



WOOLWORTHS LIMITED

ABN 88 000 014 675

ANNUAL REPORT 2007





Sales

12.6% ↑

From continuing operations.

\$42,477m

Total sales for this year compared with last year up 12.6% to \$42,477 million.

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Solid

Earnings

19.7% ↑

Earnings per share (EPS) up 19.7% to 108.8 cents.

Cover photograph: Matthew Bryant at Kellyville Woolworths.
(Photographer: Grant Turner)

EBITDA

20.3% ↑

Earnings before interest, taxation, depreciation and amortisation (EBITDA) up 20.3% to \$2,700.6 million.

Earnings before interest and taxation (EBIT) up 22.6% to \$2,111.3 million.

ROFE

27.1%

Average return on funds employed (ROFE) was 27.1%. Normalising for the timing of acquisitions in 2006, ROFE (average) increased from 24.2% to 27.1%.

EBIT margins improved from 4.56% in 2006 to 4.97% in 2007.

Growth

Final dividend per share

39 cents

Final dividend per share (DPS) 39 cents to bring total DPS for the year to 74 cents, up 25.4% with total dividend paid and proposed for the year amounting to approximately \$893.6 million.

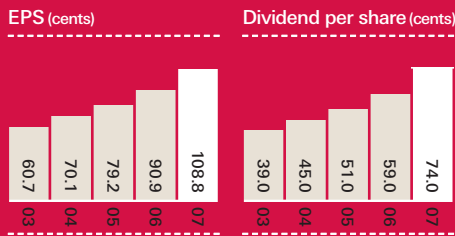
Net operating profit

\$1,294m

Net operating profit after tax up 27.5% to \$1,294.0 million.

Reduction in average inventory days from 32.7 days to 32.5 days, a reduction of 0.2 days.

CHAIRMAN'S REPORT TO THE SHAREHOLDERS



STRONG RESULTS

2007 was another record year for Woolworths Limited, with the company once again delivering strong results across every performance metric. Of particular note is the increase in net profit – up 27.5% to \$1,294 million. This clearly indicates the extent to which the company has strengthened its market leadership position in a highly competitive retail environment.

For shareholders, this result represents a significant increase both in earnings per share (19.7%) and dividend per share (up 25.4% to 74 cents), and we are delighted to continue to offer shareholders such a solid return on their investment.

OUR FOCUS

This financial performance has been many years in the making. It is the cumulative result of considerable hard work and capital investment focused on streamlining our business efficiencies and improving our offering to customers.

By lowering our cost of doing business, we have built a world-class model of efficiency and logistical expertise. When combined with the development of a wide range of complementary and well-executed organic and acquisitive initiatives, the business is positioned to achieve sustainable growth year on year.

MANAGEMENT SUCCESS

Superior management expertise is critical to the delivery of strong financial results and Woolworths has, over many years, developed a dedicated and highly focused senior team. The company is well-respected for its commitment to training and career development and for its culture of promoting from within. The longevity of service of Woolworths employees and their continued efforts to raise the bar are proof points of the success of that approach.

Woolworths Limited also has one of the broadest employee incentive strategies in Australia, through its short term and long term incentive plans. Almost 2,000 managers currently have share options and this opportunity extends to store manager level. Approximately 40,000 employees are currently shareholders in the company.

COMPETITIVE LANDSCAPE

As Woolworths Limited's business interests expand, the retailing environments in which the company operates become more diverse but no less competitive. Australia has one of the most competitive retail markets in the world and, in food particularly, there are healthy growth opportunities for major players and independents alike. Indeed, recent evidence has demonstrated that independent food operators are increasing their market share as they seek to offer customers additional choice and variety.

BOARD APPOINTMENTS

I am delighted to welcome Alison Watkins and Ian Macfarlane to the Board of Woolworths Limited. Their experience, enthusiasm and capabilities will add substantial value to the overall governance procedures for the company. Alison and Ian will both stand for formal election at the forthcoming Annual General Meeting.

BOARD RETIREMENTS

Professor Adrienne Clarke announced her retirement effective 30 September 2007. Adrienne Clarke joined the Woolworths Board in 1994 shortly after the company was listed. She has played a very significant role through this period of rapid growth and financial success. She has made special contributions in areas such as food technology, intellectual property protection and understanding the customer experience. I would like to thank Adrienne for her contribution and on behalf of the Board, management, staff and shareholders wish her every success in the future.

MICHAEL LUSCOMBE

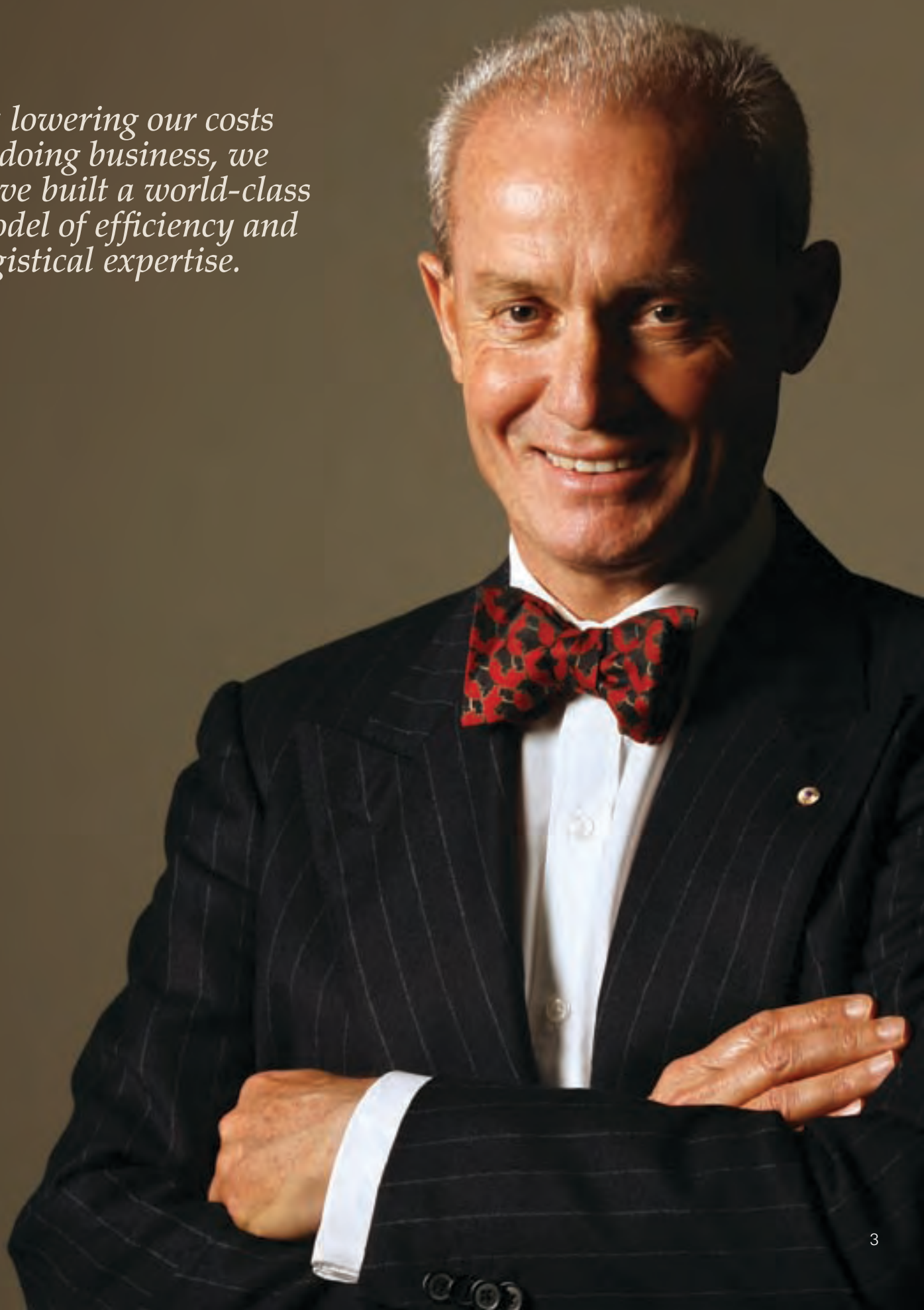
Michael has now concluded his first year as CEO and has risen to the challenge admirably. He has demonstrated exceptional leadership and his sense of integrity and responsibility is acknowledged and respected throughout the organisation.

CONTRIBUTION

On behalf of the Board, I extend my congratulations and thanks not just to CEO Michael Luscombe and his exceptional management team, but also to every member of the 180,000 strong Woolworths family, for their remarkable contribution to this year's result. The company's success is a measure of their passion and dedication and they should be justifiably proud.

JAMES STRONG
CHAIRMAN

*By lowering our costs
of doing business, we
have built a world-class
model of efficiency and
logistical expertise.*



MANAGING DIRECTOR'S REPORT

As a proud Australian company, Woolworths Limited continues to go from strength to strength, delivering improved services to customers, greater returns to shareholders and wider career opportunities to employees.

This year's solid financial performance underlines our culture of continuous improvement. It is also a tribute to the commitment of 180,000 people who serve our customers either directly or indirectly every single day.

A STRONG PERFORMANCE

All divisions of the company have performed strongly this year, particularly our Australian and New Zealand Supermarkets. Substantial reinvestment in lower prices has resulted in market share growth for food and grocery and has also helped maintain food price stability for consumers in the face of numerous climatic and economic pressures.

BIG W is a standout success story with an 11.1% increase in sales. Following extensive redevelopment of the in-store experience, including improved merchandising, ranging and store layouts, the brand is now well positioned in the marketplace and is winning widespread approval from customers.

Consumer Electronics has had a pleasing year despite considerable deflationary pressures and a highly competitive trading environment. Market share is growing in key categories which bodes well for future performance.

Our Petrol business achieved a milestone target of 500 canopies this year and continues to perform well with a 10.2% sales increase. The discount scheme is still very popular with customers and greatly valued during periods of higher prices.

In liquor, BWS and Dan Murphy's both achieved excellent results during the year and continue to demonstrate strong growth potential. ALH recorded a pleasing sales increase in spite of the continued impact of smoking bans. Overall, our hotels in Queensland and New South Wales have managed the transition to a smoke-free environment very successfully.

DELIVERY OF KEY BUSINESS IMPROVEMENTS

Woolworths is continuing to benefit from the successful implementation of our supply chain transformation, with all DCs, including the largest (Brisbane) now fully on-stream. The intellectual property accrued is now being leveraged across other areas of our business including in New Zealand, BIG W and liquor.

We completed the rollout of our new point of sale system across supermarkets and BIG W and this is now expanding to other parts of the business. In addition, the introduction of our own financial switch during the year has added another tier to our transactional services capability and provided us with a valuable platform for future development.

FOCUSING ON OUR CUSTOMERS

During 2007 we invested millions of dollars to help deliver a better shopping experience to customers right across our business. Three separate price rollback programmes in Australian Supermarkets were well received by customers and we have also undertaken significant reinvestment in lower prices in our New Zealand stores.

Maintaining a strong focus on our customers' individual needs is central to our future success and a core component of our growth strategy. Our ongoing investment in quality, service, training, buying and ranging is delivering tangible benefits to customers across all our brands and this will continue. The knowledge we gain from listening to the people who shop with us, will add enormous value to our business as we further tailor our business to meet the requirements of our customers.

GROWTH OPPORTUNITIES

The potential for future growth for Woolworths, both organically and by acquisition is considerable and we will continue to pursue a range of options in order to achieve our growth plans. For our existing businesses, this means improving our offer to customers, particularly in categories where our market share is lower, such as fresh food. The development of our private label strategy is also continuing with the rollout of Select and we are delighted by customers' enthusiasm for the quality, innovation and value.

Our consumer electronics venture in India with the TATA Group is progressing in line with expectations and by the end of the 2007 financial year, five stores under the Croma brand had been opened. In Hong Kong, our direct sourcing office is delivering excellent results in terms of improving the quality of goods purchased and in reducing our buying costs.

We continue to keep abreast of a wide range of acquisition opportunities both in Australia and overseas. However, in the absence of any suitable acquisition activity, we have the option of undertaking capital management in order to maintain balance sheet flexibility.

MOVING AHEAD

Our priorities for the foreseeable future are to continue to retain tight control of our costs and to leverage our successfully implemented supply chain systems across other parts of our business. Ultimately, our business is dependent on our ability to respond to our customers' changing wants and needs and my role is to ensure that this is truly embedded in our culture.

On a personal note, I am greatly indebted to my senior management colleagues and to staff throughout our business for their support and encouragement during my first year as CEO. It is a tremendous honour to lead a company that you've served for almost 30 years and I would like to thank the Board for giving me this unique opportunity.



MICHAEL LUSCOMBE
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

I would like to thank the entire Woolworths Limited team, including our supply partners, our shareholders and our customers, for their valuable contribution to the ongoing success of the company. We look forward to delivering an even better business in 2008.



THE RESULTS IN BRIEF

52 WEEKS ENDED 24 JUNE 2007

	FY07	FY06	Change
	\$m	\$m	%
SALES			
Australian Food and Liquor	27,745	25,458 ^{(1),(2)}	9.0
New Zealand Supermarkets	3,940	2,605 ⁽³⁾	51.2
Petrol	4,837	4,390	10.2
Supermarket division	36,522	32,453	12.5
BIG W	3,465	3,119	11.1
Consumer Electronics – Australia and New Zealand	1,285	1,167	10.1
India	25	–	–
General Merchandise division	4,775	4,286	11.4
Hotels	1,032	850⁽⁴⁾	21.4
Continuing operations	42,329	37,589	12.6
Wholesale division	148	145	2.1
Group sales	42,477	37,734	12.6

EARNINGS BEFORE INTEREST AND TAX (EBIT)

Australian Food and Liquor	1,597.1	1,286.0	24.2
New Zealand Supermarkets	155.1	108.9	42.4
Petrol	82.9	53.1	56.1
Supermarket division	1,835.1	1,448.0	26.7
BIG W	138.6	123.1	12.6
Consumer Electronics – Australia and New Zealand	71.1	64.0	11.1
India	(4.3)	–	–
General Merchandise division	205.4	187.1	9.8
Hotels	183.7	151.1	21.6
Total trading result	2,224.2	1,786.2	24.5
Property	(23.8)	18.3	(230.1)
Central overheads	(91.6)	(84.1)	8.9
Continuing operations	2,108.8	1,720.4	22.6
Wholesale division	2.5	1.8	38.9
Group EBIT	2,111.3	1,722.2	22.6

Notes

(1) Includes sales from 20 Australian Ex-FAL stores from 2 November 2005.

(2) Includes BMG Retail Liquor sales from 1 July 2005 and Taverner Retail Liquor sales from 6 February 2006.

(3) Represents Supermarkets (NZ) operations from 2 November 2005.

(4) Includes BMG Hotel sales from 1 July 2005 and Taverner Hotel sales from 6 February 2006.

	FY07	FY06	Change
	\$m	\$m	%
PROFIT			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	3,906.9	3,314.5	17.9
Property rent – base	(1,081.5)	(925.6)	16.8
Property rent – turnover contingent	(99.6)	(97.7)	1.9
Fitout rent ⁽¹⁾	(25.2)	(46.8)	(46.2)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,700.6	2,244.4	20.3
Depreciation	(589.3)	(522.2)	12.8
Earnings before interest and tax (EBIT)	2,111.3	1,722.2	22.6
Net financing costs ⁽²⁾	(233.6)	(249.7)	(6.4)
Operating income tax expense	(566.4)	(445.8)	27.1
Net operating profit after income tax	1,311.3	1,026.7	27.7
Minority interest	(17.3)	(12.1)	43.0
Total profit after tax and outside equity interests	1,294.0	1,014.6	27.5
Gross profit margin	25.32%	25.03%	0.29%pts
Cost of doing business	20.35%	20.47%	-0.12%pts
EBIT to sales	4.97%	4.56%	0.41%pts

RETURNS

Funds employed (period end)	7,803.2	7,804.8	–
ROFE (average)	27.1%	28.6%	-1.5%pts
Weighted average ordinary shares on issue (million)	1,189.4	1,116.3	6.5%
Ordinary earnings per share (cents)	108.8	90.9	19.7%
Diluted earnings per share (cents)	107.9	90.3	19.5%
Interim dividend per share (cents)	35	28	25.0%
Final dividend per share (cents) ⁽³⁾	39	31	25.8%
Total dividend per share (cents)	74	59	25.4%

Notes

(1) Reduction reflects purchase of fitout during the year.

(2) Interest capitalisation \$3.1m (2006: \$3.4m).

(3) Final dividend payable on 5 October 2007 will be fully franked at 30% (2006: 30%).

AUSTRALIAN SUPERMARKET DIVISION

(INCLUDING LIQUOR AND PETROL)

FOOD AND LIQUOR

For the full year, Australian Supermarket division sales increased 9.2%, of which Food and Liquor sales grew 9.0%, with comparable sales growing 6.6% during the year. Inflation levels declined over the year as we cycled the "banana effect".

For the Australian Supermarkets division, EBIT grew faster than sales, increasing by 25.5% compared with sales growth of 9.2%. Australian Supermarkets EBIT margin increased 67 basis points to 5.16% (2006: 4.49%). This result includes \$40 million of transition costs (2006: \$80 million) associated with moving to the new supply chain arrangements. These costs impact both gross profit margin (via increased freight) and cost of doing business (CODB) (via increased labour and other costs). The Brisbane RDC will continue to incur transition costs in the first half of the 2008 year, albeit at a reduced level.

Woolworths' policy is, and has consistently been, to reduce costs and lower prices. The Rollback campaigns undertaken this year have been a real success with price reductions delivering a strong uplift in sales, while delivering improved value to our customers.

Australian Supermarket Division
sales has increased by

9.2%

Cost savings continued to be vigorously pursued.

The Australian Supermarkets division's CODB declined by 27bps during the year, assisted by the reduction in transition costs and strong comparable sales growth which enabled further fractionalisation of costs.

During the year, 22 new supermarkets were opened. Total trading area in Australian Supermarkets grew by 3.6% which is in excess of the targeted range of 3.0% per annum. The bulk of the stores were opened towards the end of each half year.

When the impact of incremental owned imported inventory is excluded, the reduction in average inventory days for the Australian Supermarkets division was 0.7 days (0.2 days including imported inventory), which is a commendable effort given the

(1)
Includes 20 ex-FAL Australian store results from 2 November 2005, ALH retail, MGW retail and BMG retail for the 52 weeks ended 25 June 2006 and Taverner Retail from 6 February 2006.

Supermarkets

The improvement in Food & Liquor gross margins is attributable to several factors:

- further reductions in shrinkage;
- a reduction in the supply chain transition costs;
- the change in sales mix achieved through the price Rollback campaigns;
- the success of Woolworths Select Private Label;
- the benefit flowing from the reduction of direct store deliveries; and
- improvements in buying, including the benefits gained through the increased level of activity through our overseas buying office.

impact of moving stock from direct store delivery to distribution centre delivery and the one-off impact of some dual stocking with the opening of the Brisbane distribution centre.

StockSmart and AutoStockR systems continue to provide better management of inventory levels with genuine benefits being realised in both inventory levels and an improved in-stock position.

Return on Funds employed increased by 9.8% points, slightly ahead of sales growth.



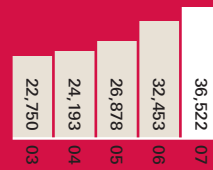
During 2007 22 new supermarkets were opened.



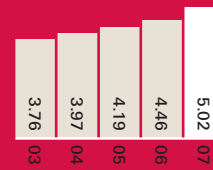
AUSTRALIAN SUPERMARKET DIVISION

Financial summary	FY06 ⁽¹⁾	FY07	Change
Sales (\$ million)	29,848	32,582	9.2%
Gross margin (%)	23.01	23.41	40bps
Cost of doing business (%)	18.52	18.25	-27bps
EBIT to sales (%)	4.49	5.16	67bps
EBIT (\$ million)	1,339.1	1,680.0	25.5%
Funds Employed (\$ million)	2,155.7	2,271.6	5.4%
Return on Funds Employed (%)	66.1	75.9	9.8%pts

Sales (\$m)⁽²⁾

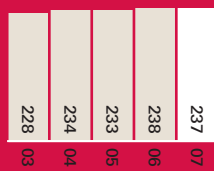


EBIT (%)

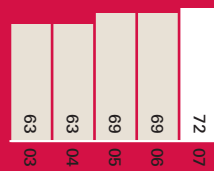


(2) Includes Liquor, Petrol and New Zealand Supermarkets.

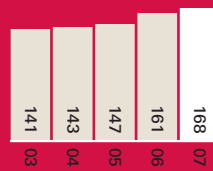
NSW & ACT



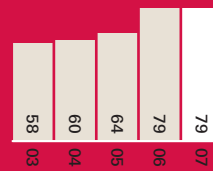
SA & NT



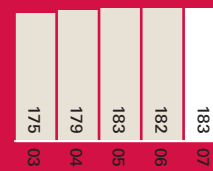
QLD



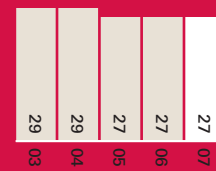
WA



VIC



TAS



LIQUOR

All existing liquor operations, including Dan Murphy, BWS and attached liquor, continue to perform well and recorded strong growth in both sales and profits. Total liquor sales for the year were \$4.1 billion (FY06: \$3.5 billion), reflecting solid comparable sales growth, the contribution from new store openings, and the inclusion of Taverner liquor sales for the full year.

Total liquor sales include sales from Supermarkets attached liquor, BWS, Dan Murphy and ALH bar sales. The strong liquor sales had a modest positive impact on the overall comparable sales for Australian Food and Liquor.

Dan Murphy has further expanded its operations in the year with 16 stores opened (six of which were in Queensland) bringing the total number of Dan Murphy stores to 68. Sites and licences have been obtained to operate a strong national network of 150 Dan Murphy stores around Australia within the next four to five years. Dan Murphy provides customers with excellent value for money, extensive product ranging, personalised service and expertise.

At the end of the year Woolworths Limited operated 1,027 liquor outlets.

At the end of
the year Woolworths
Limited operated
1,027 liquor outlets.



Liquor



Total liquor sales for the year were

\$4.1billion





PETROL

For the full year, petrol sales were \$4.8 billion, an increase of 10.2%, which was driven by solid increases in comparable volumes and continued rollout of new canopies. Average sell prices were lower than the previous year in the last three quarters of the year. During the year, petrol comparable sales increased by 5.0% and comparable volumes increased 4.8% (2006: 1.3%).

As at the end of the financial year, Woolworths had 505 petrol stations including 134 Woolworths/Caltex alliance sites. Excluding the alliance sites, an additional 11 petrol canopies were opened during the year.

Petrol sales increased by

10.2%

Petrol

Petrol EBIT of \$82.9 million reflects solid volume growth through new and existing canopies and a return to longterm retail margins following a very tight market the previous year. EBIT margins have improved from 1.2% to 1.7%.

Whilst loyalty discounts remain popular, it is worth noting that almost 40% of fuel sold at Woolworths' canopies doesn't have fuel docketts, demonstrating the strong competitive price stance at the pump.



NEW ZEALAND SUPERMARKETS

PROGRESSIVE



For the full year, sales in New Zealand were

\$3.9billion

The planned repositioning of the Progressive Supermarkets business in New Zealand is partially complete and is on track to achieve its objectives. In particular:

- Home Brand was introduced in the first half of the year and has been well received by customers. Just prior to year end, the Select private label offering was introduced into the New Zealand market.
- The offering to our customers continues to improve through a focus on Fresh, and through improvements in store merchandising, quality, in-store service and execution.
- Buying terms have been improved. Significant investment in prices has been made to improve our competitiveness, and deliver lower prices and better value to the New Zealand consumer.
- The systems integration has progressed well. The conversion of all major store and support office systems to Woolworths' platforms by the end of the three years (since acquisition) is proceeding as planned. This includes merchandising, point of sale, replenishment (StockSmart and AutoStockR), finance and logistics platforms.

NZ

Financial summary	FY06 ⁽¹⁾ AUD	FY07 AUD	FY06 ⁽¹⁾ NZD	FY07 NZD	NZ (incl franchises)
Sales (\$ million)	2,605	3,940	2,930	4,527	
Gross Margin (%)	22.01	21.77	22.01	21.77	
Cost of Doing Business (%)	17.50	17.54	17.50	17.54	
EBIT to sales (%) ⁽²⁾	4.51	4.23	4.51	4.23	
Trading EBIT (\$ million)	117.4	166.5	132.0	191.3	
Less intercompany charges (\$ million)	(8.5)	(11.4)	(9.5)	(13.1)	
Reported EBIT (\$ million)	108.9	155.1	122.5	178.2	
Funds Employed (\$ million)	2,115.2	2,263.5	2,532.1	2,510.7	



(1)
Represents
New Zealand
store results from
2 November 2005.

(2)
Excludes
intercompany
charges.

- The property team has been boosted with additional resources, with improvements in the trading area expected in 2008, through expansions and refurbishments.

These and other initiatives will ensure that we are well placed to strengthen and grow this business.

For the full year, sales in New Zealand were \$3.9 billion and reported EBIT was \$155.1 million. It was pleasing to see a return to normal operating levels, following the industrial action that occurred in the first quarter.

The second half trading performance provides a clearer picture of the positive results being achieved, as it excludes the impacts of the industrial action and the change in ownership.

In the second half, there was a 4.8% increase in sales and a 12.6% increase in reported EBIT.

MANAGING DIRECTOR'S REPORT

GENERAL MERCHANDISE

BIG W

Over the last 18 months, the BIG W team has been focused on repositioning and improving the offer to customers. EBIT grew faster than sales, increasing by 12.6% compared with sales growth of 11.1%, with a pleasing second half result, supported by strong comparable sales (Year 3.4%, second half 7.3%).

EBIT increased by

12.6%

The results reflect the endorsement by customers of the merchandise departments that have been refreshed. This has been achieved through a number of initiatives including re-ranging, adjusting merchandising layouts, improving the in-store experience and better buying, whilst maintaining BIG W's Every Day Low Price strategy. Whilst good progress has been made, BIG W will accelerate refurbishments in the 2008 financial year to provide greater opportunities for the revised merchandising programme to extend across more of our stores.

BIG W

Gross margins reduced by 15bps as BIG W maintained its everyday low price position in the market. The result was evenly balanced across all categories.

CODB has decreased 20bps, reflecting strong cost control at the store level and the benefits of cost fractionalisation achieved through improved sales.

Average inventory levels were well managed being down 3.9 days on last year.

Thirteen BIG W stores were opened in the year (1H07: seven stores, 2H07: six stores), taking the total number of stores in the division to 142. This increase in new store openings primarily drove the increase in funds employed.

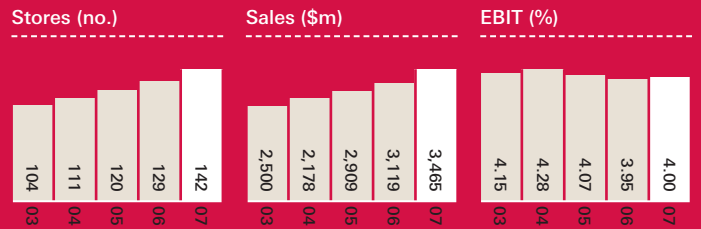


With the opening of 13 new BIG W stores, the total number of stores has increased to 142.



Financial summary	FY06	FY07	Change
Sales (\$ million)	3,119	3,465	11.1%
Gross margin (%)	29.95	29.80	-15bps
Cost of Doing Business (%)	26.00	25.80	-20bps
EBIT to sales (%)	3.95	4.00	5bps
EBIT (\$ million)	123.1	138.6	12.6%
Funds Employed (\$ million)	440.2	471.1	7.0%
Return on Funds Employed (%)	30.9	30.4	-0.5%pts

BIG W



CONSUMER ELECTRONICS

(AUSTRALIA AND NEW ZEALAND)

Consumer Electronics reported a solid result all round with the division reporting double digit growth in both revenue and earnings. Sales for the full year reached \$1,285 million (10.1% increase on last year) with comparable store sales increasing by 6.4%. After normalising for the effect of exchange rate movements in the New Zealand dollar, sales have increased 11.0%, with comparable sales being 7.2%.

10.1%

Increase on last year's sales.

The Consumer Electronics market continues to experience significant price deflation in a very competitive sector. Strong unit sales growth and market share growth have been achieved in a number of key categories, including flat panel TVs, portable PCs and DVD recorders.

The Consumer Electronics business provides customers with the latest technology at great prices, quality brands and expert service and advice.

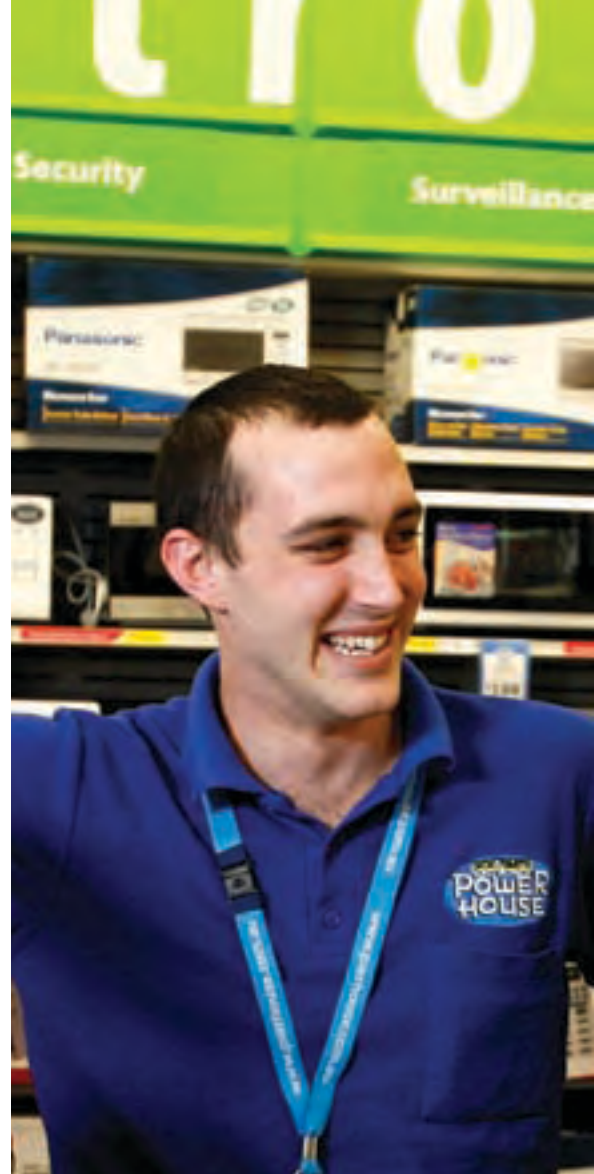
During the year, customers benefited from lower prices reflected by a reduction in gross margin by 118bps. The investment in lower prices was made possible by continued and significant reductions in the cost of doing business.

Consumer Electronics

During the year, 40 new Dick Smith Electronics, Powerhouse and Tandy stores were opened, with 13 of those being opened in the fourth quarter, taking total stores to 400. This store network of highly convenient locations is well placed to take full advantage of the continuing strong demand for consumer electronics.

Average inventory days were down 1.0 day, which is pleasing given the significant number of new store openings during the year.

Funds employed have increased reflecting the growth in store numbers.

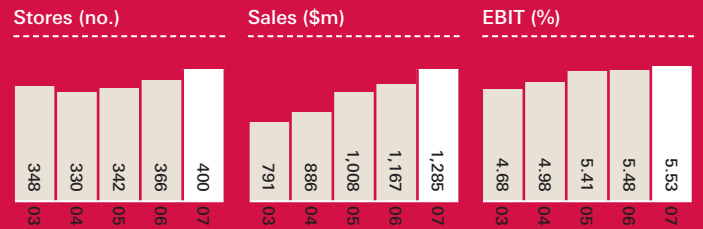




The consumer electronics business provides customers with the latest technology at great prices, quality brands and expert service and advice.

Financial summary	FY06	FY07	Change
Sales (\$ million)	1,167	1,285	10.1%
Gross margin (%)	29.39	28.21	-118bps
Cost of Doing Business (%)	23.91	22.68	-123bps
EBIT to sales (%)	5.48	5.53	5bps
EBIT (\$ million)	64.0	71.1	11.1%
Funds Employed (\$ million)	296.8	311.9	5.1%
Return on Funds Employed (%)	24.0	23.4	-0.6%pts

CONSUMER ELECTRONICS



INDIA

The business venture with TATA is still in its infancy, with 5 retail stores operating under the "Croma" brand. The stores are located in Mumbai and Ahmedabad. As part of this venture, Woolworths Limited provides buying, wholesale, supply chain and general consulting services to TATA. The wholesale operations are meeting our expectations, and recorded sales of \$25 million during the year and made an operating loss of \$4.3 million, reflecting the initial start-up costs.

MANAGING DIRECTOR'S REPORT

HOTELS

Hotel sales of \$1.0 billion represented an increase of 21.4% and reflected good growth in the existing business and the inclusion of Taverner Hotel sales from 6 February 2006.

21.4%

Increase in Sales

Overall comparable sales increased by 3.2% in the year, which is a pleasing result given the continued influence of smoking bans in Queensland and New South Wales. Gaming comparable sales for the full year were flat, offset by strong food sales.

The building program incorporating smoking solutions is nearing completion and places the Hotel business in a good position to manage the move to smoke free hotels. The impact of smoking bans in July was less than anticipated. The business remains cautious on growth during the introduction of further bans in New South Wales and Victoria effective at the commencement of the 2008 year.

Hotels

Financial summary	FY06 ⁽¹⁾	FY07	Change
Sales (\$ million)	850	1,032	21.4%
Gross margin (%)	82.56	82.45	-11bps
Cost of doing business (%)	64.78	64.66	-12bps
EBIT to sales (%)	17.78	17.79	1bp
EBIT (\$ million)	151.1	183.7	21.6%

Gross margins have decreased by 11 bps. This reduction represents the changing mix of business as gaming revenue growth has been impacted by smoking bans offset somewhat by better buying terms.

CODB has decreased by 12 bps reflecting good cost control despite the inclusion of Taverner which has a relatively higher cost structure as the entire Taverner portfolio are leased venues.

At the end of the year the portfolio contained 263 premium hotels and a total of 1,330 accommodation rooms.

At the end of the year the portfolio contained 263 premium hotels and a total of 1,330 accommodation rooms.

(1) Represents ALH/MGW/BMG Hotel results for 12 months and Taverner Hotel results from 6 February 2006.



Focus

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Refresh

Project Refresh commenced eight years ago and continues to deliver ongoing efficiency benefits to the organisation. Over this period the project has generated savings of around 4.71% of sales and, measured in dollar terms, has achieved cumulative savings in the order of \$7.3 billion.

A major part of the project has been end-to-end supermarket supply chain improvements and this continues to be a significant focus. The intellectual property we have developed in our supply chain teams, IT systems and DCs is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, Liquor and BIG W.

The principal systems that have driven the transformation of our supply chain are: StockSmart (DC forecast based replenishment), AutoStockR (store forecast based replenishment), Warehouse Management Systems and Transport Management Systems. These systems have clearly improved productivity enabling higher levels of “in stock” performance.

Supermarket DCs are being reduced from 31 DCs to nine Regional Distribution Centres (RDCs) and two National Distribution Centres (NDCs). seven RDCs and both NDCs are complete with work underway on the remaining two RDCs. Works are also underway for the construction of our Melbourne and Sydney Liquor DCs, which we expect to be completed in 2008. In Victoria the chilled and frozen supply chain is under contract with an external provider and future arrangements are currently being reviewed.

The cost of inbound freight is being reduced by Woolworths’ management of inbound freight volumes into DCs by utilising our Transport Management System (TMS). Woolworths transport for inbound freight has been very effective, outperforming industry benchmarks

The cost of inbound freight is being reduced by Woolworths’ management of inbound freight volumes into DCs by utilising our transport management system.



Project Refresh has achieved cumulative savings (over the past 8 years) in the order of

\$7.3billion

STRATEGY AND GROWTH

Woolworths' vision is to continue to drive the retail business, bringing to customers greater convenience, quality, lower prices and better value, range, freshness and service.

The Board and Management of the Woolworths Group are committed to its consistent and clear strategies that have driven growth to date and will continue to do so. The strategy is clear and the experienced retail team has the skills and commitment to drive continued success.

Numerous opportunities exist to drive future growth by continuing to reinvest in the business. We have significant scope to augment our existing business plans to drive growth, both organically and through the continual evaluation of acquisition opportunities.

Our longterm cost advantages obtained under Project Refresh will be maintained and increased. The focus remains on continually improving the customer offer rewarding customers with lower prices, better value, quality, range, freshness, service and convenience.

The foundations for sustainable profitable growth will continue to be established.

