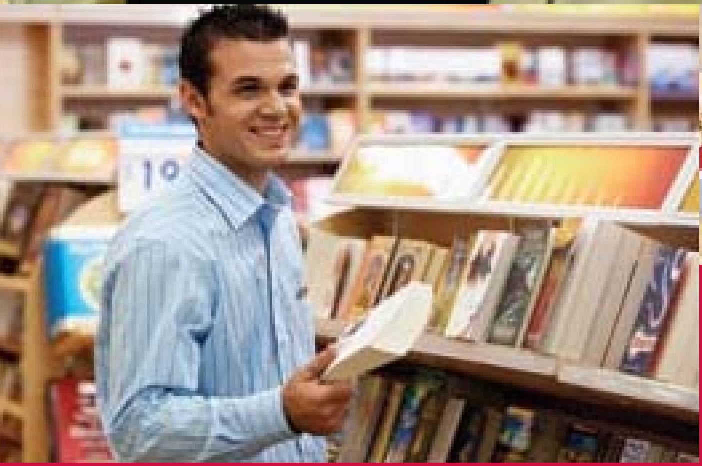


WOOLWORTHS LIMITED

ABN 88 000 014 675

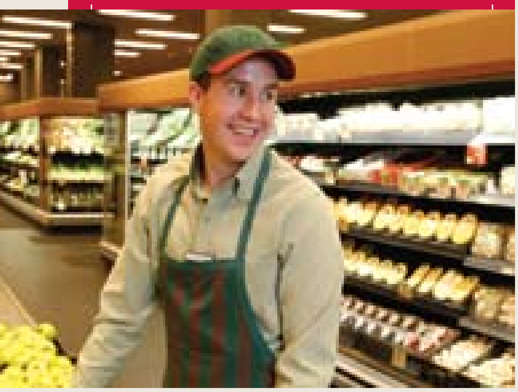
ANNUAL REPORT 2008

08

HIGHLIGHTS

10.7% ↑

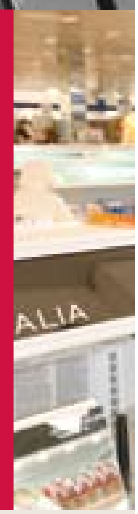
Increase in sales to $47.0 billion



Contents

25.7% ↑

Increase in net profit after tax to $1,626.8 million



19.8% ↑

Increase in earnings before interest and tax to $2,528.8 million

24.0% ↑

Increase in earnings per share to 134.9 cents

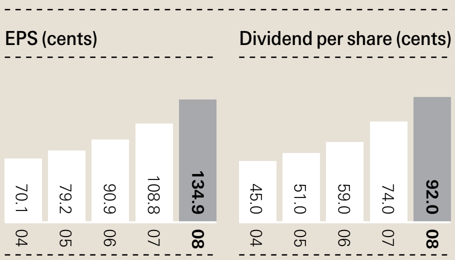
43

Basis points reduction in cost of doing business

24.3% ↑

Increase in dividend per share to 92 cents

CHAIRMAN'S REPORT TO THE SHAREHOLDERS



SUCCESSFUL YEAR

On behalf of the Board and management of Woolworths Limited, I am pleased to present to shareholders our detailed reports on another successful year of business operations. The year has seen Woolworths achieve growth and greater financial strength, whilst simultaneously rewarding its shareholders.

This success has been made possible by the classic Woolworths formula of concentration on the fundamentals of running every part of our business, paying attention to details, developing our high quality people and fostering internal promotion and succession.

The following report by CEO Michael Luscombe provides a comprehensive review of the strategies followed by the Group's businesses, and the never-ceasing efforts to improve service and quality levels for customers.

FINANCIAL RESULTS

Woolworths Limited's constant goal is to increase sales revenue by growing each sector of the business, while reducing unit costs via scale and efficiency. This in turn leads to earnings before interest and tax (EBIT) increasing at a higher rate than revenue, which leads to earnings per share (EPS) improving each year (unless affected by share dilution or other short term factors).

For 2008, revenue grew by 10.7% to $47.0 billion, net profit after tax (NPAT) by 25.7% to $1,626.8 million, and earnings per share by 24.0% to 134.9 cents.

RETURNS TO SHAREHOLDERS

Total dividends per share for the year were 92 cents per share (fully franked), an increase of 24.3%. Return on Funds Employed (ROFE) reached a level of 31.4%.

CAPITAL MANAGEMENT AND GROWTH

In line with its strategy to increase market presence, Woolworths Limited is continuing its significant growth program.

We have strong cash flows and relatively conservative levels of borrowings. However, given the present uncertainty in the debt and equity markets, it is considered prudent to defer any immediate capital management activity.

The Board will continually assess this area in the context of investment opportunities and changes in the financial markets.

At present, the Company is maintaining reasonably strong levels of investment in existing businesses to uphold high standards of retail premises as a major competitive advantage.

The Company has a consistent track record of growth, while maintaining momentum in its core businesses. We are in the early stages of evaluating opportunities in adjacent businesses and internationally, with care and caution. Such opportunities must leverage the Company's core strengths and would be likely to be in high-volume, low-margin businesses.

Any international expansion would be undertaken in a prudent and disciplined fashion and meet the hurdles required for all capital investment decisions.

CHALLENGING ENVIRONMENT

With greater economic pressure on Australians caused largely by international and domestic financial turmoil and rising prices and shortages of oil and food, there has been a vast amount of commentary on the Australian food and petrol retailing sectors.

Woolworths participated fully in the major reviews set up by the Australian Government. The outcomes, while identifying areas for improvement, restored some rigour and balance to the debate. CEO Michael Luscombe provides further comment on this area.

GOVERNANCE

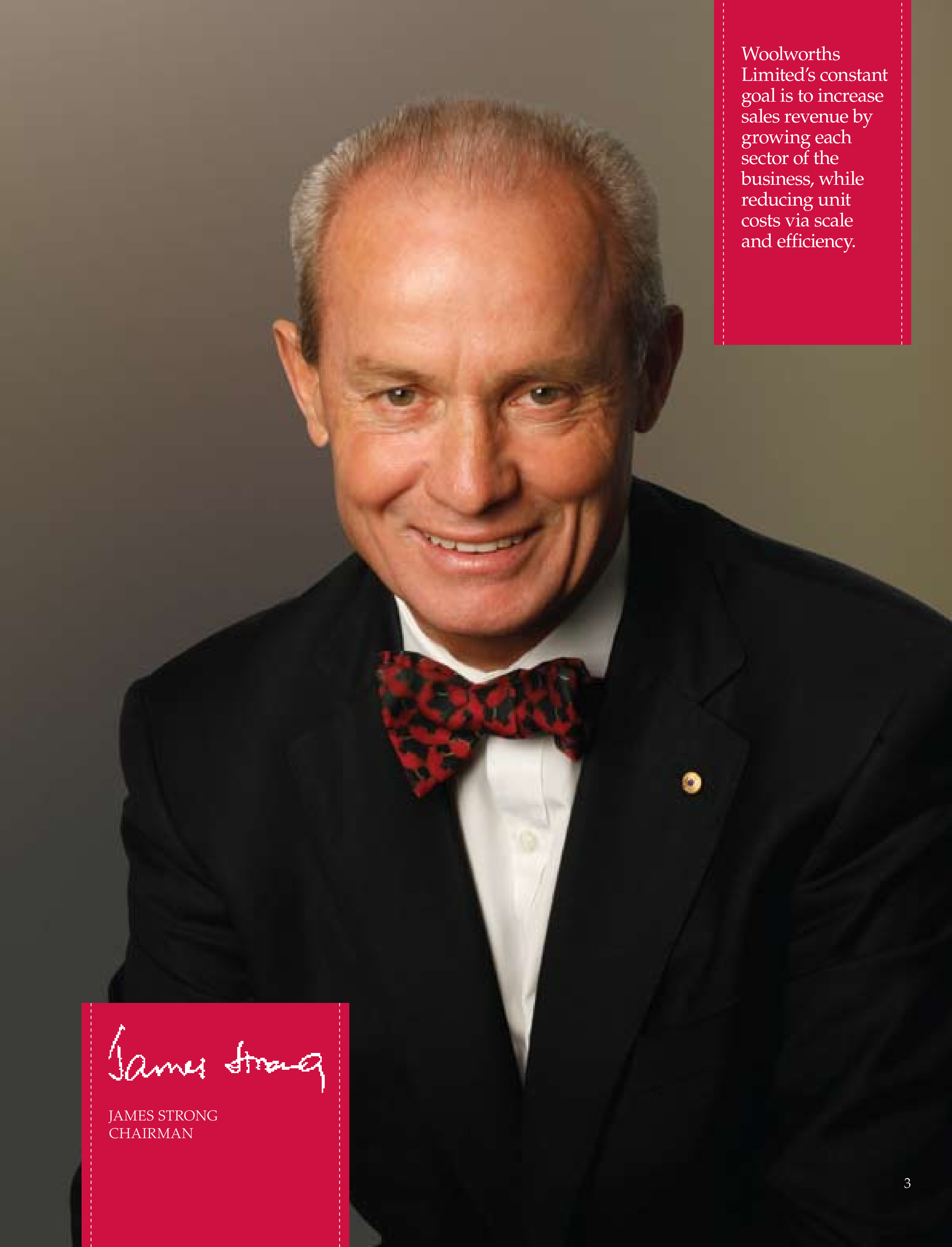
Woolworths has invested in building rigorous programs across the broad spectrum of issues relating to sustainability, risk management and proper governance procedures. High-quality education and awareness programs are run continuously throughout all businesses, and performance measures are used to monitor progress.

There are separate sections later in this report on these topics.

PEOPLE

One of the most significant factors in the continuing success of the Woolworths Group has been, and remains, the quality of the people who are involved in every area. The engagement and development of high-quality people is vital to the Company's success. Education and advancement opportunities are important in creating a positive environment where people want to grow and contribute.

The Board congratulates Michael Luscombe and his management team, and all the other leaders and enthusiastic performers throughout the Woolworths Group, on another outstanding year, building the strength of the business on the solid and stable foundations established over recent years.



