP expense of $41.5 million has been reversed and an expense relating to the defined benefit plan of $37.9 million has been recognised. This resulted in a net increase to the net profit before tax compared to A-GAAP of a further $3.6 million with $3.6 million recognised directly as a reduction in retained earnings representing actuarial gains and losses.

9 Explanation of transition to AIFRS (continued)

Annual leave

Under previous A-GAAP, annual leave was recognised at the amounts expected to be paid to settle the obligation including associated on costs. Under AIFRS, where this amount is not expected to be settled within one year it has been discounted to its present value using the Commonwealth Government bond rate approximating the expected settlement of the obligation. At transition the annual leave provision was reduced by $2.3 million. As at 26 June 2005 and for the 27 weeks ended 1 January 2006 the value of the discount to the annual leave provision has increased by $0.2m and $0.1m respectively.

(i) Share based payments

Equity based remuneration (including options)

Under AIFRS, equity settled share based payments form part of the remuneration of employees (including executives). Under A-GAAP the Company does not recognise an expense for any share based remuneration, including equity settled share based payments such as options. The accounting policies relating to the recognition of share based payments under AIFRS are set out in Note 1(p).

As permitted by the elections available under AASB 1, Woolworths did not retrospectively recognise the fair value of share based payments that have vested prior to 1 January 2005. Furthermore, no adjustment was made for share based payments granted before 7 November 2002.

On transition to AIFRS, retained earnings of the consolidated entity decreased and reserves increased by $5.1 million. For the 52 weeks ended 26 June 2005, employee benefits expense and reserves increased by $10.3 million ($5.3 million for the 27 weeks ended 2 January 2005).

Employee share plan (ESP)

The Group operates an Employee Share Plan (ESP) whereby it provides 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 employee loans (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 (loans) 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 transition, this has resulted in an increase in liabilities in the consolidated entity of $19.2 million with $5.1 million being disclosed as a current liability ($14.1 million as non-current). At 26 June 2005, this gave rise to an increase in liabilities in the consolidated entity of $14.3 million with $4.3 million being disclosed as a current liability and the balance of $10.0 million being disclosed as a non current liability. As at 2 January 2005, liabilities increased by $16.2 million ($4.6 million current and $11.6 million non current).

Under AIFRS, the ESP entitlements and associated limited recourse loans to the employees are considered to be an option until the employee repays the loan. The options are accounted for as set out above and the fair value adjustments are included in the equity based remuneration adjustment above. Further, under AIFRS, the Company is considered able to control the shares held in trust until the loan is repaid. Accordingly, at transition, the underlying shares and loan to the employee are eliminated on consolidation of the share trust reducing the consolidated entities net assets and net equity by $108.9 million. The equity component comprises $120.6 million being

9 Explanation of transition to AIFRS (continued)

the initial share issue price less $11.5 million of dividends on shares held in trust applied to reduce the related loan value. For the 52 week period ended 26 June 2005, the consolidation resulted in receivables and net equity decreasing by $87.3 million ($97.6 million for the 27 week period ended 2 January 2005) including a $3.1 million increase in share capital relating to incremental proceeds from the sale of forfeited shares on market, and cash has increased by $1.5 million.

(j) Inventory

Woolworths receives settlement discounts from suppliers for early payment of amounts due. Under A-GAAP these amounts were recognised as revenue when earned. Under AIFRS, settlement discounts and rebates received from vendors are recognised as a reduction of cost of sales (or inventory) rather than as revenue. This has resulted in a reduction in inventory and retained earnings of the consolidated entity on transition to AIFRS of approximately $8.0 million relating to the reduction in the cost of stock on hand at period end as a result of including settlement discounts in the valuation of inventory. The adjustment relating to the 52 weeks ended 26 June 2005 is a decrease in inventory and profit before taxation of $0.3 million.