Maximising the benefits of our new technology and supply chain, and achieving the synergies from our recent acquisitions remains a key focus.

Woolworths' longterm objective is for EPS growth to outperform EBIT growth. However, when Woolworths undertakes major acquisitions which result in the need to defer normal capital management initiatives, EPS growth in such periods will not outperform EBIT growth.

PLATFORM FOR FUTURE GROWTH

Maximising the benefits from our new technology and supply chain, and achieving the synergies from our recent acquisitions remains a key focus. In addition we are accelerating the reinvestment in our business and continue to enhance the focus on the customer with additional initiatives.

Leveraging our core capabilities and scale are clear drivers of growth.

PROJECT REFRESH – LOWER COSTS A KEY ENABLER

Stage 1: underpinned cost savings to date, pre-requisite for stage 2.

Stage 2: our new logistics system and distribution centres provide us with a significant strategic and competitive advantage, which will underpin our ability to reduce costs over the next five years (target minimum 20 bps per annum), benefiting both customers and shareholders. We will leverage this technology and knowledge into other areas of our business such as BIG W, Liquor and Progressive in NZ and assist in achieving planned synergies from recent acquisitions.



Strategy and

PERFORMANCE TARGETS

Longterm targets remain unchanged. Woolworths targets four key areas of performance measurement for its business in the long term, namely:

- sales will grow in the upper single digits assisted by bolt-on acquisitions;
- EBIT growth outperforming sales growth assisted by cost savings;
- EPS growth outperforming EBIT growth assisted by capital management; and
- maintenance of targeted credit ratings.

ACQUISITIONS – BOLT-ONS HAVE AND WILL CONTINUE TO ASSIST IN DRIVING GROWTH

Recent acquisitions were Progressive NZ and 20 ex-FAL stores, MGW, ALH, BMG & Taverner which all add scale and quality to Woolworths' current business portfolio. Progressive in New Zealand provides a new market with many opportunities and Hotels provide us with a new growth segment.



Growth



CONTINUING OPPORTUNITY TO GROW MARKET SHARE

The Australian Food, Liquor and Grocery (FLG) market continues to be highly competitive by world standards. Woolworths' market share of FLG remains below 30%.

Independent grocers and speciality food stores hold just under 50%.

DEFINED PLANS TO CONTINUE SPACE ROLLOUT

In the coming year reinvestment in the store will accelerate, both through the level of new store openings and level of refurbishment activity. New concept format stores have been trialled with great success in Supermarkets and BIG W, and the roll-out across the store network has commenced. These formats have been endorsed by our customers.

It is anticipated that between 15–25 new supermarkets will be added each year and together with expanding existing stores will grow supermarket trading area by more than 3% per annum.

Dan Murphy's intends to open more than 20 stores in 2008, targeting 150 stores in four to five years.

Petrol sites will grow supporting the supermarket rollout strategy.

BIG W intends to add six to ten BIG W stores each year (6% to 8% space rollout per annum), targeting around 200 plus stores.

Consumer Electronics plans to open more than 20 stores per annum in Australia and New Zealand over the next 2–3 years.

In New Zealand the property team has been expanded and are actively finding new sites and developing plans to expand current supermarket sites.

Hotels will be acquired selectively as opportunities arise.

Space roll-out is supported by detailed plans for the next 3–5 years identifying specific sites. Minimal cannibalisation is expected.

LEVERAGE SCALE AND STORE DISTRIBUTION

Woolworths has considerable experience and has been successful in introducing new categories and formats such as Liquor, Petrol, Electronics, Hotels, and expanding existing categories e.g. fresh food, optical, digital photo, mobile phones and ATMs. Woolworths considers that there are further opportunities to branch into new formats, new services and new categories, whilst continuing to expand the existing business.

INCREASED EMPHASIS ON PRIVATE BRANDED GOODS

Woolworths branded products continue to receive strong customer support. Woolworths continued throughout the year to introduce new Woolworths Select products. Customers have shown that they appreciate the exceptional quality and innovation that Select delivers and they enjoy saving money at the same time. Select has achieved sales results in excess of what was originally forecast.

Homebrand had sales growth for the year in excess of the grocery market and continues to be Australia's largest selling grocery brand. The Homebrand range image is to be improved with a new packaging design that will commence rolling into stores over the coming months.

Woolworths' two tiered private label offer is being recognised by customers as two entirely separate brands that offer exceptional value at differing price points. This support has encouraged us to continue the development of the Select brand into new categories. Woolworths will continue to support, develop and grow national brands.

CONTINUED FOCUS ON IMPROVED IN-STORE EXECUTION AND SERVICE

Woolworths will continue to focus on improving in-store execution, ranging, stock availability and customer service. In particular, initiatives will be undertaken to enhance the understanding of customers.

GROW NEW INTERNATIONAL INITIATIVES

India

Woolworths has commenced store rollout of a consumer electronic business in India in partnership with the TATA group. Woolworths will provide sourcing, wholesaling and some management support. The TATA Group will own and manage the retail operations.

Hong Kong (and India) buying offices

During the year Woolworths established a buying office in Hong Kong to directly source products from suppliers for distribution in Australia. There are approximately 50 people in the Hong Kong office with plans to grow this office steadily over the next two years.

LEVERAGE WOOLWORTHS' CORE CAPABILITIES

Woolworths has developed expertise in key areas that will be useful to support future growth. These include:

- retail management expertise – high volume, low margin
- world class IT/supply chain
- low cost culture
- acquisitions and integration skills
- key business relationships: Caltex, BMG, TATA

Homebrand had sales growth for the year in excess of the grocery market and continues to be Australia's largest selling grocery brand.



CAPITAL MANAGEMENT

Woolworths currently sets its capital structure with the objectives of minimising its weighted average cost of capital whilst retaining flexibility to pursue growth and capital management opportunities.

Consistent with these objectives, Woolworths has targeted, achieved and maintained its credit ratings of A- from Standard and Poors and A3 from Moody's Investor Services.

CAPITAL RETURNS

To the extent consistent with these objectives and target ratings, Woolworths undertakes capital return strategies that seek to increase EPS and distribute franking credits to shareholders, mainly through ordinary dividends and share buy-backs. Over the past 8 years, over \$5,400 million, comprising off and on-market buy-backs and dividends, has been returned to shareholders (including the final dividend for the financial year ending 24 June 2007).

Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities.

DIVIDEND UNDERWRITING

To assist in strengthening the balance sheet and to maintain current credit ratings during a period of major acquisitions, integration and business change, Woolworths entered into an underwriting agreement in connection with the WOW DRP which ensured that an amount equal to 100% of all interim and final dividends payable in the calendar years 2005 and 2006 was subscribed for Woolworths shares.

The final dividend paid in October 2006 was the last dividend in respect of which the underwriting agreement was applied. The underwriting agreement was not applied to the interim dividend paid on 27 April 2007 and nor will it be applied to the final 2007 dividend.

Capital Manage

In the absence of any further major acquisitions, Woolworths will consider undertaking some form of capital management in the 2008 calendar year. Franking credits available for distribution after 24 June 2007 are estimated to be \$757 million (following payment of the final dividend).

SALE OF DISTRIBUTION CENTRES

Proceeds from the sale of the distribution centres received in July 2006 (\$547 million) and February 2007 (\$180 million) were used to repay existing short term bank debt. The total expected proceeds are \$846 million, with the remaining balance of \$119 million comprising \$94 million (Perth and Townsville) expected to be received in 2008 financial year and \$25 million for Yennora, to be received if Woolworths exercises its option.

Woolworths capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities.

BALANCE SHEET AND CASH FLOW

The balance sheet and cash flow position remain strong. Cash generated by operating activities was \$2.3 billion up 34.6% on the prior year reflecting strong earnings growth and benefits from working capital.

The net investment in inventory improved by a further \$76 million. The year end inventory balance increased by 18.3% compared to a sales increase of 12.6% and reflects the impact of:

- the strategic decision made not to drive down inventory levels at period end, so that sales were not negatively impacted by inventory shortages;
- the increase in owned imported inventory; and
- the one-off impact of some dual stocking with the opening of the Brisbane distribution centre.

Trade creditors and other creditors have increased due to the increase in inventory and general business growth.

Receivables have decreased reflecting the monies received from the sale of the distribution centres.

As a result of the above, negative working capital has increased \$959.7 million to \$2,086.4 million.

Fixed assets and investments increased from \$4,172.1 million to \$4,886.1 million, reflecting the increase in property plant and equipment (due to capital expenditure acquisitions offset by depreciation) and the purchase of a 10% stake in the Warehouse Group Limited (\$165.5 million market value).

CENTRAL OVERHEADS, PROPERTY INCOME/ EXPENSE AND TAX EXPENSE

For the full year, central overheads have increased by \$7.5 million, reflecting the costs associated with the drought relief donation and transaction costs expensed during the period.

The movement in property income reflected reduced internal income from the Supermarket division, due to the sale of the distribution centres and other property divestments.

The property expense reflected the costs associated with the management and development of our property portfolio.

Tax expense is 30.2% of profit before tax and is consistent with the prior year of 30.3%.

We believe we are very well positioned for future growth.

ment



Intangibles increased by 5.1% from \$4,759.4 million to \$5,003.5 million, which was largely attributable to the increase in New Zealand intangibles, due to foreign exchange movements which are recorded in the foreign currency translation reserve. Other additions reflect the purchase of individual hotels, stores and liquor licences.

Net repayable debt has decreased by \$1,356.7 million (by 35.7%) to \$2,442.8 million reflecting the proceeds from the sale of the distribution centres and the strong operating cash flows during the period.

Normalising for the timing of acquisitions in 2006, ROFE (average) increased from 24.2% to 27.1%.

CURRENT TRADING AND FUTURE OUTLOOK

We believe we are very well positioned for future growth.

Subject to the qualification below, we expect overall group sales to grow in the range of 7% to 10%. We also expect that EBIT will continue to grow faster than sales in FY08. Net profit after tax for FY08 is expected to grow in the range of 19% to 23%.

The 2008 financial year is a 53 week trading year and these statements are on a 53 week basis.

Whilst we are pleased with the momentum in the business we are mindful that discretionary spending continues to be influenced by macro-economic factors such as fluctuating petrol prices, interest rate rises and the flow on impacts of the subprime debt markets in the United States



Our People



Passion



Leadership





Flexibility



Recognition

ople

Our people are passionate about our business and as a company we are passionate about our people. The key to our ability to attract and retain the right employees is in the way our Managers and Leaders nurture an environment that ensures everyone is able to contribute and feel connected to the business and its success.



Development Opportunities



OUR PEOPLE OUR PASSION

One of the keys to our success is ensuring that we are able to continue to attract, retain, develop and grow the right people with the right leadership skills for our current and future success.

Key to our ability to attract and retain the right employees is in the way our Managers and Leaders nurture an environment that ensures everyone is able to contribute and feel connected to the business and its success. It is about leadership. It is about culture. And it is something all our Managers contribute to.

Throughout the year we surveyed close to 40,000 employees to understand the levels of engagement we have in the business. We developed and implemented flexible working principles for our employees which included the delivery of a career break policy and the extension of job share roles including Store Management and Executive roles.

We continued to encourage cross-divisional and cross-functional moves and develop our future leaders through CEO Network Sessions, the Personal Leadership Program, Graduate courses

Michelle Tovey and Georgia DeBoes

Job Share Store Managers – Supermarkets

Flexibility means a better balance for me, my family and the business.

Michelle

The job share arrangement means the world to me. Georgia and I work part-time and overlap on Wednesdays. We have both recently returned from parental leave and have been job sharing for 12 months. I have been a Store Manager for 10 years – I love the job I do. It means I can still have the challenge of work, and the joy of being at home with the kids.

Georgia

The job share really suits my lifestyle. It means I can still do the job I'm trained for and spend time with my family. I love the role of Store Manager – this is my home. We've both got the experience for the role – so why waste it?

Andrew Page

Store Manager – BIG W Mittagong

Passion is what drives me to achieve and deliver.

I'm passionate about my customers and I'm passionate about my people. When you take on a new store, especially a flagship store like this one, you're taking on new people and developing them. As a Store Manager I think it's important to lead by example, and teach my people the BIG W Way.

My number one priority is making sure my customers get what they came in for. Once your store has been open for a little while, the needs of the local community become evident. It's our responsibility to make sure those needs are met. We're all customers at some point or another.



and qualifications and fostering mentoring relationships. Our hands-on Human Resources team continue to provide the tools and support that ensure our Managers and Leaders encourage diversity and innovation and support our employees to reach their potential through coaching and providing development opportunities.

Our people are passionate about our business and as a company we are passionate about our people.

What

Mark Leahy

NSW Area Supervisor – BWS

Recognition inspires a sense of achievement and nurturing in our employees.

The Personal Leadership Program had a wonderful impact on me both professionally and personally. I have become a more proactive manager of my area, my team and my time and I believe I have become a stronger leader. On a personal level, it has enabled me to become a better communicator with family and friends, and become more centred.

Recently winning the Paul Simons Award has been a wonderful thrill for me. The award has opened up a great deal of opportunities, giving me exposure to other aspects of the business, both within BWS and other divisions. The support and sense of achievement the whole BWS division felt through the award was fantastic to be a part of, and to contribute to that is a great feeling.

Annette Karantoni

Business Manager – Marketing

Development Opportunities inspire innovation and come in all shapes and sizes.

Our business has a very strong culture which nurtures and develops people, so there are always people more senior, who are prepared to spend time and guide you on your way. Our Academy provides great courses to build knowledge and skills in all areas of business development. For me, this has allowed me to utilise my theoretical knowledge to branch out from a buying role in the Fresh Food team, to run the Supermarket Advertising team.

As a Manager, the most important role I can play is to be a coach and a leader to my team – to make sure they are well supported to excel at what they do and use the great resources we have to develop them at every opportunity. Through cross-training within our team, cross-divisional opportunities, development and training resources and exposure to so many components of retailing from buying, supply chain and advertising – there are opportunities everywhere.

Orlando Rodriguez

Brisbane Regional Distribution Centre Manager

Leadership is key in supporting employees to reach their potential.

The Brisbane RDC is the company's largest distribution centre, and too large to manage the operation directly. Our Team Leaders need to be able to lead and manage people, so that the best results are achieved through our people.

It's important that our team members have the right attitude, capability to learn and a focus on team work. Recently opened, this DC has become home to staff from neighbouring DC's and incorporates some cutting edge technology. The DCs' greatest challenge at the moment is preparing and developing our people to learn and adapt to the new technology, machinery, management team, management approach, work location and different roles and expectations.



they say

DOING THE RIGHT THING

OBJECTIVES

Woolworths is committed to maximising the social, economic and environmental benefits of our business. For more detailed information on our corporate responsibility programmes, please refer to www.woolworthslimited.com.au. Here are some of the highlights from 2007.

MARKETPLACE – MAXIMISING OUR ECONOMIC CONTRIBUTION

2007 SNAPSHOT

Returns to shareholders	\$893.6 million ⁽¹⁾
Gross increase in stores	152
Employee benefits expense	\$4.96 billion
Average customer transactions per week	20 million
No. of employee shareholders	over 40,000
Total capital investment Australia	\$1.01 billion
Total capital investment New Zealand	\$57 million

Domestic sourcing

In terms of food supply, Woolworths continues to actively support domestic growers, farmers and manufacturers. 97% of fresh fruit and vegetables are sourced domestically and we continue to work with local growers to develop new crops, farming techniques and product innovations that further increase Australia's ability to compete in a global market. In Private Label we offer preferential trading terms to local vendors and will always try to source domestically wherever possible.

Doing the right thing in the:

Marketplace



Lower prices

During 2007 Woolworths invested hundreds of millions of dollars in lower prices for customers. In spite of fluctuating prices across many product categories, we remain absolutely committed to offering customers the best possible value and we compete vigorously in order to achieve this.

⁽¹⁾ 2007 financial year interim and final dividends.

Global sourcing

As our direct buying office in Hong Kong increases in size and capacity, so too does our ability to audit and monitor levels of factory compliance and product quality. Thorough factory audits are conducted independently and randomly by Woolworths personnel and cover a wide range of social performance indicators including environmental standards, employee conditions, freedom of association and sanitation.

Compliance and regulatory adherence

The Company works closely with all relevant regulatory authorities to ensure that our business practices are fair, transparent and equitable. Over the last year we have willingly participated in a number of Government enquiries and initiatives. Retailing, particularly food retailing, is a highly regulated industry and we are committed to upholding the highest possible standards of compliance.

Customer research

Across the Group, Woolworths invest millions of dollars each year listening to our customers opinions about our brands, our stores our service and our products. Our customers continue to express high levels of customer preference and a high level of preference for shopping at our brands over competitors:

- Preferred Supermarket – Woolworths No. 1
- Preferred Discount Department Store – BIG W No. 1
- Preferred Liquor Store – WW Freestanding Liquor stores No. 1
- Preferred Consumer Electronics Store – Dick Smith Electronic Group No. 2

Impact of drought

The impact of Australia's drought and other climate related occurrences have been and continue to be severe. Over the past year we have seen shortages of leafy vegetables due to floods, bananas due to Cyclone Larry and rising prices on a wide range of other products due to drought and water shortages. In terms of rising prices, Woolworths always tries to absorb as much as possible but continuing adverse climactic conditions are putting more and more pressure on products, particularly those that are grain or dairy-based. We continue to work closely with vendors to address individual supply issues and to invest in our prices to help ease the burden of any increase to consumers.

Woolworths took the initiative to assist farmers by organising the Drought Relief Action Day on 23 January 2007. Refer to page 36 for more information.

The Company works closely with all relevant regulatory authorities to ensure that our business practices are fair, transparent and equitable.



New stores

During 2007 we had a gross increase of 152 stores. The capital expenditure on new stores was \$222 million. The investment in new and improved stores frequently provides a significant economic boost to the communities they serve, thanks to the creation of new jobs, the improvement of facilities and increased levels of service.

Fresh market updates

With fluctuating supply and demand issues, the fruit and vegetable industry is difficult to predict, especially for customers who are often confused by changing prices, quality and seasonal choice. In an effort to explain how to make the most of seasonal produce, how to get the best value and why certain products are either abundant or in short supply, Woolworths is televising a weekly Fresh Market Update. Hosted by a roster of expert produce buyers, the Update tells shoppers what's fresh, what's new and what's readily available at any fruit and vegetable retailer. It's another Fresh idea from the Fresh Food People.



ENVIRONMENT – TAKING PROACTIVE AND PRACTICAL STEPS TOWARDS CHANGE

2007* SNAPSHOT

Total Green House Gas emissions	4.7 million tonnes
Total cardboard recycled	147,189 tonnes
Total plastic recycled	6,055 tonnes
No. of green enviro bags sold	over 4 million
No. of eco ambassadors trained	170
No. of green stores in development	5

*Figures are for the 2006 calendar year.

Green store developments

As part of our commitment to the environment, Woolworths is opening brand new "Green" supermarkets, which will incorporate equipment to reduce energy usage, water usage and waste generation and minimise the use of materials that can cause environmental harm. Five stores are currently in development and our first Green supermarket, at Rouse Hill in Sydney, is due to open in September 2007.

Green waste recycling

In November 2006, Woolworths launched a green waste collection service which collects food waste from 53 Woolworths' supermarkets in the Sydney area. Food waste is taken to a biodigester plant in Camelia where it is converted into green energy, which is then sold on the national electricity grid. Woolworths is the first retailer in Australia to undertake such a program and continues to look at further initiatives to broaden the program.

Transport

Woolworths is continuing to look at ways of mitigating the environmental impact related to our transport activities. In 2007 a number of initiatives were launched or continued to operate across the transport area.

The implementation of better planning techniques and backfilling has reduced the number of trucks travelling around the country on behalf of Woolworths. The result has been a net reduction in the number of kilometres travelled by the Woolworths fleet.

We continually examine and review our logistics planning to minimise the number of kilometres travelled and hence the amount of fuel we use.

Doing the right thing in the:

Environment

Climate change

With approximately 3,000 stores and support sites, Woolworths Limited is a significant consumer of energy. The majority of our energy usage is directly related to the inherent realities of food retailing – refrigeration, lighting and temperature control. Woolworths is embarking on a number of initiatives that will result in an overall reduction of our carbon footprint but without compromising food safety standards. These include trials of new technologies for lighting, co-generation and temperature control.

Eco ambassadors

As part of a commitment made at the 2006 AGM, Woolworths has commenced a large scale employee education programme to help change environmental behaviour in the workplace and at home. As it travels around the country, the Eco Ambassador workshop programme is building a store-based community of environmental advocates. The hand picked individuals will be helping to further Woolworths' environmental sustainability strategies by being key point of contact for colleagues and customers.

SOCIETY – MAKING A POSITIVE IMPACT ON THE WELLBEING OF CUSTOMERS AND COMMUNITIES

2007 SNAPSHOT

No. of stores participating in Australia Day Ambassador Programme	272
No. of stores participating in Harmony Day	266
No. of Australian farming families receiving drought relief grants	approx 3,500
Amount raised for children's hospitals	\$4.1 million
Amount raised for charity from matched giving scheme	\$145,000
Amount donated locally by Woolworths supermarkets managers	\$3.8 million
Total approximate value of Woolworths' contribution direct, indirect and in-kind	\$18 million
PEL "Breakfast in Schools" programme wins Robin Hood Award for corporate community partnerships	

National Drought Action Day

On 23 January 2007, Woolworths Supermarkets donated all profits for the day to help support Australian farming families affected by drought. The response from customers and staff was overwhelming and we exceeded our predicted donation by more than 50%. In total, \$4.7 million was given to the Country Women's Association, two thirds of which was given out as grants to families needing assistance with basic household expenses. The remaining third (approximately \$1.56 million) will help to fund sustainable farming programmes through Landcare.

Agricultural Scholarships

2007 was the inaugural year of the Woolworths Agricultural Scholarship programme. Run in conjunction with the Royal Agricultural Society of NSW and the University of Western Sydney, 23 young people either working or studying within the fields of agriculture or horticulture, were flown to Sydney for a two week residential course. The course combined academic lectures on economics, international business and marketing, with practical insight into the world of food retailing, logistics and consumer behaviour.

Doing the right thing in:

Society



Fresh Futures in New Zealand

With the Fresh Future children's hospital appeal going from strength to strength in Australia, our New Zealand supermarkets decided to adopt a similar initiative to raise vital funds for five key children's hospitals across the Tasman. Store staff really threw their support and imagination behind the campaign, raising in excess of NZ\$400,000 – a fantastic achievement in year one.

Fresh Food Kids

The “Fresh Food People” have been longstanding supporters of children’s health issues and in 2007 our two passions converged into “Fresh Food Kids” – a major new campaign designed to make fruit and vegetables fun and appealing for children. A survey commissioned by Woolworths showed that 93% of parents wanted to see fresh food advertised in the same way as junk food, so we were happy to oblige. Incorporating nutritional advice, schools-based activities, parenting assistance, meal and finance planning and lots of in-store surprises, Fresh Food Kids is helping families where it matters – right at the kitchen table.

Responsible retailing

While the majority of people utilise the liquor and gaming activities responsibly as a source of entertainment and relaxation, as a major retailer of potentially harmful products and services such as liquor, tobacco and gaming, Woolworths is extremely conscious that it must set an example to the rest of the industry and take a leadership role in promoting responsible and ethical decision making across all aspects of our operations including buying, marketing, licensing applications, merchandising, recruitment, training and service.

Quality Assurance and Food and Product Safety

Every Woolworths business takes the safety of its customers extremely seriously. Over many years we have steadily developed world class quality assurance programmes for food and general merchandise and conduct extensive testing both independently and at our own QA labs at our Sydney support office. The Woolworths Quality Assurance (WQA) scheme now has more than 2,000 suppliers signed up, all of whom must adhere to extensive and rigorous auditing, testing and compliance requirements.

The “Fresh Food People” have been long standing supporters of children’s health issues and in 2007 our two passions converged into “Fresh Food Kids” – a new major campaign designed to make fruit and vegetables fun and appealing for children.



For Liquor, we train all staff to RSA (Responsible Service of Alcohol) standards and we have pioneered the ID scanning system for our entertainment venues. In our gaming outlets, we have endorsed AFL legend and ex-player David Schwarz as our Responsible Gambling Ambassador. With David, we have developed a unique national program of responsible gambling forums designed to help people to commit to “being honest with themselves about their gambling.”

BOARD OF DIRECTORS



James Alexander Strong
AO

Chairman. Member Corporate Governance Committee, Audit, Risk Management and Compliance Committee and People Policy Committee.

Mr Strong is currently Chairman of Insurance Australia Group Limited (IAG), Rip Curl Group Pty Ltd and the Australia Council for the Arts. He is also a Director of Qantas Airways Limited. Mr Strong is also a member of the Board of various sporting organisations.

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

Mr Strong was appointed a Director of Woolworths Limited in March 2000 and Chairman in April 2001. Age 63.



Michael Gerard Luscombe

Managing Director and Chief Executive Officer.

Mr Luscombe is a graduate of Monash University.

Mr Luscombe is a lifelong employee of Woolworths. His career extends over 29 years starting as a Management Trainee in Woolworths Victoria.

He was appointed Chief Executive Officer in October 2006. Prior to that Mr Luscombe held positions as Chief Operating Officer, Director of Supermarkets, Chief General Manager Supermarkets, Buying & Marketing, General Manager Supply Chain, General Manager Buying Long Life Products for Supermarkets, Safeway Merchandising and Marketing Manager, Senior Category Manager, Safeway Retail Operations Manager, Area Manager, Training and Development Manager, and Store Manager.

Mr Luscombe was appointed a Director of Woolworths Limited in June 2006. Age 54.



John Frederick Astbury
FAICD

Chairman, Audit, Risk Management and Compliance Committee and Member, Corporate Governance Committee.

Mr John Astbury is also a Director of AMP Limited since September 2004. He was a Director of IAG Limited from July 2000 to August 2007 and, was previously Finance Director of Lend Lease Corporation Limited and a Chief General Manager, National Australia Bank Limited. He had a long career in banking and financial services in both the UK and Australia.

Mr Astbury was appointed a Director of Woolworths Limited in January 2004. Age 63.



Adrienne Elizabeth Clarke
AC, PhD, FAA, FTSE

Member, People Policy Committee and Corporate Governance Committee.

Professor Clarke is a Director of Fisher & Paykel Healthcare Corporation Limited since November 2001, Tridan Limited since July 1998 and Hexima Limited since March 1998. She is Laureate Professor at the University of Melbourne with a distinguished record of achievement in the Sciences of Botany and Biology.

She was previously Lieutenant-Governor of Victoria (1997-2000), a Director of WMC Resources Limited (1996-2005), Chairman of the CSIRO Board (1991-1996) and a Member of the Prime Minister's Supermarket to Asia Council (1996-2001) and a Member of the Federal Government's Trade Policy Advisory Group.

Professor Clarke was appointed a Director of Woolworths Limited in July 1994 and will retire from the Board effective 30 September 2007. Age 69.



Roderick Sheldon Deane
PhD, BCom (Hons), FCA, FCIS, FNZIM

Dr Deane has an honorary LLD from Victoria University of Wellington. Chairman, People Policy Committee and Member, Corporate Governance Committee.

Dr Deane is the Chairman of Fletcher Building Limited, and of the New Zealand Seed Fund. He is Patron of New Zealand's largest charitable organisation, the IHC Inc., and Chairman of the IHC Foundation. He was previously Chairman of Telecom Corporation of NZ Limited (having earlier been CEO), Chairman of Te Papa Tongarewa (The Museum of New Zealand), Chairman of ANZ National Bank Limited, a Director of ANZ Banking Group Limited and Canadian based TransAlta Corporation Ltd, Chief Executive of the Electricity Corporation of NZ Limited, Chairman of the State Services Commission, Deputy Governor of the Reserve Bank of NZ, Alternate Executive Director of the International Monetary Fund, Chairman of the City Gallery Wellington Foundation, and Professor of Economics and Management at Victoria University of Wellington.

Dr Deane was appointed a Director of Woolworths Limited in April 2000. Age 66.



Diane Jennifer Grady
BA (Hons), MA, MBA

Member, Audit, Risk Management and Compliance Committee and Corporate Governance Committee.

Ms Grady is an independent non-executive Director with extensive experience on major public company and not-for-profit Boards. She is currently a Director of Bluescope Steel Ltd, a senior advisor to McKinsey & Co., and a member of the ASIC Business Consultative Panel. Previously Ms Grady was a partner with McKinsey & Co consulting over 15 years to clients in a broad range of industries on strategic and organisational issues. At McKinsey, she was a worldwide leader of the Firm's Organisation and Change Management practice. In Australia, Ms Grady led the Consumer Goods, Retailing and Marketing Practice where she assisted clients with growth and customer service strategies.

Ms Grady earned an MBA from Harvard Business School; a Masters in Chinese Studies from the University of Hawaii (East West Centre Fellowship) and a Bachelor of Arts degree from Mills College, Oakland, California (History Prize).

Ms Grady was appointed a Director in July 1996. Age 59.



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

Member Audit, Risk Management and Compliance Committee, Corporate Governance Committee and Chairman of the Superannuation Working Group and the Woolworths Group Superannuation Plan's Policy Committee.

Mr L'Huillier is a Director of ALH Group Pty Limited and Chairman of its Audit Committee. Previously, Mr L'Huillier was Chairman of Repco Corporation Limited between March and November 2006 and a Director from January 2002 to November 2006.

He is an experienced Chief Executive and Company Director in the grocery manufacturing and liquor industries. He is a former CEO of Lion Nathan Australia. He has substantial experience as an independent Director of major organisations in distribution and logistics, property, accounting and financial services. He was previously a Chairman and Chief Executive of the Transport Accident Commission, a Director of MPG Logistics, and former Chairman of the Australian Prime Property Fund, a major retail shopping centre group. He is a former Director of MLC Limited, and Challenge Bank Limited.

He was appointed a Director of Woolworths Limited in September 1997. Age 64.



Ian John Macfarlane
AC, BEc (Hons) MEc

Member, Audit, Risk Management and Compliance Committee and Corporate Governance Committee.

Mr Macfarlane is a graduate of Monash University in Melbourne. He was Governor of the Reserve Bank of Australia (RBA) from 1996 until 2006. During this time with the RBA, Mr Macfarlane was the inaugural Chairman of the Asian Consultative Council for the Bank of International Settlements.

Mr Macfarlane held several senior positions within the RBA since joining in 1979. Prior to the RBA, he worked in the Economics Department of the OECD in Paris and at the Institute for Economics and Statistics at Oxford University.

Mr Macfarlane is also a Director of ANZ Banking Group Limited since February 2007, Leighton Holdings Limited since June 2007 and of the Lowy Institute for International Policy since 2004. He is a member of the International Advisory Board of Goldman Sachs International.

He was appointed a Director of Woolworths Limited in January 2007. Age 61.



Thomas (Tom) William Pockett

Finance Director.

Mr Pockett was educated in Sydney receiving a Bachelor of Commerce degree from the University of New South Wales. He is a member of the Group of 100 and was the National President from August 2000 to January 2003. He is an Australian Chartered Accountant (ACA) and was a member of the Financial Reporting Council from March 2003 to March 2006.

He joined Woolworths Limited as Chief Financial Officer in August 2002. He previously held the position of Deputy Chief Financial Officer at the Commonwealth Bank of Australia. Prior to his role with the CBA he was with Lend Lease Corporation. Whilst at Lend Lease he held several senior finance roles in different companies across the Lend Lease Group including Property and Financial Services with his last position before moving being General Manager Finance for Lend Lease Corporation.

Prior to Lend Lease he was with Chartered Accounting firm Deloitte.

Mr Pockett was appointed a Director of Woolworths Limited in November 2006. Age 49.



Alison Mary Watkins
BComm, ICAA, FSIA, AICD

Member, People Policy Committee and Corporate Governance Committee.

Ms Watkins holds a Bachelor of Commerce from the University of Tasmania, is a member of the Institute of Chartered Accountants of Australia and a Fellow of the Financial Services Institute of Australasia.

Ms Watkins is a non-executive Director of Just Group Limited (since March 2004) and a non-executive Director of National Food Industry Strategy Limited.

Her recent career includes several years in leadership roles in agriculture and food processing industries, where she was Chief Executive Officer of Berri Limited from 2002 to 2005, and Chairman of Mrs Crocket's Kitchen Pty Ltd during 2005 and 2006. She was a member of the Corish Review Group which developed a national policy blueprint for agriculture and food processing during 2005. Previously, Ms Watkins held senior roles with ANZ Banking Group Limited, including Managing Director, Regional Banking and Group General Manager Strategy and Mergers & Acquisitions. She has 10 years of experience as a management consultant with McKinsey and Company, from 1989 to 1999, and became a partner of the firm in 1996.

Ms Watkins was appointed a Director of Woolworths Limited in January 2007. Age 44.

SENIOR MANAGEMENT



Michael Luscombe¹
Managing Director &
Chief Executive Officer



Tom Pockett²
Finance Director



Naum Onikul³
Director of Food,
Liquor and Petrol



Greg Foran
General Manager
BIG W



Bruce Mathieson
CEO ALH Group



Steve Bradley⁷
Chief Logistics &
Information Officer



Penny Winn
General Manager
Mercury



Barry Neil⁸
Director of Property



Alvin Ng
General Manager
DSE



Ralph Kemmler¹¹
Director of Property



Mark Fleming¹²
General Manager
Business Planning



Rohan Jeffs
General Manager
Compliance

1 Appointed 1 October 2006 upon Roger Corbett's retirement effective 30 September 2006.
2 Appointed 24 November 2006, previously Chief Financial Officer.
3 Appointed 9 February 2007, previously Director of Supermarkets.

4 Appointed 14 May 2007, previously Director of Human Resources.
5 Appointed 8 August 2007, previously General Manager Corporate Marketing.
6 Appointed 14 May 2007.
7 Commenced sabbatical leave from 31 July 2007.



Julie Coates⁴
Chief Logistics Officer



Avner Nahmani⁵
Director of Marketing
& Corporate Affairs



Kim Schmidt⁶
Director of Human
Resources



Grant O'Brien
General Manager
Freestanding Liquor



Marty Hamnett⁹
General Manager
Supermarket Operations



Peter Horton
Group General Counsel
& Company Secretary



Ian McDonald¹⁰
General Manager
Global Sourcing



Ramnik Narsey
General Manager
Petrol



Peter Smith¹³
Managing Director
PEL, New Zealand



Richard Umbers¹⁴
General Manager
Customer Engagement



Dan Beecham¹⁵
Chief Information
Officer

8 Retired 31 August 2007.

9 Appointed 13 November 2006, previously
Managing Director PEL, New Zealand.

10 Appointed 19 February 2007.

11 Appointed 31 August 2007.

12 Appointed 19 February 2007.

13 Appointed 13 November 2006, previously
General Manager Supermarket operations.

14 Appointed 12 February 2007, previously
General Manager Buying & Marketing.

15 Appointed 14 May 2007.

DIRECTORS' STATUTORY REPORT

This Report is given by the Directors in respect of Woolworths Limited (the Company) and the consolidated entity consisting of the Company and the entities it controlled (the Group) for the financial period ended 24 June 2007.

THE DIRECTORS

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

Non-executive Directors

J A Strong	Chairman
J F Astbury	
A E Clarke	
R S Deane	
D J Grady	
L M L'Huillier	
I J Macfarlane	Appointed Director 30 January 2007
A M Watkins	Appointed Director 30 January 2007

Executive Directors

M G Luscombe ⁽¹⁾	Chief Executive Officer and Managing Director
R C Corbett	Retired as Chief Executive Officer and Group Managing Director, and from his position on the Board on 30 September 2006
T W Pockett	Finance Director

Details of the experience, qualifications, special responsibilities and other directorships of listed companies in

respect of each of the Directors are set out against their respective names from pages 38 to 39.

COMPANY SECRETARY

Mr Peter John Horton BA LLB.

Mr Horton joined Woolworths in November 2005 as Group General Counsel and Company Secretary. Previously Mr Peter Horton was General Manager Legal and Company Secretary at WMC Resources Limited.

PRINCIPAL ACTIVITIES

Woolworths Limited is Australia and New Zealand's largest retail group, with approximately 3,000 stores and 180,000 employees. We operate 965 supermarkets under the Woolworths and Safeway brands in Australia and under Woolworths, Foodtown and Countdown brands in New Zealand. Our liquor retailing services different customer needs through BWS, Dan Murphy and our Woolworths/Safeway attached liquor outlets.

We have a continued presence in the petrol retailing market with the co-branded Woolworths/Caltex canopies across Australia which totalled 505 canopies at year end. Our general merchandise division services customers everyday needs through 142 BIG W stores and supplies consumers with the latest technology through Dick Smith Electronics, Powerhouse and Tandy stores operating throughout Australia

and New Zealand in 400 outlets. During the year, our joint venture partner in India, TATA, opened its first store operating under the "Croma" brand. Our Hotel division includes 263 premium hotels, including bar, gaming, accommodation and venue hire operations.