Woolworths Limited's constant goal is to increase sales revenue by growing each sector of the business, while reducing unit costs via scale and efficiency.

JAMES STRONG
CHAIRMAN

Overall, we are a strong Australian company with a good business outlook and sound stock performance. We are not a business which has achieved success by standing still. Building a world-class company takes time and effort and it was pleasing to have our hard work rewarded by being the first Australian company to break into the top-25 list of world retailers.

CORE BUSINESS PERFORMANCE

The continuous delivery of successful results across our core business is testimony to the success of our long term strategy. By lowering our costs of doing business, we have created a world-class model of efficiency and logistical expertise. Despite a challenging economic environment and higher input costs for suppliers, we continued to refine and improve all our brands to keep up with customer expectations and to seek new opportunities to add even more value to their shopping experience.

We opened 30 new supermarkets during the year, which was ahead of our targeted range. We also opened 22 new Dan Murphy's and quite a number of smaller liquor outlets as well. We are pleased with the rollout of the new BIG W format and our new-look Dick Smith store. We also opened a new business in Thomas Dux in Lane Cove, Sydney and the second store opened in Paddington, Sydney in August 2008. We've been delighted with the customer response to that particular business.

We opened an additional 21 petrol canopies during the year, including one alliance site with Caltex, and the nationwide rollout of our Everyday Rewards program has exceeded expectations with more than four million cards on issue.

We are in the process of commissioning two new liquor distribution centres, one in Melbourne and one in Sydney. We achieved good results in hotel sales, despite it being a particularly challenging year with smoking bans in place in all states.

Following the successful opening of the first Croma electronics and durables store almost two years ago in Mumbai, India, our partnership with TATA Consulting goes from strength to strength. Our business venture with TATA now services through our wholesale operations 22 retail stores operating under the Croma brand.

We have launched our private label into New Zealand, and Home Brand and Select are going well. Like many Australians, New Zealanders are also doing it a little tough at the moment but we will continue to deliver the best value we can to carry part of the load for our New Zealand customers.

INNOVATION AND LEADERSHIP

Embracing new technologies is allowing us to lead in every way – not just in terms of financial performance but also best practice. As a major retailer, we deal with thousands of payment transactions every day, so it doesn't take much to see why financial services are an important part of the way we do business.

On 31 July 2007 one of the world's largest financial transaction switches became operational under the Woolworths Limited banner, and has since processed more than 100 million card transactions. Operating our own switch, which drives our EFTPOS terminals, provides us with control over an integral part of the business, and we are able to realise a considerable saving on every card payment we process.

We are continuously looking for innovative and commercially realistic solutions to reduce our environmental footprint and with a vast number of people visiting our stores every day, there is great opportunity for showcasing our sustainable development in action. We officially opened two state-of-the-art "green stores" at Rouse Hill, Sydney, and Victoria Harbour, Melbourne Docklands, and have incorporated many environmentally driven initiatives in all of our new and refurbished stores.

We also continue to generate savings with the rationalisation of our distribution centres and transport management systems. The rollout of our unique, reusable plastic crates, which carry fresh produce from the supplier to the supermarket shelf, is progressing well, and we have launched a self-service checkout system which allows customers to scan and pay for their own groceries.

As well as the obvious efforts put in at the stores, there has been a huge amount of background work required to get the New Zealand support systems aligned with Woolworths' systems. We now have more than 30 stores operating with Woolworths systems and more converting every day. We are aiming to have all Progressive stores converted by the end of 2008.

STRATEGIC GROWTH

We are well placed for growth and any future acquisition will be considered confidently but carefully. We are committed to providing continuous improvement and innovation so that our level of service remains competitive and best practice for our customers. Our significant reinvestment strategy in each of our businesses will continue to drive future growth, but the ultimate touchstone for any successful retailer is, of course, the customer. Our brands and our formats have grown and evolved in line with customer wants and needs and will continue to do so.

To help accelerate Woolworths' direct overseas sourcing potential and to cope with the rapid expansion of our business, a second office, was set up in Shanghai to complement the Hong Kong operation, which now acts as the central hub and is gradually taking over responsibility for all international purchasing. With its increase in size and capacity in recent years, the Hong Kong office is well placed to audit and monitor levels of factory compliance and product quality for our global supply chain.

Also, as part of our ongoing quest to find practical and rewarding ways to improve our customers' everyday finances, Woolworths Limited signed a Heads of Agreement with HSBC in February for the issuance of a general purpose credit card in Australia – an important step in the process of launching our very own credit card which was released in September 2008.

THE RIGHT TEAM

Reliable, expert advice has never been more important and succession planning is high on our agenda as our business considers an array of growth opportunities. Among the many options we put on the table to recruit and retain staff are flexible work arrangements; a modern, equality-based Parental Leave Policy – which includes paid maternity leave provisions; training incentives; and profit-sharing initiatives.

My confidence in our senior management team is stronger than ever. Together, we consistently deliver the very best outcomes for our customers, suppliers, employees and shareholders. I would also like to thank all our employees for their outstanding efforts and commitment this year and add a special thanks to their families who have supported them.

This year we have developed our very own Corporate Responsibility Report (CR Report) after consultation with non-government organisations and community groups who are interested in our work. This new CR Report, which accompanies this year's Annual Report, uses the Global Reporting Initiative guidelines to illustrate our progress and performance. I encourage you to read it.

THE ROAD AHEAD

Frequent changes in the global consumer market will create major opportunities and challenges for a company like Woolworths Limited. A key challenge will be striking a balance between maximising efficiencies across the whole of the business while still allowing each division to be the master of its own destiny in terms of performance, as well as having a sense of ownership over its strategy and success.

We actively cooperated with the Australian Competition and Consumer Commission's Grocery Pricing Inquiry, held earlier this year.

The Inquiry process was exhaustive and comprehensive, taking submissions from hundreds of stakeholders in this complex industry. Woolworths believes the ACCC's findings in relation to the grocery market are a justifiable statement that the market is functioning well and is "workably competitive" and that global factors are driving food price inflation. Woolworths believes that competition is good for its business because it provides the incentive for continuous development and improvement.

Taking a pragmatic approach, we will deliver real-world solutions which are in complete alignment with our Company's objective in driving future growth. With end-to-end business continuity plans in place, we are assured of keeping our Company moving forward. We will carry on developing and integrating business and IT service strategies to meet our overall needs and technical capabilities.

We are continuously looking for innovative and commercially realistic solutions to reduce our environmental footprint and with a vast number of people visiting our stores every day, there is great opportunity for showcasing our sustainable development in action.

MICHAEL LUSCOMBE
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

CORPORATE RESPONSIBILITY AT A GLANCE

20% ↓
in Lost Time Injury Frequency Rate

25% ↑
in spending on training our staff

20m litres ↓
less water used in our stores

8 weeks
paid maternity leave now available to Woolworths' 95,000 female employees

2 green stores
opened in Australia, and another 21 to open in 2009

$17.5m
in community contributions

You can find out more about our Corporate Responsibility goals and achievements in our Corporate Responsibility Report coming soon at www.woolworthslimited.com.au

THE RESULTS IN BRIEF

53 WEEKS ENDED 29 JUNE 2008

	FY08 53 weeks $m	*FY07 52 weeks $m*	*Change %*
SALES			
Australian Food and Liquor	30,501	27,745	9.9
New Zealand Supermarkets	4,170	3,940	5.8
Petrol	5,642	4,837	16.6
Supermarket division	**40,313**	**36,522**	**10.4**
BIG W	3,916	3,465	13.0
Consumer Electronics – Australia and New Zealand	1,427	1,285	11.1
Consumer Electronics – India	104	25	316.0
Consumer Electronics – Total	**1,531**	**1,310**	**16.9**
General Merchandise division	**5,447**	**4,775**	**14.1**
Hotels	**1,113**	**1,032**	**7.8**
Continuing operations	**46,873**	**42,329**	**10.7**
Wholesale division	162	148	9.5
Group sales	**47,035**	**42,477**	**10.7**
EARNINGS BEFORE INTEREST & TAX (EBIT)			
Australian Food and Liquor	1,913.7	1,597.1	19.8
New Zealand Supermarkets	169.2	155.1	9.1
Petrol	81.9	82.9	(1.2)
Supermarket division	**2,164.8**	**1,835.1**	**18.0**
BIG W	161.2	138.6	16.3
Consumer Electronics – Australia and New Zealand	68.1	71.1	(4.2)
Consumer Electronics – India	(5.0)	(4.3)	16.3
General Merchandise division	**224.3**	**205.4**	**9.2**
Hotels	**215.1**	**183.7**	**17.1**
Total trading result	**2,604.2**	**2,224.2**	**17.1**
Property	(16.6)	(23.8)	(30.3)
Central overheads	(91.7)	(88.3)	3.9
Other significant items[1]	28.6	(3.3)	966.7
Continuing operations	**2,524.5**	**2,108.8**	**19.7**
Wholesale division	4.3	2.5	72.0
Group EBIT	**2,528.8**	**2,111.3**	**19.8**

Note

(1)
2008 includes the profit on sale of certain properties ($49.7 million) and the costs associated with certain key strategic initiatives, including the nationwide rollout of our Everyday Rewards card and the development of our financial services capability.

	FY08 53 weeks $m	FY07 52 weeks $m	Change %
PROFIT			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	4,494.8	3,906.9	15.0
Property rent	(1,315.9)	(1,206.3)	9.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**3,178.9**	**2,700.6**	**17.7**
Depreciation	(650.1)	(589.3)	10.3
Earnings before interest and tax (EBIT)	**2,528.8**	**2,111.3**	**19.8**
Net financing costs	(191.3)	(233.6)	(18.1)
Operating income tax expense	(686.0)	(566.4)	21.1
Net operating profit after income tax	**1,651.5**	**1,311.3**	**25.9**
Minority interests	(24.7)	(17.3)	42.8
Total profit after tax and minority interests	**1,626.8**	**1,294.0**	**25.7**
Gross profit margin	25.30%	25.32%	–0.02% pts
Cost of doing business	19.92%	20.35%	–0.43% pts
EBIT to sales	5.38%	4.97%	0.41% pts
RETURNS			
Funds employed (period end)	8,315.9	7,803.2	6.6
ROFE (average)	31.4%	27.1%	4.3% pts
Weighted average ordinary shares on issue (million)	1,206.0	1,189.4	1.4
Ordinary earnings per share (cents)	134.9	108.8	24.0
Diluted earnings per share (cents)	133.6	107.9	23.8
Interim dividend per share (cents)	44	35	25.7
Final dividend per share (cents)[1]	48	39	23.1
Total dividend per share (cents)	92	74	24.3

Note

(1) Final dividend payable on 3 October 2008 will be fully franked.