Settlement discounts, rebates and other purchase allowances totaling $472.2 million, previously recognised in other operating revenue have been reclassified as a reduction of cost of sales for the 52 week period ended 26 June 2005 ($251.5 million reclassified for the 27 week period ended 2 January 2005).

(k) Make good provisions

The consolidated entity has certain operating leases that require the asset to be returned to the lessor in its original condition. These obligations relate to wear and tear on the premises not dismantling obligations. The operating lease payments do not include an element for repairs/ overhauls. Under A-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 $6.4 million was recognised as a liability of the consolidated entity with a corresponding decrease in retained earnings. This provision has not been utilised during the 52 weeks ended 26 June 2005. The adjustment relating to the 52 weeks ended 26 June 2005 is an increase in the provision of $0.5 million.

(l) Revenue – fuel discount vouchers

Woolworths issues fuel discount vouchers (on shopper dockets) to supermarket and BIG W customers in recognition of their loyalty. Under A-GAAP, the full amount of the supermarket and BIG W sales were recognised as revenue with no provision raised for ongoing obligations associated with discount vouchers. This treatment recognised that substantially all of the transaction had been completed and the incremental cost of honouring discount vouchers was not material.

Under AASB 118 components of multi-element transactions must be treated separately at fair value, where there are ongoing performance or delivery obligations. Accordingly, under AIFRS a proportion of revenue recognised on supermarket and BIG W sales is deferred, reflecting the ongoing obligation associated with un-redeemed fuel vouchers. The provision arising is released in a pattern reflecting the historical redemption of fuel discount vouchers.

At the date of transition, an amount of $3.3 million was recognised as a liability of the consolidated entity with a corresponding decrease in retained earnings. The adjustment relating to the 52 weeks ended 26 June 2005 is an increase in the provision of $0.5 million.

9 Explanation of transition to AIFRS (continued)

(m) Taxation

The AIFRS transition adjustments set out elsewhere in this note resulted in a net increase to the deferred tax asset of $47.1 million, recognised against retained earnings. In addition, deferred tax balances are now shown on a net basis to the extent that they are payable (receivable) to (from) the same taxation authority. Accordingly previous deferred tax liabilities of $4.5 million were reclassified to the net deferred tax asset at transition. This yielded a net change to the deferred tax balance at transition of $42.6 million.

For the 27 week period ended 2 January 2005, the net increase in deferred tax assets was $21.8 million and comprised:

- $47.1 million increase as a result of the transition to AIFRS recognised against retained earnings;
- $0.5 million decrease for the tax effect of AIFRS adjustments for the 27 weeks ended 2 January 2005 increasing income tax expense;
- $1.1 million increase for the tax effect of items recognised directly in retained earnings for the 27 weeks ended 2 January 2005;
- $14.0 million decrease for the tax effect of the revaluation of MGW licences on the change from equity accounting to consolidation, recognised $7.0 million in asset revaluation reserve and $7.0 in outside equity interests; and
- $11.9 million decrease for the reclassification of deferred tax liabilities to net deferred tax assets.

For the 52 week period ended 26 June 2005, the net increase in deferred tax assets was $22.6 million and comprised:

- $47.1 million increase as a result of the transition to AIFRS recognised against retained earnings;
- $1.1 million decrease for the tax effect of AIFRS adjustments for the 52 weeks ended 26 June 2005 increasing income tax expense;
- $3.0 million increase for the tax effect of items recognised directly in retained earnings for the 52 weeks ended 26 June 2005;
- $14.0 million decrease for the tax effect of the revaluation of MGW licences on the change from equity accounting to consolidation, recognised $7.0 million in asset revaluation reserve and $7.0 in outside equity interests; and
- $12.4 million decrease for the reclassification of deferred tax liabilities to net deferred tax assets.