CONSOLIDATED RESULTS AND REVIEW OF OPERATIONS

The net amount of consolidated profit for the financial period after income tax expense attributable to members of the Company and its controlled entities was \$1,294.0 million (2006: \$1,014.6 million).

A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Managing Director's Report from pages 2 to 18 inclusive.

DIVIDENDS

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

	Franking tax rate %	Dividend cents/share	Total paid/payable \$m
Final 2006 Dividend Paid on 6 October 2006	30	31	367.2
Interim 2007 Dividend Paid on 27 April 2007	30	35	421.7
Final 2007 Dividend Payable on 5 October 2007	30	39	471.9

Note

(1)
M Luscombe was Chief Operating Officer prior to his appointment to Managing Director and Chief Executive Officer on 1 October 2006.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

A net increase in the issued share capital of the Company of 25,384,631 fully paid ordinary shares as a result of:

- (i) the issue on 6 October 2006 of 18,391,015 fully paid ordinary shares and the issue on 27 April 2007 of 2,451,486 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan, and the Dividend Reinvestment Plan Underwriting Deed in respect of the 2006 final dividend. The 2007 interim dividend was not underwritten and a cap of 20,000 maximum share participation in the Dividend Reinvestment Plan was in operation; and
- (ii) the issue on various dates, for cash at the relevant exercise price, of 4,542,130 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Executive Option Plan (EOP).

On 1 July 2006, 8,319,200 options were granted under the EOP.

There were no issues of fully paid ordinary shares pursuant to the Employee Share Plan or to the Employee Share Issue Plan made during the financial period.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Except for the matters disclosed below, in the Chairman's Report and the Managing Director's Report from pages 2 to 18, there is, at the date of this Report, no other matter or circumstance which has arisen since 24 June 2007 that has significantly affected or may

significantly affect the Group's operations, the results of those operations or the state of affairs of the Group in future financial periods.

The ALH Group acquired the Saturno Group on 27 August 2007 for \$118 million which comprises five hotel businesses and their freehold properties, which are located in South Australia.

Final Dividend

On 27 August 2007, the Directors of Woolworths Limited declared a final dividend of 39 cents per share, fully franked at the 30% tax rate, on each of the issued ordinary shares of the Company. The final dividend is payable on 5 October 2007.

Interim Dividend

On 28 June 2007, the Directors of ALH Group declared an interim dividend of \$19 million comprising a payment of \$14.25 million to Woolworths Limited and \$4.75 million to the Mathieson Group.

Transactions with the ALH Group and related companies

Details of certain transactions between the ALH Group and related companies are set out below:

ALH Group Limited purchased various building supplies and services totalling \$60,794,628 from Lifetime Developments Pty Ltd, a company with which Mr Bruce Mathieson is a related party through a family member/s who is/are a Director/Directors of Lifetime Developments Pty Ltd. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

ALH Group Limited purchased various building supplies and services totalling \$26,312,187, from TAG Constructions Pty Ltd, a company with which Mr Bruce Mathieson is a related party through family member/s who is/are a Director/Directors of TAG Constructions Pty Ltd.

Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

These transactions were subject to review and testing on a sample basis by Woolworths internal audit. Significant construction activity is also subject to independent review by a quantity surveyor.

Grant of options

On 1 July 2006, 8,319,200 options were granted under the EOP. Between 24 June 2007 and 21 September 2007, 3,524,110 shares were allotted as a result of the exercise of options granted under the EOP in July 1999, July 2000, July 2001, July 2002 and July 2003 (retirees only).

On 25 July 2007, 1,590,000 performance rights were issued.

DIRECTORS' INTERESTS IN SHARES/OPTIONS

Particulars of Directors' relevant interests in shares and options in the Company as at 21 September 2007 are set out below:

Director	Shares	Options
J A Strong	70,479	–
M G Luscombe	333,290	830,000
J F Astbury*	12,174	–
A E Clarke	43,435	–
R C Corbett ⁽¹⁾	293,165	–
R S Deane*	40,000	–
D J Grady	35,360	–
L M L'Huillier*	60,000	–
I J Macfarlane*	2,000	–
T W Pockett	54,000	630,000
A M Watkins	10,065	–

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

Note

(1) RC Corbett retired as Chief Executive Officer and Group Managing Director, and from his position on the Board on 30 September 2006.

DIRECTORS' STATUTORY REPORT continued

MEETINGS OF DIRECTORS

The table below sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 24 June 2007 and the number of meetings attended by each Director. The Board has previously determined that in order to deal effectively with all of the matters requiring its consideration, including ongoing strategic issues, five of the Board meetings were held over two days. In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, retail market study trips, as well as Board and Board Committee Meeting preparation and research. These additional responsibilities constitute a further significant time commitment by Directors.

<i>Directors</i>	<i>Board Meetings⁽⁸⁾</i>	<i>Ad Hoc Board Meetings</i>	<i>Audit, Risk Management and Compliance Committee</i>	<i>People Policy Committee</i>	<i>Superannuation Plan Policy Committee</i>
J A Strong ^(2,5,7)	11/11	25/25	5/5	5/5	–
M G Luscombe	11/11	25/25	–	–	–
J F Astbury ^(2,7)	11/11	25/25	5/5	–	–
A E Clarke ^(5,7)	11/11	25/25	–	5/5	–
R S Deane ^(5,7)	11/11	25/25	–	5/5	–
D J Grady ^(2,7)	11/11	25/25	5/5	1/1	–
L M L'Huillier ^(2,3,7)	11/11	25/25	5/5	–	5/6
I J Macfarlane ^(1,2,7)	5/5	23/23	2/2	–	–
A M Watkins ^(1,5,7)	5/5	23/23	–	2/2	–
R C Corbett ⁽⁴⁾	3/3	0/0	–	–	1/1
T W Pockett ⁽⁶⁾	6/6	25/25	–	–	–

Meetings attended/held while in office.

Notes

(1)
Appointed as a Director, effective 30 January 2007.

(2)
Member of the Audit, Risk Management and Compliance Committee.

(3)
Member of the Woolworths Group Superannuation Plan Policy Committee.

(4)
R C Corbett retired as Chief Executive Officer and Group Managing Director, and from his position on the Board on 30 September 2006.

(5)
Member of the People Policy Committee.

(6)
Appointed as a Director, effective 24 November 2006.

(7)
Member of the Corporate Governance Committee which meets at the same time as the Board meetings.

(8)
All Non-executive Directors are members of the Corporate Governance Committee. The Corporate Governance Committee meets each time there is a meeting of the Board.

DIRECTORS' STATUTORY REPORT

REMUNERATION REPORT

1 INTRODUCTION

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

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

Woolworths has an achievement and performance-oriented culture which our remuneration policies drive and support. In recognising the importance of our people to our success, approximately 40,000 current Woolworths' employees participate in various equity-based schemes, sharing in the Company's success and aligning their experience with that of other shareholders.

2 REMUNERATION POLICY

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

Woolworths' remuneration policy for all executives ensures:

- remuneration is market competitive and designed to attract, motivate and retain key executives;
- demanding performance measures are applied to both short and long term "at risk" remuneration;
- short term performance is linked to both financial and non-financial performance measures; and
- long term performance is measured through the creation of value for shareholders.

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

2.1 Role of the People Policy Committee

The Committee works closely with management to review processes and programs to ensure Remuneration Policy is implemented. The Committee also obtains independent external advice on key remuneration issues, as required. The Committee acts on behalf of the Board and shareholders to ensure that in relation to its human resources, the Company:

- establishes and implements a human resources strategy to ensure that appropriately talented and trained people are available to achieve the Business Strategy;
- undertakes the appropriate performance management, succession planning and development activities and programs;
- provides effective remuneration policies having regard to the creation of value for shareholders and the external remuneration market;
- provides a safe working environment for all employees;
- complies with all legal and regulatory requirements and principles of good governance; and
- reports to shareholders in line with required standards.

Membership of the Committee consists of four independent Non-executive Directors. As of the date of this Report, members are Roderick Deane (Chair, previously Diane Grady), James Strong, Adrienne Clarke and Alison Watkins. The members' attendance at meetings of the People Policy Committee is set out on page 44.

3 EXECUTIVE REMUNERATION INCLUDING EXECUTIVE DIRECTORS

3.1 Overview

Woolworths' current remuneration structure is comprised of two components:

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

The total remuneration package of all executives is designed to ensure an appropriate mix of fixed remuneration with short and long term incentive opportunities. The relative weighting of fixed and variable components, for target performance, varies with role level and complexity. Generally, the proportion of remuneration "at risk" increases with organisation responsibility and accountability level.

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

	Percentage of total target remuneration		
	Fixed remuneration %	Target short term incentive (STIP) %	Target long term incentive (LTIP) %
Direct reports to CEO	40	30	30
Other Senior executives	60	20	20

Woolworths requires a significant proportion of Senior Executives’ total potential reward to be at risk to reward performance in both the short and long term. To ensure alignment between the Company performance and individual performance, Woolworths aims to position all Senior Executives’ remuneration at:

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

Specific arrangements exist for the CEO which are described in section 3.5 Executive Service Agreements. These specific arrangements may vary from the general principles outlined in the following sections.

3.1.1 Fixed remuneration

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

3.1.2 Variable “at risk” remuneration

Remuneration that is variable and dependent upon performance is delivered through the STIP and the LTIP.

3.1.2.1 Short Term Incentive Plan (STIP)

The STIP has been structured to ensure that payments are closely aligned to business performance and are designed to:

- deliver Company performance improvements over the prior year;
- provide rewards subject to the achievement of rigorous performance targets; and
- align individual objectives to Company and business-specific objectives.

The STIP provides an annual cash incentive that is based on a maximum percentage of the executive’s base salary.

The CEO’s STIP is calculated up to a maximum percentage of fixed remuneration.

STIP is payable upon the achievement of Woolworths’ financial Key Result Areas (KRAs), as well as a component for non-financial or individual performance. Generally the components are weighted 70% to financial KRAs and 30% to non-financial or individual performance.

The financial KRAs may be measures such as Sales, Earnings Before Interest and Tax (EBIT), Return on Funds Employed (ROFE) and Cost of Doing Business (CODB). Non-financial measures may include objectives such as reducing staff turnover rates and performance in areas such as safety, shrinkage and food safety compliance ratings. All targets are set at the beginning of the financial year for each business within the Woolworths Group and are designed to deliver improvements on the prior year’s results.

There are three levels of targeted performance for each measure:

- threshold, which is the minimum improvement to last year’s results required to qualify for any incentive payment;
- target, where established performance targets have been achieved; and
- stretch, where performance targets have been exceeded.

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

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

3.1.2.2 Long Term Incentive Plan (LTIP)

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

- attract, retain and motivate all executives;
- align executive rewards to shareholder value creation; and
- provide rewards that are linked to the Company’s strategic, financial and human resources objectives.

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

Long term incentives have been in place since 1993 and have been provided through various executive option plans. Since 1999, long term incentives have been provided through the Executive Option Plan (EOP) which was designed to reward executives for share price and earnings growth. Performance measures relate to cumulative Earnings Per Share (EPS) growth and Total Shareholder Return (TSR) relative to peer companies. EPS and TSR offer a balance between internal and external performance indicators and are aligned to shareholder experiences. In addition, since 2002, EOP participation has been linked to executives entering into Service Agreements that offer the Company protection and provide clarity for executives. From 2003, all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to participate in the EOP.

At the 2004 Annual General Meeting, shareholders approved the introduction of a new long term incentive, the Woolworths Long Term Incentive Plan. The Plan has four Sub-Plans that together can provide Options, Performance Rights, Performance Shares or Cash Awards.

This Plan allows the Board flexibility to determine which of the Sub-Plan's awards will be granted to deliver the overall LTIP objectives. Like the previous EOP, stringent performance measures are set annually and relate to EPS and TSR hurdles.

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

Executive Option Plan

This Plan was approved by shareholders in November 1999. There are currently five tranches and each tranche is subject to performance hurdles established by the People Policy Committee and approved by the Board. Hurdles relate to cumulative EPS growth and to relative TSR. As at 24 June 2007, there were 32,566,150 options issued under this Plan. This Plan was last offered with an effective grant date of 1 July 2004.

The EOP has the following features:

- the exercise price is set at the weighted average market price of a Woolworths Limited ordinary share on the five trading days prior to the date approved by the Board as the effective date of options for the purpose of determining the exercise period and performance hurdles;
- an exercise period that commences after five years, subject to performance hurdles being met and with a maximum exercise period of five and a half years;
- upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share;
- vesting is subject to two performance hurdles based on cumulative EPS growth and relative TSR measured over the performance period;
- the performance measures, EPS growth and relative TSR each represent 50% of the options granted;
- EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths custodian) over the performance period;
- the EPS component vests in four tranches, dependent on attaining average annual growth of either 10% or 11% as follows:
 - the fifth tranche (50% of options) is linked to relative TSR and measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured over five years from the grant date but averaged for three months to eliminate volatility. This reflects the increase in value delivered to shareholders over the performance period;
- TSR performance is measured against comparator companies comprised of the S&P/ASX 100, excluding companies in the ASX classified as financials and resources and any companies in the comparator group that have merged, had a share reconstruction, been delisted or subject to takeover or takeover offer as at the measurement date;

- TSR performance measurement for the purpose of calculating the number of options to vest is carried out by an independent third party; and
- the percentage of the total number of options granted that vest is dependent on Woolworths ranking relative to the performance of the above comparator companies. The following table sets out the TSR vesting schedule:

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

Woolworths Long Term Incentive Plan

The Woolworths Long Term Incentive Plan has four Sub-Plans as described below. This provides the Board with the flexibility to determine which of the Sub-Plans will best meet the overall LTIP objectives.

To date the Company has used Options under the Options Sub-Plan to satisfy LTIP grants. For the 2008 financial year, the Board has determined that there will be two offers under the LTIP: one that will be made under the Option Sub-Plan (2007 Option grant) with performance hurdles the same as those described for the Executive Option Plan; and a separate offer under the Performance Rights Sub-Plan.

The offer of Performance Rights will be to a limited number of executives, with a service condition as the only performance hurdle. The purpose of this offer is to mitigate retention risks amongst Senior Executives who have either no options or relatively small options grants scheduled to vest over the next two years.

1 Option Sub-Plan

The Option Sub-Plan delivers a right to the holder of an option to acquire a share at a future date, subject to performance hurdles being met and the payment of an exercise price.

2 Performance Rights Sub-Plan

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

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

3 Performance Share Sub-Plan

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

- it can be exercised for no monetary payment; and
- participants receive dividends or other distributions and entitlements as an ordinary Company shareholder.

4 Cash Award Sub-Plan

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

Woolworths Long Term Incentive Plan renewal

The Woolworths Long Term Incentive Plan was approved by shareholders at the 2004 Annual General Meeting. Shareholder approval of the Plan was also obtained under an exception to Australian Securities Exchange (ASX) Listing Rule 7.1 which restricts (in certain circumstances) the issue of new securities in any year to 15% of issued shares without shareholder approval. The applicable exception is contained in ASX Listing Rule 7.2, exception 9. The effect of shareholder approval under that exception is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1.

Approval under the exception lasts for three years. Accordingly, Woolworths will seek shareholder approval at the 2007 Annual General Meeting to refresh that approval for a further three years.

Performance hurdles

The Board is mindful of the need for Woolworths to stay competitive and retain high calibre employees in the retail sector and has determined (in accordance with the Plan rules) to amend the performance hurdles for grants to be made under the Plan beginning with the 2009 financial year (referred to below as "2008 Grant" or "options granted in 2008").

It is currently intended that the 2008 Grant will be made under the option sub-plan with vesting subject to the achievement of EPS and relative TSR performance hurdles, each representing 50% of the options granted, as described below.

EPS performance hurdle

EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths' custodian) over the performance period.

For options granted in 2008, the EPS component partially vests upon Woolworths attaining average annual EPS growth of equal to or greater than 10.0%. EPS growth equal to 10.0% over the performance period will result in 12.5% of the options granted in 2008 vesting, while EPS equal to or greater than 15% over the performance period will result in 50% of the options granted in 2008 vesting.

TSR performance hurdle

The TSR performance hurdle for options granted in 2008 requires a minimum TSR at the 51st percentile measured against comparator companies comprised of the S&P/ASX 100 Industrials Index, excluding companies in the ASX Banks and Finance Accumulation Index, ASX All Resources and ASX Trusts and any companies in the comparator group that are under takeover, have merged, had a share reconstruction or been de-listed as at the measurement date. The maximum TSR vesting requires TSR at the 75th percentile.

Vesting, exercise period and expiry period

The 2008 Performance Hurdles are subject to the vesting scale measured over a four year period from the date of grant but will be subject to early testing on the third anniversary of the date of grant and vesting may occur subject to the performance hurdles outlined above being met.

If the minimum vesting hurdles are met on the third anniversary of the date of grant for the EPS Tranche then those options meeting the vesting hurdle shall vest and any options in the EPS Tranche not meeting the vesting hurdle shall be forfeited. If the minimum vesting hurdles are met on the third anniversary of the date of grant for the TSR Tranche then those options meeting the vesting hurdle shall vest and any options in the TSR Tranche not meeting the vesting hurdle shall be forfeited. If the minimum vesting hurdles are not met on the third anniversary for the EPS Tranche those options shall remain unvested. If the minimum vesting hurdles are not met on the third anniversary for the TSR Tranche those options shall remain unvested.

If the minimum vesting hurdles were not met and the options remain unvested the 2008 performance hurdles will be tested on the fourth anniversary of the date of grant and vesting may occur on this date subject to the performance hurdles outlined above being met. Any option that does not vest on the fourth anniversary of the date of grant will be forfeited.

Options granted during 2008 which have vested but remain unexercised expire after the earlier of 5.5 years from the date of grant, or up to 12 months after termination of employment.

Whilst the Board has retained the discretion to review the performance hurdles applicable to a grant of options, it is intended that the performance hurdles for future option grants will also be TSR and EPS based. These performance hurdles, together with the relevant exercise periods and expiry dates, will be disclosed each year in the Annual Report.

Directors and Executives

The following is a list of the non-executive Directors and key management personnel of Woolworths Limited and their positions during the year:

Position title

Executive Directors

Michael Gerard Luscombe ⁽¹⁾	Chief Executive Officer and Managing Director
Roger Campbell Corbett	Mr Corbett retired as Chief Executive Officer and Group Managing Director, and from his position on the Board on 30 September 2006
Thomas (Tom) William Pockett ⁽²⁾	Finance Director

Chairman

James Alexander Strong	Chairman of the Board, member of the Audit, Risk Management and Compliance Committee, member of the People Policy Committee and member of the Corporate Governance Committee
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Non-executive Directors

John Frederick Astbury	Non-executive Director, Chairman of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Adrienne Elizabeth Clarke	Non-executive Director, member of the People Policy Committee and member of the Corporate Governance Committee
Roderick Sheldon Deane	Non-executive Director, Chairman of the People Policy Committee and member of the Corporate Governance Committee
Diane Jennifer Grady	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Leon Michael L'Huillier	Non-executive Director, member of the Audit, Risk Management and Compliance Committee, Chairman of the Superannuation Working Group and the Woolworths Group Superannuation Plan's Policy Committee and member of the Corporate Governance Committee. Director of ALH Group Pty Ltd and Chairman of its Audit Committee
Ian John Macfarlane ⁽³⁾	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Alison Mary Watkins ⁽³⁾	Non-executive Director, member of the People Policy Committee and member of the Corporate Governance Committee

Executives

Stephen Bradley ⁽⁴⁾	Chief Information and Logistics Officer
Naum Onikul ⁽⁵⁾	Director of Food, Liquor and Petrol
Avner Nahmani	Director of Marketing and Corporate Affairs
Peter Smith	Managing Director of Progressive Enterprises
Julie Coates	Chief Logistics Officer

Notes

(1) Mr Luscombe became Chief Executive Officer and Managing Director on 1 October 2006. Prior to 1 October 2006, he was Chief Operating Officer and was appointed as a Director on 1 June 2006.

(2) Mr Pockett was elected Finance Director at the Annual General Meeting on 24 November 2006.

(3) Ms Watkins and Mr Macfarlane were each appointed as a Director, effective 30 January 2007.

(4) Mr Bradley commenced sabbatical leave from 31 July 2007.

(5) Mr Onikul was appointed Director of Food, Liquor and Petrol on 9 February 2007. Prior to this appointment Mr Onikul was the Director of Supermarkets.

All key management personnel were employed by Woolworths Limited during the year.

Non-executive Directors do not consider themselves part of management.

DIRECTORS' STATUTORY REPORT

REMUNERATION REPORT continued

3.2 Conditional entitlement to and shareholdings

The table below summarises the movements during the year in holdings of option interests for the key management personnel in the Company for the period. An option entitles the holder to one ordinary fully paid Woolworths Limited share. There is no amount unpaid on options exercised.

	<i>Options Holding at 26 June 2006 No.</i>	<i>No.</i>	<i>Options granted as remuneration⁽¹⁾ \$</i>	<i>No.</i>	<i>Options exercised \$</i>
M Luscombe	490,000	500,000	1,726,250	–	–
T Pockett	580,000	250,000	898,750	–	–
S Bradley	490,000	70,000	335,650	–	–
N Onikul	240,000	70,000	335,650	–	–
A Nahmani	80,300	45,000	215,775	–	–
P Smith	267,500	45,000	215,775	37,500	352,875
J Coates	340,000	45,000	215,775	–	–
Total	2,487,800	1,025,000	3,943,625	37,500	352,875

Notes

(1)
“Options granted as remuneration” is the total fair value of options granted during the year determined by an independent actuary. This will be amortised over the vesting period.

(2)
The number of ordinary shares under option as at 24 June 2007 is equivalent to the option holding at that date.

	<i>Options Holding at 27 June 2005 No.</i>	<i>No.</i>	<i>Options granted as remuneration⁽¹⁾ \$</i>	<i>No.</i>	<i>Options exercised⁽²⁾ \$</i>
M Luscombe	485,000	80,000	177,200	75,000	973,500
T Pockett	500,000	80,000	177,200	–	–
S Bradley	672,500	80,000	177,200	262,500	2,667,000
M Hamnett	460,000	40,000	88,600	–	–
N Onikul	160,000	80,000	177,200	–	–
Total	2,277,500	360,000	797,400	337,500	3,640,500

Notes

(1)
“Options granted as remuneration” is the total fair value of options granted during the year determined by an independent actuary. This will be amortised over the vesting period.

(2)
The value of options exercised during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. The amount paid per share exercised was \$6.17 and no amounts remain unpaid. No other options were exercised by key management personnel.

(3)
The number of ordinary shares under option as at 25 June 2006 is equivalent to the option holding at that date.

No.	Options Lapsed	\$	Options Holding at 24 June 2007 ⁽²⁾ No.	Options Vested at 24 June 2007			Vested during the year No.
				Total No.	Exercisable No.	Unexercisable No.	
–	–	–	990,000	40,000	–	40,000	40,000
–	–	–	830,000	50,000	–	50,000	50,000
–	–	–	560,000	40,000	–	40,000	40,000
–	–	–	310,000	–	–	–	–
–	–	–	125,300	8,000	–	8,000	8,000
–	–	–	275,000	–	–	–	–
–	–	–	385,000	27,500	–	27,500	27,500
–	–	–	3,475,300	165,500	–	165,500	165,500

No.	Options Lapsed	\$	Options Holding at 25 June 2006 ⁽³⁾ No.	Options Vested at 25 June 2006			Vested during the year No.
				Total No.	Exercisable No.	Unexercisable No.	
–	–	–	490,000	–	–	–	50,000
–	–	–	580,000	–	–	–	–
–	–	–	490,000	–	–	–	175,000
–	–	–	500,000	100,000	100,000	–	50,000
–	–	–	240,000	–	–	–	–
–	–	–	2,300,000	100,000	100,000	–	275,000

DIRECTORS' STATUTORY REPORT

REMUNERATION REPORT continued

3.2 Conditional entitlement to and shareholdings continued

The table below summarises the movements during the year in holdings of shares in Woolworths Limited held by the Non-executive Directors and key management personnel.

	Shareholding at 26 June 2006 No.	Shares issued under DRP ⁽¹⁾ No.	Shares received on exercise of options No.	Shares issued under NEDSP ⁽²⁾ No.	Shares purchased or (sold) ⁽³⁾ No.	Shareholding at 25 June 2007 No.
J Strong	70,016	–	–	463	–	70,479
M Luscombe	408,290	–	–	–	–	408,290
J Astbury	10,479	98	–	1,494	–	12,071
A Clarke	41,499	339	–	1,494	–	43,332
R Deane	40,000	–	–	–	–	40,000
D Grady	34,670	690	–	–	–	35,360
L L'Huillier	60,000	–	–	–	–	60,000
I Macfarlane	–	–	–	–	2,000	2,000
A Watkins	–	65	–	–	5,000	5,065
R Corbett ⁽⁴⁾	293,165	–	–	–	–	–
T Pockett	–	–	–	–	–	–
S Bradley	269,437	67	–	–	(67,120)	202,384
N Onikul	197,991	3,369	–	–	–	201,360
A Nahmani	46,400	–	–	–	8,750	55,150
P Smith	216	603	37,500	–	(37,500)	819
J Coates	–	–	–	–	–	–

Notes	(1)	(2)	(3)	(4)
	Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.	Comprises shares issued under the Non-Executive Directors' Share Plan (NEDSP).	Figures in brackets indicate that these shares have been sold or otherwise disposed of.	Mr Corbett retired as Chief Executive Officer and Group Managing Director, and from his position on the Board on 30 September 2006. Accordingly, no further disclosure has been made.

The table below sets out the grants of options and outstanding options for the key management personnel in Woolworths Limited for the period 26 June 2006 to 24 June 2007.

	Grant date	No. of options at 24 June 2007 ⁽¹⁾	Expiry date	Exercise Price per option \$	Exercise date ⁽²⁾	Maximum value of award to vest \$ ⁽³⁾	Fair value per option ⁽⁴⁾
M Luscombe	1/07/2002	160,000	31/12/2007	12.94	1/07/2007	248,000	\$1.55
	1/07/2003	100,000	31/12/2008	12.60	1/07/2008	115,500	\$1.16
	1/07/2004	150,000	31/12/2009	11.54	1/07/2009	581,250	\$3.88
	1/07/2005	80,000	31/12/2010	16.46	1/07/2010	177,200	\$2.22
	1/07/2006	500,000	31/12/2011	19.47	1/07/2011	1,726,250	\$3.45
		990,000				2,848,200	
T Pockett	1/07/2002	200,000	31/12/2007	12.94	1/07/2007	310,000	\$1.55
	1/07/2003	150,000	31/12/2008	12.60	1/07/2008	173,250	\$1.16
	1/07/2004	150,000	31/12/2009	11.54	1/07/2009	581,250	\$3.88
	1/07/2005	80,000	31/12/2010	16.46	1/07/2010	177,200	\$2.22
	1/07/2006	250,000	31/12/2011	19.47	1/07/2011	898,750	\$3.60
		830,000				2,140,450	

	Grant date	No. of options at 24 June 2007 ⁽¹⁾	Expiry date	Exercise Price per option \$	Exercise date ⁽²⁾	Maximum value of award to vest \$ ⁽³⁾	Fair value per option ⁽⁴⁾
S Bradley	1/07/2002	160,000	31/12/2007	12.94	1/7/2007	248,000	\$1.55
	1/07/2003	100,000	31/12/2008	12.60	1/7/2008	115,500	\$1.16
	1/07/2004	150,000	31/12/2009	11.54	1/7/2009	581,250	\$3.88
	1/07/2005	80,000	31/12/2010	16.46	1/7/2010	177,200	\$2.22
	1/07/2006	70,000	31/12/2011	19.47	1/7/2011	335,650	\$4.80
		560,000				1,457,600	
N Onikul	1/07/2003	60,000	31/12/2008	12.60	1/7/2008	69,300	\$1.16
	1/07/2004	100,000	31/12/2009	11.54	1/7/2009	387,500	\$3.88
	1/07/2005	80,000	31/12/2010	16.46	1/7/2010	177,200	\$2.22
	1/07/2006	70,000	31/12/2011	19.47	1/7/2011	335,650	\$4.80
		310,000				969,650	
A Nahmani	1/07/2002	32,000	31/12/2007	12.94	1/7/2007	49,600	\$1.55
	1/07/2003	12,000	31/12/2008	12.60	1/7/2008	13,860	\$1.16
	1/07/2004	20,000	31/12/2009	11.54	1/7/2009	77,500	\$3.88
	1/07/2005	16,300	31/12/2010	16.46	1/7/2010	36,105	\$2.22
	1/07/2006	45,000	31/12/2011	19.47	1/7/2011	215,775	\$4.80
		125,300				392,840	
P Smith	1/07/2003	100,000	31/12/2008	12.60	1/7/2008	115,500	\$1.16
	1/07/2004	80,000	31/12/2009	11.54	1/7/2009	310,000	\$3.88
	1/07/2005	50,000	31/12/2010	16.46	1/7/2010	110,750	\$2.22
	1/07/2006	45,000	31/12/2011	19.47	1/7/2011	215,775	\$4.80
		275,000				752,025	
J Coates	1/07/2002	110,000	31/12/2007	12.94	1/7/2007	170,500	\$1.55
	1/07/2003	100,000	31/12/2008	12.60	1/7/2008	115,500	\$1.16
	1/07/2004	80,000	31/12/2009	11.54	1/7/2009	310,000	\$3.88
	1/07/2005	50,000	31/12/2010	16.46	1/7/2010	110,750	\$2.22
	1/07/2006	45,000	31/12/2011	19.47	1/7/2011	215,775	\$4.80
		385,000				922,525	

No amounts were paid or payable by the recipient on receipt of the option.

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

75% of the 1/07/2002 options grant was yet to vest at 24 June 2007.

Notes

(1)
The number of options at 24 June 2007 comprises both options that have vested and have not been exercised and options yet to vest.

(2)
Options not exercised within six months of exercise date lapse.

(3)
The maximum value of awards to vest represents the value of employee benefit expense that will be recorded in future reporting periods in respect of options currently on issue.

(4)
The fair value per option was determined by an independent actuary using the Monte Carlo Simulation Binomial method.

DIRECTORS' STATUTORY REPORT

REMUNERATION REPORT continued

Grant date	Expiry date	Exercise price \$	No. of options 25 June 2006	No. of options granted during year	No. of options exercised during year	No. of options lapsed during year	No. of Options 24 June 2007	Fair value of shares received \$(¹)
1/07/1999	1/07/2009	5.11	400,500	Nil	178,000	Nil	222,500	4,230,450
1/07/2000	1/07/2010	6.17	309,375	Nil	229,375	35,000	45,000	5,368,881
1/07/2001	1/07/2011	10.89	5,299,843	Nil	4,114,755	24,088	1,161,000	89,235,982
1/07/2002	31/12/2007	12.94	4,612,000	Nil	20,000	252,000	4,340,000	401,920
1/07/2003	31/12/2008	12.60	5,910,350	Nil	Nil	353,250	5,557,100	
1/07/2004	31/12/2009	11.54	7,099,500	Nil	Nil	39,250	6,708,250	
1/07/2005	31/12/2010	16.46	6,715,400	Nil	Nil	367,300	6,348,100	
1/07/2006	31/12/2011	19.47	Nil	8,319,200	Nil	135,000	8,184,200	
			30,346,968	8,319,200	4,542,130	1,557,888	32,566,150	99,237,233

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

3.3 Relationship of variable remuneration to Woolworths' financial performance

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

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

In monetary terms, since 2003:

Five Year Performance Table	2003	2004	2005 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾
Sales (\$m)	26,321	27,934	31,352	37,734	42,477
EBIT (\$m)	946	1,065	1,302	1,722	2,111
ROFE (%)	42.8	49.3	42.6	28.6 ⁽²⁾	27.1
CODB (%)	21.55	21.10	20.73	20.47	20.35

Note (1)
AIFRS.

(2)
Impacted by increase in Funds Employed following the acquisition of ALH.

- Sales have increased by more than 60% since 2003;
- EBIT has increased by more than 100%;
- ROFE has declined in FY05 and FY06 due to the acquisitions of ALH, FAL, Taverner and BMG. 2005 and 2006 had partial earnings from the respective acquisitions that occurred at various times over that two year period; and
- CODB has decreased by 120bps.

Whilst EBIT has doubled over the period, STIP paid to executives has remained at less than 10% of EBIT over the same period.

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

<i>Year ended June</i>	2003	2004	2005	2006	2007
EPS (cents per share)	58.09	67.40	79.19	90.89	108.8
Total dividends (cents per share)	39.0	45.0	51.0	59.0	74.0
Market capitalisation (\$ million)	12,945	11,875	17,493	22,822	33,322
No. of options granted to executives (million)	6.4	7.5	7.8	6.9	8.3
Fair value per option (\$)	1.55	1.16	3.88	2.22	4.68
No. of recipients of options	333	1,277 ⁽¹⁾	1,354	1,464	1,730

Note

(1)
Grants under the Long Term Incentive Plan were extended to Store Managers and Distribution Centre Managers in this and subsequent years.

DIRECTORS' STATUTORY REPORT

REMUNERATION REPORT continued

3.4 Remuneration tables

Set out in the following table is the remuneration for the Non-executive Directors and key management personnel of Woolworths Limited during the financial year ended 24 June 2007.

	Short term employee benefits			Post-employment benefits		Other long term benefits	
	Salary and fees \$	Short term cash bonus \$	Non-monetary benefits ⁽¹⁾ \$	Super-annuation \$	Retirement allowance accrual ⁽⁶⁾ \$	Long service leave \$	Long term incentive plan ⁽²⁾ \$
Non-executive Directors							
J Strong*	469,250	–	1,486	12,686	10,096	–	–
J Astbury*	206,000	–	1,486	12,686	–	–	–
A Clarke*	171,000	–	1,486	12,529	–	–	–
R Deane	193,499	–	1,486	12,604	29,278	–	–
D Grady	183,708	–	1,486	12,529	5,555	–	–
L L'Huilier ⁽³⁾	291,835	–	1,486	12,686	8,732	–	–
I Macfarlane	75,567	–	1,486	5,384	–	–	–
A Watkins	72,384	–	1,486	5,384	–	–	–
Executive Directors							
M Luscombe	1,580,727	1,595,146	30,748	219,578	–	269,887	–
T Pockett	837,449	754,352	16,167	123,348	–	18,694	–
R Corbett	611,774	–	16,368	–	–	41,370	3,000,000
Executives							
S Bradley	782,056	696,863	29,568	116,522	–	23,249	–
N Onikul	893,370	745,288	23,470	124,290	–	69,272	–
A Nahmani	334,565	184,838	22,110	57,538	–	25,996	–
P Smith	494,347	323,642	39,544	110,156	–	41,933	–
J Coates	471,906	362,850	20,657	74,815	–	14,725	–
Total	7,669,437	4,662,979	210,520	912,735	53,661	505,126	3,000,000

Notes

* These fees include fees sacrificed for the purchase of shares in the Company under the Non-executive Directors' Share Plan.

(1) Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance.

(2) The Long Term Incentive Plan referred to in the table is only applicable to Mr Corbett.

(3) Mr L'Huilier receives an additional fee of \$75,000 per annum as a Non-executive Director and \$22,500 per annum as Chairman of the Audit Committee of ALH Group Limited.

Share-based payments			Retirement allowance				Closing balance
Options ⁽⁴⁾	Total	Options as a % of total remuneration	Opening balance	Accrued FY07	Balance available for rollover	Rolled over to defined benefit fund (gross) ⁽⁵⁾	
\$	\$	%	\$	\$	\$	\$	\$
–	493,518	–	1,045,000	10,096	1,055,096	(1,055,096)	–
–	220,172	–	–	–	–	–	–
–	185,015	–	600,000	–	600,000	(600,000)	–
–	236,867	–	406,250	29,278	435,528	–	435,528
–	203,278	–	650,000	5,555	655,555	(655,555)	–
–	314,739	–	861,250	8,732	869,982	(869,982)	–
–	82,437	–	–	–	–	–	–
–	79,254	–	–	–	–	–	–
691,725	4,387,811	15.8%	–	–	–	–	–
437,246	2,187,256	20.0%	–	–	–	–	–
–	3,669,512	–	–	–	–	–	–
294,973	1,943,231	15.2%	–	–	–	–	–
207,746	2,063,436	10.1%	–	–	–	–	–
80,825	705,872	11.5%	–	–	–	–	–
161,091	1,170,713	13.8%	–	–	–	–	–
185,786	1,130,739	16.4%	–	–	–	–	–
2,059,392	19,073,851		3,562,500	53,661	3,616,161	(3,180,633)	435,528

(4) These numbers represent the current year apportionment of the fair value of unvested options, on a pro-rata basis over the total vesting period.