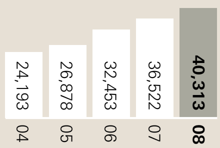
(INCLUDING LIQUOR AND PETROL)

SUPERMARKETS

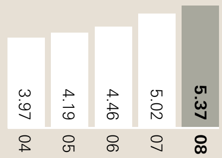
AUSTRALIAN SUPERMARKET DIVISION

Financial summary	FY07	FY08	Change
Sales ($ million)	32,582	**36,143**	10.9%
Gross margin (%)	23.41	**23.45**	4bps
Cost of doing business (%)	18.25	**17.93**	–32bps
EBIT to sales (%)	5.16	**5.52**	36bps
EBIT ($ million)	1,680.0	**1,995.6**	18.8%
Funds Employed ($ million)	2,271.6	**2,805.4**	23.5%
Return on Funds Employed (%)	75.9	**78.6**	2.7pts

Sales ($m)[1]



EBIT (%)[1]



For the full year, Australian Supermarket division sales increased 10.9%, of which Food and Liquor sales grew 9.9%. EBIT grew faster than sales, increasing by 18.8%. The Australian Supermarket division's EBIT margin increased from 5.16% to 5.52%, an increase of 36bps. The result includes $31 million of transition costs (2007: $40 million) associated with moving to our new supply chain arrangements.

The increase in funds employed reflects the store openings and refurbishment activity during the year. Inventory levels continue to be well managed. The reduction in average inventory days for the Australian Supermarket division was 0.8 days. In the current year, the increase in volume of imports was offset by an improved exchange rate. Accordingly, when we exclude the impact of incremental imported inventory, the reduction remains at 0.8 days (2007: 0.2 days including imported inventory).

AUSTRALIAN FOOD AND LIQUOR

Australian Food and Liquor delivered another solid result, with sales growth of 9.9% (7.9% based on 52 weeks) and EBIT growth exceeding sales growth. Comparable sales have remained strong at 6.3% (inflation 2.9%), which in real growth terms is an improvement on last year. (2007: 6.6%; inflation 3.5%). We continue to make gains in market share, with solid increases in key measures such as customer traffic, basket size and items sold.

This has been an extremely rewarding year with significant reinvestment in our business.

During the year we accelerated our refurbishment activity in Supermarkets. Our 2010c format store is proving to be very successful with 160 refurbishments undertaken this year (2007: 65). Initial results are pleasing and achieving business case expectations with improvements in both sales and gross margin.

At the time of this release we have approximately 180 stores in this new format, with plans for a further 149 stores in the 2009 financial year (including 134 refurbishments).

The expansion of our private label range continues with our Homebrand, Select, Freefrom, Naytura and Organics ranges gaining strong customer acceptance.

Our inventory management systems continue to provide reduced inventory levels and an improved in-stock position. The financial benefits from our supply chain are still being realised, with further efficiencies available as our infrastructure matures.

Woolworths' objective is, and has consistently been, to reduce costs, improve value and lower prices. The improvement in Food and Liquor gross margins is attributable to several factors:

- the change in sales mix achieved through such initiative as price Rollback campaigns;
- the success of Woolworths Select private label; and
- improvements in buying, including the benefits gained through the increased level of activity through our overseas buying offices.

Offsetting these factors are several strategic price reinvestment activities, including the reduction to state based price groups and significant price investment in key staple products such as bread and milk.

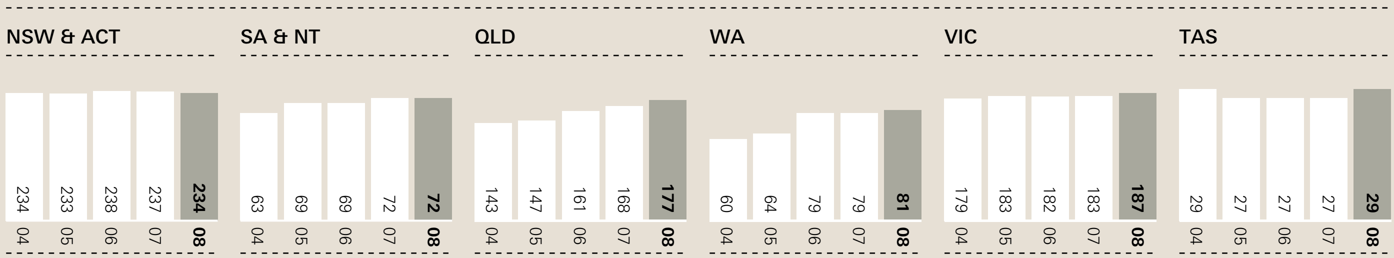
Australian Food and Liquor has achieved our targeted cost of doing business (CODB) reduction of 20 basis points (bps) per annum and has been assisted by continued fractionalisation of fixed costs being achieved through strong sales growth. This outcome has been achieved despite incremental operating expenditure associated with increased refurbishment activity.

We opened 30 new supermarkets during the year, ahead of our targeted range of 15 to 25 stores. Total trading area in Australian Food and Liquor grew by 5.2%, which is also in excess of the targeted range of 3.0% per annum.

We continue to make gains in market share, with solid increases in key measures such as customer traffic, basket size and items sold.

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

A fresh new brand identity will be progressively rolled out across all stores and collateral.



Australian Supermarket division sales have increased by

10.9%

Total liquor sales for the year were $4.7 billion[1]

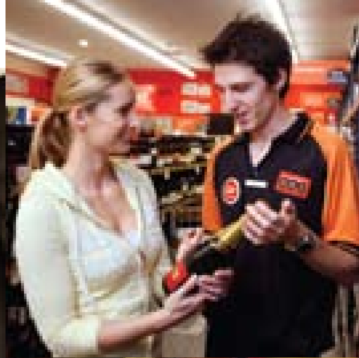
LIQUOR

All existing liquor operations, including Dan Murphy's, BWS and attached liquor, continue to perform well and recorded strong growth in both sales and profits. Total liquor sales for the year were $4.7 billion[(1)] (2007: $4.1 billion), reflecting solid comparable sales growth and the contribution from new store openings. We continue to expand our range of exclusive brands and control labels. An example is the launch of our own low-carb beer called "Platinum Blonde" in July 2008.

Dan Murphy's has further expanded its operations in the year with 22 stores opened, bringing the total number of Dan Murphy's stores to 89. Sites and licences have been obtained to operate a strong national network of 155 Dan Murphy's stores around Australia within the next three years. Dan Murphy's provides customers with excellent value for money, extensive product ranging, personalised service and expertise.

At the end of the year, Woolworths Limited operated 1,077 liquor outlets.

(1)
Total liquor sales include sales from Supermarkets attached liquor, BWS, Dan Murphy's and ALH bar sales and are based on 53 weeks. Normalised for 52 weeks, total liquor sales were $4.6 billion.



At the end of the year, Woolworths Limited operated 1,077 liquor outlets.

MANAGING DIRECTOR'S REPORT AUSTRALIAN SUPERMARKET DIVISION

(INCLUDING LIQUOR AND PETROL)

For the full year petrol sales increased by

16.6%

PETROL

For the full year, petrol sales were $5.6 billion, an increase of 16.6%, reflecting higher petrol prices (13.9% normalised to exclude the extra week). Petrol comparable sales increased by 11.1% during the year (20.4% in the fourth quarter), with comparable volumes having increased 0.6% over the year (FY2007: 4.8%).

The increase in comparable volumes reflects our commitment to offer competitive prices to our customers across all of our sites and the success of the nationwide rollout of our Everyday Rewards program. Average sell prices were higher than the previous year in the last three quarters.

Our convenience stores delivered strong double digit comparable sales growth for the year.

Petrol EBIT was lower than last year, reporting a result of $81.9 million (2007: $82.9 million). EBIT margins were lower at 1.5% (2007: 1.7%), with a lower fuel margin offset by improved non-fuel sales and margins. The lower fuel margins reflect the decision not to pass onto customers the full cost increases experienced over the last 12 months, increasing the competitiveness of our offer.

At the end of the financial year, we had 522 petrol stations, including 133 Woolworths/Caltex alliance sites. We opened an additional 21 petrol canopies during the year, including one alliance site.

An exciting initiative in our Petrol business that complements our new credit card is "epump". The credit card will have a high level of security which will enable the launch of a non-contact "pay at pump" facility called "epump" at Woolworths petrol locations by the end of 2008. This will provide an exclusive convenience to our customers by reducing the time taken to fill up and pay, helping ease congestion at our popular sites.

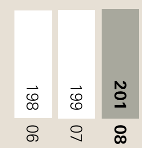
The nationwide roll out of our Everyday Rewards program has been a success.

New Zealand Supermarkets achieved sales of NZ$4.9 billion for the year, which represents a 5.8% increase (7.3% in NZ$ terms).

NZ

Financial summary	FY07 AUD	FY08 AUD	FY07 NZD	FY08 NZD	Change NZD
Sales ($ million)	3,940	**4,170**	4,527	**4,859**	7.3%
Gross margin (%)	21.77	**21.87**	21.77	**21.87**	10bps
Cost of doing business (%)[1][2]	17.54	**17.52**	17.54	**17.68**	14bps
EBIT to sales (%)[1]	4.23	**4.35**	4.23	**4.19**	–4bps
Trading EBIT ($ million)	166.5	**181.3**	191.3	**203.7**	6.5%
Less intercompany charges ($ million)	(11.4)	**(12.1)**	(13.1)	**(14.1)**	7.6%
Reported EBIT ($ million)	155.1	**169.2**	178.2	**189.6**	6.4%
Funds Employed ($ million)	2,263.5	**2,077.1**	2,510.7	**2,630.2**	4.8%

NZ (incl franchises)



(1)
Excludes intercompany charges.