Tax consolidations

The consolidated entity had applied UIG 1052 for tax consolidation purposes under previous GAAP, resulting in the Company as the head entity of the tax consolidated group recognising both current and deferred tax in relation to the wholly-owned subsidiaries in the tax-consolidated group. Under AIFRS, the consolidated entity has adopted UIG 1052 which requires the subsidiaries to initially recognise both current and deferred taxes before recognising the head entity's assumption of the current tax liability (asset) and deferred tax asset from tax losses. The entities in the Australian tax-consolidated group have revised the tax funding arrangement to address only current tax amounts and deferred tax assets from tax losses so that no contributions or distributions to equity participants are expected to arise in the future. There is no impact from implementation of UIG

9 Explanation of transition to AIFRS (continued)

Interpretation 1052 on the consolidated entity as at transition, for the 27 week period ended 2 January 2005 or for the 52 week period ended 26 June 2005 as upon consolidation the inter-company balances are eliminated.

(n) Debt establishment costs

Capitalised establishment costs were previously disclosed as other assets. Under AIFRS, such costs are included in interest bearing liabilities. An amount of $3.6 million was reclassified from assets to liabilities at 26 June 2005 ($0.5 million at 2 January 2005).

(o) Minority interest

Adjustments made under AIFRS have been allocated to minority interest to the extent that these adjustments are in respect of the ALH Group. The allocation of the impact of these adjustments is based on the 25% minority interest share.

Statement of cash flows

The adjustments had a nil impact on the Statement of Cash Flows, other than some reclassifications.

Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	Note	Transition 28 June 2004 $m	2 January 2005 $m	26 June 2005 $m
Property, plant and equipment non-capitalisable items	b	(18.9)	-	-
Property, plant and equipment - depreciation saving on writeback to cost	b	10.3	-	-
Capital profit reserve transfer	a	66.2	-	-
General reserve transfer	a	46.9	-	-
Foreign currency translation reserve transfer	g	(0.4)	-	-
Asset revaluation reserve transfer	b	8.7	-	-
Defined benefit plan	h	(31.0)	(3.6)	(10.0)
Rent straight line adjustments	c	(53.3)	-	-
Fuel discount vouchers	l	(3.3)	-	-
Equity based renumeration	i	(5.1)	-	-
Annual leave discounting	h	2.3	-	-
Make good provision	k	(6.4)	-	-
Inventory	j	(8.0)	-	-
Consolidation of employee share plan	i	11.6	(0.5)	0.5
Deferred tax	m	47.1	1.1	3.0
Total adjustment to retained earnings		66.7	(3.0)	(6.5)
Attributable to:				
Equity holders of the parent		66.7	(3.0)	(6.5)
Minority Interest		-	-	-
		66.7	(3.0)	(6.5)
Retained earnings (AGAAP)		704.3	879.3	978.0
Transition retained earnings adjustment		66.7	66.7	66.7
AIFRS current period retained earnings adjustment		-	(3.0)	(6.5)
AIFRS profit after tax ammendments		-	3.9	25.6
Closing retained earnings (AIFRS)		771.0	946.9	1,063.8

The reconciliation above should be read in conjuction with the notes as set out on pages 51 to 58.

9 Explanation of transition to AIFRS (continued)

Balance Sheet

The effect of the above adjustments on the balance sheet as at 28 June 2004, 2 January 2005 and 26 June 2005 are as follows:

($ million)	Note	28-June-2004 Previous GAAP	28-June-2004 Effect of transition to AIFRS	28-June-2004 AIFRS	02-January-2005 Previous GAAP	02-January-2005 Effect of transition to AIFRS	02-January-2005 AIFRS	26-June-2005 Previous GAAP	26-June-2005 Effect of transition to AIFRS	26-June-2005 AIFRS
Assets										
Cash	i	348.9	-	348.9	429.0	-	429.0	432.3	1.5	433.8
Receivables		208.6	-	208.6	318.3	(3.2)	315.1	490.0	(2.8)	487.2
Inventories	j	1,847.0	(8.0)	1,839.0	2,441.8	(8.1)	2,433.7	1,977.3	(7.7)	1,969.6
Non current assets held for sale	a	259.6	-	259.6	437.3	-	437.3	20.1	45.3	65.4
Other	n	112.3	-	112.3	135.8	-	135.8	109.2	(0.8)	108.4
Total current assets		**2,776.4**	**(8.0)**	**2,768.4**	**3,762.2**	**(11.3)**	**3,750.9**	**3,028.9**	**35.5**	**3,064.4**
Receivables	i	96.4	(89.7)	6.7	85.4	(78.3)	7.1	79.8	(71.6)	8.2
Other financial assets		31.6	-	31.6	1.2	-	1.2	1.1	-	1.1
Property, plant and equipment	a,b	2,467.6	(71.9)	2,395.7	2,900.8	(80.1)	2,820.7	3,485.0	(125.7)	3,359.3
Deferred tax assets	m	195.4	42.6	238.0	214.3	21.8	236.1	265.1	22.6	287.7
Intangible assets	d,e	572.3	-	572.3	1,978.5	12.0	1,990.5	2,011.4	35.0	2,046.4
Other	n	5.7	-	5.7	6.4	(0.3)	6.1	10.9	(2.9)	8.0
Total non-current assets		**3,369.0**	**(119.0)**	**3,250.0**	**5,186.6**	**(124.9)**	**5,061.7**	**5,853.3**	**(142.6)**	**5,710.7**
Total assets		**6,145.4**	**(127.0)**	**6,018.4**	**8,948.8**	**(136.2)**	**8,812.6**	**8,882.2**	**(107.1)**	**8,775.1**
Liabilities										
Accounts payable		2,176.3	-	2,176.3	2,913.5	-	2,913.5	2,335.6	-	2,335.6
Accruals		554.5	-	554.5	541.9	-	541.9	576.2	-	576.2
Interest-bearing liabilities		18.0	-	18.0	1,492.3	-	1,492.3	235.5	-	235.5
Income tax payable		132.2	-	132.2	104.4	-	104.4	105.5	-	105.5
Provisions	h, k, l	348.0	3.4	351.4	391.8	3.4	395.2	393.5	3.6	397.1
Other	i	-	5.1	5.1	-	4.6	4.6	-	4.3	4.3
Total current liabilities		**3,229.0**	**8.5**	**3,237.5**	**5,443.9**	**8.0**	**5,451.9**	**3,646.3**	**7.9**	**3,654.2**
Interest-bearing liabilities	n	494.8	-	494.8	1,252.0	(0.5)	1,251.5	2,614.0	(3.6)	2,610.4
Deferred tax liabilities	m	4.5	(4.5)	-	11.9	(11.9)	-	12.4	(12.4)	-
Provisions	k	364.6	4.0	368.6	392.4	4.1	396.5	412.4	4.0	416.4
Other	l,j,i,c	-	98.4	98.4	-	96.3	96.3	-	93.9	93.9
Total non-current liabilities		**863.9**	**97.9**	**961.8**	**1,656.3**	**88.0**	**1,744.3**	**3,038.8**	**81.9**	**3,120.7**
Total liabilities		**4,092.9**	**106.4**	**4,199.3**	**7,100.2**	**96.0**	**7,196.2**	**6,685.1**	**89.8**	**6,774.9**
Net assets		**2,052.5**	**(233.4)**	**1,819.1**	**1,848.6**	**(232.2)**	**1,616.4**	**2,197.1**	**(196.9)**	**2,000.2**
Equity										
Contributed equity	i	575.4	-	575.4	718.6	-	718.6	977.9	3.1	981.0
Shares held in trust	i	-	(120.6)	(120.6)	-	(109.2)	(109.2)	-	(102.2)	(102.2)
Equity remuneration reserve	i	-	5.1	5.1	-	10.4	10.4	-	15.3	15.3
Other reserves	a,b,g	184.6	(184.6)	-	208.5	(191.6)	16.9	207.9	(191.6)	16.3
Retained profits		704.3	66.7	771.0	879.3	67.6	946.9	978.0	85.8	1,063.8
Total equity attributable to equity holders of the parent		**1,464.3**	**(233.4)**	**1,230.9**	**1,806.4**	**(222.8)**	**1,583.6**	**2,163.8**	**(189.6)**	**1,974.2**
Woolworths Income Notes		583.0	-	583.0	-	-	-	-	-	-
Minority interest		5.2	-	5.2	42.2	(9.4)	32.8	33.3	(7.3)	26.0
Total equity		**2,052.5**	**(233.4)**	**1,819.1**	**1,848.6**	**(232.2)**	**1,616.4**	**2,197.1**	**(196.9)**	**2,000.2**