(5) Directors' Retirement Deeds, which were approved by shareholders in November 1998, entitled each Non-executive Director (appointed prior to January 2004) to receive an allowance on retirement as a Director ("Allowance") after a minimum period of service. The Board determined that it should implement changes to Non-executive Director remuneration consistent with developing market practice and guidelines by discontinuing the ongoing accrual of benefits under the existing retirement benefits arrangements on 1 August 2006. The benefits accrued to that date (less 15% tax) were rolled into a defined benefit superannuation fund until retirement occurs. With the cessation of the retirement benefits, all Non-executive Directors shall receive the same base fees as set out in section 4.1.

(6) Refer to section 4.3 for further information regarding Directors Allowance.

DIRECTORS' STATUTORY REPORT

REMUNERATION REPORT continued

Set out in the following table is the remuneration for the Executive Director, Non-executive Directors and other key management personnel of Woolworths Limited during the financial year ended 25 June 2006.

2006	Short term employee benefits			Post-employment benefits	
	Salary and fees \$	Short term cash bonus \$	Non-monetary benefits ⁽¹⁾ \$	Super-annuation \$	Retirement allowance accrual ⁽²⁾ \$
Non-executive Directors					
J Astbury*	170,000	–	1,972	12,139	–
A Clarke ⁽⁴⁾	120,000	–	1,972	10,800	(27,777)
R Deane	130,000	–	1,972	11,700	44,584
D Grady	130,000	–	1,972	11,700	30,000
L L'Huillier ⁽⁵⁾	195,000	–	1,972	12,139	321,621
J Strong*	330,000	–	1,972	12,139	138,333
Executive Director					
R Corbett	3,071,683	2,291,746	51,096	–	3,000,000
Executives					
S Bradley	713,063	566,366	23,057	103,478	–
M Hamnett	595,788	508,430	11,675	84,000	–
M Luscombe	858,121	714,800	31,120	106,000	–
N Onikul	722,184	641,044	15,229	100,000	–
T Pockett	745,699	739,404	26,135	110,435	–
Total	7,781,538	5,461,790	170,144	574,530	3,506,761

Notes

* These fees include fees sacrificed for the purchase of shares in the Company under the Non-executive Directors' Share Plan.

(1)

Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance.

(2)

These amounts are only payable to Non-executive Directors upon retirement. The Board resolved effective 1 January 2004 that in relation to the Directors' Retirement Allowance any Director appointed from that date would not enter into a Directors' Retirement Deed with the Company. This resolution was made prior to the appointment of Mr Astbury and consequently he is not entitled to a retirement allowance. The \$3,000,000 payment to Mr Corbett relates to his retirement benefit as per the terms of his Service Agreement remuneration arrangements.

(3)

The Long Term Incentive Plan referred to in the table is only applicable to Mr Corbett.

Other long term benefits		Share-based payments		Options as a % of total remuneration %	Accrued retirement allowance \$
Long service leave \$	Long term incentive plan ⁽³⁾ \$	Options ⁽⁶⁾ \$	Total \$		
–	–	–	184,111	–	–
–	–	–	104,995	–	600,000
–	–	–	188,256	–	406,250
–	–	–	173,672	–	650,000
–	–	–	530,732	–	861,250
–	–	–	482,444	–	1,045,000
262,123	2,100,000	–	10,776,648	–	
20,353	–	239,929	1,666,246	14.4%	
9,559	–	240,096	1,449,548	16.6%	
72,106	–	239,929	2,022,076	11.9%	
38,828	–	94,253	1,611,538	5.8%	
19,421	–	265,559	1,906,653	13.9%	
422,390	2,100,000	1,079,766	21,096,919		3,562,500

(4)
Professor Clarke attained the maximum 10 years entitlement to this allowance at 27 June 2004. Therefore no further provision was made in the year ended 25 June 2006. The reduction of \$27,777 in the allowance accrued at 25 June 2006 arose due to the method of calculating the accrual using an average of a rolling three years fee base for the three years to June 2006.

(5)
Mr L'Huillier receives an additional fee of \$65,000 per annum as a Non-executive Director and \$10,000 per annum as Chair of the Audit Committee of ALH Group Limited. These fees were also included in the determination of Mr L'Huillier's Director's Retirement Allowance.

(6)
These numbers represent the current year apportionment of the fair value of unvested options, on a pro-rata basis over the total vesting period, determined by an independent actuary.

3.5 Executive Service Agreements

3.5.1 Chief Executive Officer

The CEO's Service Agreement has effect from 1 October 2006. The Service Agreement provides for 12 months notice of termination on the part of the Company and six months notice on the part of Mr Luscombe. In addition the Company may invoke a restraint period of up to 12 months following separation, preventing Mr Luscombe from engaging in any business activity with major competitors of Woolworths.

Mr Luscombe will not be entitled to any termination payment other than:

- Fixed Remuneration for the duration of the notice period (or payment in lieu of working out the notice period);
- pro rated Short Term Incentive Plan payment; and
- any accrued statutory entitlements.

Short Term Incentive Plan

The Short Term Incentive Plan (STIP) provides for a maximum annual payment of 100% of Fixed Remuneration.

The actual payment will be calculated with regard to achievement of key performance indicators agreed annually with the Board. The performance indicators are based on a combination of detailed measurements of corporate and financial performance and the implementation of strategic operational objectives.

Long Term Incentive Plan

The CEO is a participant in the Woolworths LTIP. At the 2006 Annual General Meeting shareholder approval was given for up to a maximum of 1,500,000 options to be granted to the CEO comprising annual grants in 2006, 2007 and 2008.

– For the 2006 and 2007 grants, the performance hurdles that apply under the Woolworths LTIP described in section 3.1.2.2 will apply to options allocated to the CEO, however 50% of the allocation will vest and become exercisable three years from the effective date subject to meeting the performance hurdles. The remaining 50% of the allocation will vest and become exercisable after five years in accordance with the conditions described in section 3.1.2.2.

– For the 2008 grant, the performance hurdles that apply under the Woolworths LTIP described in section 3.1.2.2 will apply to options allocated to the CEO.

3.5.3 All Other Executives

Since 2002, LTIP participation has been offered subject to executives entering into Service Agreements with the Company. The Service Agreements include the components of remuneration paid to executives (as detailed in section 3.2) but do not prescribe how remuneration levels are to be modified from year to year. They do not provide for a fixed term although these Service Agreements can be terminated on specified notice. For all of the executives, the Company is required to give a minimum of two months' notice, however the Company retains the right to terminate any Service Agreement immediately in a number of circumstances including fraud, dishonesty, breach of duty or improper conduct.

All of the executives are required to provide the Company with a minimum of four weeks' notice of termination. In addition, for all executives, the Company may elect to invoke a restraint period not exceeding 12 months.

All executives are entitled to receive their statutory leave entitlements

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

4 NON-EXECUTIVE DIRECTORS' REMUNERATION

4.1 Non-executive Directors' remuneration policy and structure

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid in Directors' fees, as approved at the Annual General Meeting on 25 November 2005, is \$1,750,000 per annum. No Directors' fees are paid to Executive Directors.

During the financial year ended 24 June 2007 the amount of Directors' base fees paid to each Non-executive Director was increased to \$165,000 per annum. The Chairman receives a multiple of three times this amount.

In addition to the above base fees, the Non-executive Directors, other than the Chairman, received a fee for service on a Board Committee (except the Corporate Governance Committee). The fee for serving as a member of a Board Committee was \$22,500 for the Audit, Risk Management and Compliance Committee and \$15,000 for the People Policy Committee. A Board Committee Chair received \$45,000 for chairing the Audit, Risk Management and Compliance Committee, \$30,000 for the People Policy Committee and \$20,000 for the Woolworths Group Superannuation Scheme.

Deloitte.

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The Chairman
The Board Audit Committee
Woolworths Limited
1 Woolworths Way
Bella Vista NSW 2153

24 September 2007

Dear Directors

Woolworths Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Woolworths Limited.

As lead audit partner for the audit of the financial statements of Woolworths Limited for the 52 weeks ended 24 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit, other than a contravention covered by ASIC Class Order [05/910]; and
- (ii) any applicable code of professional conduct in relation to the audit.

The independence of Deloitte in respect to the audit of the financial statements of Woolworths Limited for the financial year ended 24 June 2007 has not been impaired by this inadvertent contravention of the auditor independence requirements of the Corporations Act 2001.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Rod Smith
Partner
Chartered Accountants

DIRECTORS' STATUTORY REPORT

ENVIRONMENTAL REGULATION

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

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

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

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

DIRECTORS' AND OFFICERS' INDEMNITY/INSURANCE

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

- (ii) Each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.
- (iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Officers (and any persons who are Officers in the future) against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 63 of the annual report.

NON-AUDIT SERVICES

During the year, Deloitte Touche Tohmatsu, the Company's auditors, have performed certain other services in addition to their statutory duties. The Board is satisfied that the provision of those non-audit services during the year provided by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 or as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks or rewards.

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

ROUNDING OF AMOUNTS

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

This Report is made out in accordance with a Resolution of the Directors of the Company on 21 September 2007.

James Strong
Chairman

Michael Luscombe
Chief Executive Officer and
Managing Director

Deloitte.

Deloitte Touche Tohmatsu
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Yours faithfully



DELOITTE TOUCHE TOHMATSU



Rod Smith
Partner
Chartered Accountants

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

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

The Company has reviewed its current Corporate Governance Policies and Practices against the Australian Securities Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Recommendations) and considers that, except as explicitly indicated, they meet the Recommendations for the financial period ended 24 June 2007.

All information that the CGC recommend is publicly available on the Woolworths website – www.woolworthslimited.com.au.

The following sets out the Company's position relating to each of the ASX Recommendations.

1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board responsibilities and objectives

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

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

In summary, the Board is accountable to shareholders for Woolworths' performance and its responsibilities include:

- 1 Strategy – reviewing strategic direction and approving corporate strategic initiatives;
- 2 Board performance and composition – evaluating the performance of the Board and determining its size and composition;
- 3 Leadership selection – evaluating the performance of and selecting the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO);
- 4 Succession and remuneration planning – planning for Board, CEO and executive succession and remuneration and setting Non-executive Director remuneration within shareholder approved limits;
- 5 Financial performance – reviewing Woolworths budget, monitoring management and financial performance;
- 6 Financial reporting – considering and approving Woolworths half-yearly and annual Financial Statements;
- 7 Risk management – reviewing and monitoring the effectiveness of risk management and compliance in the organisation;
- 8 Relationship with the Australian Securities Exchange and regulators, and continuous disclosure – maintaining an appropriate level of dialogue with the ASX and other regulators and ensuring that the market and shareholders are continuously informed of material developments;
- 9 Social responsibility – considering the social, ethical and environmental impact of Woolworths activities and operations and setting standards and monitoring compliance with the Company's social responsibility policies and practices; and

10 Audit

- (i) External – selecting and recommending to shareholders the appointment of the external auditor. Determining the duration, remuneration and terms of appointment of the external auditor and evaluating their performance and ongoing independence. Maintaining a direct and ongoing dialogue with the external auditor.
- (ii) Internal – maintaining a constant and close review of risk management and compliance management, utilising the internal audit function and compliance function reporting to the Audit, Risk Management and Compliance Committee.

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

To this end the Board has established the following Committees:

- Audit, Risk Management and Compliance Committee;
- Corporate Governance Committee; and
- People Policy Committee

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

- developing and implementing corporate strategies and making recommendations to the Board on significant corporate strategic initiatives;

- making recommendations for the appointment of senior management, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for senior management roles;
- developing Woolworths annual budget and managing day-to-day operations within the budget;
- maintaining an effective risk management and compliance management framework;
- keeping the Board and market fully informed about material continuous disclosure; and
- managing day-to-day operations in accordance with standards for social, ethical and environmental practices.

Details of each Director’s attendance at Board and Committee meetings are detailed in the Directors’ Report on page 44.

2 STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board/Committees

The Board has adopted a policy of ensuring that it is composed of a majority of independent Non-executive Directors who, with the Executive Directors, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board’s responsibilities and objectives. Details of the skills, experience and expertise of each Director are set out from pages 38 to 39 of this Report. With the exception of the CEO and the Finance Director, all of the Directors are Non-executive Directors and each are considered to be independent.

A determination of Non-executive Directors’ independence is based on the Boards’ individual and ongoing assessment that the Director is free of any material business or any other

relationship that could be reasonably considered to interfere with the exercise of their independent judgement.

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

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

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

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

Information on the Company’s Chairman is set out on page 38.

Information on the Company’s CEO is set out on page 38.

There is no specified term of office for Non-executive Directors and the period since appointment of each Non-executive Director is set out from pages 38 to 39.

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

Corporate Governance Committee

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

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

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

- assessment of the necessary and desirable competencies of Board members;
- review of the Board’s succession plans;
- evaluation of the Board’s performance; and
- recommendations for the appointment and removal of Directors.

Directors' independent advice

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

3 PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Directors' policy statements

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

- exercise of due care and diligence;
- ensuring continuous disclosure of material matters;
- dealing with conflicts of interest and duties;
- access to Company documents, information, insurance, indemnities and independent advice;
- confidentiality;
- dealing in securities of the Company and insider trading (as set out below);
- fair, open, ethical and honest standards of conduct and dealing; and
- ensuring compliance with the Company's Code of Conduct.

Policy on trading in Company Securities

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

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

4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial report accountability

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

As part of the process of approving the Financial Statements, the CEO and CFO provide statements in writing to the Board that these Statements are founded on sound systems of risk management and internal compliance control and on their effectiveness.

Audit, Risk Management and Compliance Committee

The Audit, Risk Management and Compliance Committee of Directors is comprised of Non-executive Directors who, at the date of this Report, are Messrs J F Astbury (Chairman), J A Strong, L M L'Huilier, I J Macfarlane and D J Grady. The Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's internal and external audit functions, risk management and compliance systems and practice, financial statements and market reporting systems, internal accounting and control systems and such other matters as the Board may request from time to time.

The Committee also provides advice and assistance to the Board on the compliance framework, based on Australian Standard 3806/2006, and its effectiveness including legal and regulatory compliance, health and safety, privacy, environment, trade practices and fair trading, trade weights and measures, and employment obligations. Woolworths has specific policies and processes for addressing these and other compliance areas and the Committee receives and reviews regular management reports in each of these areas.

In respect of Financial Statements the Committee shall:

- review and recommend for approval by the Board the Company's half-year and full-year Financial Statements, Annual Report and Appendix 4E/D (full-year/half-year) statutory filings with supporting documents and accompanying notes having regard to:
 - (a) the quality of earnings, liquidity and transparency and accuracy of reporting;
 - (b) critical accounting policies applied and the implications of any changes in such policies;
 - (c) compliance with relevant regulatory and statutory requirements;
 - (d) areas of significant judgement and estimates by management and their treatment in the Financial Statements; and
 - (e) significant or unusual transactions or events and their implications for the Financial Statements;
- review any representation letters provided to the external auditors in respect of the Financial Statements; and
- review and monitor the propriety of related party transactions involving Directors, senior management and their external disclosure.

The Committee processes are designed to establish a proactive framework and dialogue in which the Committee, management and external and internal auditors review and assess the risk framework.

In particular, in respect of risk management the Committee shall assist the Board in overseeing the Company's risk management by:

- overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the Committee shall:

- review the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system;
- review group wide objectives in the context of the abovementioned categories of corporate risk;
- review and where necessary approve guidelines and policies governing identification, assessment and management of the Company's exposure to risk;
- review and approve the delegations of financial authorities and address any need to update these authorities on an annual basis;
- review compliance with agreed treasury policy; and
- review insurance arrangements to ensure appropriate coverage.

The Committee recommends any actions it deems appropriate to the Board for its consideration.

Composition

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

Access and reporting

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

Responsibilities

- The Committee reviews and approves, annually, the overall audit strategy of the Group which uses a risk framework to identify, assess and assign accountability for risk management, compliance and audit procedures. This ensures that the activities of external and internal audit are focused and coordinated and that there is no duplication of effort.
- **Risk Management:** The Committee assists the Board in overseeing and reviewing the risk management framework and the effectiveness of risk management in the Group. Management is responsible for identifying, managing and reporting on and effecting measures to address risk.

- **Risk Event "Consideration":** The Committee oversees the appropriate investigation and management reporting of significant risk events and incidents.
- **Accounting Standards and Quality:** The Committee oversees the adequacy and effectiveness of the Group's accounting and financial policies and controls and risk management systems and seeks assurance of compliance with relevant regulatory and statutory requirements.
- **Financial Reports:** The Committee oversees the Group's financial reporting processes and reports on the results of its activities to the Board. Specifically, the Committee reviews, with management and the external auditor, the Group's annual and Financial Statements and Reports to shareholders.
- **Internal Controls:** The Committee examines the adequacy of the nature, extent and effectiveness of the internal audit control processes of the Group.
- **Compliance:** The Committee assists the Board in fulfilling its compliance responsibilities and oversees and reviews the Group Compliance framework and its effectiveness. The Committee also assists management to foster and support a compliance culture based on AS 3806/2006 as the benchmark.
- **Special Reviews:** The Committee undertakes other special activities as requested by the Board.
- **Independent Advice:** The Committee has the authority and resources to engage independent legal, accounting and other advice to assist it to carry out its duties.

- Complaint Handling Procedures: The Committee has established procedures to review complaints received by the Company concerning accounting and other matters which fall within the scope of its Charter, including any confidential and anonymous submissions by employees.

External audit appointment and supervision

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

Internal audit appointment and supervision

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

5 MAKE TIMELY AND BALANCED DISCLOSURES

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

6 RESPECT THE RIGHTS OF SHAREHOLDERS

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

Information available to shareholders includes, but is not limited to, the

Company’s Annual Reports, half-yearly reports, quarterly sales results, share price updates, dividend history and all other ASX announcements by the Company.

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

7 RECOGNISE AND MANAGE RISK

Risk Management

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

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

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

Certification

In complying with CGC Recommendation 7.2, the CEO and CFO state to the Board in writing that the integrity of Financial Statements is founded on sound systems of risk management and compliance and internal control which implements the policies adopted by the Board and that

the Company's risk management and compliance and internal control systems are operating efficiently and effectively in all material respects. In addition, in the current period, certification by the CEO and CFO stating whether:

- the financial records of the entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- the Financial Statements, and the Notes to the Financial Statements, for the financial year, comply with the relevant accounting standards; and
- the Financial Statements and the Notes for the financial year give a true and fair view;

is required in accordance with the Corporations Act 2001 and has been received by the Directors.

The Board's role in certification includes:

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

8 ENCOURAGE ENHANCED PERFORMANCE

The Chairman is responsible for monitoring the contribution of individual Directors and counselling them on any areas which might help improve Board performance. This has worked well in the past and the Board engages external assistance, as appropriate, in reviewing this process. The performance evaluation

of key executives is undertaken by the CEO in conjunction with the People Policy Committee.

9 REMUNERATE FAIRLY AND RESPONSIBLY

People Policy Committee

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

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

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- the Company's recruitment, retention and termination policies and procedures for senior management evaluation and assessment;
- incentive schemes;
- superannuation arrangements; and
- the remuneration framework for Directors.

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

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

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

- 1 reviewing the Company's overall remuneration objectives, policies and strategies;
- 2 reviewing, on an annual basis, the Senior Management Salary and Remuneration Programme and Senior Executive/Chief Executive Officer remuneration structure and levels. This review includes the STIP for performance-related incentive bonuses and the LTIP allocations;
- 3 reviewing performance evaluation procedures for the Chief Executive Officer and Senior Executives;
- 4 monitoring the Chief Executive Officer and Senior Executive Performance Appraisal and Succession Planning Programmes and ensuring the Executive Development Programmes are appropriate to the Company's needs;
- 5 determining and monitoring the effectiveness of the major elements of the remuneration packages and other terms and conditions of appointment and continuing employment of Senior Executives of the Company; and
- 6 reviewing, on independent advice, Non-executive Directors' remuneration (within the maximum amount approved by shareholders), and their retirement benefits in accordance with a shareholder approved scheme, the Constitution of the Company and the Corporations Act 2001.

The People Policy Committee of Directors comprises Non-executive Directors, who at the date of the Report are: Dr R S Deane (Chair), Prof A E Clarke, Ms A M Watkins and Mr J A Strong. Their attendance at meetings of the Committee is set out on page 44 of the Directors' Report.

Remuneration Report

In accordance with the Corporations Act 2001 (section 300A) disclosures in relation to Director and executive remuneration are included in a separate component of the Directors' Report, entitled Remuneration Report. The Remuneration Report is set out from pages 45 to 61. Full details of the Company's remuneration philosophy, structure – including fixed and variable remuneration – and quantum are detailed in the Remuneration Report.

Employee Share Plans

The Company has established various Plans which have provided for the allocation of shares to over 45,000 of its permanent employees. Details of these Plans are set out in Note 23 to the Financial Statements – "Employee Benefits".

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

10 RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Corporate Conduct

In addition to the Directors' Policy Statements set out on page 66 of this Report, the Board has adopted a Corporate Governance Manual which provides for the Board's endorsement of the Company's corporate governance policies applicable to all levels of Management in the following key areas:

- 1 Code of Conduct/Ethics;
- 2 Trade Practices/Fair Trading Practices;
- 3 Tendering and Supply arrangements;
- 4 Gifts and Gratuities/Political Donations;
- 5 Occupational Health and Safety/Discrimination;
- 6 Equal Employment Opportunity;
- 7 Continuous Disclosure;
- 8 Compliance;
- 9 Trading in the Company's Securities; and
- 10 Conflicts of Interest/Duties.

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

FINANCIAL REPORT TO SHAREHOLDERS

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FIVE YEAR SUMMARY

	AIFRS 2007 52	AIFRS 2006 52	AIFRS 2005 52	AGAAP 2005 52	AGAAP 2004 52	AGAAP 2003 52
PROFIT AND LOSS						
Sales (\$m)						
Food and Liquor ⁽¹⁾	31,685.0	28,063.0	23,569.6	23,569.6	21,997.6	21,039.0
Petrol	4,836.8	4,390.4	3,308.4	3,308.4	2,194.9	1,710.5
Total Supermarkets	36,521.8	32,453.4	26,878.0	26,878.0	24,192.5	22,749.5
BIG W	3,465.2	3,119.1	2,908.7	2,908.7	2,717.9	2,500.3
Consumer Electronics ⁽²⁾	1,310.2	1,167.1	1,007.5	1,007.5	886.3	791.2
General Merchandise	4,775.4	4,286.2	3,916.2	3,916.2	3,604.2	3,291.5
Hotels	1,032.1	849.9	415.8	415.8	–	–
Continuing operations	42,329.3	37,589.5	31,210.0	31,210.0	27,796.7	26,041.0
Wholesale	147.8	144.7	142.5	142.5	137.2	280.4
Total Group	42,477.1	37,734.2	31,352.5	31,352.5	27,933.9	26,321.4
Earnings before interest and tax (\$m)						
Food and Liquor ⁽¹⁾	1,752.2	1,394.9	1,091.5	1,077.2	941.7	825.1
Petrol	82.9	53.1	36.2	36.3	18.6	29.9
Total Supermarkets	1,835.1	1,448.0	1,127.7	1,113.5	960.3	855.0
BIG W	138.6	123.1	118.3	118.0	116.2	103.7
Consumer Electronics ⁽²⁾	66.8	64.0	54.5	51.8	44.1	37.0
General Merchandise	205.4	187.1	172.8	169.8	160.3	140.7
Hotels	183.7	151.1	52.8	54.9	–	–
Total trading operations	2,224.2	1,786.2	1,353.3	1,338.2	1,120.6	995.7
Net property income/(expense)	(23.8)	18.3	21.2	20.3	21.7	26.6
Head office overheads	(91.6)	(84.1)	(74.9)	(77.9)	(79.0)	(76.7)
Total unallocated ⁽³⁾	(115.4)	(65.8)	(53.7)	(57.6)	(57.3)	(50.1)
Continuing operations	2,108.8	1,720.4	1,299.6	1,280.6	1,063.3	945.6
Wholesale	2.5	1.8	2.5	2.4	1.8	0.1
Total Group	2,111.3	1,722.2	1,302.1	1,283.0	1,065.1	945.7
EBIT to sales %						
Supermarkets	5.02	4.46	4.19	4.14	3.97	3.76
BIG W	4.00	3.95	4.07	4.06	4.28	4.15
Consumer Electronics	5.10	5.48	5.41	5.14	4.98	4.68
Hotels	17.79	17.78	12.70	13.20	–	–
Wholesale	1.69	1.25	1.75	1.68	1.31	0.04
Total	4.97	4.56	4.16	4.09	3.81	3.59

	AIFRS 2007 52	AIFRS 2006 52	AIFRS 2005 52	AGAAP 2005 52	AGAAP 2004 52	AGAAP 2003 52
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PROFIT AND LOSS DETAIL (\$M)

Sales	42,477.1	37,734.2	31,352.5	31,352.5	27,933.9	26,321.4
Cost of goods sold	(31,723.1)	(28,289.6)	(23,550.2)	(23,549.9)	(20,975.5)	(19,703.0)
Gross profit	10,754.0	9,444.6	7,802.3	7,802.6	6,958.4	6,618.4
<i>Gross profit margin (%)</i>	25.32	25.03	24.89	24.89	24.91	25.14
Cost of doing business (CODB)	(8,642.7)	(7,722.4)	(6,500.2)	(6,519.6)	(5,893.3)	(5,672.7)
<i>CODB (%)</i>	20.35	20.47	20.73	20.80	21.10	21.55
Selling, general and admin expenses (excluding rent, depreciation and amortisation)	(6,847.1)	(6,130.1)	(5,184.0)	(5,153.7)	(4,675.9)	(4,515.7)
EBITDAR	3,906.9	3,314.5	2,618.3	2,648.9	2,282.5	2,102.7
<i>EBITDAR margin (%)</i>	9.20	8.78	8.35	8.45	8.17	7.99
Rent (including fitout rent)	(1,206.3)	(1,070.1)	(900.2)	(904.9)	(809.8)	(758.7)
EBITDA	2,700.6	2,244.4	1,718.1	1,744.0	1,472.7	1,344.0
<i>EBITDA margin (%)</i>	6.36	5.95	5.48	5.56	5.27	5.11
Depreciation and Amortisation	(589.3)	(522.2)	(416.0)	(419.2)	(379.6)	(370.9)
Amortisation of goodwill	-	-	-	(41.8)	(28.0)	(27.4)
EBIT	2,111.3	1,722.2	1,302.1	1,283.0	1,065.1	945.7
<i>EBIT margin (%)</i>	4.97	4.56	4.16	4.09	3.81	3.59
Net financing cost	(189.7)	(201.8)	(104.9)	(108.5)	(47.3)	(39.7)
Hybrid Notes interest	(43.9)	(47.9)	(45.2)	(45.2)	(42.9)	(41.1)
Profit before tax and abnormal items	1,877.7	1,472.5	1,152.0	1,129.3	974.9	864.9
Taxation	(566.4)	(445.8)	(334.8)	(337.7)	(286.7)	(255.0)
Profit after tax and before abnormal items	1,311.3	1,026.7	817.2	791.6	688.2	609.9
Outside equity interest	(17.3)	(12.1)	(1.0)	(1.1)	(0.4)	(0.4)
Profit attributable to members of Woolworths Limited after tax and Hybrid Notes	1,294.0	1,014.6	816.2	790.5	687.8	609.5

BALANCE SHEET (\$M)

Funds employed

Inventory	2,739.2	2,316.1	1,969.6	1,977.3	1,847.0	1,843.1
Accounts payable	(3,277.4)	(2,778.5)	(2,339.8)	(2,335.6)	(2,176.3)	(2,078.9)
Net investment in inventory	(538.2)	(462.4)	(370.2)	(358.3)	(329.3)	(235.8)
Fixed assets and investments	4,886.1	4,172.1	3,425.8	3,581.9	2,758.8	2,485.0
Intangibles	5,003.5	4,759.4	2,046.4	2,011.4	572.3	555.3
Receivables	490.1	1,174.4	611.9	689.9	423.0	543.1
Other creditors	(2,038.3)	(1,838.7)	(1,483.8)	(1,457.8)	(1,267.1)	(1,186.1)
Total funds employed⁽⁴⁾	7,803.2	7,804.8	4,230.1	4,467.1	2,157.7	2,161.5
Net tax balances	154.3	252.3	182.2	147.2	58.7	21.3
Net assets employed	7,957.5	8,057.1	4,412.3	4,614.3	2,216.4	2,182.8
Net repayable debt ⁽⁵⁾	(2,442.8)	(3,799.5)	(2,412.1)	(2,417.2)	(163.9)	(359.6)
Net assets	5,514.7	4,257.6	2,000.2	2,197.1	2,052.5	1,823.2
Noteholders' equity (WINs) ⁽⁶⁾	-	-	-	-	583.0	583.0
Minority interest	239.4	229.8	26.0	33.3	5.2	4.8
Shareholders' equity	5,275.3	4,027.8	1,974.2	2,163.8	1,464.3	1,235.4
Total equity	5,514.7	4,257.6	2,000.2	2,197.1	2,052.5	1,823.2

FIVE YEAR SUMMARY

Weeks	AIFRS	AIFRS	AIFRS	AGAAP	AGAAP	AGAAP
	2007 52	2006 52	2005 52	2005 52	2004 52	2003 52
CASH FLOW (\$M)						
EBITDA	2,700.6	2,244.4	1,718.1	1,744.0	1,472.7	1,344.0
Movement in net investment in inventory	68.1	61.4	(44.3)	(44.0)	97.3	76.1
Other operating cash flows	297.7	127.5	100.4	80.8	69.2	155.5
Net interest paid (including cost of income notes)	(249.8)	(253.2)	(161.5)	(161.5)	(95.7)	(82.3)
Tax paid	(522.4)	(475.3)	(398.3)	(398.3)	(324.1)	(283.8)
Operating cash flow	2,294.2	1,704.8	1,214.4	1,221.0	1,219.4	1,209.5
Payments for property, plant and equipment	(1,131.0)	(1,411.7)	(1,180.5)	(1,180.5)	(718.7)	(593.4)
Proceeds on disposal of property, plant and equipment	778.2	328.7	97.7	97.7	138.1	114.5
Major acquisitions – debt funded	–	(1,464.7)	(1,208.8)	(1,208.8)	–	–
Other investing cash flows	(372.3)	(178.2)	(76.7)	(76.6)	1.4	(65.3)
Free cash flow	1,569.1	(1,021.1)	(1,153.9)	(1,147.2)	640.2	665.3
Movement in gross debt	(999.5)	1,079.0	1,312.7	1,312.5	(133.7)	118.3
Dividends paid	(355.2)	–	(201.9)	(201.9)	(346.9)	(307.3)
Dividends paid to minority interests	(7.7)	–	–	–	–	–
Buyback of shares	–	–	–	–	(140.9)	(534.1)
New shares issued	63.6	40.9	128.0	120.0	42.9	50.1
Effects of exchange rate changes on balance of cash held in foreign currencies	2.6	(6.7)	–	–	–	–
Net cash flow	272.9	92.1	84.9	83.4	61.6	(7.7)

	AIFRS	AIFRS	AIFRS	AGAAP	AGAAP	AGAAP
Weeks	2007	2006	2005	2005	2004	2003
	52	52	52	52	52	52

SHAREHOLDER VALUE

ROFE (pre-tax return on funds employed) (%)⁽⁷⁾

Normal	27.05	28.62	42.64	38.73	49.32	42.81
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Du Pont analysis (abnormals excluded) (%)

EBIT to sales	4.97	4.56	4.16	4.09	3.81	3.59
Service burden ⁽⁸⁾	88.94	85.50	88.47	88.02	91.53	91.46
Tax burden ⁽⁹⁾	69.84	69.72	70.94	70.10	70.59	70.52
Asset turn ⁽¹⁰⁾	3.06	3.41	4.24	4.15	4.64	4.53
Financial leverage ⁽¹¹⁾	2.98	3.69	4.62	4.16	4.46	4.70
Return on equity ⁽¹²⁾	27.82	33.81	50.93	43.57	50.95	49.34

Earnings per share

Ordinary share price closing (\$)	27.60	19.36	16.48	16.48	11.62	12.68
Market capitalisation (\$m)	33,321.5	22,881.9	17,493.2	17,493.2	11,874.8	12,945.0
Weighted average shares on issue	1,189.4	1,116.3	1,030.6	1,043.7	1,020.5	1,049.2
Normal basic EPS ⁽¹³⁾	108.79	90.89	79.19	75.74	67.40	58.09
EPS pre-goodwill amortisation	108.79	90.89	79.19	79.75	70.14	60.70
Interim dividend (\$m)	421.7	325.9	250.9	250.9	213.6	192.0
Interim dividend (cents per share)	35.0	28.0	24.0	24.0	21.0	18.0
Final dividend (\$m) ⁽¹⁴⁾	471.9	367.2	287.2	287.2	248.9	215.1
Final dividend (cents per share)	39.0	31.0	27.0	27.0	24.0	21.0
Total dividend (\$m)	893.6	693.1	538.2	538.2	462.5	407.1
Total dividend (cents per share)	74.0	59.0	51.0	51.0	45.0	39.0
Payout ratio (before abnormals) (%)	68.97	68.30	65.94	68.01	67.24	66.79
Price/earnings ratio (times)	25.37	21.30	20.81	21.76	17.20	21.83
Price/cash flow ratio (times)	14.31	12.67	13.99	14.09	9.76	11.03

Growth rates (% increase)

Sales	12.57	20.35	12.24	12.24	6.13	7.55
Sales per equivalent week	12.57	20.35	12.24	12.24	6.13	9.62
EBITDA	20.33	30.64	16.66	18.42	9.58	13.54
EBIT	22.59	32.26	22.25	20.46	12.63	13.57
Profit before tax	27.52	27.82	18.17	15.84	12.72	16.50
Normal basic EPS	19.70	14.76	17.50	12.37	16.03	15.63

FINANCIAL STRENGTH

Service cover ratio (times) ⁽¹⁵⁾	9.04	6.90	8.67	8.35	11.81	11.70
Fixed charges cover (times)	2.72	2.50	2.48	2.48	2.52	2.50
Sales to inventory ⁽¹⁶⁾	16.80	17.61	16.46	16.40	15.14	14.30
Capital expenditure to EBITDA (%)	41.88	62.90	68.71	67.69	48.80	44.15
Operating cash flow per share	1.93	1.53	1.18	1.17	1.19	1.15
Serviced gearing (%) ⁽¹⁷⁾	30.70	47.16	54.67	52.38	33.70	43.18
Current assets to current liabilities (%)	75.62	84.54	81.06	81.60	85.98	80.79

FIVE YEAR SUMMARY

	AIFRS 2007	AIFRS 2006	AIFRS 2005	AGAAP 2005	AGAAP 2004	AGAAP 2003
PRODUCTIVITY						
Stores (number)						
Supermarkets						
NSW and ACT	237	238	233	233	234	228
Queensland	168	161	147	147	143	141
Victoria	183	182	183	183	179	175
South Australia and Northern Territory	72	69	69	69	63	63
Western Australia	79	79	64	64	60	58
Tasmania	27	27	27	27	29	29
Supermarkets in Australia	766	756	723	723	708	694
Supermarkets in New Zealand	199	198	–	–	–	–
Total Supermarkets	965	954	723	723	708	694
Freestanding Liquor	212	204	192	192	192	164
ALH Group retail outlets	424	432	382	382	–	–
Caltex/WOW Petrol	134	131	117	117	44	–
WOW Petrol – Australia	371	360	339	339	315	287
WOW Petrol – New Zealand	22	22	–	–	–	–
Total Supermarket division	2,128	2,103	1,753	1,753	1,259	1,145
General Merchandise						
BIG W	142	129	120	120	111	104
Dick Smith Electronics	254	223	202	202	164	153
Dick Smith Electronics PowerHouse	23	20	18	18	18	16
Tandy	123	123	122	122	148	179
Total General Merchandise	542	495	462	462	441	452
Hotels (ALH Group) (includes eight clubs)	263	250	169	169	–	–
Total Group	2,933	2,848	2,384	2,384	1,700	1,597

Stores (movement)

Supermarkets				
New South Wales	238	4	(5)	237
Queensland	161	9	(2)	168
Victoria	182	2	(1)	183
South Australia and Northern Territory	69	4	(1)	72
Western Australia	79	3	(3)	79
Tasmania	27	–	–	27
Total Australian Supermarkets	756	22	(12)	766
Supermarkets – New Zealand	198	4	(3)	199
Total Supermarkets	954	26	(15)	965
Freestanding Liquor	204	14	(6)	212
ALH Group retail outlets	432	26	(34)	424
Caltex/WOW Petrol	131	4	(1)	134
WOW Petrol – Australia	360	11	–	371
WOW Petrol/Convenience – New Zealand	22	–	–	22
Total Supermarket division	2,103	81	(56)	2,128
General Merchandise				
BIG W	129	13	–	142
Dick Smith Electronics	223	31	–	254
Dick Smith PowerHouse	20	3	–	23
Tandy	123	11	(11)	123
Total General Merchandise	495	58	(11)	542
Hotels (ALH Group)	250	13	–	263
Total Group Movement	2,848	152	(67)	2,933

	AIFRS 2007	AIFRS 2006	AIFRS 2005	AGAAP 2005	AGAAP 2004	AGAAP 2003
Weeks	52	52	52	52	52	52

Area (sqm)

Supermarkets (Australia) ⁽¹⁸⁾	1,848,792	1,784,279	1,682,536	1,682,536	1,623,530	1,574,640
Supermarkets (New Zealand) ⁽¹⁹⁾	291,092	291,792	–	–	–	–
General Merchandise ⁽²⁰⁾	930,288	843,316	783,685	783,685	731,788	695,338

**Sales per square metre
(normalised 52 weeks)**

Supermarkets (Australia) ⁽¹⁸⁾	14,570.6	13,877.9	13,754.2	13,754.2	13,549.2	13,361.1
Supermarkets (New Zealand) – NZD ⁽¹⁹⁾	14,382.5	–	–	–	–	–
General Merchandise ⁽²⁰⁾	5,106.2	5,082.5	4,997.2	4,997.2	4,925.2	4,733.7

FIVE YEAR SUMMARY

NOTES TO STATISTICS

(1)
Includes FAL results since 2 November 2005 and Taverner retail results from 6 February 2006.