(2)
AUD EBIT and CODB include the benefit from hedging NZD earnings.

NEW ZEALAND SUPERMARKETS
PROGRESSIVE

New Zealand Supermarkets achieved sales of NZ$4.9 billion for the year, which represents a 5.8% increase (7.3% in NZD terms). Comparable sales for the year were solid at 6.4% with inflation at 3.1%.

EBIT growth was modest with EBIT margins (in NZD terms), down slightly as we experience tighter economic conditions, and reflects the investment in training and support necessary for the rollout of new core systems such as AutoStockR. In addition, we have increased the minimum youth wage and increased our post-retirement payments to contribute over and above the minimum obligation under the "KiwiSaver" scheme. These costs are reflected in a higher CODB up 14bps. (in NZD terms). Average inventory levels were well managed, being down 0.8 days on last year.

Gross profit margin increased slightly, up 10bps with further price reinvestment, offset by significant improvements in shrinkage.

November 2008 will be the three year anniversary of the acquisition of the Progressive business in New Zealand. The planned repositioning of the Progressive Supermarkets business in New Zealand is on track to achieve its three year objectives. The integration has gone well.

In particular, the business is well positioned for the future, with significant improvements to flow from our investment in new core systems.

Whilst the benefits obtained from harmonisation allowed our New Zealand Supermarkets business to be significantly more competitive, the establishment of the right business platform from which to grow, was critical to ensure we could continue to improve and drive the performance of this business. By November this year, we will have completed a transition of this business with our key support systems such as AutoStockR, warehouse management, transport, back office and front of store (point of sale) in place.

The focus is now on improving our range. The Select, Naytura, Organics and Freefrom ranges are being gradually introduced into New Zealand. The Homebrand rollout is virtually complete and has been well received by customers.

We have also initiated a major refurbishment and new store rollout initiative to improve our offer to customers and increase our footprint, as well as expanding the trading area of existing stores. During the year we opened four stores, completed the refurbishment of six and commenced a further nine, with more in the pipeline for completion in 2009. Our property team has identified and secured 17 sites for future development.

Following an extensive review, we are now putting in place a program to roll out a new supply chain infrastructure to support the New Zealand business.

The business is well positioned for the future, with significant improvements to flow from our investment in new core systems.

GENERAL MERCHANDISE

BIG W

Financial summary	**FY07**	**FY08**	**Change**
Sales ($ million)	3,465	**3,916**	13.0%
Gross margin (%)	29.80	**29.99**	19bps
Cost of Doing Business (%)	25.80	**25.87**	7bps
EBIT to sales (%)	4.00	**4.12**	12bps
EBIT ($ million)	138.6	**161.2**	16.3%
Funds Employed ($ million)	471.1	**540.7**	14.8%
Return on Funds Employed (%)	30.4	**31.9**	1.5pts

BIG W reported a solid result with sales growing by

13.0%

BIG W reported a solid result reporting double digit growth in both revenue and earnings. Sales grew by 13.0% (11.4% normalised for the extra week). Comparable sales for the full year were 4.7% (FY07: 3.4%). EBIT grew faster than sales, increasing by 16.3%.

The result reflects the improvements that have been made through the repositioning of the BIG W business, principally by making the range more relevant for the customer and introducing new initiatives such as optometry services. The transition out of certain ranges continues and is reflected in these results. We continue to maintain BIG W's everyday low price position.

During the year we accelerated our refurbishment activity, undertaking 16 refurbishments (2007: 3) and plan to undertake a similar number in the 2009 year. In addition, we have retrofitted a number of our key merchandising initiatives across our store network. The results reflect the endorsement by customers of the merchandise departments that have been refreshed, with positive comparable sales results being delivered in each of the last seven quarters.

Gross margins increased sharply in the first half of the year (by 109bps) due to improved buying, increased sourcing through the Hong Kong buying office and the strong Australian dollar. However, in the second half of the year these were offset by changes in sales mix and additional reinvestment in price as BIG W maintained its everyday low price position in the market. As a result, the increase in margin for the year was reduced to 19bps.

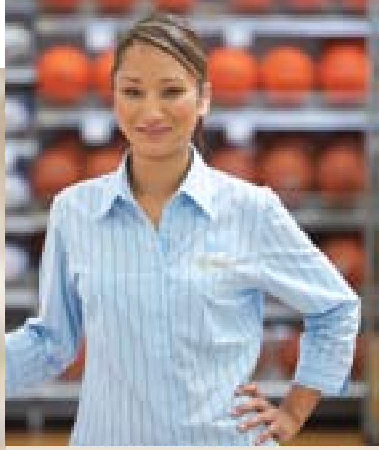
Similarly, CODB has increased 7bps over the year despite a first half increase of 74bps. The reduction in the second half reflects strong cost control at the store level and the benefits of cost fractionalisation achieved through improved sales.

Average inventory levels were well managed, being down 1.1 days on last year.

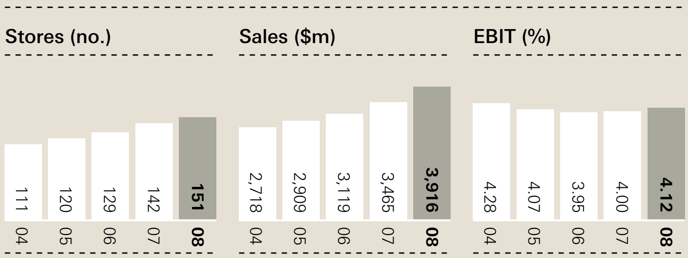
Nine BIG W stores were opened in the year (1H08: 6 stores, 2H08: 3 stores), taking the total number of stores in the division to 151.

The increase in funds employed reflects the opening of new stores and additional refurbishments during the year.

We continue to maintain BIG Ws everyday low price position.



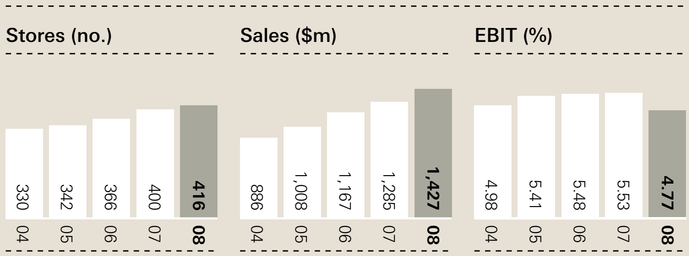
During the year we accelerated our refurbishment activity, undertaking 16 refurbishments (2007: 3) and plan to undertake a similar number in the 2009 year.



live big for less

CONSUMER ELECTRONICS (AUSTRALIA AND NEW ZEALAND)

Financial summary	FY07	FY08	Change
Sales ($ million)	1,285	**1,427**	11.1%
Gross margin (%)	28.21	**27.49**	–72bps
Cost of doing business (%)	22.68	**22.72**	4bps
EBIT to sales (%)	5.53	**4.77**	–76bps
EBIT ($ million)	71.1	**68.1**	–4.2%
Funds Employed ($ million)	311.9	**338.9**	8.7%
Return on Funds Employed (%)	23.4	**20.9**	–2.5pts



We remain confident of the service, quality and value which this business offers to customers, but recognise there are areas for improvement.

The Consumer Electronics market continues to experience significant price deflation in a very competitive market. Sales for the full year reached $1.4 billion, an 11.1% increase on last year (9.0% normalised to exclude the extra week) with comparable store sales increasing by 4.3%. After adjusting for the effect of exchange rate movements in the New Zealand dollar, sales have increased 11.1%, with comparable sales growth of 4.4%.

Whilst the sales result is solid, the modest EBIT result of $68.1 million reflects price deflation, change in sales mix, tighter discretionary spending and a continuing competitive market.

Gross margins decreased by 72bps, reflecting these tight market conditions and significant price reinvestment activity to drive sales and markdown activity as we exit or shrink certain categories during the year, as part of the repositioning of the brands. Strong unit sales growth and market share growth have been achieved in a number of key categories, including computers, gaming and in-car navigation.

We remain confident of the service, quality and value which this business offers to customers, but recognise there are areas for improvement.

The strategic review of our Consumer Electronics business is well underway with a focus on repositioning of the brands, engaging our customers with a new in-store experience and introducing new and exciting product and service offerings. We are well positioned in the current trading environment to improve our offer and are pleased with the early results from our new trial concept store which opened in May 2008.

The high level of new store openings in the year has impacted our ability to fractionalise costs as new stores ramp up to maturity. As a result, CODB has increased 4bps when compared to the previous year.

During the year, 33 new stores were opened, taking total stores to 416.

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 and an increase in working capital.

Strong unit sales growth and market share growth have been achieved in a number of key categories, including computers, gaming and in-car navigation.

Sales for the full year reached $1.4 billion, an increase of

11.1%

INDIA

The business venture with TATA is still in its infancy, with 22 retail stores operating under the Croma brand, serviced by four distribution centres which we operate. 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, recording sales of $104 million during the year and made an operating loss of $5.0 million.

HOTELS

Hotel sales of $1.1 billion represented an increase of

7.8%

Financial summary	FY07	FY08	Change
Sales ($ million)	1,032	**1,113**	7.8%
Gross margin (%)	82.45	**82.28**	–17bps
Cost of doing business (%)	64.66	**62.96**	–170bps
EBIT to sales (%)	17.79	**19.32**	153bps
EBIT ($ million)	183.7	**215.1**	17.1%

Hotel sales of $1.1 billion represented an increase of 7.8% (5.9% normalised to exclude the extra week) with overall comparable sales growth of 1.3%. Comparable gaming sales for the year were up 1.6%, which is a pleasing result given the influence of smoking bans and tighter trading conditions in the fourth quarter.

Gross margins have decreased by 17bps, reflecting the change in sales mix within the hotel network. Growth in food sales has exceeded the growth from gaming. Whilst food margins have improved slightly, the shift in mix has brought the overall margin down slightly.