The reconciliation above should be read in conjuction with the notes as set out on pages 51 to 58.

9 Explanation of transition to AIFRS (continued)

Reconciliation of profit for 2005
($ million)

		For the six months ended 2 January 2005			For the year ended 26 June 2005		
	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS
Revenue from the sale of goods		16,104.7	-	16,104.7	31,352.5	-	31,352.5
Other operating revenue	j	319.4	(251.5)	67.9	600.9	(472.2)	128.7
Total revenue		16,424.1	(251.5)	16,172.6	31,953.4	(472.2)	31,481.2
Cost of sales	l,j	(12,477.2)	251.1	(12,226.1)	(24,150.8)	471.9	(23,678.9)
Gross profit		3,946.9	(0.4)	3,946.5	7,802.6	(0.3)	7,802.3
Other operating income	a,j	18.8	31.4	50.2	365.4	(270.2)	95.2
Share of profit in associated company accounted for using the equity method		2.5	-	2.5	2.5	-	2.5
Branch expenses	a,j,c	(2,557.2)	(2.1)	(2,559.3)	(5,361.5)	331.6	(5,029.9)
Administration expenses		(719.9)	(33.6)	(753.5)	(1,526.0)	(42.0)	(1,568.0)
Operating profit before financing costs		691.1	(4.7)	686.4	1,283.0	19.1	1,302.1
Financial expenses		(66.3)	-	(66.3)	(164.1)	-	(164.1)
Financial income	a	6.3	3.6	9.9	10.4	3.6	14.0
Net financing costs	a	(60.0)	3.6	(56.4)	(153.7)	3.6	(150.1)
Profit before tax		631.1	(1.1)	630.0	1,129.3	22.7	1,152.0
Income tax expense	m	(188.7)	2.6	(186.1)	(337.7)	2.9	(334.8)
Profit after tax		442.4	1.5	443.9	791.6	25.6	817.2
Attributable to:							
Equity holders of the parent		440.9	3.9	444.8	790.5	25.7	816.2
Minority interest		1.5	(2.4)	(0.9)	1.1	(0.1)	1.0
Profit for the period		442.4	1.5	443.9	791.6	25.6	817.2
Basic earnings per share from continuing operations (AUD)		42.49		42.87	75.74		78.24
Diluted earnings per share from continuing operations (AUD)		42.32		42.69	75.35		77.84

The reconciliation above should be read in conjuction with the notes as set out on pages 51 to 58.

9 Explanation of transition to AIFRS (continued)

Financial instruments

Change in accounting policy

In the current financial year the consolidated entity adopted for the first time AASB 132: Financial Instruments: Disclosure and Presentation ("AASB 132") and AASB 139: Financial Instruments: Recognition and Measurement ("AASB 139"). This change in accounting policy resulted from the election made in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (retained earnings and hedging reserve) at 27 June 2005.

The impact on the balance sheet as at 27 June 2005 is set out below. The notes below describe the major components of these impacts. The transitional provisions will not have any effect in future reporting periods.