(2)
Includes India wholesale results since October 2006 (2007 Sales \$25 million, EBIT \$4.3 million loss).

(3)
Unallocated expense represents corporate costs relating to the Woolworths Group as a whole, and income and expense 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 Segment Reporting.

(4)
Funds employed is net assets excluding net tax balances, provision for dividends, net debt, and assets and liabilities as a result of hedging per AASB 139 Financial Instruments: Recognition and Measurement.

(5)
Net repayable debt is gross debt less cash on hand, cash at bank, cash on short term deposit and includes hedge assets and liabilities.

(6)
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 Balance Sheet. 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.

(7)
Return on funds employed (ROFE) is EBIT as a percentage of average (of opening and closing) funds employed for the year.

(8)
Service burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.

(9)
Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.

(10)
Asset turn is total sales divided by average (of opening and closing) total assets for the year.

(11)
Financial leverage is average (of opening and closing) total assets divided by average (of opening and closing) shareholders' equity for the year.

(12)
Return on equity is profit after income tax attributable to shareholders, divided by average (of opening and closing) shareholders' funds for the period.

(13)
Normal basic earnings per share (Normal EPS) is profit after tax and servicing Hybrid Notes before abnormal items divided into the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard AASB 133 Earnings per Share or Accounting Standard AASB 1027 Earnings per Share, as relevant.

(14)
The current year figure represents the dividend value given the shares on issue as at balance date. This figure will change if there are any shares issued between balance date and the ex-dividend date.

(15)
Service cover ratio is EBIT divided by the sum of net financing cost and Hybrid Notes interest.

(16)
Sales to inventory is total sales for the year divided by average (of opening and closing) inventory.

(17)
Serviced gearing is net repayable debt plus WINs divided by net repayable debt plus WINs plus total equity.

(18)
Supermarkets excludes Petrol and ALH Group retail (BWS) outlets. Comparative values adjusted to include ALH Group Dan Murphy sites.

(19)
New Zealand Supermarkets excludes Wholesale. Sales per square metre for 2006 not provided due to acquisition being completed in mid-year.

(20)
Excludes India Wholesale.

INCOME STATEMENTS

	Note	Consolidated		Woolworths Limited	
		2007 \$m	2006 \$m	2007 \$m	2006 \$m
Revenue from the sale of goods	2a	42,477.1	37,734.2	30,165.2	27,923.1
Other operating revenue	2a	109.7	99.1	99.6	99.8
Revenue from operations		42,586.8	37,833.3	30,264.8	28,022.9
Cost of sales		(31,832.8)	(28,388.7)	(22,701.0)	(21,125.0)
Gross profit		10,754.0	9,444.6	7,563.8	6,897.9
Other revenue	2b	140.0	128.2	86.9	85.1
Other income	2c	–	16.7	–	–
Branch expenses		(6,781.2)	(6,099.0)	(4,680.3)	(4,365.9)
Administration expenses		(2,001.5)	(1,768.3)	(1,464.0)	(1,398.3)
Earnings before interest and tax		2,111.3	1,722.2	1,506.4	1,218.8
Financial expense	3	(262.0)	(266.8)	(260.2)	(261.9)
Financial income	3	28.4	17.1	228.8	140.0
Net financing cost		(233.6)	(249.7)	(31.4)	(121.9)
Net profit before income tax expense		1,877.7	1,472.5	1,475.0	1,096.9
Income tax expense	5a	(566.4)	(445.8)	(457.0)	(316.4)
Profit after income tax expense		1,311.3	1,026.7	1,018.0	780.5
Net profit attributable to:					
Equity holders of the parent entity		1,294.0	1,014.6	1,018.0	780.5
Minority interest		17.3	12.1	–	–
		1,311.3	1,026.7	1,018.0	780.5
Earnings per share (EPS)					
Basic EPS (cents per share)	20	108.79	90.89	–	–
Diluted EPS (cents per share)	20	107.85	90.33	–	–
Weighted average number of shares used in the calculation of basic EPS (million)	20	1,189.4	1,116.3	–	–

The income statements should be read in conjunction with the notes to the Financial Statements set out on pages 84 to 147.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the 52 weeks ended 24 June 2007	Note	Consolidated		Woolworths Limited	
		2007 \$m	2006 \$m	2007 \$m	2006 \$m
Movement in translation of foreign operations taken to equity	18	190.0	(275.9)	–	–
Movement in the fair value of available-for-sale financial assets	18	(11.8)	–	–	–
Loss on cash flow hedges taken to equity	18	(161.5)	(17.3)	(161.5)	(17.3)
Actuarial losses on defined benefit plans	19	(7.4)	(15.0)	(7.4)	(15.0)
Tax effect of items recognised directly to equity	5b	(17.2)	(6.9)	(6.0)	6.4
Net income/(expense) recognised directly in equity		(7.9)	(315.1)	(174.9)	(25.9)
Transfer to income statement cash flow hedges	18	236.0	(35.3)	236.0	(35.3)
Profit for the period		1,311.3	1,026.7	1,018.0	780.5
Total recognised income and expense for the period		1,539.4	676.3	1,079.1	719.3
Attributable to:					
Equity holders of the parent		1,522.1	664.2	1,079.1	719.3
Minority interest		17.3	12.1	–	–
		1,539.4	676.3	1,079.1	719.3

The statements of recognised income and expense should be read in conjunction with the notes to the Financial Statements set out on pages 84 to 147.

BALANCE SHEETS

As at 24 June 2007	Note	2007 \$m	Consolidated 2006 \$m	2007 \$m	Woolworths Limited 2006 \$m
Current assets					
Cash		798.8	525.9	607.7	331.9
Trade and other receivables	8	484.7	1,160.4	450.1	328.5
Inventories		2,739.2	2,316.1	1,902.9	1,602.0
Assets held for sale	10	96.9	115.6	95.6	90.7
Other financial assets	9	41.4	2.8	41.4	2.8
Total current assets		4,161.0	4,120.8	3,097.7	2,355.9
Non-current assets					
Trade and other receivables	8	5.4	14.0	5,557.1	6,204.5
Other financial assets	9	256.0	59.5	3,184.3	3,153.5
Property, plant and equipment	10	4,623.0	4,055.8	2,539.8	2,200.6
Intangibles	11	5,003.5	4,759.4	445.8	429.0
Deferred tax assets	5d	367.2	336.9	280.8	272.8
Total non-current assets		10,255.1	9,225.6	12,007.8	12,260.4
Total assets		14,416.1	13,346.4	15,105.5	14,616.3
Current liabilities					
Trade and other payables	12	4,184.7	3,573.4	6,291.2	5,596.3
Borrowings	14	379.8	612.3	269.5	610.8
Current tax liabilities	5c	212.9	84.6	139.8	96.5
Other financial liabilities	13	74.9	–	74.9	–
Provisions	16	650.5	604.0	531.2	481.6
Total current liabilities		5,502.8	4,874.3	7,306.6	6,785.2
Non-current liabilities					
Borrowings	14	2,690.9	3,704.0	2,684.0	3,696.5
Other financial liabilities	13	227.2	70.7	227.2	70.7
Provisions	16	382.3	340.7	318.7	296.6
Other		98.2	99.1	74.2	77.0
Total non-current liabilities		3,398.6	4,214.5	3,304.1	4,140.8
Total liabilities		8,901.4	9,088.8	10,610.7	10,926.0
Net assets		5,514.7	4,257.6	4,494.8	3,690.3
Equity					
Issued capital	17	3,422.7	2,947.8	3,422.7	2,947.8
Shares held in trust	17	(71.6)	(87.1)	(71.6)	(87.1)
Reserves	18	(38.3)	(288.6)	54.3	(29.0)
Retained earnings	19	1,962.5	1,455.7	1,089.4	858.6
Equity attributable to the members of Woolworths Limited		5,275.3	4,027.8	4,494.8	3,690.3
Minority interest		239.4	229.8	–	–
Total equity		5,514.7	4,257.6	4,494.8	3,690.3

The balance sheets should be read in conjunction with the notes to the Financial Statements set out on pages 84 to 147.

STATEMENTS OF CASH FLOWS

For the 52 weeks ended 24 June 2007

	Consolidated		Woolworths Limited	
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m
Cash flows from operating activities				
Receipts from customers	46,021.5	39,938.3	32,654.8	31,215.4
Receipts from vendors and tenants	35.8	28.7	4.7	4.5
Payments to suppliers and employees	(42,990.9)	(37,533.7)	(30,493.3)	(29,384.6)
Interest and costs of finance paid	(273.5)	(270.3)	(283.1)	(264.9)
Interest received	23.7	17.1	182.7	47.1
Income tax paid	(522.4)	(475.3)	(467.4)	(419.6)
Net cash from operating activities	2,294.2	1,704.8	1,598.4	1,197.9
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	778.2	328.7	15.9	15.0
Proceeds from sale of investments	–	1.0	–	–
Payments for property, plant and equipment	(1,113.4)	(1,409.9)	(709.4)	(726.7)
Payments for the purchase of intangibles	(17.6)	(1.8)	(1.2)	–
Payments for purchase of investments	(173.0)	–	–	–
Advances from/(loans to) related entities	–	–	775.7	(1,908.0)
Dividend received from related entity	4.7	–	23.1	–
Payments for purchase of businesses	(204.0)	(1,643.9)	(27.4)	(22.8)
Net cash in investing activities	(725.1)	(2,725.9)	76.7	(2,642.5)
Cash flows from financing activities				
Proceeds from issue of equity securities	63.6	40.9	63.6	40.9
Proceeds from external borrowings	10,097.1	11,089.2	9,987.3	11,087.6
Repayment of external borrowings	(11,096.6)	(10,010.2)	(11,095.0)	(9,665.2)
Dividends paid	(355.2)	–	(355.2)	–
Dividends paid to minority interest	(7.7)	–	–	–
Net cash (used in)/provided by financing activities	(1,298.8)	1,119.9	(1,399.3)	1,463.3
Net increase in cash held	270.3	98.8	275.8	18.7
Effects of exchange rate changes on balance of cash held in foreign currencies	2.6	(6.7)	–	–
Cash at the beginning of the financial period	525.9	433.8	331.9	313.2
Cash at the end of the financial period	798.8	525.9	607.7	331.9

Non-cash financing and investing activities

In accordance with the Company's Dividend Reinvestment Plan (DRP), 55% (2006: 100%) of the dividend paid was reinvested in the shares of the Company

Dividend (Note 6)	788.9	613.1	788.9	613.1
Issuance of shares under the DRP	(433.7)	(613.1)	(433.7)	(613.1)
Net cash outflow	355.2	–	355.2	–

On 5 June 2006, the Company redeemed the Woolworths Income Notes. Of the \$600 million redeemed \$231.3 million was rolled in the Woolworths Notes. The Company issued shares as part of the consideration for business acquisitions as disclosed in Note 29.

The statements of cash flows should be read in conjunction with the notes to the Financial Statements set out on pages 84 to 147.

For the 52 weeks ended 24 June 2007

	<i>Consolidated</i>		<i>Woolworths Limited</i>	
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m

Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax expense

Profit from ordinary activities after income tax expense	1,311.3	1,026.7	1,018.0	780.5
Depreciation/amortisation charged to income statement	589.3	522.2	393.9	350.1
Difference between defined benefit expense and cash contributions	(8.7)	(9.0)	(8.7)	(9.0)
Intercompany Interest receivable	–	–	(0.1)	(92.9)
(Profit)/loss on sale of property, plant and equipment	12.7	(16.7)	14.5	14.6
(Increase)/decrease in deferred tax asset	(47.4)	(5.3)	(14.0)	9.1
Increase/(decrease) in current tax liability	91.3	(27.8)	43.3	(19.2)
(Increase)/decrease in trade and other receivables	(6.4)	(34.4)	(65.3)	(18.9)
(Increase)/decrease in inventories	(399.2)	(107.6)	(299.4)	(81.5)
Increase/(decrease) in trade creditors	467.3	169.0	342.8	141.9
Increase/(decrease) in sundry creditors and provisions	264.7	178.3	188.1	114.6
Other non-cash movements	19.3	9.4	(14.7)	(8.4)
Net cash provided by operating activities	2,294.2	1,704.8	1,598.4	1,197.9

Acquisition of businesses

Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses as at the dates of the acquisition were as follows:

– property, plant and equipment	113.6	679.1	9.8	10.3
– inventories	4.4	269.7	1.6	1.5
– liquor and gaming licences and other intangibles	50.1	393.1	5.4	8.2
– brand names	–	244.1	–	–
– cash acquired	0.3	67.4	–	–
– other assets	4.8	103.6	2.1	–
– borrowings	–	(353.7)	–	–
– trade payables	–	(302.2)	–	–
– provisions	(1.5)	(87.9)	–	–
– other liabilities	–	(95.5)	0.2	–
Net assets acquired	171.7	917.7	19.1	20.0
Goodwill on acquisition	32.6	2,315.3	8.3	2.8
Fair value of net assets acquired	204.3	3,233.0	27.4	22.8
Analysed as follows:				
Consideration				
– equity issued	–	1,521.7	–	–
– cash paid (Note 29)	204.3	1,711.3	27.4	22.8
Total consideration	204.3	3,233.0	27.4	22.8
Cash paid	204.3	1,711.3	27.4	22.8
Less: cash balances acquired	(0.3)	(67.4)	–	–
Cash consideration paid this year	204.0	1,643.9	27.4	22.8

Details of acquisitions are shown at Note 29.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

Woolworths Limited (the "Company") is a company domiciled in Australia. The financial report of the Company for the 52 weeks ended 24 June 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the Directors on 21 September 2007.

A Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate Financial Statements of the Company and the Consolidated Financial Statements of the consolidated entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Consolidated Financial Statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS). The Company's Financial Statements and notes also comply with IFRS ("IFRS") except for the disclosure requirements in IAS 32 Financial Instruments: Disclosure and Presentation as the Australian equivalent Accounting Standard, AASB 132 Financial Instruments: Disclosure and Presentation does not require such disclosures to be presented by the Company where its separate Financial Statements are presented together with the Consolidated Financial Statements of the consolidated entity.

B Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been 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 financial report and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

In the prior financial year the consolidated entity adopted AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement in accordance with the transition rules of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 26 June 2006. The effect of the

adoption of these new and revised Standards and Interpretations was not material.

The entity has elected to early adopt the following Accounting Standards and Interpretations:

- Interpretation 11-AASB 2 Group and Treasury Share Transactions which will become mandatory for the consolidated entity's 2008 financial report. Application of this Interpretation did not have any impact on the consolidated entity's financial results for the year ended 25 June 2006;
- AASB 2007-7 Amendments to Australian Accounting Standards arising from AASB 1, AASB 2, AASB 4, AASB 107 and AASB 128;
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007;
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments in May 2007. AASB 2007-4 makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required, and make a number of editorial amendments. AASB 2007-4 is applicable to annual reporting periods beginning on or after 1 July 2007 and must therefore be applied in the Financial Statements for the year ending 29 June 2008. The consolidated entity has elected to early adopt AASB 2007-4. On adoption, there has been no change to any of its current accounting policies and accordingly, there is no financial impact to these Financial Statements. The only change in the Consolidated Financial Statements for the year ended 24 June 2007 is that certain information will no longer be disclosed, or is disclosed in an alternative manner.

Issued standards and interpretations not early adopted

The following Standards and Amendments to Standards were available for early adoption and were applicable to the consolidated entity but have not been applied by the consolidated entity in these Financial Statements. Adoption of these standards is not expected to have an impact on the financial results of the Company or the consolidated entity as the standards are only concerned with disclosures.

- AASB 7 Financial Instruments: Disclosure (August 2005) replaces the presentation requirements of financial instruments in AASB 132 Financial Instruments: Disclosure and Presentation. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential

- amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the Consolidated Financial Statements;
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009; and
 - AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to certain standards and must be adopted in conjunction with AASB 8 Operating Segments. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009.

The consolidated entity will adopt AASB 8 and AASB 2007-3 in the financial year ending 27 June 2010 and is currently evaluating their impact on the consolidated entity's Financial Statements.

Adoption of the following Interpretations and amended Standards is not expected to have any significant impact, on the results of the business, if any:

- Interpretation 10 Interim Financial Reporting and Impairment will become mandatory for the consolidated entity's 2008 Financial Statements and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the consolidated entity first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005 respectively);
- AASB 2007-2 Amendments to Australian Accounting Standards amends references to "UIG Interpretation" to Interpretations. This amending standard is applicable to annual reporting periods beginning on or after 28 February 2007;
- Interpretation 13 Customer Loyalty Programs is applicable to financial years beginning on or after 1 July 2008.
- AASB 123 (revised) Borrowing costs removes the option to expense borrowing costs on qualifying assets and mandates capitalisation of such costs into the cost of the asset. All other borrowings costs continue to be expensed. The consolidated entity has previously adopted this treatment as its accounting policy and accordingly no material impact is expected on initial application. AASB 123 (revised) is applicable for annual reporting periods beginning on or after 1 January 2009; and

- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction Contracts, AASB 116 Property, Plant and Equipment and AASB 138 Intangible Asset, Interpretations 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009.
- IAS 1 Presentation of Financial Statements is applicable to annual periods beginning on or after 1 January 2009.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The 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.

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 subsidiaries.

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 financial report from the date that control commences until the date that control ceases.

Interests in subsidiaries are accounted for at cost in Woolworths Limited's Financial Statements.

Minority interests in the equity and results of subsidiaries are shown as a separate item in the consolidated financial report.

(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 consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks which are reported initially in equity to the extent the hedge is effective (refer Note 1(F)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, and which form part of the net investment in a foreign operation, which 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, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. Revenue and expense items are translated at the average exchange rates for the period. Exchange differences arising on translation of foreign operations, if any, are recognised in the foreign currency translation reserve and recognised in consolidated profit and loss on disposal of the foreign operation.

E Derivative financial instruments

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 timing of the recognition of any resultant gain or loss depends on the nature of the hedge relationship (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.

F Hedging

(i) Cash flow hedge

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 (CCIRS) 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, 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:

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

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.

G Property, plant and equipment

Freehold land and buildings and development properties are held at the lower of cost less accumulated depreciation and net realisable value. Borrowing, 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 are not depreciated.

Items of 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 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 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 the lower of cost less accumulated

depreciation and net realisable value 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 (refer Note 1(M)). Lease payments are accounted for as described in Note 1(T).

(ii) Depreciation

(a) Buildings, plant and equipment

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:

	2007	2006
Buildings	25 to 40 years	25 to 40 years
Plant and equipment	3 to 10 years	3 to 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 amortised over a maximum period of 20 years.

(c) Plant and equipment

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:

	2007	2006
Plant and equipment	2.5 to 10 years	2.5 to 10 years

(d) 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 net gain/(net loss) is recorded in other income/(other expenses).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Goodwill

Business combinations prior to 27 June 2004

As part of its transition to AIFRS, the consolidated entity elected to restate only those business combinations that occurred on or after 27 June 2004. In respect of business combinations prior to 27 June 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Australian GAAP.

Business combinations since 27 June 2004

All business combinations are accounted for by applying the purchase method. 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 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 and whenever an indication of impairment exists, (refer Note 1(M)). 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. Any impairment is recognised directly in the income statement and is not subsequently reversed.

I Other intangibles

(i) Brand names

Brand names are valued at cost. Brand names are considered to have an indefinite useful life. As a consequence, no amortisation is charged. They are tested for impairment annually and whenever an indication of impairment exists. Any impairment is recognised immediately in profit or loss.

(ii) Liquor licences

Liquor licences are valued at cost. Liquor licences are considered to have an indefinite useful life. As a consequence, no amortisation is charged. They are tested for impairment annually and whenever an indication of impairment exists. 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 is charged. They are tested for impairment annually and whenever an indication of impairment exists. 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 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. These are considered to have an indefinite useful life. As a consequence, no amortisation is charged. Expenditure on internally generated goodwill and brand names is recognised in profit or loss as an expense as incurred.

J Financial assets

Available-for-sale financial assets

The consolidated entity's investments in equity securities are classified as available-for-sale financial assets. The investments are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through the profit or loss which are initially measured at fair value.

Subsequent to initial recognition, they are measured at fair value with any change recorded through an available-for-sale revaluation reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

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 and net realisable value.

Long life retail stocks are valued using the retail inventory method to arrive at cost. The retail inventory method determines cost by reducing the value of the inventory by the appropriate gross margin percentage which takes into account markdown prices.

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

These methods of valuation are considered to achieve a valuation reasonably approximating the lower of cost and 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 statements of cash flows.

M Impairment

The carrying amounts of the consolidated entity's tangible assets, excluding inventories (refer Note 1(K)) 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.

(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.

Impairment losses recognised in respect of a CGU will be allocated first to reduce the carrying amount of any goodwill allocated to the CGU 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 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 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 Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value recognised in the income statement over the period of the borrowings.

Borrowing costs directly attributable to buildings under construction are capitalised as part of the cost of those assets.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P Employee benefits

The Company sponsors a Superannuation Plan (the "Plan") that provides accumulation type benefits to permanent salaried employees and their dependents on retirement or death. Defined benefits have been preserved for members of certain former superannuation funds sponsored by the Company, which are now provided for in the Plan.

The Company's commitment in respect of accumulation benefits under the Plan is limited to making the specified contributions in accordance with the rules of the Plan 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.

(ii) 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 consolidated entity's net obligation in respect of defined benefit 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 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 and Company recognise the fair value at the grant date of equity settled share-based payments (such as options) as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a Monte-Carlo simulation option pricing model performed by an independent valuer 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 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 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, 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. These have been accounted for as an in-substance option in the Financial Statements of the consolidated entity and the Company.

A liability equal to that part of these receivable balances not yet repaid by the employee is 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 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(i) Restructuring

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

- entered into firm contracts to carry out the restructuring; or
- 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 reporting 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) Make good

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 and not dismantling obligations. The operating lease payments do not include an element for repairs/overhauls. A provision for refurbishment costs is recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

R Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity and Company 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S Revenue recognition (continued)

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 and Company. 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.

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

(ii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(iii) 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.

U Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, 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)).

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 substantively 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 method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with AASB 112 Income Taxes, the following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects 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 where 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 deductible temporary differences or unused tax losses and tax offsets 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.

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.

Tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised by each member of the tax consolidated group.

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax consolidated group in respect of income tax amounts. The tax funding arrangements require payments to the head entity equal to the current tax liability assumed by the head entity.

In addition, the head entity is required to make payments equal to the current tax asset assumed by the head entity in circumstances where the subsidiary member would have been entitled to recognise the current tax asset on a stand alone basis.

These tax funding arrangements result in the head entity recognising an inter-entity receivable/payable equal in amount to the tax liability/asset assumed. The inter-entity receivable/payable amounts are at call.

In respect of carried forward tax losses brought into the Group on consolidation by subsidiary members, the head entity will pay the subsidiary member for such losses when these losses are transferred to the Woolworths Limited tax consolidated group, where the subsidiary member would have been entitled to recognise the benefit of these losses on a stand alone basis.

W 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 Accounting Standards. Then, on initial classification as "held for sale", 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 tax authorities is included as a current asset or liability in the balance sheet.

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 tax authorities are classified as operating cash flows.

Y Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments is based on the consolidated entity's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The consolidated entity comprises the following main segments:

Supermarket Group – encompasses supermarkets, retail liquor outlets and petrol outlets;

General Merchandise Group – encompasses BIG W discount department stores;

Consumer Electronics Group – encompasses Dick Smith Electronics, Tandy and Dick Smith Electronics Powerhouse stores;

Hotels Group – encompasses on-premise liquor sales, food, accommodation, gaming and venue hire; and

Wholesale Group – comprises Statewide Independent Wholesalers (SIW).

Unallocated items comprise mainly income-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and expenses.

Geographical segments

Segment assets are based on the geographical location of the assets. Woolworths Limited operates in Australia, New Zealand, Hong Kong and India. The majority of business operations are in Australia and New Zealand. Woolworths operates in New Zealand following the acquisition of Foodland supermarkets in 2006. The consumer electronics business operates stores based in Australia and New Zealand and has a business venture with TATA in India which operates stores under the "Croma" brand. The global sourcing office is located in Hong Kong.

Z Accounting estimates and judgements

Management, together with the Audit, Risk Management and Compliance Committee, determines the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as appropriate in the notes to the Financial Statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and underlying assumptions are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2007

	Consolidated		Woolworths Limited	
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m
2 PROFIT FROM OPERATIONS				
Profit before income tax expense includes the following items of revenue, income and expense:				
(a) Operating revenue				
Revenue from the sale of goods:				
Third parties	42,477.1	37,734.2	30,165.2	27,923.1
Other operating revenue	109.7	99.1	99.6	99.8
Revenue from operations	42,586.8	37,833.3	30,264.8	28,022.9
(b) Other revenue				
Rent	35.8	28.7	4.7	4.5
Other	104.2	99.5	82.2	80.6
Total other revenue	140.0	128.2	86.9	85.1
Total revenue	42,726.8	37,961.5	30,351.7	28,108.0
(c) Other income				
Net profit on disposal of property, plant and equipment	–	16.7	–	–
Total other income	–	16.7	–	–
(d) Expenses				
Amounts provided for:				
Impairment of receivables	2.3	3.1	1.0	1.1
Self-insured risks (Note 16)	101.7	88.8	81.5	73.3
Depreciation of:				
Development properties and freehold warehouses retail and other properties	20.4	22.9	1.3	1.7
Plant and equipment	496.9	435.2	345.4	306.6
Amortisation of:				
Leasehold improvements	72.0	64.1	47.2	41.8
Total depreciation and amortisation	589.3	522.2	393.9	350.1
Employee benefits expense⁽¹⁾	4,959.8	4,425.4	3,760.2	3,404.2
Net loss on disposal of property, plant and equipment	12.7	–	12.2	14.6
Operating lease rental expenses:				
Leased premises				
– minimum lease payments	1,081.5	923.2	744.9	652.5
– contingent rentals	99.6	97.7	86.2	86.2
– sub-leases	–	2.4	–	–
Leased equipment– minimum lease payments	25.2	46.8	20.4	38.4
Total operating lease rental expense	1,206.3	1,070.1	851.5	777.1

Note

(1)
Employee benefits expense includes salaries and wages, defined benefit plan expense, defined contribution plan expense, termination benefits, taxable value of fringe benefits, payroll tax, leave entitlements and share-based payments expense.

For the 52 weeks ended 24 June 2007

	<i>Consolidated</i>		<i>Woolworths Limited</i>	
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m

3 NET FINANCING COSTS

Financial expense

Interest expense – other parties	(265.1)	(270.2)	(263.1)	(264.8)
Less: interest capitalised ⁽¹⁾	3.1	3.4	2.9	2.9
	(262.0)	(266.8)	(260.2)	(261.9)

Financial income

Dividend income				
Related parties	–	–	23.1	–
Other parties	4.7	–	–	–
Interest income				
Related parties	–	–	188.2	128.5
Other parties	23.7	17.1	17.5	11.5

	28.4	17.1	228.8	140.0
Net financing cost	(233.6)	(249.7)	(31.4)	(121.9)

Note (1)
Weighted average capitalisation rate on funds borrowed generally: 7.0% (2006: 7.0%).

4 AUDITORS' REMUNERATION

Auditors of the parent entity				
Audit or review of the financial report	1.792	1.835	1.131	1.222
Other non-audit related services ⁽¹⁾	0.047	0.777	0.034	0.369
	1.839	2.612	1.165	1.591
Other auditors ⁽²⁾				
Audit or review of the financial report	0.368	0.528	–	–
Tax services	0.051	–	–	–
	0.419	0.528	–	–
Total auditors' remuneration	2.258	3.140	1.165	1.591

The auditors of Woolworths Limited are Deloitte Touche Tohmatsu.

Notes	(1) Other non-audit services comprise assistance on various accounting (2007: \$0.047 million, 2006: \$0.054 million) and tax matters (2007: nil, 2006: \$0.195 million) and due diligence (2007: nil, 2006: \$0.528 million).	(2) Other auditors include international associates of Deloitte Touche Tohmatsu Australia.
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NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2007

	Consolidated		Woolworths Limited	
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m

5 INCOME TAXES

(a) Income tax recognised in the income statement

Tax expense comprises:

Current tax expense	613.5	451.0	463.0	335.5
Adjustments recognised in the current year in relation to the current tax of prior years	0.4	0.1	8.0	3.2
Deferred tax relating to the origination and reversal of temporary differences	(47.5)	(5.3)	(14.0)	(22.3)
Total tax expense	566.4	445.8	457.0	316.4

Numerical reconciliation between tax expense and pre-tax net profit

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Financial Statements as follows:

Profit from operations before income tax expense	1,877.7	1,472.5	1,475.0	1,096.9
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	563.3	441.8	442.5	329.1
Non-deductible expenses	3.4	3.4	3.4	3.4
Impact of differences in offshore tax rates	7.8	4.3	–	–
Exempt dividend income	–	–	(6.9)	(14.4)
Other	(8.5)	(3.8)	10.0	(4.9)
	566.0	445.7	449.0	313.2
Under/(over) provided in prior years	0.4	0.1	8.0	3.2
	566.4	445.8	457.0	316.4

(b) Income tax recognised directly in equity

The following current and deferred amounts were charged/(credited) directly to equity during the period:

Deferred tax:

Cash flow hedges	8.2	(1.6)	8.2	(1.6)
Transactions charged to foreign currency translation reserve	11.2	13.6	–	–
Actuarial movements on defined benefits plans	(2.2)	(4.5)	(2.2)	(4.5)
Other	–	(0.6)	–	(0.3)
	17.2	6.9	6.0	(6.4)

(c) Current tax assets and liabilities

The current tax liability for the consolidated entity of \$212.9 million (2006: \$84.6 million) and for Woolworths Limited of \$139.8 million (2006: \$96.5 million) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, Woolworths Limited, as the head entity of the Australian tax consolidated group has assumed the current tax liabilities of the members in the tax consolidated group.

The current tax liability balance for the consolidated entity includes an amount of \$37.3 million owing by Australian Leisure and Hospitality Limited in respect of prior year amended assessments issued by the ATO. These assessments relate to years when Australian Leisure and Hospitality Limited was a member of Fosters Group Limited. These liabilities are covered by indemnities in the sale agreement. Accordingly, a receivable for the same amount has also been recognised.

(d) Deferred tax balances

Deferred tax assets comprise:

Tax losses – revenue	2.7	–	–	–
Temporary differences	364.5	336.9	280.8	272.8
	367.2	336.9	280.8	272.8

Taxable and deductible differences arise from the following:

<i>Consolidated 2007</i>	<i>Opening Balance \$m</i>	<i>Credited/ (Charged) to Income \$m</i>	<i>Credited/ (Charged) to Equity \$m</i>	<i>Closing Balance \$m</i>
Gross deferred tax assets				
Property, plant and equipment	68.8	11.1	0.1	80.0
Provisions and accruals	286.9	43.1	2.3	332.3
Recognised tax losses	–	2.7	–	2.7
Other	32.0	(20.7)	(7.9)	3.4
	387.7	36.2	(5.5)	418.4
Gross deferred tax liabilities				
Intangible assets	(14.0)	–	–	(14.0)
Prepayments	(2.9)	0.4	–	(2.5)
Unrealised foreign exchange differences	(9.6)	5.7	(12.6)	(16.5)
Other	(24.3)	5.2	0.9	(18.2)
	(50.8)	11.3	(11.7)	(51.2)
	336.9	47.5	(17.2)	367.2
<i>Woolworths Limited 2007</i>				
	<i>Opening Balance \$m</i>	<i>Credited/ (Charged) to Income \$m</i>	<i>Credited/ (Charged) to Equity \$m</i>	<i>Closing Balance \$m</i>
Gross deferred tax assets				
Property, plant and equipment	74.4	(3.4)	–	71.0
Provisions and accruals	190.4	25.0	2.2	217.6
Other	11.7	(1.0)	(8.2)	2.5
	276.5	20.6	(6.0)	291.1
Gross deferred tax liabilities				
Prepayments	(2.8)	0.7	–	(2.1)
Unrealised foreign exchange differences	–	(3.7)	–	(3.7)
Other	(0.9)	(3.6)	–	(4.5)
	(3.7)	(6.6)	–	(10.3)
	272.8	14.0	(6.0)	280.8

NOTES TO THE FINANCIAL STATEMENTS

5 INCOME TAXES (CONTINUED)

Taxable and deductible differences arise from the following:

<i>Consolidated 2006</i>	<i>Opening Balance \$m</i>	<i>Credited/ (Charged) to Income \$m</i>	<i>Credited/ (Charged) to Equity \$m</i>	<i>Acquisitions/ Disposals \$m</i>	<i>Closing Balance \$m</i>
Gross deferred tax assets					
Property, plant and equipment	43.7	16.4	(1.3)	10.0	68.8
Provisions and accruals	218.7	39.5	1.4	27.3	286.9
Recognised tax losses	10.0	(10.0)	–	–	–
Other	27.7	(6.3)	1.6	9.0	32.0
	300.1	39.6	1.7	46.3	387.7
Gross deferred tax liabilities					
Intangible assets	(14.0)	0.5	–	(0.5)	(14.0)
Prepayments	1.0	(3.9)	–	–	(2.9)
Unrealised foreign exchange differences	–	–	(9.6)	–	(9.6)
Other	0.6	(30.9)	1.0	5.0	(24.3)
	(12.4)	(34.3)	(8.6)	4.5	(50.8)
	287.7	5.3	(6.9)	50.8	336.9

<i>Woolworths Limited 2006</i>	<i>Opening Balance \$m</i>	<i>Credited/ (Charged) to Income \$m</i>	<i>Credited/ (Charged) to Equity \$m</i>	<i>Closing Balance \$m</i>
Gross deferred tax assets				
Property, plant and equipment	66.1	8.3	–	74.4
Provisions and accruals	140.5	45.4	4.5	190.4
Other	37.5	(27.7)	1.9	11.7
	244.1	26.0	6.4	276.5
Gross deferred tax liabilities				
Prepayments	(0.3)	(2.5)	–	(2.8)
Other	0.3	(1.2)	–	(0.9)
	–	(3.7)	–	(3.7)
	244.1	22.3	6.4	272.8

6 DIVIDENDS

2007	<i>Cents per share</i>	<i>Total amount \$m</i>	<i>Franked</i>	<i>Date of payment</i>
Interim 2007 ordinary	35	421.7	100%	27/04/2007
Final 2006 ordinary	31	367.2	100%	6/10/2006
Total	66	788.9		

2006

Interim 2006 ordinary	28	325.9	100%	28/04/2006
Final 2005 ordinary	27	287.2	100%	7/10/2005
Total	55	613.1		

All dividends are franked to 30%.

On 27 August 2007, the Board of Directors declared a final dividend in respect of the 2007 year of 39c (2006: 31c) per share 100% franked at a 30% tax rate. The amount that will be paid on 5 October 2007 (2006: 6 October 2006) will be \$471.9 million (2006: \$367.2 million). As the dividend was declared subsequent to 24 June 2007 no provision has been included as at 24 June 2007.

The rules of the Dividend Reinvestment Plan (DRP) have been amended and will apply from the Final Dividend payable on 5 October 2007, when residual balances recorded in a participant's DRP account will be carried forward and applied to the next dividend. The DRP discount of 2.5% will be discontinued from the Final Dividend 2007. There is currently a limit on DRP participation of 20,000 shares which is applicable to the final dividend payable on 5 October 2007.