Continued focus on costs assisted by the addition of freehold venues has driven the significant reduction in CODB, which has decreased by 170bps.

The introduction of smoking bans in three states during the year was well managed and ensured that the impact felt by our business was far less significant than the market in general.

A further nine properties were added to the portfolio, taking the total hotels to 271 premium hotels and a total of 1,345 accommodation rooms.

The introduction of smoking bans in three states during the year was well managed and ensured that the impact felt by our business was far less significant than the market in general.

CAPITAL MANAGEMENT

Cash generated by operating activities was $2.7 billion, up

15.7%

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

CENTRAL OVERHEADS, PROPERTY INCOME/EXPENSE

For the full year, central overheads have increased by $3.4 million (3.9%). The reduced property expense reflects the lower level of costs associated with the management and development of our property portfolio.

Other significant items includes the profit on sale of certain properties ($49.7 million) and the costs associated with certain key strategic initiatives, including the nationwide rollout of our Everyday Rewards card and the development of our financial services capability.

NET FINANCING COSTS AND TAX EXPENSE

Net financing costs of $191.3 million have reduced significantly from the prior year ($233.6 million), reflecting the lower debt levels driven by strong operating cash flows and the receipt of dividends ($14.7 million)

Tax expense is 29.3%, down slightly from 30.2% last year, reflecting the receipt of a fully imputed special dividend from The Warehouse Group and other minor tax differences.

BALANCE SHEET AND CASH FLOW

The balance sheet and cash flow position remain strong. Cash generated by operating activities was $2.7 billion, up 15.7% on the prior year, reflecting strong earnings growth and benefits from improvements in working capital.

The net investment in inventory improved by $330 million. The year end inventory balance increased by 9.9%, which is slightly above the normalised sales growth of 8.7%. This reflected our decision not to drive down inventory levels at year end so that sales were not negatively impacted in July.

Trade creditors and other creditors have increased due to the timing of monthly creditor payments (given the 53rd week), the increase in inventory and general business growth.

Receivables have increased, reflecting the timing of July occupancy prepayments.

As a result of the above, negative working capital has increased $258 million to $2,344.7 million.

Fixed assets and investments increased from $4,886.1 million to $5,825.5 million, reflecting the increase in property, plant and equipment offset by depreciation.

Intangibles decreased by 3.4% from $5,003.5 million to $4,835.2 million, reflecting foreign exchange movements in respect of the New Zealand goodwill and intangibles. Other additions reflect the purchase of individual hotels, stores and liquor licences.

Net repayable debt has decreased by $261.7 million (by 10.7%) to $2,181.1 million, reflecting the strong operating cash flows during the period.

ROFE (average) increased from 27.1% to 31.4%.

Consistent with these objectives, Woolworths has maintained its credit ratings of A– from Standard and Poor's and A3 from Moody's Investor Services.

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 buybacks. Since 2001, over $5,770 million, comprising off and on-market buybacks and dividends, has been returned to shareholders (including the final dividend for the financial year ending 29 June 2008).

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

Franking credits available for distribution after 29 June 2008 are estimated to be $823 million (following payment of the final dividend).

Our objective of maintaining a capital structure that will preserve our capital strength, which gives us the flexibility to pursue further growth opportunities, remains unchanged. Our balance sheet, debt profile and strength of our credit ratings ensure we are very well placed for future growth, both organically and through acquisition.

There is a small amount of debt (A$300 million) in domestic medium-term notes maturing in September 2008, which will be refinanced within existing debt facilities. As at 29 June 2008, undrawn committed bank debt facilities available to Woolworths Limited totalled $2.1 billion.

In addition to our solid operating cash flows, our strong balance sheet position has been assisted by a focus on property sales to take advantage of the then particularly attractive property markets. Over the last three years Woolworths has sold $1.3 billion of both industrial and retail property, including the sale and leaseback of our distribution centres, with proceeds received of $727 million (2007) and $82 million (2008) used to repay debt. Our new liquor distribution centres which open in the second half of 2008 are purpose-built, design and construct projects on long-term operating leases. Capital expenditure is limited to fixtures and equipment.

Woolworths previously advised the market, that, in the absence of any major acquisitions, we would undertake some form of capital management in the 2008 calendar year. Whilst capital management remains an important issue, given the current uncertainty in the debt and equity markets, it is considered more prudent to defer any capital management activity at this time. A share buyback will be continually assessed in the context of other initiatives and the capital market environment.

Supply chain and logistics initiatives

After seven years in the making, Woolworths has now completed the majority of the end-to-end supply chain program in Australian Supermarkets. The intellectual property we have developed in our supply chain teams, IT systems, DCs and transport operations is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, Liquor, BIG W and Consumer Electronics.

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 significantly improved productivity, enabling higher levels of "in stock" performance, which delivers a competitive advantage.

The development of our supermarkets supply chain is now almost complete, with the successful full commissioning of the Brisbane RDC at Larapinta, allowing transition from the previous network of 31 DCs down to nine Regional Distribution centres, two National Distribution Centres (NDCs) and two liquor DCs.

The financial benefits of this program will continue over future years as the DC infrastructure reaches mature efficiency levels and we put the transition costs behind us. The DCs located in Perth, Adelaide, Wyong and Wodonga are already exceeding their initial projected business case. These benefits will underpin our targeted and consistent reduction in CODB. For stores, the introduction of time phased replenishment and store re-stocking capabilities, along with store-ready unit load devices, such as shelf ready trays and roll cages, is reducing overall costs. The further roll out of produce crates in our stores commences in February 2009.

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

After seven years in the making, Woolworths has now completed the majority of the end-to-end supply chain program in Australian Supermarkets.

The efficiency of inbound freight is being improved by Woolworths through our Primary Freight business, enabled by our inbound Transport Management System (TMS). Woolworths Primary Freight business has been very effective, outperforming industry benchmarks. We are currently rolling out our outbound Metro Transport Model (MTM). This involves Woolworths ownership of specifically-designed trailers and the deployment of industry leading capacity planning, optimisation and freight tracking systems which will optimise transport from our DCs to stores, including backloading.

Transition costs

The Australian Supermarket result includes $31 million of transition costs (2007: $40 million) associated with moving to the new supply chain arrangements. These costs relate to the new distribution centre in Brisbane (ambient) and in Sydney (temperature controlled and produce) and reflect the ramp up to an efficient operating state, which can take several years. These costs will reduce significantly in the 2009 financial year. However, this will be offset somewhat by costs relating to the new liquor DCs.

New Zealand Supermarkets

In New Zealand, the rollout of StockSMART and AutoStockR is progressing well, with completion expected by the end of calendar year 2008. We have developed a supply chain strategy that will improve the service and cost performance of our logistics operations and will be progressively implemented over the next three years.

Liquor

We successfully introduced to the network the new Sydney Liquor DCs, and expect by the end of the first quarter 2009 to have introduced the Melbourne Liquor DC. We have identified an opportunity to consolidate the Liquor distribution for south east Queensland into a Liquor DC located in the Brisbane area and are continuing to source a suitable location. AutoStockR (store forecast based replenishment) is being rolled out into the Free Standing Liquor Stores (BWS and Dan Murphy's), which will be complete in 2008.

BIG W

The BIG W Quicksilver program has been established to transform BIG W's flow of merchandise to stores. A number of significant initiatives are currently under way and are proceeding on schedule. These initiatives include designing and developing the third BIG W distribution centre, developing and implementing store forecast based replenishment systems that build on the capabilities of AutoStockR and enhancing our capabilities in planning the flow of merchandise. These initiatives are necessary to support BIG W's future business growth.

Dick Smith Electronics

DSE completed a comprehensive review of Woolworths' Australian supply chain, which has led to the recommendation for a new distribution centre in Sydney to service the entire store network.

The DCs in India continue to deliver efficiency improvements and are well placed to support the retail expansion.

Global sourcing

We have made strong progress in developing our global sourcing capability. We now have two overseas procurement offices operating successfully, located in Hong Kong and Shanghai covering the China and greater Asia regions and employing approximately 70 staff. Further development activities focus on expanding our direct procurement activities to other regions and improving our quality and ethical sourcing controls, as well as improving our inventory and supply chain management.

STRATEGY AND GROWTH

Woolworths' vision is to continue to drive its 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 deliver growth into the future. The strategy is clear and the experienced retail team has the skills and commitment to drive continued success.

Our long term 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 are well established. There are significant growth opportunities in all our businesses.

There are several key elements that underpin our strategy:

- We have clearly stated long term performance targets.
- We have defined plans for space growth, with minimal cannibalisation expected.
- There is continuing opportunity to grow market share in all our businesses in both Australia and New Zealand. Woolworths market share of Food Liquor and Grocery remains below 31%. Independent grocers and speciality stores hold just under 50%.
- We have completed a substantial portion of the end-to-end supply chain program in Australian Supermarkets. The financial benefits of this world-class supply chain will continue over future years. This intellectual property is being leveraged across other divisions.
- We have a strong track record of growth – through reinvestment in our existing business, development of new categories, new businesses and adjacencies and continually re-invigorating our offer. This has been demonstrated across each of our businesses and will continue.
- There is significant opportunity for Woolworths to leverage its scale and store distribution to introduce new products, services, categories and formats.
- Numerous opportunities exist to drive future growth by continuing to reinvest in the business.

Expansion opportunities

Woolworths is the 25th largest retailer in the world. Woolworths' core strengths include its world-class supply chain capability, low cost culture and its depth of talent.

There are many opportunities for Woolworths to leverage these strengths and augment our existing business plans to drive growth both organically and through the continual evaluation of acquisition opportunities. There are also opportunities to leverage the intellectual property that we have developed in our supply chain and retailing systems to other businesses. We have a depth of talent with significant retail knowledge and experience. We are confident that these attributes provide the platform for future growth.

We are in the early stages of evaluating opportunities internationally. Any such opportunities must leverage these core strengths and would be high volume, low margin businesses. Any international expansion would have full oversight from the Board, be undertaken in a prudent and disciplined fashion and meet the hurdles required for all our capital investment decisions.