Application of AASB 132 and AASB 139 prospectively from 27 June 2005

	Note	Closing balance 26 June 2005 Dr/(Cr) $m	Impact of change in accounting policy Dr/(Cr) $m	AIFRS opening balance 27 June 2005 Dr/(Cr) $m
Foreign exchange derivative liability	(1)	-	(0.4)	(0.4)
Hedge asset: Cross currency swaps	(3)	-	34.0	34.0
Deferred tax asset (net)	(4)	294.7	3.3	298.0
Borrowings	(3)	(2,849.5)	(14.6)	(2,864.1)
Hedge liability Interest Rate Swaps	(2)	-	(29.2)	(29.2)
Hedging reserve	(1) (2) (3)	-	6.9	6.9
Retained profits	(1) (2) (3)	(1,061.1)	-	(1,061.1)
Total		**(3,615.9)**	**-**	**(3,615.9)**

(1) Foreign exchange contracts

Under AIFRS, foreign exchange derivatives are required to be recognised at fair value on the balance sheet. Fair value represents the difference between the contracted forward rate and the period end forward rate and represents an unrealised discounted (at applicable current interest rates) gain or loss on the contract at a point in time. At 27 June 2005, the fair value of the forward foreign exchange contracts was an unrealised loss of $0.4 million resulting in the recognition of foreign exchange derivatives liability of $0.4 million and debit to the hedge reserve in equity of $0.4 million.

(2) Interest rate swaps – cash flow hedges

Under AIFRS, the interest rate swaps used to hedge the consolidated entities interest bearing liability exposure are required to be recognised at fair value on the balance sheet. Fair value represents the present value (discounted at applicable current interest rates) at reporting date of the net future interest coupons associated with the swap. At 27 June 2005, the fair value of interest rate swaps totalled $29.2 million resulting in the recognition of a Hedge liability (non current) of $29.2 million with an equal amount debited to the Hedge reserve in equity.

9 Explanation of transition to AIFRS (continued)

(3) Cross currency swaps and foreign denominated debt

The consolidated entity has entered into cross currency swaps related to its USD denominated loans. Under AIFRS the swaps are recognised at fair value on the balance sheet. Fair value of a cross currency swap represents the aggregate of the present value (discounted at applicable current interest rates) at reporting date of the future interest rate coupons under the swap and the difference between the contracted forward exchange rate in the swap and the period end forward exchange rate. At 27 June 2005, these swaps had a fair value of $34.0 million and accordingly a hedge asset (non current) was recognised.

Simultaneously, under AIFRS, the foreign denominated debt has also been restated to period end exchange rates resulting in net increase to the debt of $14.6 million.

The entry recognised is to recognise a hedge asset of $34.0 million increase to interest bearing liabilities $14.6 million and recognise the balance of $19.4 million in a hedge reserve.

(4) Tax effect

The tax effect of the above adjustments was to increase the net deferred tax asset at 27 June 2005 by $3.3 million recognised as $0.5 million to retained earnings and $2.8 million to the hedge reserve.

10 Overall equity reconciliation attributable to members

	01-Jan-06	26-Jun-05	02-Jan-05
	$m	$m	$m
Overall equity reconciliation			
Equity at the beginning of the period	**1,974.2**	**1,230.9**	**1,230.9**
Proceeds from redemption of treasury shares	7.2	20.4	10.9
Issue of shares under option plan	-	104.6	-
Issue of shares under reinvestment plan	287.2	297.9	47.0
Issue of shares	1,349.3	-	96.2
Items recognised directly in equity as disclosed in the statement of recognised income and expense	(43.9)	10.4	14.4
Profit attributable to members of Woolworths Limited	543.1	816.2	444.8
Dividends	(287.2)	(499.8)	(248.9)
Dividends paid to treasury shares	2.3	1.9	-
Consolidation of employee share plan	(0.9)	(1.6)	-
Recognition of fair value of options in remuneration reserve	5.4	10.3	5.3
Effects of changes in accounting policy	(6.9)	-	-
WINS costs	-	(17.0)	(17.0)
Closing equity	**3,829.8**	**1,974.2**	**1,583.6**

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