DRP Underwriting

The final dividend paid in October 2006, was the last dividend subject to the underwriting agreement. The underwriting agreement applied to both dividends paid in 2005 and 2006 calendar years.

The underwriting agreement did not apply to the Interim dividend paid on 27 April 2007 nor will it apply to the Final Dividend.

Franked dividends

	<i>Consolidated</i>		<i>Woolworths Limited</i>	
	<i>2007 \$m</i>	<i>2006 \$m</i>	<i>2007 \$m</i>	<i>2006 \$m</i>

The franked portions of the dividends proposed as at 24 June 2007 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ending 29 June 2008.

Franking credits available for the subsequent financial year 30% (2006: 30%)	960.3	740.6	876.6	702.1
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The above amounts represent the balances of the franking accounts as at the end of the financial period, adjusted for:

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

Franking accounts are presented on a tax paid basis.

NOTES TO THE FINANCIAL STATEMENTS

	Supermarkets ⁽¹⁾		General Merchandise	
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m

7 SEGMENT DISCLOSURES

Business segments

Sales to customers	36,521.8	32,453.4	3,465.2	3,119.1
Other operating revenue	109.7	97.5	–	–
Inter-segment revenue	–	–	–	–
Segment revenue	36,631.5	32,550.9	3,465.2	3,119.1

Eliminations

Unallocated revenue/(expenses)⁽⁵⁾

Total revenue

Segment result before tax 1,835.1 1,448.0 138.6 123.1

Unallocated revenue/(expenses)

– Property

– Head office

Net financing cost

Profit before tax

Income tax expense

Profit after tax

Segment assets	8,061.0	7,385.6	996.8	799.6
Unallocated ⁽⁶⁾				

Total assets

Segment liabilities	3,337.7	2,890.7	511.0	345.2
Unallocated ⁽⁶⁾				

Total liabilities

Capital expenditure	680.6	3,454.7	103.4	90.0
Unallocated ⁽⁶⁾				

Acquisition of assets

Segment depreciation and amortisation	412.8	364.8	47.9	36.7
Unallocated ⁽⁶⁾				

Total depreciation and amortisation

Segment other non-cash expenses	11.5	8.2	2.0	1.5
Unallocated ⁽⁷⁾				

Total other non-cash expenses

Notes

(1) Supermarkets comprise supermarket stores, liquor stores and petrol canopies in Australia and New Zealand.

(2) Consumer Electronics includes Woolworths Wholesale India.

(3) Hotels comprise on-premise liquor sales, food, accommodation, gaming and venue hire.

(4) Wholesale comprises Statewide Independent Wholesalers (SIW).

Consumer Electronics ⁽²⁾		Hotels ⁽³⁾		Wholesale ⁽⁴⁾		Consolidated	
2007	2006	2007	2006	2007	2006	2007	2006
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1,310.2	1,167.1	1,032.1	849.9	147.8	144.7	42,477.1	37,734.2
–	–	–	1.6	–	–	109.7	99.1
0.3	0.3	–	–	235.3	224.8	235.6	225.1
1,310.5	1,167.4	1,032.1	851.5	383.1	369.5	42,822.4	38,058.4
						(235.6)	(225.1)
						140.0	128.2
66.8	64.0	183.7	151.1	2.5	1.8	42,726.8	37,961.5
						2,226.7	1,788.0
						(23.8)	18.3
						(91.6)	(84.1)
						(233.6)	(249.7)
						1,877.7	1,472.5
						(566.4)	(445.8)
						1,311.3	1,026.7
479.6	408.1	2,590.9	2,404.9	49.5	59.6	12,177.8	11,057.8
						2,238.3	2,288.6
						14,416.1	13,346.4
132.6	89.7	140.4	107.8	38.6	37.0	4,160.3	3,470.4
						4,741.1	5,618.4
						8,901.4	9,088.8
36.4	23.8	247.9	919.3	1.2	1.4	1,069.4	4,489.2
						257.8	554.7
						1,327.2	5,043.9
24.4	21.7	55.6	39.5	1.4	1.3	542.1	464.0
						47.2	58.2
						589.3	522.2
0.4	0.3	0.2	–	–	–	14.1	10.0
						99.4	87.9
						113.5	97.9

(5)
Unallocated revenue comprises rent and other revenue from operating activities.

(6)
Unallocated comprise corporate head office and property division.

(7)
Non-cash transactions include the defined benefit liability movement, employee shares scheme expenses and unrealised foreign exchange losses.

NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT DISCLOSURES (CONTINUED)

The consolidated entity operates predominantly in Australia and New Zealand. Intersegment pricing is determined on an arm's length basis.

	Australia		New Zealand		Consolidated	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Geographical segments						
Sales to customers	38,272.6	34,885.0	4,204.5	2,849.2	42,477.1	37,734.2
Other revenue	339.4	320.7	5.9	3.5	345.3	324.2
Segment revenue	38,612.0	35,205.7	4,210.4	2,852.7	42,822.4	38,058.4
Segment assets	9,293.1	8,397.0	2,884.7	2,660.8	12,177.8	11,057.8
Capital expenditure	1,012.4	1,842.4	57.0	2,646.8	1,069.4	4,489.2

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m

8 TRADE AND OTHER RECEIVABLES

Current

Trade receivables	95.7	85.1	42.3	35.9
Other receivables	284.0	963.1 ⁽¹⁾	319.1	204.5
Prepayments	105.0	112.2	88.7	88.1
	484.7	1,160.4	450.1	328.5

Non-current

Loans to controlled entities	–	–	5,551.9	6,197.1
Prepayments	5.2	7.4	5.2	7.4
Other receivables	0.2	6.6	–	–
	5.4	14.0	5,557.1	6,204.5

Trade and other receivables are presented net of impairment allowance.

Note

(1)
This includes receivables of approximately \$727.5 million from the sale of the distribution centres.

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
9 OTHER FINANCIAL ASSETS				
Current				
Fair value derivatives				
Interest rate swaps	20.6	–	20.6	–
Forward exchange contracts	20.8	2.8	20.8	2.8
	41.4	2.8	41.4	2.8
Non-current				
Unlisted shares at cost	–	–	3,094.0	3,094.3
Fair value derivatives				
Interest rate swaps	89.8	55.8	89.9	55.8
Cross currency swaps	–	3.0	–	3.0
Available-for-sale listed equity securities at fair value	165.5	–	–	–
Other	0.7	0.7	0.4	0.4
	256.0	59.5	3,184.3	3,153.5

10 PROPERTY, PLANT AND EQUIPMENT

Current				
Assets held for sale ⁽¹⁾	96.9	115.6	95.6	90.7
Non-current				
Development properties				
At cost	273.4	178.0	–	–
Less: Accumulated depreciation	(8.3)	(2.6)	–	–
	265.1	175.4	–	–
Freehold warehouse, retail and other properties				
At cost	1,094.1	909.4	39.3	34.8
Less: Accumulated depreciation	(44.7)	(34.2)	(9.5)	(8.1)
	1,049.4	875.2	29.8	26.7
Leasehold improvements				
At cost	1,068.1	993.2	647.2	561.2
Less: Accumulated amortisation	(473.0)	(420.8)	(226.5)	(183.3)
	595.1	572.4	420.7	377.9
Plant and equipment				
At cost	7,032.8	6,330.7	4,065.2	3,390.5
Less: Accumulated depreciation	(4,319.4)	(3,897.9)	(1,975.9)	(1,594.5)
	2,713.4	2,432.8	2,089.3	1,796.0
	4,623.0	4,055.8	2,539.8	2,200.6
Total property, plant and equipment – net book value	4,719.9	4,171.4	2,635.4	2,291.3

Note (1)
The consolidated entity intends to dispose of certain land and buildings over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Total property, plant and equipment – net book value

An assessment as to the carrying value of Woolworths-owned properties as at 24 June 2007 was performed. The basis of the assessment was a combination of external market assessments and/or valuations and Woolworths' property group assessments. External valuations are obtained every three years. Based on the most recent assessments, a provision for development losses of \$115.2 million (2006: \$93.7 million) is held as at 24 June 2007.

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

<i>Consolidated 2007</i>	<i>Development Properties \$m</i>	<i>Freehold Warehouse, Retail and Other Properties \$m</i>	<i>Leasehold Improvements \$m</i>	<i>Plant and Equipment \$m</i>	<i>Total \$m</i>
Carrying amount at start of period	175.4	875.2	572.4	2,432.8	4,055.8
Additions (excluding additions arising from acquisition of subsidiaries)	85.1	178.5	102.9	744.1	1,110.6
Additions arising from acquisition of subsidiaries	–	92.7	0.1	20.8	113.6
Disposals	(11.2)	(27.1)	(12.3)	(27.1)	(77.7)
Depreciation/amortisation expense	(1.1)	(19.3)	(72.0)	(496.9)	(589.3)
Other	13.7	(52.8)	(2.1)	24.7	(16.5)
Effect of movements in foreign exchange rates	3.2	2.2	6.1	15.0	26.5
Carrying amount at end of period	265.1	1,049.4	595.1	2,713.4	4,623.0

Consolidated 2006

Carrying amount at start of period	165.6	830.5	359.5	2,003.7	3,359.3
Additions (excluding additions arising from acquisition of subsidiaries)	55.5	480.2	168.8	688.8	1,393.3
Additions arising from acquisition of subsidiaries	53.4	229.6	89.2	306.9	679.1
Disposals	(9.4)	(677.9)	(4.5)	(54.5)	(746.3)
Transfer to assets held for sale	–	(76.9)	–	–	(76.9)
Depreciation/amortisation expense	(1.8)	(21.1)	(64.1)	(435.2)	(522.2)
Other	(82.8)	112.6	31.8	(58.2)	3.4
Effect of movements in foreign exchange rates	(5.1)	(1.8)	(8.3)	(18.7)	(33.9)
Carrying amount at end of period	175.4	875.2	572.4	2,432.8	4,055.8

<i>Woolworths Limited 2007</i>	<i>Development Properties \$m</i>	<i>Freehold Warehouse, Retail and Other Properties \$m</i>	<i>Leasehold Improvements \$m</i>	<i>Plant and Equipment \$m</i>	<i>Total \$m</i>
Carrying amount at start of period	–	26.7	377.9	1,796.0	2,200.6
Additions (excluding additions arising from acquisition of subsidiaries)	–	2.4	90.8	613.6	706.8
Additions arising from acquisition of subsidiaries	–	–	–	9.8	9.8
Disposals	–	(3.0)	(11.1)	(25.0)	(39.1)
Depreciation/amortisation expense	–	(1.3)	(47.2)	(345.4)	(393.9)
Other	–	5.0	10.3	40.3	55.6
Carrying amount at end of period	–	29.8	420.7	2,089.3	2,539.8

Woolworths Limited 2006

Carrying amount at start of period	–	89.1	289.1	1,541.0	1,919.2
Additions (excluding additions arising from acquisition of subsidiaries)	–	3.7	112.4	617.6	733.7
Additions arising from acquisition of subsidiaries	–	–	–	10.3	10.3
Disposals	–	(6.2)	(1.8)	(20.5)	(28.5)
Transfer to assets held for sale	–	(55.8)	–	–	(55.8)
Depreciation/amortisation expense	–	(1.7)	(41.8)	(306.6)	(350.1)
Other	–	(2.4)	20.0	(45.8)	(28.2)
Carrying amount at end of period	–	26.7	377.9	1,796.0	2,200.6

Impairment of tangible assets

At balance date the carrying amount of tangible assets is reviewed to determine whether there is an indication that the assets may be impaired. If such an indication exists the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of any impairment loss.

The recoverable amount has been assessed at the cash-generating unit (CGU) level, which is the smallest group of assets generating cash flows independent of other CGUs that benefit from the use of the respective tangible asset.

The recoverable amount has been determined based on the value in use which is calculated using cash flow projections from the most recent financial budgets approved by management and the Board. The cash flows are discounted to present value using pre-tax discount rates between 11% and 13% depending on the nature of the business and the country of operation. This discount rate is derived from the Group's post-tax average cost of capital.

The key assumptions used in the value in use calculations include sales growth, CODB reductions and discount rates (which have been estimated as described above). The assumptions regarding sales growth and CODB reductions are based on past experience and expectations of changes in the market.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
11 INTANGIBLES				
Goodwill	3,156.2	2,971.2	289.5	280.8
Brand names	252.3	241.1	–	–
Liquor and gaming licences	1,529.2	1,481.3	156.3	148.2
Other	65.8	65.8	–	–
Total	5,003.5	4,759.4	445.8	429.0

Reconciliation of movements in intangibles

	Goodwill \$m	Brand names \$m	Liquor and gaming licences \$m	Other \$m	Total intangibles \$m
<i>Consolidated 2007</i>					
Carrying amount at start of period	2,971.2	241.1	1,481.3	65.8	4,759.4
Additions arising from acquisition of subsidiaries	32.6	–	50.1	–	82.7
Other acquisitions	–	–	17.6	–	17.6
Reclassification	4.0	–	(19.8)	–	(15.8)
Effect of movements in foreign exchange rates	148.4	11.2	–	–	159.6
Carrying amount at end of period	3,156.2	252.3	1,529.2	65.8	5,003.5

Consolidated 2006

Carrying amount at start of period	836.0	13.9	1,131.5	65.0	2,046.4
Additions arising from acquisition of subsidiaries	2,315.3	244.1	393.1	–	2,952.5
Other acquisitions	–	–	1.8	0.8	2.6
Disposals	–	–	(0.1)	–	(0.1)
Reclassification	45.7	–	(45.7)	–	–
Effect of movements in foreign exchange rates	(225.8)	(16.9)	0.7	–	(242.0)
Carrying amount at end of period	2,971.2	241.1	1,481.3	65.8	4,759.4

Woolworths Limited 2007

Carrying amount at start of period		280.8	148.2	429.0
Additions arising from acquisition of subsidiaries		8.3	5.4	13.7
Other acquisitions		–	1.2	1.2
Reclassifications		0.4	1.5	1.9
Carrying amount at end of period		289.5	156.3	445.8

Woolworths Limited 2006

Carrying amount at start of period		278.0	139.7	417.7
Additions arising from acquisition of subsidiaries		2.8	8.2	11.0
Other acquisitions		–	0.6	0.6
Disposals		–	(0.1)	(0.1)
Other		–	(0.2)	(0.2)
Carrying amount at end of period		280.8	148.2	429.0

Goodwill and intangible assets with indefinite lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

The recoverable amount is assessed at the cash-generating unit ("CGU") level, which is the smallest group of assets generating cash flows independent of other CGUs that benefit from the use of the respective intangible asset.

The recoverable amount is determined based on the value in use which is calculated using cash flow projections from the most recent financial budgets approved by management and the Board. The cash flows are discounted to present value using pre-tax discount rates between 11% and 13% depending on the nature of the business and the country of operation. This discount rate is derived from the Group's post-tax average cost of capital.

The key assumptions used in the value in use calculations include sales growth, CODB reductions and discount rates (which have been estimated as described above). The assumptions regarding sales growth and COBD reductions are based on past experience and expectations of changes in the market.

Brand names relate primarily to the Progressive Enterprises business in New Zealand. These have been assessed in conjunction with the related goodwill.

The components of goodwill are as follows:

	<i>Consolidated</i>		<i>Woolworths Limited</i>	
	<i>As at</i>	<i>As at</i>	<i>As at</i>	<i>As at</i>
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m
Supermarkets – Australia	529.4	506.2	289.5	280.8
Supermarkets – New Zealand	1,960.5	1,812.1	–	–
Consumer Electronics	67.4	66.0	–	–
Hotels	597.4	585.5	–	–
Wholesale	1.5	1.4	–	–
	3,156.2	2,971.2	289.5	280.8

No intangible assets were identified as impaired at reporting date.

12 TRADE AND OTHER PAYABLES

Accounts payable	3,277.4	2,778.5	2,565.0	2,222.2
Loans from controlled entities	–	–	3,088.2	2,852.2
Accruals	841.9	733.0	611.6	498.7
Unearned income	65.4	61.9	26.4	23.2
Trade and other payables	4,184.7	3,573.4	6,291.2	5,596.3

13 OTHER FINANCIAL LIABILITIES

Current

At fair value

Fair value derivatives

Cross-currency swaps	66.4	–	66.4	–
Foreign exchange contracts	8.5	–	8.5	–
	74.9	–	74.9	–

Non-current

At fair value

Fair value derivatives

Cross-currency swaps	227.2	70.7	227.2	70.7
	227.2	70.7	227.2	70.7

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
14 BORROWINGS				
Current				
Unsecured				
Short term securities ⁽¹⁾	269.4	443.8	269.5	443.8
Short term money market loans ⁽²⁾	55.6	42.0	–	42.0
Bank loans ⁽³⁾	54.1	125.0	–	125.0
	379.1	610.8	269.5	610.8
Secured				
Bank loans ⁽⁴⁾	0.7	1.5	–	–
	379.8	612.3	269.5	610.8
Non-current				
Unsecured				
Long term securities ⁽⁵⁾	2,093.2	2,607.6	2,091.5	2,606.0
Bank loans ⁽⁶⁾	(0.7)	499.0	(0.7)	499.0
Woolworths Notes ⁽⁷⁾	593.2	591.5	593.2	591.5
	2,685.7	3,698.1	2,684.0	3,696.5
Secured				
Bank loans ⁽⁸⁾	5.2	5.9	–	–
	2,690.9	3,704.0	2,684.0	3,696.5
Total	3,070.7	4,316.3	2,953.5	4,307.3

Notes

(1) \$150.0 million Medium Term Notes (adjusted for unamortised premium) issued in 1998 are due to mature in August 2007. On \$70.0 million of the \$150.0 million interest is payable semi-annually at a fixed bond rate, on the remaining \$80.0 million, interest is payable quarterly at the Bank Bill Swap Rate plus a margin; US\$100.0 million (\$134.2 million) from a placement of senior notes in the United States issued in 1997 are due to mature in September 2007, reduced by \$14.8 million due to revaluation of US debt.

(2) NZ\$61.7 million (\$55.6 million) money market borrowings, on an at call basis were outstanding at period end for a controlled entity.

(3) NZ\$60.0 million (\$54.1 million) was drawn by a controlled entity against a NZ\$400.0 million Revolving Credit facility maturing in the FY08.

(4) \$0.7 million (2006: \$1.5 million) was drawn against a secured bank facility, by a controlled entity.

(5) Comprises of:
– \$300.0 million Medium Term Notes issued in 2005, to mature in September 2008. Interest is payable semi-annually at a fixed bond rate.
– \$350.0 million Medium Term Notes issued in 2006, to mature in March 2011. On \$200.0 million of the \$350.0 million interest is payable semi-annually at a fixed bond rate, on the remaining \$150.0 million, interest is payable quarterly at the Bank Bill Swap Rate plus a margin.

– US\$500.0 million (A\$590.3 million) from a private placement of senior notes in the United States in 2005, maturing: US\$100.0 million in April 2015, US\$300.0 million in April 2017 and US\$100.0 million in April 2020.
– US\$725.0 million (A\$855.9 million) of senior notes issued into the United States 144a market in the United States in 2005, maturing: US\$300.0 million in November 2011 and US\$425.0 million in November 2015.
– \$3.5 million adjustment of unamortised borrowing costs (2006: \$4.3 million).
– \$1.0 million adjustment of unamortised premium on Medium Term Notes (2006: \$1.3 million).

(6) There were no drawings against a five year \$800.0 million syndicated Revolving Credit facility maturing in financial year 2012 (2006: \$500.0 million). \$0.7 million represents unamortised establishment fees in relation to this facility.

(7) \$600.0 million in Woolworths Notes were issued on 5 June 2006, with a perpetual maturity. Offset by unamortised borrowing costs of \$6.8 million.

(8) \$5.2 million (2006: \$5.9 million) was drawn on a bank loan secured by a mortgage over land and buildings and an equitable charge over the assets of a controlled entity.

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
15 FINANCING ARRANGEMENTS				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Bank overdrafts	25.7	26.3	11.0	11.0
Bank loan facilities	2,575.2	2,284.8	2,145.0	2,267.0
	2,600.9	2,311.1	2,156.0	2,278.0
Used at balance date				
Bank overdrafts	–	–	–	–
Bank loan facilities	115.6	674.5	–	667.0
	115.6	674.5	–	667.0
Unused at balance date				
Bank overdrafts	25.7	26.3	11.0	11.0
Bank loan facilities	2,459.6	1,610.3	2,145.0	1,600.0
	2,485.3	1,636.6	2,156.0	1,611.0

Bank loan facilities may be drawn at any time, subject to the covenants of the lending agreements. The facilities are denominated in both Australian dollars and NZ dollars with NZ dollar facilities amounting to an Australian dollar equivalent of \$419.9 million (2006: \$3.3 million). The bank overdraft facilities are secured and may be drawn at any time.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
16 PROVISIONS				
Current				
Employee benefits (Note 23)	543.4	511.3	439.3	409.1
Self-insured risks ⁽¹⁾	88.5	71.9	82.6	66.4
Other ⁽²⁾	18.6	20.8	9.3	6.1
	650.5	604.0	531.2	481.6
Non-current				
Employee benefits (Note 23)	73.5	50.5	53.9	42.8
Self-insured risks ⁽¹⁾	280.3	254.9	255.3	235.3
Other ⁽²⁾	28.5	35.3	9.5	18.5
	382.3	340.7	318.7	296.6
Total provisions	1,032.8	944.7	849.9	778.2
Movements in self-insured risk provisions were as follows:				
Balance at start of period	326.8	309.7	301.7	295.0
Additional provisions recognised	101.7	88.8	81.5	73.3
Arising from acquisition of subsidiaries	–	2.8	–	–
Reductions arising from payments/other sacrifices of future economic benefits	(74.6)	(78.4)	(60.7)	(69.4)
Transfers between current and non-current	14.7	4.1	15.4	2.8
Effect of movements in foreign exchange rates	0.2	(0.2)	–	–
Balance at end of period	368.8	326.8	337.9	301.7
Current	88.5	71.9	82.6	66.4
Non-current	280.3	254.9	255.3	235.3
Movements in other provisions were as follows:				
Balance at start of period	56.1	25.2	24.6	10.1
Additional provisions recognised/(released)	6.1	13.3	(2.0)	15.0
Arising from acquisition of subsidiaries	–	34.3	–	–
Reductions arising from payments	(1.3)	(7.8)	7.6	(0.5)
Transfers between current and non-current	(15.8)	(5.5)	(11.5)	–
Effect of movements in foreign exchange rates	2.0	(3.4)	0.1	–
Balance at end of period	47.1	56.1	18.8	24.6
Current	18.6	20.8	9.3	6.1
Non-current	28.5	35.3	9.5	18.5

Notes

(1)

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

(2)

Current and non-current other provisions consist predominantly of provisions for onerous lease contracts.

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m

17 ISSUED CAPITAL

Issued and paid-up share capital

1,199,796,200 fully paid ordinary shares (2006: 1,171,890,672)

Fully paid ordinary shares carry one vote per share and the right to dividends.

Reconciliation of fully paid share capital

Balance at beginning of period	2,947.8	981.0	2,947.8	981.0
Issue of shares as a result of options exercised under Executive Share Option Plan	47.4	22.5	47.4	22.5
Issue of shares as a result of Dividend Reinvestment Plan	433.7	613.1	433.7	613.1
Adjustment to paid-up capital to reflect final proceeds for shares issued under Employee Share Plan	(6.2)	1.2	(6.2)	1.2
Issue of shares as consideration for acquired entity	–	1,330.0	–	1,330.0
Balance at end of period	3,422.7	2,947.8	3,422.7	2,947.8

	No. (m)	No. (m)	No. (m)	No. (m)
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Reconciliation of fully paid share capital

Balance at beginning of period	1,171.9	1,049.7	1,171.9	1,049.7
Issue of shares as a result of options exercised under Executive Share Option Plan	4.5	3.2	4.5	3.2
Issue of shares as a result of Dividend Reinvestment Plan	20.8	35.6	20.8	35.6
Issue of shares from sale of forfeited shares under Employee Share Plan	2.2	1.8	2.2	1.8
Issue of shares as consideration for acquired entity	–	81.6	–	81.6
Balance at end of period	1,199.4	1,171.9	1,199.4	1,171.9

	\$m	\$m	\$m	\$m
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Shares held in trust

Reconciliation of shares held in trust

Balance at beginning of period	(87.1)	(102.2)	(87.1)	(102.2)
Issue of shares under Employee Share Plan	15.5	15.1	15.5	15.1
Balance at end of period	(71.6)	(87.1)	(71.6)	(87.1)

	No. (m)	No. (m)	No. (m)	No. (m)
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Reconciliation of shares held in trust

Balance at beginning of period	10.0	11.8	10.0	11.8
Issue of shares under Employee Share Plan	(2.1)	(1.8)	(2.1)	(1.8)
Balance at end of period	7.9	10.0	7.9	10.0

NOTES TO THE FINANCIAL STATEMENTS

17 ISSUED CAPITAL (CONTINUED)

Share capital

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised and par value concept in relation to share capital issued from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options

In accordance with the provisions of the Executive Share Option Plan Executives had options over ordinary shares as follows:

<i>Option grant</i>	<i>Number of options over shares as at</i>		<i>Expiry date</i>
	<i>24 June 2007</i>	<i>25 June 2006</i>	
1999	222,500	400,500	1 July 2009
2000	45,000	309,375	1 July 2010
2001	1,161,000	5,299,843	1 July 2011
2002	4,340,000	4,612,000	31 December 2007
2003	5,557,100	5,910,350	31 December 2008
2004	6,708,250	7,099,500	31 December 2009
2005	6,348,100	6,715,400	31 December 2010
2006	8,184,200	–	31 December 2011
	32,566,150	30,346,968	

Executive share options carry no rights to dividends and no voting rights.

Further details of the Executive Share Option Plan are contained in Note 23 to the Financial Statements.

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
18 RESERVES				
Hedging reserve	8.8	(57.5)	8.8	(57.5)
Foreign currency translation reserve	(97.2)	(276.0)	–	–
Remuneration reserve	45.5	28.5	45.5	28.5
Asset revaluation reserve	16.4	16.4	–	–
Available-for-sale reserve	(11.8)	–	–	–
	(38.3)	(288.6)	54.3	(29.0)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in profit and loss when the hedged transaction impacts the profit or loss, consistent with applicable accounting policy.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that are designated as a hedge of the Company's net investment in a foreign subsidiary.

Remuneration reserve

The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in the income statement.

Asset revaluation reserve

The asset revaluation reserve arose on acquisition of previously equity accounted investment in MGW and relates to the change in fair value of the consolidated entity's interest in non-current assets from the date of acquisition of the initial investment to the date control was achieved.

Available-for-sale reserve

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value with any changes recorded through an available-for-sale revaluation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated As at		Woolworths Limited As at	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
18 RESERVES (CONTINUED)				
Movements				
Hedging reserve				
Balance at start of period	(57.5)	–	(57.5)	–
Effect of change in accounting policy	–	(6.5)	–	(6.5)
Loss on cash flow hedges taken to equity	(161.5)	(17.3)	(161.5)	(17.3)
Transfer to profit and loss – cash flow hedges	236.0	(35.3)	236.0	(35.3)
Deferred tax arising on hedges	(8.2)	1.6	(8.2)	1.6
Balance at end of period	8.8	(57.5)	8.8	(57.5)
Foreign currency translation reserve				
Balance at start of period	(276.0)	(0.1)	–	–
Net exchange differences on translation of foreign controlled entities	190.0	(275.9)	–	–
Deferred tax arising on FCTR	(11.2)	–	–	–
Balance at end of period	(97.2)	(276.0)	–	–
Remuneration reserve				
Balance at start of period	28.5	15.3	28.5	15.3
Compensation on share-based payments	17.0	13.2	17.0	13.2
Balance at end of period	45.5	28.5	45.5	28.5
Asset revaluation reserve				
Balance at start of period	16.4	16.4	–	–
Balance at end of period	16.4	16.4	–	–
Available-for-sale revaluation reserve				
Balance at start of period	–	–	–	–
Revaluation loss during the period	(11.8)	–	–	–
Balance at end of period	(11.8)	–	–	–

19 RETAINED EARNINGS

Retained earnings attributable to the members of Woolworths Limited

Balance at start of period	1,455.7	1,063.8	858.6	700.1
Effect of change in accounting policy	–	(1.1)	–	(0.4)
Profit attributable to members of Woolworths Limited	1,294.0	1,014.6	1,018.0	780.5
Actuarial losses on defined benefit plans	(7.4)	(15.0)	(7.4)	(15.0)
Tax effect of actuarial losses	2.2	4.5	2.2	4.5
Employee Share Plan dividends and forfeitures	6.9	2.0	6.9	2.0
Dividends paid or provided (Note 6)	(788.9)	(613.1)	(788.9)	(613.1)
Balance at end of period	1,962.5	1,455.7	1,089.4	858.6

20 EARNINGS PER SHARE

Basic earnings per share (cents per share)	108.79	90.89
Diluted earnings per share (cents per share)	107.85	90.33

Basic earnings per share

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

	<i>\$m</i>	<i>\$m</i>
Earnings (a)	1,294.0	1,014.6
	<i>No. (m)</i>	<i>No. (m)</i>
Weighted average number of ordinary shares (b)	1,189.4	1,116.3

Diluted earnings per share

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

	<i>\$m</i>	<i>\$m</i>
Earnings (a)	1,294.0	1,014.6
	<i>No. (m)</i>	<i>No. (m)</i>
Weighted average number of shares ⁽¹⁾ and potential ordinary shares (c)	1,199.8	1,123.1

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

	<i>\$m</i>	<i>\$m</i>
Net profit attributable to the members of Woolworths Limited	1,294.0	1,014.6
Earnings used in the calculations of basic and diluted earnings per share	1,294.0	1,014.6

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

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

	<i>No. (m)</i>	<i>No. (m)</i>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,189.4	1,116.3
Shares deemed to be issued for no consideration in respect of outstanding employee options	10.4	6.8
	1,199.8	1,123.1

Since 24 June 2007, 3,524,110 shares (2006: 2,759,053) have been issued (as a result of the exercise of options). No options (2006: nil) have been issued. On 25 July 2007, 1,590,000 performance rights were issued.

Note

(1) Weighted average number of shares has been adjusted to remove the potential ordinary shares under the Employee Share Plan held by the custodian Company, which is consolidated under AIFRS.

NOTES TO THE FINANCIAL STATEMENTS

21 CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities which may become payable are shown below.

No provision has been made in the Financial Statements in respect of these contingencies, however, there is a provision of \$368.8 million for self-insured risks (2006: \$326.8 million), which includes liabilities relating to workers' compensation claims, that has been recognised in the balance sheet at balance date.

	<i>Consolidated</i>		<i>Woolworths Limited</i>	
	<i>As at</i>	<i>As at</i>	<i>As at</i>	<i>As at</i>
	2007	2006	2007	2006
	\$m	\$m	\$m	\$m
Guarantees				
Bank guarantees ⁽¹⁾	55.7	52.8	5.9	8.7
Workers' compensation self-insurance guarantees ⁽²⁾	363.0	362.4	363.0	362.4
Litigation				
Litigation in progress or threatened against the Company and certain of its subsidiaries	–	13.6	–	13.6
Other				
Outstanding letters of credit issued to suppliers	29.9	38.1	19.4	20.6
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group	–	–	530.5	320.0
	448.6	466.9	918.8	725.3

Notes

(1)

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

(2)

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

<i>Consolidated</i>		<i>Woolworths Limited</i>	
<i>As at</i>		<i>As at</i>	
2007	2006	2007	2006
\$m	\$m	\$m	\$m

22 COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments

Estimated capital expenditure under firm contracts, not provided for in these Financial Statements, payable:

Not later than one year	458.2	265.0	168.0	179.8
Later than one year, not later than two years	–	2.6	–	0.3
	458.2	267.6	168.0	180.1

Operating lease commitments

Future minimum rentals under non-cancellable operating leases not provided for in these Financial Statements, payable:

Not later than one year	1,129.8	1,057.9	833.3	753.2
Later than one year, not later than five years	4,087.2	3,756.3	3,085.1	2,702.2
Later than five years	7,836.9	7,552.3	5,797.3	5,191.1
	13,053.9	12,366.5	9,715.7	8,646.5

Total commitments for expenditure	13,512.1	12,634.1	9,883.7	8,826.6
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The commitments set out above do not include contingent turnover rentals, which are charged on many of the retail premises leased by the Company and its subsidiaries. These rentals are calculated as a percentage of the turnover of the store occupying the premises, with the percentage and turnover threshold at which the additional rentals commence varying with each lease agreement.

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

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Woolworths Limited	
	2007 \$m	As at 2006 \$m	2007 \$m	As at 2006 \$m
The aggregate employee benefit liability recognised and included in the Financial Statements is as follows:				
Provision for employee benefits				
Current (Note 16)	543.4	511.3	439.3	409.1
Non-current (Note 16)	73.5	50.5	53.9	42.8
Accrued liability for defined benefit obligations (included in other non-current liabilities)	32.0	38.0	32.0	38.0
Accrued salaries and wages (included in trade and other payables)	269.6	191.6	239.0	164.8
	918.5	791.4	764.2	654.7

Defined benefit superannuation plans

The following disclosures set out the accounting for the Plan as recognised in the Financial Statements of the consolidated entity and the Company in accordance with AASB 119 Employee Benefits.

Liability for defined benefit obligation

	24 June 2007 \$m	As at 25 June 2006 \$m	26 June 2005 \$m
Defined benefit obligation ⁽¹⁾	(1,618)	(1,282)	(1,075)
Fair value of assets	1,586	1,244	1,043
Liability for defined benefit obligations	(32)	(38)	(32)
Experience adjustments – liabilities	104	102	52
Experience adjustments – assets	(110)	(71)	(41)

Note (1)
Includes contribution tax liability.

The consolidated entity and the Company have used the AASB 1.20A exemption and disclosed amounts under AASB 1.20A (p) above for each annual reporting period prospectively from the transition date.

The consolidated entity and Company make contributions to a defined benefit plan, Woolworths Group Superannuation Plan (WGSP) that provides superannuation benefits for employees upon retirement.

The Company sponsors the Plan which consists of members with defined contribution (accumulation) benefits as well as defined benefits members. The Plan also pays allocated pensions to a small number of pensioners.

The members and assets of the Woolworths Group Superannuation Scheme (WGSS) were transferred to the AMP Signature Super Master Trust under successor fund conditions on 6 June 2006. The new fund provides the same superannuation benefits for employees on retirement as the Plan had up to 5 June 2006.

All disclosures in this note are for the consolidated entity and the Company.

As at
2007 2006
\$m \$m

23 EMPLOYEE BENEFITS (CONTINUED)

Movements in the net liability for defined benefit obligations recognised in the balance sheet

Opening net liability for defined obligation	(38)	(32)
Contributions by employer	109	96
Expense recognised in the income statement	(95)	(87)
Actuarial losses recognised directly in equity (Note 19)	(8)	(15)
Closing net liability for defined benefit obligation	(32)	(38)

Actuarial losses recognised in the statement of recognised income and expense during the year were \$7.4 million (2006: \$15 million), with cumulative actuarial losses of \$33 million (2006: \$25 million).

Changes in the present value of the defined benefit obligation are as follows:

As at
2007 2006
\$m \$m

Opening defined benefit obligation	1,282	1,075
Current service cost	103	100
Interest cost	79	70
Actuarial losses	118	86
Employee contributions	105	76
Past service cost	3	–
Benefits paid	(72)	(125)
Closing defined benefit obligation	1,618	1,282

Changes in the fair value of fund assets are as follows:

As at
2007 2006
\$m \$m

Opening fair value of fund assets	1,244	1,043
Expected return ⁽¹⁾	90	83
Actuarial gains ⁽¹⁾	110	71
Contributions by employer	109	96
Employee contributions	105	76
Benefits paid	(72)	(125)
Closing fair value of fund assets	1,586	1,244

Note

(1)
The actual return on plan assets was \$200 million (2006: \$154 million).

NOTES TO THE FINANCIAL STATEMENTS

23 EMPLOYEE BENEFITS (CONTINUED)

The fair value of assets includes no amounts relating to any of the Company's own financial instruments nor any property occupied by, or other assets used by, the Company.

The major categories of fund assets as a percentage of total fund assets are as follows:

	2007 %	<i>As at</i>	2006 %
Overseas equities	29		27
Australian equities	29		27
Fixed interest securities	23		21
Property	10		13
Alternatives	6		9
Cash	3		3

Expense recognised in the income statement

	2007 \$m	<i>As at</i>	2006 \$m
Current service costs	103		100
Interest cost	79		70
Past service cost	3		–
Expected return on fund assets	(90)		(83)
	95		87

The expense is recognised in the balances disclosed in Note 2(d).