In our existing businesses there are a number of **key growth initiatives currently underway**:

- Continued investment in **price, range of merchandise and quality** across all our brands.
- Continued development of private label in all our trading divisions. The expansion of our range continues with our **Homebrand, Select, Freefrom, Naytura** and **Organics** ranges gaining strong customer acceptance.

The foundations for sustainable profitable growth are well established. There are significant growth opportunities in all our businesses.

The focus remains on continually improving the customer offer, rewarding customers with lower prices, better value, quality, range, freshness, service and convenience.

We expect that EBIT will continue to grow faster than sales in FY09.

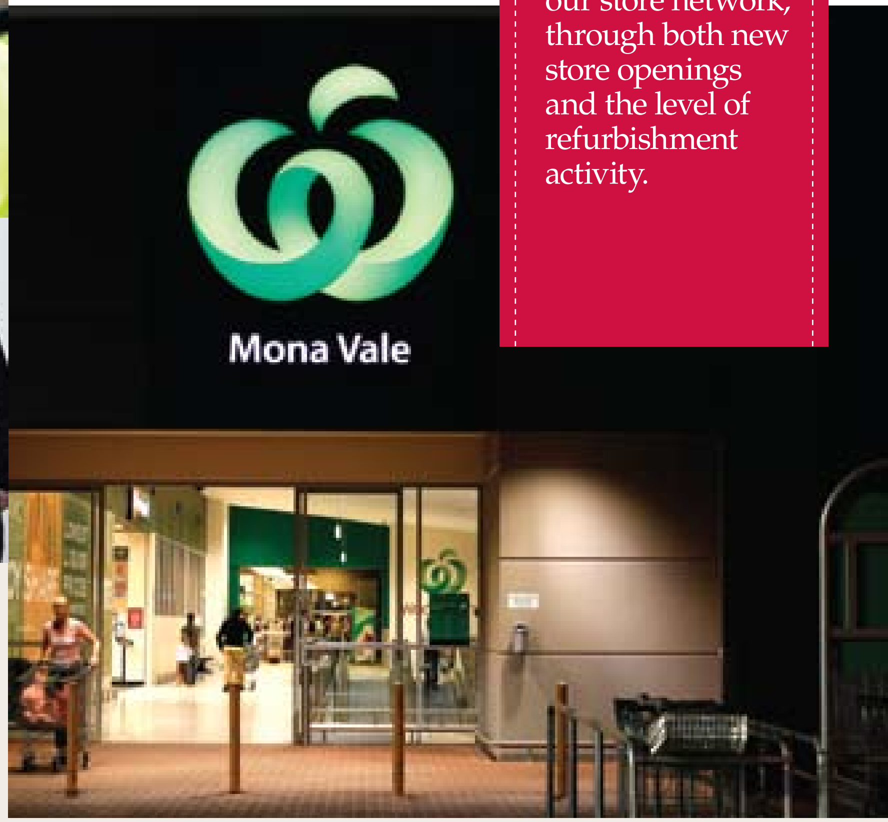
- We have made and will continue to make progress on initiatives that are enhancing our understanding of what the customer wants, through **increased market research capability and data analysis**.
- We continue to invest in our **financial services capabilities**, with a well developed product roadmap that leverages our cards program, with plans to offer our customers general insurance and the convenience of a financial services portal.
- We will continue the **acceleration of the refurbishment activity** in Supermarkets and BIG W. Capital expenditure for the 2009 financial year is expected to be similar to 2008 at c $1.9 billion.
- We continue to expand our **global sourcing** activities. As we increase our capabilities in this area, we continue to secure cost price savings and improvements in both quality and range.
- There is significant opportunity to **leverage our supply chain expertise**. The intellectual property we have developed in our supply chain teams, IT systems, DCs and transport operations is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, Liquor, BIG W and Consumer Electronics.
- Woolworths continues to focus on improving in-store execution, ranging, stock availability and customer service.

Performance targets
Long term targets remain unchanged. Woolworths continues to target the following key areas of performance measurement for its business in the long term, namely:

- sales to 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;
- CODB reduction of 20bps per annum (minimum), when Petrol and Hotels are excluded. This is underpinned by our supply chain capabilities; and
- maintenance of targeted credit ratings.

Woolworths' long term 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 may not outperform EBIT growth.

Defined plans to continue space rollout
In the coming year, we will continue the reinvestment in our store network, through both new store openings and the level of refurbishment activity. Our new concept stores in Supermarkets, BIG W and Consumer Electronics took a significant period of time to develop, test, evaluate the financial performance and secure the necessary resources to roll them out. These formats have been strongly endorsed by our customers. Space rollout is supported by detailed plans for the next three to five years identifying specific sites. Minimal cannibalisation is expected.



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Gross store openings in 2008		Target
Australian Supermarkets	30	15–25 new Supermarkets per annum. 3%+ space growth.
New Zealand Supermarkets	4	Property team has been expanded and is actively finding new sites and developing plans to expand current supermarket trading areas. 17 sites have been secured for future development.
Dan Murphy's	22	Target of 155 stores in 3 years (20 per annum).
BWS	42	Plans to open 10 stores (net) per annum.
Petrol	21	Will grow supporting the Supermarket rollout strategy.
BIG W	9	6–10 stores per annum targeting 200+ stores.
Consumer Electronics	33	Plans to open 20 stores per annum.
Hotels (ALH Group)	9	Acquired selectively as opportunities arise.

CURRENT TRADING

Early trading in the first quarter has been pleasing. Australian Food and Liquor continues to perform well and BIG W, Petrol and Consumer Electronics have had a good start to the new financial year. Hotels have experienced a pleasing improvement in gaming sales. New Zealand Supermarkets have experienced tight trading conditions as in the fourth quarter.

FUTURE OUTLOOK

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 inflation, fluctuating petrol prices, interest rates and lower consumer confidence levels. Subject to the uncertainty, these factors create our guidance is as follows:

- We expect overall group sales to grow in the upper single digits.
- We also expect that EBIT will continue to grow faster than sales in FY09.
- We also expect net profit after tax for FY09 will grow in the range of 11% to 14% (on a 52 comparative week basis) or 9% to 12% (on a 52 vs 53 week basis).

James Alexander Strong AO
Chairman.

Member: Audit, Risk Management and Compliance Committee, Corporate Governance 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 Boards 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: 64.

Michael Gerard Luscombe
Managing Director and Chief Executive Officer.

Mr Luscombe is a graduate of Monash University.

Mr Luscombe is a long term employee of Woolworths. His career extends over 30 years, starting as a Management Trainee in Woolworths Victoria.

He was appointed Managing Director and Chief Executive Officer in October 2006. Prior to that he 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: 55.

John Frederick Astbury FAICD

Member: Audit, Risk Management and Compliance Committee and Corporate Governance Committee. Chairman: of the Audit, Risk Management and Compliance Committee until 28 November 2007.

Mr Astbury was previously a Director of AMP Limited and of Insurance Australia Group Limited. He was also the Finance Director of Lend Lease Corporation Ltd and a Chief General Manager, National Australia Bank Limited. He has 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: 64.

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

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

Dr Deane is the Chairman of Fletcher Building Limited, the New Zealand Seed Fund and the IHC Foundation. He is Patron of New Zealand's largest charitable organisation, the IHC. He was previously Chairman of Telecom Corporation of New Zealand Limited, Te Papa Tongarewa (the Museum of New Zealand) and ANZ National Bank Limited, a Director of ANZ Banking Group Limited, Chief Executive of the Electricity Corporation of NZ Limited, Chairman of the State Services Commission, Deputy Governor of the Reserve Bank of NZ and Chairman of the City Gallery Wellington Foundation.

Dr Deane was appointed a Director of Woolworths Limited in April 2000. Age: 67.

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 Limited and Goodman Group, and formerly of Lend Lease Corporation Ltd, Wattyl Limited and the Sydney Opera House Trust. She is a senior adviser to McKinsey & Co., and a Governor of Ascham school. Previously, she was a partner with McKinsey & Co, consulting for over 15 years to clients in a broad range of industries on strategic and organisational issues. At McKinsey, Ms Grady was a worldwide leader of the firm's Organisation and Change Management practice. In Australia, she 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 of Woolworths Limited in July 1996. Age: 60.

Leon Michael L'Huillier BCom (Hons), MBA, MPhil

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. Director of ALH Group Pty Ltd and Chairman of its Audit Committee.

Mr L'Huillier is an experienced Chief Executive and Company Director in the grocery and liquor industries. He commenced his business career with Myer and is a former CEO of Lion Nathan Australia. He has substantial experience as a Non-executive Director of major organisations in transport and logistics, property and financial services. He was previously a member of the Policy Board of PriceWaterhouse, Chairman of Repco Corporation Limited, Chairman and Chief Executive of the Transport Accident Commission, a Director of MPG Logistics, and former Chairman of the Australian Prime Property Fund, a group with interests in major retail shopping centres. He is a former Director of MLC Limited, and Challenge Bank Limited.

Mr L'Huillier was appointed a Director of Woolworths Limited in September 1997. Age: 65.

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, he was the inaugural Chairman of the Asian Consultative Council for the Bank of International Settlements. He held several senior positions with the RBA after 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, Leighton Holdings Limited and of the Lowy Institute for International Policy. He is a member of the International Advisery Board of Goldman Sachs International.

Mr Macfarlane was appointed a Director of Woolworths Limited in January 2007. Age: 62.

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 a Fellow of the Institute of Chartered Accountants in Australia (FCA) and was a member of the Financial Reporting Council from March 2003 to March 2006.

Mr Pockett 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 (CBA). Prior to his role with the CBA, he was with Lend Lease Corporation Ltd. 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 Ltd.

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

Mr Pockett was appointed a Director of Woolworths Limited in November 2006. Age: 50.

Alison Mary Watkins BComm, CA, FSIA, AICD

Chairman: Audit, Risk Management and Compliance Committee from 29 November 2007. 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 in Australia and is a Fellow of the Financial Services Institute of Australasia.

Ms Watkins was appointed Chief Executive Officer of investment and funds management business the Bennelong Group in January 2008.

Ms Watkins' recent career also includes leadership roles in retail, agriculture and food processing industries. Until recently, she was a non-executive Director of Just Group Limited and of National Food Industry Strategy Limited. She was Chief Executive Officer of Berri Limited, Chairman of Mrs Crocket's Kitchen Pty Ltd and a member of the Corish Review Group, which developed a national policy blueprint for agriculture and food processing. Previously, she held senior roles with ANZ Banking Group Limited, including Managing Director, Regional Banking and Group General Manager Strategy and Mergers & Acquisitions. Ms Watkins also represented ANZ Banking Group Limited on the board of ETRADE Australia Securities Limited. She has 10 years' 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: 45.

SENIOR MANAGEMENT

Michael Luscombe
Chief Executive Officer and Managing Director

Tom Pockett
Finance Director

Naum Onikul
Director of Food and Liquor

Julie Coates
Chief Logistics Officer

Bruce Mathieson
Chief Executive Officer ALH Group

Steve Greentree[1]
General Manager Liquor

Ramnik Narsey
General Manager Petrol

Marty Hamnett
General Manager Supermarket Operations

Luke Dunkerley[2]
General Manager Marketing Supermarkets and Corporate

Ian McDonald
General Manager Global Sourcing

Ralph Kemmler
Director of Property

(1) Appointed 28 January 2008.

(2) Appointed 29 October 2007.

Debra Singh[3]
General Manager
Consumer
Electronics

Peter Horton
Group General
Counsel and
Company Secretary

Kim Schmidt
Director Human
Resources

Greg Foran
General Manager
BIG W

Andrew Hall[4]
Director Corporate
and Public Affairs

Mark Fleming
General Manager
Business Planning
and Corporate
Finance

Grant O'Brien[5]
General Manager
Business Development

Peter Smith
Managing Director
Progressive
Enterprises Limited

Richard Umbers
General Manager
Customer Engagement

Dan Beecham
Chief Information
Officer

(3)
Appointed
1 June 2008.

(4)
Appointed
29 October 2007.

(5)
Appointed 28 January 2008,
previously General Manager Liquor.

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 29 June 2008.

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	Retired 30 September 2007
R S Deane	
D J Grady	
L M L'Huillier	
I J Macfarlane	
A M Watkins	

Executive Directors

M G Luscombe	Chief Executive Officer and Managing Director
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 28 to 29.

COMPANY SECRETARY

Mr Peter John Horton BA LLB.

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

PRINCIPAL ACTIVITIES

Woolworths Limited operates in Australia and New Zealand with 3,030 stores and nearly 190,000 employees. The Company operates 929 supermarkets under the Woolworths and Safeway brands in Australia and under Woolworths, Foodtown and Countdown brands in New Zealand. The liquor retailing division services different customer needs through BWS, Dan Murphy, Woolworths/Safeway attached liquor outlets and supermarket outlets in New Zealand.

The petrol retailing division has 522 canopies at year end across Australia which are co branded Woolworths/Caltex. The general merchandise division services customers' everyday needs through 151 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 416 outlets. The business venture with TATA in India now provides wholesale services to 22 retail stores operating under the "Croma" brand. The Hotel division includes 271 premium hotels, including bars, dining, gaming, accommodation and venue hire operations.

CONSOLIDATED RESULTS AND REVIEW OF THE 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 $1,626.8 million (2007: $1,294.0 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 20 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 2007 Dividend Paid on 5 October 2007	30	39	471.9
Interim 2008 Dividend Paid on 24 April 2008	30	44	534.5
Final 2008 Dividend Payable on 3 October 2008	30	48	586.0

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 are as follows.

A net increase in the issued share capital of the Company of 9,855,587 fully paid ordinary shares as a result of:

(i) the issue on 5 October 2007 of 2,264,497 fully paid ordinary shares and the issue on 24 April 2008 of 2,534,600 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan. Neither the 2007 final dividend nor the 2008 interim dividend was underwritten and a cap of 20,000 maximum share participation in the Dividend Reinvestment Plan was in operation for both dividends; and

(ii) the issue on various dates, for cash at the relevant exercise price, of 5,056,490 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Executive Option Plan (EOP) and the Long Term Incentive Plan (LTIP).

On 1 July 2007, 9,049,400 options were granted under the LTIP.

On 25 July 2007, 1,590,000 performance rights were granted under the Woolworths LTIP retention program.

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 and in the Chairman's Report and the Managing Director's Report from pages 2 to 20, there is, at the date of this Report, no other matter or circumstance which has arisen since 29 June 2008 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group in future financial periods.

Final dividend

On 26 August 2008, the Directors declared a final dividend of 48 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 3 October 2008.

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 Pty Ltd purchased various building supplies and services totalling $76,522,273 (2007: $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 Pty Ltd purchased various building supplies and services totalling $28,003,202 (2007: $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 2007, 9,049,400 options were granted under the LTIP. Between 29 June 2008 and 16 September 2008, 3,831,525 shares were allotted as a result of the exercise of options granted under the EOP and LTIP in July 1999, July 2000, July 2001, July 2002 and July 2003.

DIRECTORS' INTERESTS IN SHARES/OPTIONS

Particulars of Directors' relevant interests in shares and options in the Company as at 16 September 2008 are set out below:

Director	*Shares*	*Options*
J A Strong	70,479	–
M G Luscombe	433,290	1,230,000
J F Astbury*	12,611	–
R S Deane*	40,000	–
D J Grady*	35,914	–
L M L'Huillier*	60,000	–
I J Macfarlane*	3,000	–
T W Pockett	93,000	730,000
A M Watkins*	11,333	–

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

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 29 June 2008 and the number of meetings attended by each Director. In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties, including attending strategic review sessions and retail market study trips, as well as Board and Board Committee meeting preparation and research. These additional responsibilities constitute a further significant time commitment by Directors.

Directors	*Board meetings*	*Ad hoc Board meetings*	*Audit, Risk Management and Compliance Committee*	*People Policy Committee*	*Superannuation Plan Policy Committee*
J A Strong[(1)(4)(5)]	11/11	9/9	6/6	6/6	–
M G Luscombe	11/11	9/9	–	–	–
J F Astbury[(1)(1a)(5)]	9/11	9/9	4/6	–	–
A E Clarke[(2)(4)(5)]	3/3	1/1	–	3/3	–
R S Deane[(4)(4a)(5)]	11/11	9/9	–	6/6	–
D J Grady[(1)(5)]	10/11	9/9	5/6	–	–
L M L'Huillier[(1)(3)(5)(6)]	11/11	9/9	5/6	–	5/6
I J Macfarlane[(1)(5)]	11/11	9/9	6/6	–	–
T W Pockett	11/11	9/9	–	–	–
A M Watkins[(1a)(4)(5)]	11/11	9/9	4/4	6/6	–

Meetings attended/held while in office.

Notes

(1)
Member of the Audit, Risk Management and Compliance Committee.

(1a)
Chairman of the Audit, Risk Management and Compliance Committee.

(2)
Retired as Director, effective 30 September 2007.

(3)
Chairman of the Superannuation Working Group and the Woolworths Group Superannuation Plan's Policy Committee.

(4)
Member of the People Policy Committee.

(4a)
Chairman of the People Policy Committee.

(5)
Member of the Corporate Governance Committee which meets at the same time as the Board meetings.

(6)
Director of ALH Group Pty Ltd and Chairman of its Audit Committee.

Mr Astbury was Chairman of the Audit, Risk Management and Compliance Committee until 28 November 2007. Ms Watkins assumed this position from 29 November 2007.

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, over 40,000 Woolworths employees hold shares in the Company through participation 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 programmes to ensure the 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 programmes;
- 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 three independent Non-executive Directors. During the financial year, members were Roderick Deane (Chair), James Strong and Alison Watkins. The members' attendance at meetings of the People Policy Committee is set out on page 34.

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 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 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.

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

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 STIP for the CEO and Finance Director 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.

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

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 LTIP which is designed to:

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

Long term incentives have been in place since 1993 and have been provided through various executive option plans. From 1999 through to 2004, long-term incentives were provided through the Executive Option Plan (EOP). At the 2004 Annual General Meeting, shareholders approved the introduction of the Woolworths LTIP. Both the EOP and the LTIP are described below.

Since 2002, long-term incentive awards have been linked to executives entering into Service Agreements that offer the Company protection and provide clarity for executives. In 2003 all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to receive long term incentive awards.

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
The Executive Option Plan (EOP) was approved by shareholders in November 1999 and was last offered with an effective grant date of 1 July 2004. As at 29 June 2008, there were 11,866,100 options issued under this Plan.

Awards have been made under the EOP in five tranches with each tranche 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.

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;
- 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 (10 years for options issued prior to 2002);
- 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 shown below;

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

- the fifth tranche (50% of options) is linked to relative TSR and measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured over five years from the grant date but 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 audited by an independent third party; and
- the percentage of the total number of options granted that vest is dependent on Woolworths' ranking relative to the performance of the above comparator companies. The following table sets out the TSR vesting schedule:

Woolworths TSR equals or exceeds the following percentile of the comparator companies	*Percentage of options in total grant that 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

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, which are described below, that together can provide Options, Performance Rights, Performance Shares or Cash Awards.

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

Up until the 2008 financial year, Options under the Options Sub-Plan have been used to satisfy LTIP grants. For the 2008 financial year, the Board determined that there would be two offers under the LTIP: one made under the Option Sub-Plan 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 was made to 182 executives, with a service condition as the only performance hurdle. The purpose of this offer was 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. As at 29 June 2008, there were 22,371,600 options issued under this plan.

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.

As at 29 June 2008, there were 1,565,000 performance rights issued under this plan.

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 long term 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 one 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 purpose of Listing Rule 7.1.

Approval under the exception lasts for three years. Accordingly, Woolworths sought and obtained 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 and as approved at the 2007 AGM) to amend the performance hurdles for grants to be made under the Plan beginning with the 2009 financial year (referred to below as "the 2008 grant" or "the grant").