The defined benefit obligations have been determined by the Plan actuary, Mr John Burnett, FIAA, Watson Wyatt, using the projected unit cost method. The following are the principal actuarial assumptions used.

	2007 %	<i>As at</i>	2006 %
Discount rate (gross of tax)	6.26		5.79
Discount rate (net of tax)	5.30		4.90
Expected return on fund assets	7.20		7.20
Future salary increases	4.00		4.00

The expected returns on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each class. The returns used for each asset class are net of investment tax and investment fees.

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

The expected Company and employee contributions to the WGSP for the 2008 financial year are \$107.0 million and \$49.0 million respectively.

The Company is also obliged to contribute at fixed rates to defined contribution retirement plans for certain employees under industrial agreements, fund choice legislation and the Superannuation Guarantee Legislation. The Company and its controlled entities contribute to various industry-based superannuation funds and to the Plan for non-salaried employees.

Chief Executive Officer

The CEO's service agreement has effect from 1 October 2006. The service agreement provides for 12 months notice of termination on the part of the company and six months notice on the part of Mr Luscombe. In addition the Company may invoke a restraint period of up to 12 months following separation, preventing Mr Luscombe from engaging in any business activity with major competitors of Woolworths.

Mr Luscombe will not be entitled to any termination payment other than:

- Fixed Remuneration for the duration of the notice period (or payment in lieu of working out the notice period);
- pro-rated Short Term Incentive Plan payment; and
- any accrued statutory entitlements.

Short Term Incentive Plan

The Short Term Incentive Plan (STIP) provides for a maximum annual payment of 100% of Fixed Remuneration. The actual payment will be calculated with regard to achievement of key performance indicators agreed annually with the Board. The performance indicators are based on a combination of detailed measurements of corporate and financial performance and the implementation of strategic operational objectives.

Long Term Incentive Plan

The CEO is a participant in the Woolworths LTIP. At the 2006 Annual General Meeting shareholder approval was given for up to a maximum of 1,500,000 options to be granted to the CEO comprising annual grants in 2006, 2007 and 2008.

- the performance hurdles that apply under the Woolworths LTIP described in share-based payments below will apply to options allocated to the CEO, however 50% of the allocation will vest and become exercisable three years from the effective date subject to meeting the performance hurdles. The remaining 50% of the allocation will vest and become exercisable after five years in accordance with the conditions described below.

Share-based payments

Executive Option Plan (Long Term Incentive Plan)

Long term incentives have been in place since 1993 and have been provided through various Executive Option Plans. Since 1999, long term incentives have been provided through the Executive Option Plan which was designed to reward Executives for share price and earnings growth. The Executive Option Plan has the following features:

- the exercise price is set at the weighted average market price of a Woolworths Limited ordinary share on the five trading days prior to the date approved by the Board as the effective date of options for the purpose of determining the exercise period and performance hurdles (offer date);
- an exercise period that commences after five years, subject to performance hurdles being met and with a maximum exercise period of 5½ years (10 years for options issued prior to 2002);
- upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share (there is no settlement in cash);
- vesting is subject to two performance hurdles based on cumulative Earnings Per Share ("EPS") growth and relative Total Shareholder Return ("TSR") measured over the performance period in addition to a service condition. EPS and TSR offer a balance between internal and external performance indicators and are aligned to shareholder experiences;
- the performance measures, EPS growth and relative TSR each represent 50% of the options granted;
- EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments) over the performance period;
- options subject to the EPS performance hurdle vest in four tranches, dependent on attaining average annual EPS growth of either 10% or 11% as follows:

<i>Tranche</i>	<i>Percentage of options in total grant that may be exercised</i>	<i>Performance hurdle to be achieved for vesting</i>
Tranche 1	12.5%	4 year 10% EPS
Tranche 2	12.5%	4 year 11% EPS
Tranche 3	12.5%	5 year 10% EPS
Tranche 4	12.5%	5 year 11% EPS

NOTES TO THE FINANCIAL STATEMENTS

23 EMPLOYEE BENEFITS (CONTINUED)

- the fifth tranche (50% of options) is linked to relative TSR and measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured over five years from the offer date but averaged for three months to eliminate volatility. This reflects the increase in value delivered to shareholders over the performance period;
- TSR performance is measured against comparator companies comprised of the S&P/ASX 100, excluding companies in the ASX classified as financials and resources and any companies in the comparator group that have merged, had a share reconstruction, been delisted or subject to takeover or takeover offer as at the measurement date;
- the percentage of the total number of options granted that vest is dependent on Woolworths Limited's ranking relative to the performance of the above comparator companies. The following table sets out the TSR vesting schedule:

Woolworths TSR equals or exceeds the following percentile of the peer group

Percentage of options in total grant that vest and may be exercised

60th percentile	12.5%
65th percentile	25.0%
70th percentile	37.5%
75th percentile	50.0%

Woolworths Long Term Incentive Plan Renewal

The Woolworths Long Term Incentive Plan was approved by shareholders at the 2004 Annual General Meeting. Shareholder approval of the Plan was also obtained under an exception to Australian Securities Exchange (ASX) Listing Rule 7.1 which restricts (in certain circumstances) the issue of new securities in any year to 15% of issued shares without shareholder approval. The applicable exception is contained in ASX Listing Rule 7.2, exception 9. The effect of shareholder approval under that exception is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1.

Approval under the exception lasts for three years. Accordingly, Woolworths will seek shareholder approval at the 2007 Annual General Meeting to refresh that approval for a further three years.

Performance hurdles

The Board is mindful of the need for Woolworths to stay competitive and retain high calibre employees in the retail sector and has determined (in accordance with the Plan rules) to amend the performance hurdles for grants to be made under the Plan beginning with the 2009 financial year (referred to below as "2008 Grant" or "options granted in 2008").

It is currently intended that the 2008 Grant will be made under the option sub-plan with vesting subject to the achievement of EPS and relative TSR performance hurdles, each representing 50% of the options granted, as described below.

EPS performance hurdle

EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths' custodian) over the performance period.

For options granted in 2008, the EPS component partially vests upon Woolworths attaining average annual EPS growth of equal to or greater than 10.0%. EPS growth equal to 10.0% over the performance period will result in 12.5% of the options granted in 2008 vesting, while EPS equal to or greater than 15% over the performance period will result in 50% of the options granted in 2008 vesting.

TSR performance hurdle

The TSR performance hurdle for options granted in 2008 requires a minimum TSR at the 51st percentile measured against comparator companies comprised of the S&P/ASX 100 Industrials Index, excluding companies in the ASX Banks and Finance Accumulation Index, ASX All Resources and ASX Trusts and any companies in the comparator group that are under takeover, have merged, had a share reconstruction or been de-listed as at the measurement date. The maximum TSR vesting requires TSR at the 75th percentile.

Vesting, exercise period and expiry period

The 2008 Performance Hurdles are subject to the vesting scale measured over a four year period from the date of grant but will be subject to early testing on the third anniversary of the date of grant and vesting may occur subject to the performance hurdles outlined above being met.

If the minimum vesting hurdles are met on the third anniversary of the date of grant for the EPS Tranche then those options meeting the vesting hurdle shall vest and any options in the EPS Tranche not meeting the vesting hurdle shall be forfeited. If the minimum vesting hurdles are met on the third anniversary of the date of grant for the TSR Tranche then those options meeting the vesting hurdle shall vest and any options in the TSR Tranche not meeting the vesting hurdle shall be forfeited. If the minimum vesting hurdles are not met on the third anniversary for the EPS Tranche those options shall remain unvested. If the minimum vesting hurdles are not met on the third anniversary for the TSR Tranche those options shall remain unvested.

If the minimum vesting hurdles were not met and the options remain unvested the 2008 performance hurdles will be tested on the fourth anniversary of the date of grant and vesting may occur on this date subject to the performance hurdles outlined above being met. Any option that does not vest on the fourth anniversary of the date of grant will be forfeited.

Options granted during 2008 which have vested but remain unexercised expire after the earlier of 5.5 years from the date of grant, or up to 12 months after termination of employment.

Whilst the Board has retained the discretion to review the performance hurdles applicable to a grant of options, it is intended that the performance hurdles for future option grants will also be TSR and EPS based. These performance hurdles, together with the relevant exercise periods and expiry dates, will be disclosed each year in the Annual Report.

The following table summarises movements for the financial year ended 24 June 2007 for outstanding options:

<i>Offer Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>	<i>No. of options 25 June 2006</i>	<i>No. of options granted during year</i>	<i>No. of options exercised during year</i>	<i>No. of options forfeited during year</i>	<i>No. of options 24 June 2007</i>	<i>No. of options exercisable 24 June 2007</i>
1/07/1999	1/07/2009	\$5.11	400,500	–	(178,000)	–	222,500	222,500
1/07/2000	1/07/2010	\$6.17	309,375	–	(229,375)	35,000	45,000	45,000
1/07/2001	1/07/2011	\$10.89	5,299,843	–	(4,114,755)	24,088	1,161,000	1,161,000
1/07/2002	31/12/2007	\$12.94	4,612,000	–	(20,000)	252,000	4,340,000	–
1/07/2003	31/12/2008	\$12.60	5,910,350	–	–	353,250	5,557,100	–
1/07/2004	31/12/2009	\$11.54	7,099,500	–	–	391,250	6,708,250	–
1/07/2005	31/12/2010	\$16.46	6,715,400	–	–	367,300	6,348,100	–
1/07/2006	31/12/2011	\$19.47	–	8,319,200	–	135,000	8,184,200	–
			30,346,968	8,319,200	(4,542,130)	1,557,888	32,566,150	1,428,500

The weighted average share price during the financial year ended 24 June 2007 was \$23.51.

The following table summarises movements for the financial year ended 25 June 2006 for outstanding options:

<i>Offer Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>	<i>No. of options 27 June 2005</i>	<i>No. of options granted during year</i>	<i>No. of options exercised during year</i>	<i>No. of options lapsed during year</i>	<i>No. of options 25 June 2006</i>	<i>No. of options exercisable 25 June 2006</i>
1/07/1999	1/07/2009	\$5.11	951,875	–	(551,375)	–	400,500	400,500
1/07/2000	1/07/2010	\$6.17	2,252,125	–	(1,942,750)	–	309,375	309,375
1/07/2001	1/07/2011	\$10.89	6,107,982	–	(710,426)	(97,713)	5,299,843	521,627
1/07/2002	31/12/2007	\$12.94	5,386,000	–	–	(774,000)	4,612,000	–
1/07/2003	31/12/2008	\$12.60	6,569,350	–	–	(659,000)	5,910,350	–
1/07/2004	31/12/2009	\$11.54	7,752,750	–	–	(653,250)	7,099,500	–
1/07/2005	31/12/2010	\$16.46	–	6,906,300	–	(190,900)	6,715,400	–
			29,020,082	6,906,300	(3,204,551)	(2,374,863)	30,346,968	1,231,502

The weighted average share price during the financial year ended 25 June 2006 was \$17.34.

NOTES TO THE FINANCIAL STATEMENTS

23 EMPLOYEE BENEFITS (CONTINUED)

The fair value of the services received in return for share options granted are measured by reference to the fair value of the share options granted. The fair value of the services is recognised as an expense on a straight-line basis over the vesting period and is determined by multiplying the fair value per option by the number of options expected to vest. During the financial year ended 24 June 2007, an expense of \$17.03 million (2006: \$10.47 million) was recognised in the income statement in relation to options issued under the Executive Option Plan.

The estimate of the fair value per option is measured based on the Monte-Carlo simulation option pricing model performed by an independent valuer. The fair value is measured at the grant date which for the purposes of measurement is the date of unconditional offer by the Company and acceptance by the employee. This date differs to the offer date above, adjusted for assumed early exercise.

The contractual exercise period of the options set out above is used as an input into the model. Other inputs are:

<i>Offer Date</i>	<i>Share price at grant date</i>	<i>Exercise price</i>	<i>Expected Volatility⁽¹⁾</i>	<i>Dividend yield</i>	<i>Risk free interest rate</i>	<i>Weighted average fair value of options granted⁽²⁾</i>
1/07/2003	\$11.18	\$12.94	18%	4.0%	5.15%	\$1.16
1/07/2004	\$15.32	\$12.60	17%	3.2%	5.50%	\$3.88
1/07/2005	\$17.05	\$11.54	16%	3.4%	5.40%	\$2.22
1/07/2006	\$23.64	\$19.47	16%	3.2%	6.1%	\$4.80

Notes

(1)

The expected volatility is based on the historical implied volatility calculated based on the weighted average remaining life of the share options adjusted for any expected changes to future volatility due to publicly available information.

(2)

In accordance with AIFRS transition rules, an expense has only been recognised for the fair value of options granted on or after 7 November 2002.

The probability of achieving market performance conditions (TSR) is incorporated into the determination of the fair value per option. No adjustment is made to the expense for options that fail to meet the market condition. Non-market performance conditions (EPS and service condition) are not taken into account in the grant date fair value measurement. Instead the number of options expected to vest are adjusted over the vesting period in determining the expense to be recognised in the income statement.

Employee Share Plan (Share Plan)

The Share Plan was established to enable all employees (other than Executive Officers) the opportunity to participate in the acquisition of shares in the Company at market price with an interest-free loan from the Company to finance the acquisition. Loans are limited in recourse to the proceeds of sale of shares acquired. Dividends and other distributions on the shares are applied to repay the loan. The loan may be repaid at any time after three years and in any event must be settled when the employee ceases employment or at the end of 10 years from grant or when a takeover offer is accepted for the shares, whichever is the earliest. Upon settlement, if the employee elects not to repay the loan, the shares will be sold and the funds received after payment of costs and expenses will be applied to repay the loan. All shares acquired under the Share Plan are held by a wholly-owned subsidiary of the Company (Woolworths Custodian Pty Limited) as Trustee of the Share Plan. At any time after three years from the date of acquisition a participant may request the Trustee to transfer the shares, but only if the loan made to acquire those shares is repaid in full. Shares may be transferred earlier at the discretion of the Directors on the employee's death or retirement but only if the loan made to acquire the shares is repaid in full. The Trustee may exercise the voting rights attached to the shares in the manner directed by the Directors until they are transferred to the participant. As at 24 June 2007, there were 17,097 (2006: 20,848) participating employees who held a total of 7,940,057 (2006: 10,027,062) shares. The total amount receivable by the Company in relation to these shares was \$55,634,178 as at 24 June 2007 (2006: \$71,461,253). During the 52 week period ended 24 June 2007, no shares were issued.

Due to the non-recourse nature of the loan, the loan is considered to be an option for accounting purposes as the employee is exposed to equity appreciation of the Company shares over the loan period with the option whether to repay the loan. The vesting period is three years from the offer date conditional on the employee remaining employed over this period. Any shares forfeited are sold on-market and the proceeds of this sale are contributed to the Woolworths' Group Superannuation Plan. The number and weighted average exercise prices (being the loan value) of these options is as follows:

	<i>Weighted average exercise price 2007</i>	<i>No. of options 2007</i>	<i>Weighted average exercise price 2006</i>	<i>No. of options 2006</i>
Balance at the beginning of the period	\$7.13	10,027,062	\$7.51	11,811,971
Forfeited during the period	\$6.44	(514,865)	\$8.67	(723,777)
Exercised during the period	\$5.13	(1,572,140)	\$6.08	(1,061,132)
Balance at the end of the period	\$7.01	7,940,057	\$7.13	10,027,062
Exercisable at the end of the period	\$7.01	7,940,057	\$7.13	10,027,062

The weighted average share price during the period was \$23.51 (2006: \$17.34).

Employee Share Issue Plan (ESIP)

The ESIP allowed for the issue of shares to eligible employees for no monetary consideration. The ESIP complies with the various conditions specified by Government taxation legislation which enabled permanent employees to obtain a benefit of up to \$1,000 per employee per annum by way of a tax-free concession on discounts under employee incentive schemes.

During the 52 week period ended 24 June 2007 no shares (2006: nil) were issued to qualifying employees.

Executive Management Share Plan (EMSP)

The EMSP allows any Executive management, including any Executive Director, to forego some of their future pre-tax remuneration to acquire shares in the Company on-market at prevailing market prices on the Australian Securities Exchange (ASX). During the 52 week period ended 24 June 2007, 7,138 shares (2006: 10,412) were purchased under the EMSP. No additional expense is recognised in relation to these shares as they are acquired out of salary sacrificed remuneration.

NOTES TO THE FINANCIAL STATEMENTS

24 KEY MANAGEMENT PERSONNEL

Directors and Executives

The following is a list of the Non-executive Directors and key management personnel of Woolworths Limited and their position during the year:

	<i>Position title</i>
Executive Directors	
Michael Gerard Luscombe ⁽¹⁾	Chief Executive Officer and Managing Director
Roger Campbell Corbett	Mr Corbett retired as Chief Executive Officer and Group Managing Director, and from his position on the Board on 30 September 2006
Thomas (Tom) William Pockett ⁽²⁾	Finance Director
Chairman	
James Alexander Strong	Chairman of the Board, member of the Audit, Risk Management and Compliance Committee, member of the People Policy Committee and member of the Corporate Governance Committee
Non-executive Directors	
John Frederick Astbury	Non-executive Director, Chairman of the Audit, Risk Management and Compliance Committee, and member of the Corporate Governance Committee
Adrienne Elizabeth Clarke	Non-executive Director, member of the People Policy Committee and member of the Corporate Governance Committee
Roderick Sheldon Deane	Non-executive Director, Chairman of the People Policy Committee and member of the Corporate Governance Committee
Diane Jennifer Grady	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Leon Michael L'Huillier	Non-executive Director, member of the Audit, Risk Management and Compliance Committee, Chairman of the Superannuation Working Group and the Woolworths Group Superannuation Plan's Policy Committee and member of the Corporate Governance Committee. Director of ALH Group Pty Ltd and Chairman of its Audit Committee
Ian John Macfarlane ⁽³⁾	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Alison Mary Watkins ⁽³⁾	Non-executive Director, member of the People Policy Committee and member of the Corporate Governance Committee
Executives	
Stephen Bradley ⁽⁴⁾	Chief Information and Logistics Officer
Naum Onikul ⁽⁵⁾	Director of Food, Liquor and Petrol
Avner Nahmani	Director of Marketing and Corporate Affairs
Peter Smith	Managing Director of Progressive Enterprises
Julie Coates	Chief Logistics Officer

Notes

(1)
Mr Luscombe became Chief Executive Officer and Managing Director on 1 October 2006. Prior to 1 October 2006, he was Chief Operating Officer and was appointed as a Director on 1 June 2006.

(2)
Mr Pockett was elected Finance Director at the Annual General Meeting on 24 November 2006.

(3)
Ms Watkins and Mr Macfarlane were each appointed as a Director, effective 30 January 2007.

(4)
Mr Bradley commenced sabbatical leave from 31 July 2007.

(5)
Mr Onikul was appointed Director of Food, Liquor and Petrol on 9 February 2007. Prior to this appointment Mr Onikul was the Director of Supermarkets.

All key management personnel were employed by Woolworths Limited during the year.

Non-executive Directors do not consider themselves part of management.

Total remuneration for Non-executive Directors and other key management personnel for the Group and the Company during the financial year are set out below:

Remuneration by category

	2007 \$	Consolidated 2006 \$
Short term employee benefits	12,542,937	13,413,472
Post-employment benefits	966,396	4,081,291
Other long term benefits	3,505,126	2,522,390
Share-based payments	2,059,392	1,079,766
	19,073,851	21,096,919

Equity instrument disclosures relating to key management personnel

Details of equity instruments provided as compensation to key management personnel and shares issued on exercise, together with terms and conditions of the options, are disclosed in tables in section 3.2 of the Remuneration Report on pages 50 to 54.

Shareholdings

The number of fully paid ordinary shares in the Company held during the 52 weeks ended 24 June 2007 by each Director and other key management personnel of the Group, including their related parties, is set out below:

	Shareholding at 26 June 2006 No.	Shares issued under DRP ⁽¹⁾ No.	Shares received on exercise of options	Shares issued under NEDSP ⁽²⁾ No.	Shares purchased or (sold) ⁽³⁾ No.	Shareholding at 25 June 2007 No.
J Strong	70,016	–	–	463	–	70,479
M Luscombe	408,290	–	–	–	–	408,290
J Astbury	10,479	98	–	1,494	–	12,071
A Clarke	41,499	339	–	1,494	–	43,332
R Deane	40,000	–	–	–	–	40,000
D Grady	34,670	690	–	–	–	35,360
L L'Huillier	60,000	–	–	–	–	60,000
I Macfarlane	–	–	–	–	2,000	2,000
A Watkins	–	65	–	–	5,000	5,065
R Corbett ⁽⁴⁾	293,165	–	–	–	–	–
T Pockett	–	–	–	–	–	–
S Bradley	269,437	67	–	–	(67,120)	202,384
N Onikul	197,991	3,369	–	–	–	201,360
A Nahmani	46,400	–	–	–	8,750	55,150
P Smith	216	603	37,500	–	(37,500)	819
J Coates	–	–	–	–	–	–

Notes

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

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

(3) Figures in brackets indicate that these shares have been sold or otherwise disposed of.

(4) Mr Corbett retired from the position of Chief Operating Officer and Group Managing Director on 30 September 2006.

NOTES TO THE FINANCIAL STATEMENTS

24 KEY MANAGEMENT PERSONNEL (CONTINUED)

2006	Opening balance No.	Shares issued under NEDSP ⁽¹⁾ No.	Other changes ⁽²⁾ No.	Closing balance No.
Directors				
J Astbury	8,386	2,051	42	10,479
A Clarke	38,766	2,051	682	41,499
R Corbett	293,165			
R Deane	40,000	–	–	40,000
D Grady	33,801	–	869	34,670
L L'Huillier	119,044	–	(59,044)	60,000
J Strong	68,137	1,879	–	70,016

Notes	(1) Comprises shares issued under the Non-executive Directors' Share Plan (NEDSP).	(2) Comprises new shares issued as a result of the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.
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2006	Opening balance No.	Received on exercise of options ⁽¹⁾ No.	Other changes No.	Closing balance No.
Other key management personnel				
S Bradley	61,863	262,500	(54,926)	269,437
M Hamnett	5,000	–	–	5,000
M Luscombe	656,926	75,000	(323,636)	408,290
N Onikul	500,000	–	(302,009)	197,991

Note	(1) The amount paid per share exercised was \$6.17 and no amounts remain unpaid. No other options were exercised by key management personnel.
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Option holdings

The numbers of options over ordinary shares in the Company held during the 52 weeks ended 24 June 2007 by each Director and other key management personnel of the Group, including their related parties, are set out below.

2007	Opening balance No.	Options Granted as Remuneration No.	Options Exercised No.	Closing balance No.	Balance vested as at 24 June 2007 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
M Luscombe	490,000	500,000	–	990,000	40,000	40,000	–	40,000
T Pockett	580,000	250,000	–	830,000	50,000	50,000	–	50,000
S Bradley	490,000	70,000	–	560,000	40,000	40,000	–	40,000
N Onikul	240,000	70,000	–	310,000	–	–	–	–
A Nahmani	80,300	45,000	–	125,300	8,000	8,000	–	8,000
P Smith	267,500	45,000	(37,500)	275,000	–	–	–	–
J Coates	340,000	45,000	–	385,000	27,500	27,500	–	27,500

No other key management personnel hold options.

All share options issued to the key management personnel during the financial year were made in accordance with the provisions of the Executive Option Plan (EOP). The key management personnel in the table above were granted options on 1 July 2006. The exercise value of the options granted was \$19.47 per option. Further details of the terms and conditions of the Executive Option Plan and the options granted during the financial year are contained in Note 23 to the Financial Statements.

2006	Opening balance No.	Options Granted as Remuneration No.	Options Exercised No.	Closing balance No.	Balance vested as at 25 June 2006 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
S Bradley	672,500	80,000	(262,500)	490,000	–	–	–	175,000
M Hamnett	460,000	40,000	–	500,000	100,000	–	100,000	50,000
M Luscombe	485,000	80,000	(75,000)	490,000	–	–	–	50,000
N Onikul	160,000	80,000	–	240,000	–	–	–	–
T Pockett	500,000	80,000	–	580,000	–	–	–	–

Loans to key management personnel

There were no loans to Directors of the Company or key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

25 RELATED PARTIES

Parent entity

The ultimate parent entity is Woolworths Limited, a Company incorporated in New South Wales. The wholly-owned Group consists of Woolworths Limited and its wholly-owned subsidiaries. Disclosures relating to interests in subsidiaries are set out in Note 28.

Transactions within the Group

During the financial period and previous financial periods, Woolworths Limited advanced and repaid loans to and received loans from, and provided treasury, accounting, legal, taxation and administrative services to, other entities within the Group.

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

The details of interest transacted within the Group and with other partly-owned subsidiaries is presented below:

	<i>Consolidated</i>		<i>Woolworths Limited</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	\$	\$	\$	\$
Dividend income	–	–	23,077,168	–
Interest income	–	–	188,226,031	128,544,086

No revenue or dividends were transacted during the current or prior year.

The balances of loans to or from subsidiaries are shown in Note 8 and Note 12.

Tax consolidation

Under the application of the tax consolidation regime, the Company is assessed on the tax liabilities of the entities in the tax consolidated group. As a consequence of this, the tax exposures relating to wholly-owned group members totalling \$39.7 million (2006: \$65.9 million) are included in the tax liability of the Company. Pursuant to the Group's Tax Funding Agreement, the Company has charged net tax expense to the Group members totalling \$39.7 million (2006: \$65.9 million) through intercompany accounts.

Directors and key management personnel

Disclosures relating to Directors and key management personnel are set out in Note 24 and in the Remuneration Report, set out in section 3 and section 4 (except for sub-section 4.6) of the Directors' Report.

26 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The consolidated entity's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the consolidated entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reported to the Board of Directors monthly.

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange risk arising on:
 - the import of goods for resale and capital expenditure;
 - the balances between Australian and New Zealand group entities;
- cross currency swaps to manage the foreign currency risk associated with foreign currency borrowings; and
- interest rate swaps to mitigate the risk of rising interest rates.

(b) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the Financial Statements.

(c) Foreign currency risk management

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

Forward exchange contracts and foreign currency options

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to cover foreign currency payments and receipts of up to 100% of the exposure generated.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

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

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Movement in fair value		Total fair value	
	2007	2006	2007 FC'm	2006 FC'm	2007 \$m	2006 \$m	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Hedging imports										
Forward contracts										
Maturing:										
Within 12 months										
Buy United States										
Dollars	0.81	0.75	91.9	67.7	114.1	90.7	(5.3)	1.9	108.8	92.6
Buy euros	-	0.60	-	9.9	-	16.5	-	0.6	-	17.1
Foreign currency options										
Collars										
Maturing:										
Within 12 months										
Buy United States										
Dollars										
Call Option	0.8278	-	26.4	-	31.9	-	-	-	31.9	-
Sell United States										
Dollars										
Put Option	0.8439	-	26.4	-	31.3	-	(0.2)	-	31.0	-
Hedging balance sheet										
Forward contracts										
Maturing:										
Within 12 Months										
Buy New Zealand Dollars	1.22	1.21	260.4	276.3	214.0	229.0	20.8	0.3	234.78	229.3
Sell New Zealand Dollars	1.12	-	257.0	-	228.5	-	(3.0)	-	225.44	-

As at reporting date, the net amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is \$12.3 million (2006: \$2.8 million). In the current year, \$14.8 million of these unrealised gains have been recognised through the income statement.

Only NZ\$197.0 million of the net investment in New Zealand is hedged for currency fluctuation. The remainder of the investment in New Zealand is not hedged for currency fluctuation as that value of the investment is not currently expected to be realised through disposal within 12 months.

Cross-currency swap agreements

To hedge the risk of adverse movements in foreign exchange rates in relation to US dollar denominated Senior Notes issued by the consolidated entity, it enters into cross-currency swap agreements under which it agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate.

The following table details the cross-currency swaps outstanding at reporting date.

Outstanding contracts	Average interest rate		Average exchange rate		Contract value		Fair Value	
	24 June 2007	25 June 2006	24 June 2007	25 June 2006	24 June 2007	25 June 2006	24 June 2007	25 June 2006
	%	%			\$m	\$m	\$m	\$m
Buy United States Dollars								
Maturing:								
Floating rates								
Within 12 months ^(1,4)	BBSW +41.5bp	–	0.745	–	67.1	–	(7.1)	–
One to two years ⁽¹⁾	–	BBSW +41.5bp	–	0.745	–	67.1	–	2.7
Four to five years ^(2,3,4)	BBSW +55.9bp	–	0.731	–	410.4	–	(71.6)	–
Five years plus ^(2,3,4)	BBSW +65.9bp	BBSW +64bp	0.760	0.753	1,216.7	1,627.1	(223.6)	(87.4)
					1,694.2	1,694.2	(302.3)	(84.7)
Maturing:								
Fixed								
Within 12 months ^(3,4)	7.10%	–	0.745	–	67.1	–	(8.3)	–
One to two years ⁽³⁾	–	7.10%	–	0.745	–	67.1	–	1.1
Four to five years	–	–	–	–	–	–	–	–
Five years plus	–	–	–	–	–	–	–	–
					67.1	67.1	(8.3)	1.1
					1,761.3	1,761.3	(310.6)	(83.6)

Notes

(1) These swap contracts have fair value hedge designation.

(2) These swap instruments include an interest rate swap component which has been disclosed in the interest rate swap contract section below and have therefore been designated as cash flow hedges due to the currency exposure being hedged in combination with the interest rate exposure via domestic interest rate swaps.

(3) These swap contracts have cash flow hedge designation.

(4) These fair value calculations include interest accruals as recorded in trade and other payables of \$17.0 million payable.

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly with regard to Board approved policy, which requires a cash flow at risk approach in assessing residual interest rate exposure. The consolidated entity's exposures to interest rates on financial assets and financial liabilities are detailed in the maturity profile of the financial instruments section of this note.

Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on debt held. Interest in relation to the swaps settle on a quarterly basis. The floating rate on interest rate swaps is the Australian BBSW and the consolidated entity settles the difference between the fixed and floating interest rate on a net basis. The fair value of interest rate swaps are based on-market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	24 June 2007 %	25 June 2006 %	24 June 2007 \$m	25 June 2006 \$m	24 June 2007 \$m	25 June 2006 \$m
Forward contracts						
Less than one year	5.61%	6.27%	185.0	240.0	0.7	(0.4)
One to two years	60.2%	5.59%	270.0	385.0	3.5	2.8
Two to three years	N/A	5.83%	–	370.0	–	2.3
Three to four years	5.86%	5.55%	250.0	50.0	8.6	1.2
Four to five years	5.80%	5.86%	410.4	250.0	17.2	4.3
Five years plus	5.85%	5.84%	1,216.7	1,627.1	81.9	45.4
			2,332.1	2,922.1	111.8	55.6

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value. All swaps have been designated and are effective as hedges.

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk at 24 June 2007:

2007	Floating Interest rate \$m	One year or less \$m	Fixed interest maturing in:					Non- interest bearing \$m	Total \$m	Effective interest rate %
			One to two years \$m	Two to three years \$m	Three to four years \$m	Four to five years \$m	Over five years \$m			
Financial assets										
Cash and deposits	196.0	–	–	–	–	–	–	602.8	798.8	6.28
Receivables	–	–	–	–	–	–	–	379.9	379.9	–
Foreign currency forward contracts	–	–	–	–	–	–	–	20.8	20.8	–
Interest rate swaps	–	–	–	–	–	–	–	110.4	110.4	–
Currency swaps	–	–	–	–	–	–	–	–	–	–
Assets held for sale	–	–	–	–	–	–	–	165.5	165.5	–
Other financial assets	–	–	–	–	–	–	–	0.7	0.7	–
	196.0	0.0	–	–	–	–	–	1,280.1	1,476.1	–
Financial liabilities										
Accounts payable	–	–	–	–	–	–	–	3,277.4	3,277.3	–
Accruals	–	–	–	–	–	–	–	841.9	841.9	–
Unearned income	–	–	–	–	–	–	–	65.4	65.4	–
Provisions	–	–	–	–	–	–	–	1,032.8	1,032.8	–
Other	–	–	–	–	–	–	–	–	–	–
Short term securities	–	–	–	–	–	–	–	–	–	–
Other bank loans:										
Fixed	–	0.6	–	–	–	–	5.3	–	5.9	6.80
Variable	109.0	–	–	–	–	–	–	–	109.0	8.27
Other loans	0.4	–	–	–	–	–	–	1.1	1.5	6.21
Variable rate domestic notes	230.0	–	–	–	–	–	–	–	230.0	6.83
Fixed rate domestic notes	–	70.0	299.4	–	198.9	–	–	–	568.2	6.02
Foreign currency forward contracts	–	–	–	–	–	–	–	8.5	8.5	–
Interest rate swaps	(2,332.1)	185.0	270.0	–	250.0	410.4	1,216.7	–	–	–
USD notes	–	119.4	–	–	–	353.8	1,089.7	–	1,562.9	6.52
Woolworths Notes	593.2	–	–	–	–	–	–	–	593.2	7.51
Currency swaps	1,694.2	(67.1)	–	–	–	(410.4)	(1,216.7)	293.6	293.6	–
	294.7	307.9	569.4	–	448.9	353.8	1,095.0	5,520.7	8,590.3	–
Net financial assets/(liabilities)	(98.7)	(307.9)	(569.4)	–	(448.9)	(353.8)	(1,095.0)	(4,240.6)	(7,114.2)	–

2006	Floating Interest rate \$m	One year or less \$m	One to two years \$m	Fixed interest maturing in:			Over five years \$m	Non- interest bearing \$m	Total \$m	Effective interest rate %
			Two to three years \$m	Three to four years \$m	Four to five years \$m					
Financial assets										
Cash and deposits	-	-	-	-	-	-	-	525.9	525.9	-
Trade and other receivables	-	-	-	-	-	-	-	1,054.8	1,054.8	-
Foreign currency contracts	-	-	-	-	-	-	-	2.8	2.8	-
Interest rate swaps	-	-	-	-	-	-	-	55.8	55.8	-
Currency swaps	-	-	-	-	-	-	-	3.0	3.0	-
Other financial assets	-	-	-	-	-	-	-	0.7	0.7	-
	-	-	-	-	-	-	-	1,643.0	1,643.0	-
Financial liabilities										
Accounts payable	-	-	-	-	-	-	-	2,778.5	2,778.5	-
Accruals	-	-	-	-	-	-	-	733.0	733.0	-
Unearned income	-	-	-	-	-	-	-	61.9	61.9	-
Provisions	-	-	-	-	-	-	-	944.7	944.7	-
Short term securities	244.1	-	-	-	-	-	-	-	244.1	5.92%
Other bank loans:										
Fixed	-	0.5	-	-	-	-	5.9	-	6.4	6.80%
Variable	667.0	-	-	-	-	-	-	-	667.0	6.12%
Other loans	0.4	-	-	-	-	-	-	1.1	1.5	6.21%
Variable rate domestic notes	230.0	-	-	-	-	-	-	-	230.0	6.28%
Fixed rate domestic notes	-	199.7	70.2	299.3	-	197.9	-	-	767.1	6.08%
Interest rate swaps	(2,922.1)	240.0	385.0	370.0	50.0	250.0	1,627.1	-	-	-
USD notes	-	138.7	-	-	-	-	1,669.9	-	1,808.6	6.50%
Woolworths Notes	591.5	-	-	-	-	-	-	-	591.5	7.07%
Currency swaps	1,694.2	(67.1)	-	-	-	-	(1,627.1)	70.7	70.7	-
	505.1	511.8	455.2	669.3	50.0	447.9	1,675.9	4,589.9	8,905.0	-
Net financial liabilities	(505.1)	(511.8)	(455.2)	(669.3)	(50.0)	(447.9)	(1,675.9)	(2,946.9)	(7,262.0)	-

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults and does not require collateral in respect of financial assets. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are approved by the Audit, Risk Management and Compliance Committee. The consolidated entity measures credit risk on a fair value basis.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For derivatives, which are deliverable, credit risk may also arise from the potential failure of the counterparties to meet their obligations under the respective contracts at maturity.

As at 24 June 2007, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk arises through the possibility that sales income may be reduced due to adverse factors or through unusually large amounts falling due for payment.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the consolidated entity's short, medium and long term funding liquidity management requirements.

The consolidated entity maintains a liquidity reserve in the form of undrawn bilateral standby facilities of at least \$1 billion with unexpired tenors of at least 12 months at all times. Additionally, to minimise refinancing and repricing risk, there is a maximum amount of maturing debt or debt facilities that may mature in any one financial year. Included in Note 15 is a summary of undrawn facilities that the consolidated entity has at its disposal to draw upon if required.

Fair value of financial assets and financial liabilities

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

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

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

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

	As at 24 June 2007		As at 25 June 2006	
	Carrying amount \$m	Net Fair value \$m	Carrying amount \$m	Net Fair value \$m
Financial (assets)/liabilities:				
Bank loans ⁽⁵⁾	(84.8)	(84.8)	679.7	680.7
Short term securities ^(1,5)	273.5	273.5	448.8	449.3
Other loans ^(2,3,4,5)	2,710.0	2,721.1	3,227.7	3,216.5
Total	2,898.7	2,909.8	4,356.3	4,346.5
Financial (assets)/liabilities:				
Forward exchange currency contracts and foreign exchange options	12.2	12.2	2.8	2.8
Interest rate swaps	111.8	111.8	55.6	55.6
Cross currency swaps	(310.6)	(310.6)	(83.6)	(83.6)
Total	(186.6)	(186.6)	(25.2)	(25.2)

Notes	(1)	(3)	(5)
Carrying amount for financial liabilities is based on the principle outstanding adjusted for:	Effect of revaluation of USD borrowings (total of \$14.8 million); (2006: nil).	Effect of revaluation of USD borrowings (total of \$180.9 million); (2006: \$50.4 million).	Interest accruals on outstanding debt (total of \$29.3 million); (2006: \$39.9 million).
	(2)	(4)	
	Unamortised borrowing costs (total of \$11.1 million); (2006: \$13.9 million).	Unamortised premium/discount on issue of MTNs (total of \$1.0 million); (2006: \$1.6 million).	

27 DEED OF CROSS GUARANTEE

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

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

The subsidiaries that are party to the Deed are:

A.C.N. 001 259 301 Pty Limited
Advantage Supermarkets Pty Ltd
Advantage Supermarkets WA Pty Ltd
Andmist Pty. Limited
Australian Liquor and Grocery Wholesalers Pty Ltd
Australian Safeway Stores Pty. Ltd.
Barjok Pty Ltd
Calvartan Pty. Limited
Cenijade Pty. Limited
Charmtex Pty Ltd
Dentra Pty. Limited
Dick Smith (Wholesale) Pty Ltd
Dick Smith Electronics Franchising Pty Ltd
Dick Smith Electronics Pty Limited
Dick Smith Electronics Staff Superannuation Fund Pty Limited
Dick Smith Management Pty Ltd
Drumstar Pty Ltd
DSE Holdings Pty Limited
Fabcot Pty Ltd
Gembond Pty. Limited
GreenGrocer.com.au Pty Ltd
Grocery Wholesalers Pty Ltd
InterTAN Australia Pty Ltd
Jack Butler & Staff Pty. Ltd.
Josona Pty Ltd
Leasehold Investments Pty Ltd
Mac's Liquor Stores Pty Limited
Nalos Pty Ltd
PEH (NZ IP) Pty Ltd
Philip Leong Stores Pty Limited
Progressive Enterprises Holdings Limited
QFD Pty. Limited
Queensland Property Investments Pty Ltd
Shellbelt Pty. Limited
Universal Wholesalers Pty Limited

Weetah Pty. Limited
Woolies Liquor Stores Pty. Ltd
Woolstar Pty. Limited
Woolworths Australian Communities Foundation Pty Limited, formerly known as Barmos Pty Limited
Woolworths Custodian Pty Ltd
Woolworths Executive Superannuation Scheme Pty Limited
Woolworths Group Superannuation Scheme Pty Limited
Woolworths (International) Pty Limited
Woolworths Management Pty Ltd
Woolworths (Project Finance) Pty. Limited
Woolworths Properties Pty Limited
Woolworths (Publishing) Pty Ltd
Woolworths (Q'land) Pty Limited
Woolworths (R & D) Pty Limited
Woolworths (South Australia) Pty Limited
Woolworths Townsville Nominee Pty Ltd
Woolworths Trustee No. 2 Limited
Woolworths Trust Management Pty Limited
Woolworths (Victoria) Pty Limited
Woolworths (W.A.) Pty Limited

In June 2007, ALH Group entered into a Deed of Cross Guarantee with its controlled entities. A Class Order was also granted which provides relief from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

A consolidated income statement and consolidated balance sheet for the closed group representing the Company and the subsidiaries noted on pages 139 and 140, which are party to the Deed as at 24 June 2007 is set out below. The following controlled entities (see Note 28) are excluded from this consolidation:

ALH Group Pty Ltd (previously Bruandwo Pty Ltd)
Albion Charles Hotel (BMG) Pty Ltd
ALH Group Property Holdings Pty Limited (previously Bruandwo Property Holdings Pty Ltd)
Australian Leisure and Hospitality Group Limited
ALH Group (No. 1) Pty Ltd
Balaclava Hotel (BMG) Pty Ltd
Chelsea Heights Hotel (BMG) Pty Ltd
Cherry Hill Tavern (BMG) Pty Ltd
Courthouse Brunswick Hotel (BMG) Pty Ltd
Courthouse Hotel Footscray (BMG) Pty Ltd
Croxtton Park Hotel (BMG) Pty Ltd
Daisey's Club Hotel (BMG) Pty Ltd
Excelsior Hotel (BMG) Pty Ltd
First and Last Hotel (BMG) Pty Ltd
Glengala Hotel (BMG) Pty Ltd
Lyndhurst Club Hotel (BMG) Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

27 DEED OF CROSS GUARANTEE (CONTINUED)

Manningham Hotel (BMG) Pty Ltd
 MGW Hotels Pty Ltd
 Aceridge Pty Limited
 Chatswood Hills Tavern Pty. Ltd.
 Dapara Pty Ltd
 Stadform Developments Pty. Limited
 Fenbridge Pty. Ltd.
 Kawana Waters Tavern No. 3 Pty Ltd
 Kawana Waters Tavern No. 1 Pty Ltd
 Kawana Waters Tavern No. 2 Pty Ltd
 Vicpoint Pty Ltd
 Milanos Hotel (BMG) Pty Ltd
 Monash Hotel (BMG) Pty Ltd
 Moreland Hotel (BMG) Pty Ltd
 Nu Hotel (BMG) Pty Ltd
 Oakleigh Junction Hotel (BMG) Pty Ltd
 Palace Hotel Hawthorn (BMG) Pty Ltd
 Powel Hotel Footscray (BMG) Pty Ltd
 Preston Hotel (BMG) Pty Ltd
 Queensbridge Hotel (BMG) Pty Ltd
 Racecourse Hotel (BMG) Pty Ltd
 Shoppingtown Hotel (BMG) Pty Ltd
 Taverner Hotel Group Pty. Ltd.
 Amprok Pty. Ltd.
 Auspubs Pty Ltd
 Cooling Zephyr Pty Ltd
 The Common Link Pty Ltd
 E. G. Functions Pty. Ltd.
 Elizabeth Tavern Pty. Ltd.
 FG Joint Venture Pty Ltd
 Fountain Jade Pty. Ltd.
 Hadwick Pty Ltd
 Markessa Pty. Ltd.
 Playford Tavern Pty Ltd
 Seaford Hotel Pty. Limited
 The Second P Pty Ltd
 Kilrand Hotels (Hallam) Pty. Ltd.
 Ashwick (Vic.) No.88 Pty. Ltd.
 Warm Autumn Pty. Ltd.
 Werribee Plaza Tavern Pty. Ltd.
 Waltzing Matilda Hotel (BMG) Pty Ltd
 Wheelers Hill Hotel (BMG) Pty Ltd
 Australian Independent Retailers Pty Ltd
 Bergam Pty Limited
 DSE (NZ) Limited
 David Reid Electronics (1992) Limited
 Dick Smith Electronics Limited
 DSE Investments Inc.
 Kiaora Lands Pty Limited

Votrait No. 1622 Pty Limited⁽¹⁾
 Woolstar Investments Limited
 Woolworths (HK) Sales Limited
 Woolworths (HK) Procurement Limited
 Woolworths Wholesale (India) Private Limited
 WOW (NZ) Supermarkets Limited⁽²⁾
 WOW (NZ) Finance Limited
 WOW (NZ) Holdings Limited
 FAL Insurance Limited
 Progressive Enterprises Limited
 Caledonian Leasing Limited
 Countdown Foodmarkets Limited
 Foodtown Supermarkets Limited
 Fresh Zone Limited
 General Distributors Limited⁽³⁾
 S R Brands Limited
 Supervalu/Freshchoice Limited
 The Supplychain Limited
 Wholesale Services Limited
 Wholesale Distributors Limited
 Woolworths (New Zealand) Limited
 Breeders Rights International Pty Ltd
 Statewide Independent Wholesalers Limited
 Woolworths Insurance Pte Limited

Notes

(1)
 Acquired in November 2006.

(2)
 On 28 May 2007, FAL Insurance Limited, WOW (NZ) Finance Limited, WOW (NZ) Holdings Limited and WOW (NZ) Supermarkets Limited amalgamated to become WOW (NZ) Supermarkets Limited.

(3)
 On 28 May 2007, Bancroft Limited and General Distributors Limited were amalgamated to become General Distributors Limited.

For the 52 weeks ended 24 June 2007

2007
\$m

2006
\$m

INCOME STATEMENT

Revenue from the sale of goods	34,650.6	31,883.1
Other operating revenue	103.8	93.5
Total revenue from operations	34,754.4	31,976.6
Cost of sales	(26,049.8)	(24,097.8)
Gross profit	8,704.6	7,878.8
Other revenue	125.7	110.9
Other income	–	16.7
Branch expenses	(5,387.6)	(5,034.8)
Administration expenses	(1,748.3)	(1,590.5)
Earnings before interest and tax	1,694.4	1,381.1
Financial expense	(265.9)	(262.0)
Financial income	237.1	188.4
Net financing cost	(28.8)	(73.6)
Net profit before income tax expense	1,665.6	1,307.5
Income tax expense	(511.6)	(382.2)
Profit after income tax expense	1,154.0	925.3
Retained earnings		
Balance at start of period	1,335.7	1,036.6
Profit attributable to members of Woolworths Limited	1,154.0	925.3
Dividends paid or provided (Note 6)	(788.9)	(613.1)
Actuarial losses on defined benefit plans	(7.4)	(15.0)
Other	9.2	1.9
Balance at end of period	1,702.6	1,335.7

NOTES TO THE FINANCIAL STATEMENTS

as at 24 June 2007

2007
\$m

2006
\$m

BALANCE SHEET

Current assets

Cash	621.1	361.3
Trade and other receivables	483.8	1,094.1
Inventories	2,345.9	1,973.8
Assets held for sale	95.6	110.5
Other financial assets	41.4	2.8
Total current assets	3,587.8	3,542.5

Non-current assets

Trade and other receivables	3,387.4	1,992.2
Other financial assets	2,266.0	3,348.8
Property, plant and equipment	3,350.4	2,986.2
Intangibles	690.7	662.0
Deferred tax assets	297.7	303.0
Total non-current assets	9,992.2	9,292.2

Total assets	13,580.0	12,834.7
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Current liabilities

Trade and other payables	3,967.1	3,269.5
Borrowings	379.3	610.8
Other financial liabilities	74.9	–
Current tax liabilities	141.4	96.5
Provisions	574.8	534.2
Total current liabilities	5,137.5	4,511.0

Non-current liabilities

Borrowings	2,684.0	3,696.5
Other financial liabilities	227.2	70.7
Provisions	346.1	310.1
Other	76.4	79.0
Total non-current liabilities	3,333.7	4,156.3

Total liabilities	8,471.2	8,667.3
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Net assets	5,108.8	4,167.4
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Equity

Issued capital	3,422.7	2,947.8
Shares held in trust	(71.6)	(87.1)
Reserves	55.1	(29.0)
Retained earnings	1,702.6	1,335.7

Equity attributable to the members of Woolworths Limited	5,108.8	4,167.4
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Minority interest	–	–
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Total equity	5,108.8	4,167.4
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28 SUBSIDIARIES

Woolworths Limited	–	–
A.C.N. 001 259 301 Pty Limited	100	100
Advantage Supermarkets Pty Ltd	100	100
Advantage Supermarkets WA Pty Ltd	100	100
ALH Group Pty Ltd	75	75
Albion Charles Hotel (BMG) Pty Ltd	100	100
ALH Group Property Holdings Pty Limited	100	100
Australian Leisure and Hospitality Group Limited	100	100
ALH Group (No. 1) Pty Ltd	100	100
Balaclava Hotel (BMG) Pty Ltd	100	100
Chelsea Heights Hotel (BMG) Pty Ltd	100	100
Cherry Hill Tavern (BMG) Pty Ltd	100	100
Courthouse Brunswick Hotel (BMG) Pty Ltd	100	100
Courthouse Hotel Footscray (BMG) Pty Ltd	100	100
Croxtton Park Hotel (BMG) Pty Ltd	100	100
Daisey's Club Hotel (BMG) Pty Ltd	100	100
Excelsior Hotel (BMG) Pty Ltd	100	100
First and Last Hotel (BMG) Pty Ltd	100	100
Glengala Hotel (BMG) Pty Ltd	100	100
Lyndhurst Club Hotel (BMG) Pty Ltd	100	100
Manningham Hotel (BMG) Pty Ltd	100	100
MGW Hotels Pty Ltd	100	100
Aceridge Pty Limited	100	100
Chatswood Hills Tavern Pty. Ltd.	100	100
Dapara Pty Ltd	100	100
Stadform Developments Pty. Limited	100	100
Fenbridge Pty. Ltd.	100	100
Kawana Waters Tavern No. 3 Pty Ltd	100	100
Kawana Waters Tavern No. 1 Pty Ltd	100	100
Kawana Waters Tavern No. 2 Pty Ltd	100	100
Vicpoint Pty Ltd	100	100
Milanos Hotel (BMG) Pty Ltd	100	100
Monash Hotel (BMG) Pty Ltd	100	100
Moreland Hotel (BMG) Pty Ltd	100	100
Nu Hotel (BMG) Pty Ltd	100	100
Oakleigh Junction Hotel (BMG) Pty Ltd	100	100
Palace Hotel Hawthorn (BMG) Pty Ltd	100	100
Powel Hotel Footscray (BMG) Pty Ltd	100	100
Preston Hotel (BMG) Pty Ltd	100	100
Queensbridge Hotel (BMG) Pty Ltd	100	100
Racecourse Hotel (BMG) Pty Ltd	100	100
Shoppingtown Hotel (BMG) Pty Ltd	100	100
Taverner Hotel Group Pty. Ltd.	100	100
Amprok Pty. Ltd.	100	100
Auspubs Pty Ltd	100	100
Cooling Zephyr Pty Ltd	100	100
The Common Link Pty Ltd	100	100
E. G. Functions Pty. Ltd.	100	100
Elizabeth Tavern Pty. Ltd.	100	100
FG Joint Venture Pty Ltd	100	100
Fountain Jade Pty. Ltd.	100	100
Hadwick Pty Ltd	100	100
Markessa Pty. Ltd.	100	100
Playford Tavern Pty Ltd	100	100
Seaford Hotel Pty. Limited	100	100
The Second P Pty Ltd	100	100

NOTES TO THE FINANCIAL STATEMENTS

Name of entity	Beneficial holding	
	2007 %	2006 %
28 SUBSIDIARIES (CONTINUED)		
Kilrand Hotels (Hallam) Pty. Ltd.	100	100
Ashwick (Vic.) No.88 Pty. Ltd.	100	100
Warm Autumn Pty. Ltd.	100	100
Werribee Plaza Tavern Pty. Ltd.	100	100
Waltzing Matilda Hotel (BMG) Pty Ltd	100	100
Wheelers Hill Hotel (BMG) Pty Ltd	100	100
Andmist Pty. Limited	100	100
Australian Independent Retailers Pty Ltd	49	49
Australian Liquor and Grocery Wholesalers Pty Ltd	100	100
Australian Safeway Stores Pty. Ltd.	100	100
Barjok Pty Ltd	100	100
Bergam Pty Limited	75	75
Calvartan Pty. Limited	100	100
Cenijade Pty. Limited	100	100
Charmtex Pty Ltd	100	100
DSE Holdings Pty Limited	100	100
Dick Smith (Wholesale) Pty Ltd	100	100
Dick Smith Management Pty Ltd	100	100
Dick Smith Electronics Franchising Pty Ltd	100	100
Dick Smith Electronics Pty Limited	100	100
Dick Smith Electronics Staff Superannuation Fund Pty Limited	100	100
DSE (NZ) Limited	100	100
David Reid Electronics (1992) Limited	100	100
Dick Smith Electronics Limited	100	100
InterTAN Australia Pty Ltd	100	100
DSE Investments Inc.	100	100
Fabcot Pty Ltd	100	100
Kiaora Lands Pty Limited	100	100
Gembond Pty. Limited	100	100
GreenGrocer.com.au Pty Ltd	100	100
Grocery Wholesalers Pty Ltd	100	100
Jack Butler & Staff Pty. Ltd.	100	100
Josona Pty Ltd	100	100
Leasehold Investments Pty Ltd	100	100
Mac's Liquor Stores Pty Limited	100	100
Nalos Pty Ltd	100	100
Philip Leong Stores Pty Limited	100	100
Progressive Enterprises Holdings Limited	100	100
Drumstar Pty Ltd	100	100
PEH (NZ IP) Pty Ltd	100	100
Queensland Property Investments Pty Ltd	100	100
Shellbelt Pty. Limited	100	100
Universal Wholesalers Pty Limited	100	100
Votrait No. 1622 Pty Limited ⁽¹⁾	100	–
Woolies Liquor Stores Pty. Ltd.	100	100
Woolstar Investments Limited	100	100
Woolstar Pty. Limited	100	100
Woolworths (International) Pty Limited	100	100
Woolworths (HK) Sales Limited	100	100
Woolworths (HK) Procurement Limited	100	100
Woolworths Wholesale (India) Private Limited	100	100

Name of entity	Beneficial holding	
	2007 %	2006 %
WOW (NZ) Supermarkets Limited ⁽²⁾	100	100
WOW (NZ) Finance Limited	–	100
WOW (NZ) Holdings Limited	–	100
FAL Insurance Limited	–	100
Progressive Enterprises Limited	100	100
Caledonian Leasing Limited	100	100
Countdown Foodmarkets Limited	100	100
Foodtown Supermarkets Limited	100	100
Fresh Zone Limited	100	100
General Distributors Limited ⁽³⁾	100	100
S R Brands Limited	100	100
Supervalu/Freshchoice Limited	100	100
The Supplychain Limited	100	100
Wholesale Services Limited	100	100
Wholesale Distributors Limited	100	100
Woolworths (New Zealand) Limited	100	100
Woolworths (Project Finance) Pty. Limited	100	100
Woolworths (Publishing) Pty Ltd	100	100
Woolworths (Q'land) Pty Limited	100	100
Woolworths (R & D) Pty Limited	100	100
Breeders Rights International Pty Ltd	100	100
Woolworths (South Australia) Pty Limited	100	100
Woolworths (Victoria) Pty Limited	100	100
Statewide Independent Wholesalers Limited	60	60
Woolworths (W.A.) Pty Limited	100	100
Woolworths Australian Communities Foundation Pty Limited	100	100
Woolworths Custodian Pty Ltd	100	100
Woolworths Executive Superannuation Scheme Pty Limited	100	100
Woolworths Group Superannuation Scheme Pty Ltd	100	100
Woolworths Insurance Pte Limited	100	100
Woolworths Management Pty Ltd	100	100
Woolworths Properties Pty Limited	100	100
Dentra Pty. Limited	100	100
Weetah Pty. Limited	100	100
QFD Pty. Limited	100	100
Woolworths Townsville Nominee Pty Ltd	100	100
Woolworths Trust Management Pty Limited	100	100
Woolworths Trustee No. 2 Pty Limited	100	100

Notes

(1)
Acquired in November 2006.

(2)
On 28 May 2007, FAL Insurance Limited, WOW (NZ) Finance Limited, WOW (NZ) Holdings Limited and WOW (NZ) Supermarkets Limited amalgamated to become WOW (NZ) Supermarkets Limited.

(3)
On 28 May 2007, Bancroft Limited and General Distributors Limited were amalgamated to become General Distributors Limited.

NOTES TO THE FINANCIAL STATEMENTS

29 BUSINESS ACQUISITIONS

Over the course of the year, the Group acquired various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was \$204.3 million comprising plant and equipment (\$113.6 million); liquor and gaming licences (\$50.1 million) and other working capital balances (\$8 million), with goodwill on acquisition of \$32.6 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future.

During the period some revisions have been made to the fair value assessment of liquor and gaming licences and property and equipment for certain business acquisitions undertaken in the 2006 financial year, in accordance with AASB 3. The net impact to intangibles was a decrease of \$11.8 million and a corresponding increase in property, plant and equipment. The accounting for these acquisitions is now final.

<i>Entity/business acquired 2007</i>	<i>Principal activity</i>	<i>Date of acquisition</i>	<i>Proportion of ownership acquired</i>	<i>Cost of acquisition \$m</i>
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Changes in the composition of the Group

– Miscellaneous businesses	Supermarkets and liquor retail	various	100%	204.3
Total				204.3

<i>Entity/business acquired 2006</i>	<i>Principal activity</i>	<i>Date of acquisition</i>	<i>Proportion of ownership acquired</i>	<i>Cost of acquisition \$m</i>
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– Progressive Enterprises Holdings Limited and its controlled entities	Supermarkets	2 November 2005	100%	2,289.0 ⁽¹⁾
– 26 hotels and eight club management contracts previously owned by interests associated with the Bruce Mathieson Group	Hotels and liquor retail	1 July 2005	75%	390.9 ⁽²⁾
– 33 leasehold hotels comprising the Taverner Hotel Group	Hotels	6 February 2006	75%	377.1
– Miscellaneous businesses	Supermarkets and liquor retail	various	–	179.7
Total				3,236.7

Notes

(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 cash consideration and consideration paid via the issuance of 191,700,000 shares in ALH Group Pty Ltd at a price of \$1 per share, plus acquisition costs.

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 \$959,005,951 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.

From acquisition to 25 June 2006, the business has contributed \$2,851.3 million in revenue and \$39.5 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

Foodland N.Z. Finance Limited	Wholesale Services Limited
Foodland (N.Z.) Holdings Limited	General Distributors Limited
FAL Insurance Limited	The Supply Chain Limited
Progressive Enterprises Limited	Wholesale Distributors Limited
	Caledonian Leasing Limited

Companies registered in Australia

Drumstar Pty Ltd
PEH (NZ IP) Pty Ltd
Progressive Enterprises Holdings Limited

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

	<i>Woolworths recognised values \$'000</i>	<i>Fair value adjustments \$'000</i>	<i>Notes</i>	<i>Acquired amounts \$'000</i>
Cash	54,090	–		54,090
Receivables	41,440	–		41,440
Inventories	258,362	(1,641)		260,003
Prepayments and other assets	5,780	–		5,780
Property, plant and equipment	366,704	(26,217)	(1)	392,921
Intangible assets	244,663	158,279	(2)	86,384
Deferred tax asset	48,228	14,581	(3)	33,647
Accounts payable	(286,049)	–		(286,049)
Accruals	(82,713)	–		(82,713)
Current tax liabilities	(6,803)	–		(6,803)
Provisions	(74,724)	(18,080)	(4)	(56,644)
Interest bearing liabilities	(353,693)	–		(353,693)
Net identifiable assets and liabilities	215,285	126,922		88,363
Goodwill on acquisition	2,073,682			
Consideration paid, satisfied in cash	959,006			
Consideration paid via equity issuance	1,329,961			
	2,288,967			
Cash acquired	54,090			
Net cash outflow	904,916			

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 \$244.1 million 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 FINANCIAL STATEMENTS

29 BUSINESS ACQUISITIONS (CONTINUED)

At December 2005, the initial accounting had been determined provisionally. Revisions have been made to the fair value assessment for inventories, property, plant and equipment and provisions for onerous leases in accordance with AASB 3.

The cash consideration above 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.

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 eight club management contracts previously owned by interests associated with Bruce Mathieson for \$199.2 million in cash, inclusive of acquisition costs and 191.7 million shares issued at a price of \$1 per share. Since acquisition, the business has contributed \$108.7 million in revenue and \$19.0 million in net profit after tax to the consolidated entity before outside equity interests of \$4.75 million.

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

	<i>Woolworths recognised values \$'000</i>	<i>Fair value adjustments \$'000</i>	<i>Notes</i>	<i>Acquired amounts \$'000</i>
Cash	4,833			4,833
Inventories	1,709			1,709
Property, plant and equipment	208,406	17,409	(1)	190,997
Intangible assets	125,000	125,000	(2)	–
Deferred tax asset	985			985
Employee provisions	(3,282)			(3,282)
Net identifiable assets and liabilities	337,651	142,409		195,242
Goodwill on acquisition	53,204			
	390,855			
Consideration paid/payable	199,155			
Consideration paid via equity issuance	191,700			
	390,855			
Cash acquired	4,833			
Current and future cash flows	194,322			

Notes	(1)	(2)
	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.	An independent firm was engaged to conduct an external valuation of the liquor and gaming licences acquired which have been valued at \$125 million.

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WOOLWORTHS LIMITED

Deloitte.

Deloitte Touche Tohmatsu
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We have audited the accompanying financial report of Woolworths Limited which comprises the balance sheet, income statements, statement of cash flows and statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Woolworths Limited (the company) and the consolidated entity for the financial year ended on 24 June 2007 as set out on pages 79 to 148. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the compensation disclosures contained in the director's report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" set out in Section 3 "Executive Remuneration including Executive Directors" and Section 4 "Non Executive Directors' Remuneration" (except for Sub-Section 4.6 "Appointment Letters, deeds of Access, Insurance and Indemnity , Disclosures Deeds") of the directors' report and not in the financial report. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors Report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statement, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated entity's financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (c) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 27 to the Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



James Strong
Chairman



Michael Luscombe
Chief Executive Officer and Managing Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WOOLWORTHS LIMITED

Deloitte.

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

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We have audited the accompanying financial report of Woolworths Limited which comprises the balance sheet, income statements, statement of cash flows and statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Woolworths Limited (the company) and the consolidated entity for the financial year ended on 24 June 2007 as set out on pages 79 to 148. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the compensation disclosures contained in the director's report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" set out in Section 3 "Executive Remuneration including Executive Directors" and Section 4 "Non Executive Directors' Remuneration" (except for Sub-Section 4.6 "Appointment Letters, deeds of Access, Insurance and Indemnity , Disclosures Deeds") of the directors' report and not in the financial report. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors Report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statement, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated entity's financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WOOLWORTHS LIMITED

Auditor's Opinion

In our opinion:

- (1) the financial report of Woolworths Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial positions as at 24 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (2) the compensation disclosures that are contained in Section 3 "Executive Remuneration including Executive Directors" and Section 4 "Non-Executive Directors' Remuneration" (except for Sub-Section 4.6 "Appointment Letters, Deeds of Access, Insurance and Indemnity, Disclosure Deeds") under the heading "Remuneration Report" of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R. Smith

Rod Smith
Partner
Chartered Accountants
Sydney, 24 September 2007

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 11 September 2007.

Number of shareholders

There were 348,388 shareholders, holding 1,210,691,515 fully paid ordinary shares.

Distribution of equity securities

(a) Analysis of numbers of shareholders by size of holding:

<i>Range of fully paid ordinary (FPO) shares/options</i>	<i>Number of FPO holders</i>	<i>Number of FPO shares</i>	<i>Number of Option holders</i>
1 – 1,000	201,104	81,155,271	–
1,001 – 5,000	128,949	255,087,048	450
5,001 – 10,000	12,315	87,244,848	286
10,001 – 100,000	5,795	116,767,781	1,159
100,001 – and over	225	670,436,567	19
Total	348,388	1,210,691,515	1,914

(b) There were 6,074 holders of less than a marketable parcel of ordinary shares.

20 Largest shareholders

The names of the 20 largest holders of shares are listed below:

<i>Name</i>	<i>Number of fully paid ordinary shares</i>	<i>Percentage of issued capital %</i>
1 HSBC Custody Nominees (Australia) Limited	153,974,279	12.72
2 JP Morgan Nominees Australia Limited	148,174,025	12.24
3 National Nominees Limited	112,100,335	9.26
4 ANZ Nominees Limited (cash income a/c)	49,195,579	4.06
5 Citicorp Nominees Pty Limited	39,372,969	3.25
6 Queensland Investment Corporation	18,450,406	1.52
7 Cogent Nominees Pty Limited	13,472,560	1.11
8 AMP Life Limited	10,552,700	0.87
9 Woolworths Custodian Pty Ltd	7,632,400	0.63
10 Citicorp Nominees Pty Limited	6,970,059	0.58
11 Australian Foundation	6,203,729	0.51
12 UBS Nominees Pty Ltd (116C a/c)	5,800,000	0.48
13 UBS Wealth Management	5,041,050	0.42
14 Perpetual Trustee Company Limited	4,961,805	0.41
15 Citicorp Nominees Pty Limited (CFS WSLE IMPUTATION FND a/c)	4,049,357	0.33
16 RBC Dexia Investor Services	3,795,098	0.31
17 Argo Investments Limited	3,590,053	0.30
18 Alliance C/O JP Morgan Nominees Australia Limited	2,829,666	0.23
19 Citicorp Nominees Pty Limited	2,711,032	0.22
20 Cogent Nominees Pty Limited (SMP Accounts)	2,386,663	0.20

Substantial shareholders

As at 18 September 2007 there were no substantial shareholders in the Company that had provided substantial shareholding notices.

Unquoted equity securities

As at 21 September 2007 there were 30,041,450 options granted over unissued ordinary shares in the Company to employees.

SHAREHOLDER INFORMATION

Woolworths Notes

On 26 October 2005, Woolworths announced that it intended to redeem the Woolworths Income Notes (WINs) in early 2006. On 3 April 2006, the Company announced to the Australian Securities Exchange (ASX) an Offer of perpetual, unsecured, subordinated, cumulative notes at \$100 each (Woolworths Notes) to raise up to \$600 million and lodged with the Australian Securities and Investments Commission a prospectus for the Offer. The Offer comprised an Eligible WINs Holder Offer, a Broker Firm Offer and an Institutional Offer.

On 5 June 2006, the Company redeemed all \$600 million in face value of the WINs and allotted all six million Woolworths Notes. Normal settlement trading for the Woolworths Notes on the ASX commenced on 9 June 2006. Woolworths Notes are quoted under the ASX code WOWHB.

Voting rights

On a show of hands, at a General Meeting of the Company, every member present in person or by proxy shall have one vote and upon a poll each person present in person or by proxy shall have one vote for each ordinary share held.

Shareholder enquiries

Enquiries and correspondence regarding shareholdings should be directed to Woolworths Limited Share Registrar: Computershare Investor Services Pty Limited by telephone on 1300 368 664, by facsimile on (02) 8235 8150 or online via the Shareholder Centre on Woolworths Limited website at www.woolworthslimited.com.au or by visiting the Computershare website at www.computershare.com.au.

Changed your address?

If you change your address, please promptly notify our Share Registrar in writing. Please quote your Shareholder Reference Number (SRN) and your old address as added security. Change of address advice forms can be downloaded via the Shareholder Centre on Woolworths Limited website at www.woolworthslimited.com.au.

Employee shareholder information

For information on Woolworths Limited employee shareholdings please contact:

Woolworths Shareholder Relations
1 Woolworths Way
Bella Vista NSW 2153
Telephone: (02) 8885 1066 or (02) 8885 1068
Facsimile: (02) 8888 1066 or (02) 8888 1068

Final dividend

The final dividend of 39 cents per share will be paid on 5 October 2007 to shareholders entitled to receive dividends and registered on 6 September 2007 (Record Date).

Direct payment to shareholders' accounts

Dividends may be paid directly into bank, building society or credit union accounts in Australia. Payments are electronically credited on the dividend payment date and a dividend advice confirming deposit details can either be mailed to shareholders or is available online should holders elect.

Annual report and shareholder communication

Recent amendments to the Corporations Act have changed the way in which we deliver the Annual Report to our shareholders each year. We will send you a copy of the Annual Report (free of charge) **only if you elect to receive it**. Alternatively, we will provide details on how to access the Annual Report on our website when we send you the Annual General Meeting documentation. An interactive version of the Annual Report will be available on our website at www.woolworthslimited.com.au once it is released.

We encourage you to help reduce costs and benefit the environment by providing your email address and receiving all shareholder communications electronically.

Please contact our share registrar, Computershare Investor Services on 1300 168 664 should you have any queries.

Dividend Reinvestment Plan (DRP)

The rules of the Dividend Reinvestment Plan ("DRP") have been amended and will apply from the Final Dividend payable on 5 October 2007, when residual balances recorded in a participant's DRP account will be carried forward and applied to the next dividend. The DRP discount of 2.5% will be discontinued from the Final Dividend 2007. There is currently a limit on DRP participation of 20,000 shares which is applicable to the final dividend payable on 5 October 2007.

Australian Securities Exchange listings

Woolworths Limited ordinary shares are listed on the Australian Securities Exchange, under ASX code: WOW. Woolworths Notes are listed on the Australian Securities Exchange under the ASX code: WOWHB.

American depository receipts

Woolworths Limited shares may be traded in sponsored American Depository Receipts form in the United States.

SHAREHOLDER INFORMATION

<i>Date of dividend</i>	<i>Type</i>	<i>Cents per share</i>	<i>Franking Rate</i>	<i>DRP Price</i>
History of dividends paid				
30 Nov 1993	Final	6 cents	39%	\$2.95
29 Apr 1994	Interim	6 cents	39%	\$2.89
30 Nov 1994	Final	6 cents	39%+33%	\$2.60
28 Apr 1995	Interim	6 cents	33%	\$2.72
17 Nov 1995	Final	8 cents	39%+33%	\$2.90
26 Apr 1996	Interim	7 cents	33%	\$2.87
12 Nov 1996	Final	8 cents	36%	\$2.58
24 Apr 1997	Interim	7 cents	36%	\$3.22
15 Oct 1997	Final	9 cents	36%	\$3.94
24 Apr 1998	Interim	8 cents	36%	\$5.35
9 Oct 1998	Final	9 cents	36%	\$5.18
30 Apr 1999	Interim	8 cents	36%	\$4.83
5 Oct 1999	Final	10 cents	36%	\$5.19
28 Apr 2000	Interim	10 cents	36%	\$4.92
5 Oct 2000	Final	13 cents	34%	\$6.61
27 Apr 2001	Interim	12 cents	34%	\$7.99
5 Oct 2001	Final	15 cents	30%	\$10.98
30 Apr 2002	Interim	15 cents	30%	\$12.23
8 Oct 2002	Final	18 cents	30%	\$11.78
30 Apr 2003	Interim	18 cents	30%	\$11.71
3 Oct 2003	Final	21 cents	30%	\$11.37
30 Apr 2004	Interim	21 cents	30%	\$11.49
8 Oct 2004	Final	24 cents	30%	\$13.16
29 Apr 2005	Interim	24 cents	30%	\$15.50
7 Oct 2005	Final	27 cents	30%	\$15.77
28 Apr 2006	Interim	28 cents	30%	\$18.26
6 Oct 2006	Final	31 cents	30%	\$19.73
27 Apr 2007	Interim	35 cents	30%	\$27.05
5 Oct 2007	Final	39 cents	30%	\$29.82

SHAREHOLDERS' CALENDAR

2007

October

5 Payment date for Final Dividend
TBA Announcement of first quarter sales results

November

16 Annual General Meeting
Sydney NSW

December

17 Interest Payment on Woolworths Income Notes

2008

January/February

Announcement of second quarter sales results
Half Year Results announcement

March

17 Interest Payment on Woolworths Income Notes
Record date for Interim Dividend

April

Payment of Interim Dividend
Announcement of third quarter sales results

June

16 Interest Payment on Woolworths Income Notes

July

Announcement of fourth quarter sales results

August

Preliminary Full Year Results and Final Dividend announcement

Please note: The timing of events may be subject to change.

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Woolworths Limited

Principal registered office in Australia
1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000
Web: www.woolworthslimited.com.au

BIG W

Web: www.bigw.com.au

National Supermarkets

Web: www.woolworths.com.au

Woolworths' Petrol

Tel: 1300 655 055

BWS

Web: www.beerwinespirits.com.au

Dan Murphy's

789 Heidelberg Road
Alphington VIC 3078
Tel: (03) 9497 3388
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Web: www.danmurphys.com.au

Dick Smith Electronics/Tandy

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Chullora NSW 2190
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Fax: (02) 9642 9111
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Progressive Enterprises Limited

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Auckland
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ALH Group Pty Ltd**– Registered Office**

1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000

– Victorian Office

Ground Floor
16-20 Claremont Street
South Yarra VIC 3141
Tel: (03) 9829 1000

– Queensland Office

Level 1
152 Oxford Street
Bulimba QLD 4171

Company Secretary

Peter Horton

Share Registrar

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Tel: 1300 368 664
Fax: (02) 8234 5050
Web: www.computershare.com.au

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Web: www.deloitte.com.au