The 2008 grant will be made using a combination of the Option Sub-Plan and the Performance Rights Sub-Plan with vesting subject to the achievement of EPS growth and relative TSR performance hurdles, each representing 50% of the grant, as described below.

EPS performance hurdle

EPS is the non-dilutive EPS, which is measured as the net profit of the consolidated entity after minority 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 the 2008 grant, the EPS component partially vests upon Woolworths attaining an average annual growth rate of equal to or greater than 10%. An EPS growth rate of equal to 10% over the performance period will result in 12.5% of the grant vesting, while an EPS growth rate of equal to or greater than 15% over the performance period will result in 50% of the grant vesting.

TSR performance hurdle

The TSR performance hurdle for the 2008 grant requires a minimum TSR at the 51st percentile measured against comparator companies comprised of the S&P/ASX 100 Index, excluding any non-comparable companies (such as financial services and resources sector companies, Trusts and any companies in the comparator group that are under takeover or takeover speculation, have merged, had a share reconstruction or been de-listed as at the measurement date). Achieving 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 performance hurdle, then those options and performance rights meeting the vesting hurdle, shall vest and any options and performance rights not meeting the vesting hurdle shall be forfeited. If the minimum performance hurdles are met on the third anniversary of the date of the grant for the TSR performance hurdle, then those options and performance rights meeting the performance hurdle shall vest and any options and performance rights not meeting the performance hurdle shall be forfeited. If the minimum performance hurdles are not met on the third anniversary for the EPS performance hurdle, those options and performance rights shall remain unvested. If the minimum performance hurdles are not met on the third anniversary for the TSR performance hurdle, those options and performance rights shall remain unvested.

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

Options and performance rights granted during financial year 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 grants in 2009 and 2010 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.

Hedging policy

The Woolworths hedging policy was introduced in July 2008. As part of the introduction of the policy, all members of the Senior Management Group have signed a declaration that they have not entered into any arrangements that would contravene the policy.

Under the hedging policy, executives may not enter into any hedging transaction that will protect the value of unvested securities issued as part of the Woolworths Long Term Incentive Plan.

Compliance with the hedging policy has been introduced as a condition of participation in the Long Term Incentive Plan with effect from 2008. To enter into any such arrangement would breach the conditions of the grant and would result in forfeiture of the relevant securities.

Executive compliance with this policy will be monitored through an annual declaration by executives stating that they have not entered into any hedging transaction in relation to their unvested Woolworths securities.

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	Chief Executive Officer and Managing Director
Thomas (Tom) William Pockett	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, member of the Audit, Risk Management and Compliance Committee and its Chairman until 28 November 2007 and member of the Corporate Governance Committee
Adrienne Elizabeth Clarke	Retired 30 September 2007
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	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Alison Mary Watkins	Non-executive Director, Chair of the Audit, Risk Management and Compliance Committee, since 29 November 2007, member of the People Policy Committee and member of the Corporate Governance Committee
Executives	
Naum Onikul	Director of Food and Liquor
Peter Smith	Managing Director Progressive Enterprises Limited
Julie Coates[1]	Chief Logistics Officer
Greg Foran	General Manager – BIG W
Richard Umbers	General Manager – Customer Engagement

(1) Julie Coates is acting General Manager BIG W whilst Greg Foran is on an overseas executive development program.

Mr Bradley commenced sabbatical leave from 31 July 2007 and resigned from Woolworths on 30 January 2008. Mr Nahmani commenced an extended leave of absence from 24 September 2007.

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

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

3.2 Conditional entitlement to conditional entitlements and shareholdings

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

	Options holding at 24 June 2007	*Options granted as remuneration*[1]		*Options exercised*[2]	
	No.	*No.*	*$*	*No.*	*$*
M Luscombe	990,000	500,000	4,402,500	(152,000)	(2,573,360)
T Pockett	830,000	250,000	2,226,250	(190,000)	(3,140,700)
N Onikul	310,000	70,000	623,250	–	–
P Smith	275,000	50,000	445,250	–	–
J Coates	385,000	70,000	932,650	(104,500)	(1,949,448)
G Foran	295,000	70,000	932,650	–	–
R Umbers	45,000	110,000	1,877,450	–	–
Total	**3,130,000**	**1,120,000**	**11,440,100**	**(446,500)**	**(7,663,508)**

Notes

(1)
Options and performance rights granted as remuneration is the total fair value of options and performance rights 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. No other options were exercised by key management personnel.

	Options holding at 26 June 2006	*Options granted as remuneration*[1]		*Options exercised*	
	No.	*No.*	*$*	*No.*	*$*
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.

Options lapsed[3] No.	Options lapsed[3] $	Options & performance rights holding at 29 June 2008[4] No.	Options vested at 29 June 2008 Total No.	Exercisable No.	Unexercisable No.	Vested during the year No.
(8,000)	(135,440)	1,330,000	25,000	–	25,000	137,000
(10,000)	(165,300)	880,000	37,500	–	37,500	177,500
–	–	380,000	15,000	–	15,000	15,000
–	–	325,000	25,000	–	25,000	25,000
(5,500)	(112,475)	345,000	25,000	–	25,000	102,000
–	–	365,000	25,000	–	25,000	25,000
–	–	155,000	–	–	–	–
(23,500)	**(413,215)**	**3,780,000**	**152,500**	**–**	**152,500**	**481,500**

(3)
The value of options lapsed during the year is calculated as the market value of shares on the ASX as at close of trading on the lapse date after deducting the exercise price.

(4)
The number of ordinary shares under option/performance rights as at 29 June 2008 is equivalent to the option/performance rights holding at that date.

Options lapsed No.	Options lapsed $	Options holding at 24 June 2007[2] No.	Options vested at 24 June 2007 Total No.	Exercisable No.	Unexercisable No.	Vested during the year 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**

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 24 June 2007 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 29 June 2008 No.*
J Strong	70,479	–	–	–	–	70,479
M Luscombe	408,290	–	152,000	–	(227,000)	333,290
J F Astbury	12,071	121	–	103	–	12,295
R Deane	40,000	–	–	–	–	40,000
D Grady	35,360	554	–	–	–	35,914
L L'Huillier	60,000	–	–	–	–	60,000
I Macfarlane	2,000	–	–	–	1,000	3,000
A Watkins	5,065	214	–	–	5,000	10,279
T Pockett	–	–	190,000	–	(136,000)	54,000
N Onikul	201,360	554	–	–	(43,145)	158,769
P Smith	819	22	–	–	–	841
J Coates	–	–	104,500	–	(92,250)	12,250
G Foran	–	–	–	–	–	–
R Umbers	–	–	–	–	–	–

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 Director Share Plan (NEDSP).

(3)
Figures in brackets indicate that these shares have been sold or otherwise disposed of.

The table below sets out the grants of options and outstanding options for the key management personnel in Woolworths Limited for the period 25 June 2007 to 29 June 2008.

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

	Grant date	*No. of options and performance rights at 29 June 2008*[(1)]	*Expiry date*	*Exercise price per option/ performance right*	*Exercise date*[(2)]	*Maximum value of award to vest $*[(3)]	*Fair value per per option/ performance right*[(4)]
M Luscombe	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
	1/07/2007	500,000	31/12/2012	$25.91	1/07/2012	4,402,500	$8.81
		1,330,000				**7,002,700**	
T Pockett	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
	1/07/2007	250,000	31/12/2012	$25.91	1/07/2012	2,226,250	$8.91
		880,000				**4,056,700**	
N Onikul	1/07/2003	60,000	31/12/2008	$12.60	1/07/2008	69,300	$1.16
	1/07/2004	100,000	31/12/2009	$11.54	1/07/2009	387,500	$3.88
	1/07/2005	80,000	31/12/2010	$16.46	1/07/2010	177,200	$2.22
	1/07/2006	70,000	31/12/2011	$19.47	1/07/2011	335,650	$4.80
	1/07/2007	70,000	31/12/2012	$25.91	1/07/2012	623,350	$8.91
		380,000				**1,593,000**	
P Smith	1/07/2003	100,000	31/12/2008	$12.60	1/07/2008	115,500	$1.16
	1/07/2004	80,000	31/12/2009	$11.54	1/07/2009	310,000	$3.88
	1/07/2005	50,000	31/12/2010	$16.46	1/07/2010	110,750	$2.22
	1/07/2006	45,000	31/12/2011	$19.47	1/07/2011	215,775	$4.80
	1/07/2007	50,000	31/12/2012	$25.91	1/07/2012	445,250	$8.91
		325,000				**1,197,275**	
J Coates	1/07/2003	100,000	31/12/2008	$12.60	1/07/2008	115,500	$1.16
	1/07/2004	80,000	31/12/2009	$11.54	1/07/2009	310,000	$3.88
	1/07/2005	50,000	31/12/2010	$16.46	1/07/2010	110,750	$2.22
	1/07/2006	45,000	31/12/2011	$19.47	1/07/2011	215,775	$4.80
	1/07/2007	50,000	31/12/2012	$25.91	1/07/2012	445,250	$8.91
	25/07/2007	20,000	1/07/2009	$0.00	1/07/2009	487,400	$24.37
		345,000				**1,684,675**	

	Grant date	No. of options and performance rights at 29 June 2008[1]	Expiry date	Exercise price per option/ performance right	Exercise date[2]	Maximum value of award to vest $[3]	Fair value per per option/ performance right[4]
G Foran	1/07/2003	100,000	31/12/2008	$12.60	1/07/2008	115,500	$1.16
	1/07/2004	100,000	31/12/2009	$11.54	1/07/2009	387,500	$3.88
	1/07/2005	50,000	31/12/2010	$16.46	1/07/2010	110,750	$2.22
	1/07/2006	45,000	31/12/2011	$19.47	1/07/2011	215,775	$4.80
	1/07/2007	50,000	31/12/2012	$25.91	1/07/2012	445,250	$8.91
	25/07/2007	20,000	1/07/2009	$0.00	1/07/2009	487,400	$24.37
		365,000				**1,762,175**	
R Umbers	1/07/2006	45,000	31/12/2011	$19.47	1/07/2011	215,775	$4.80
	1/07/2007	50,000	31/12/2012	$25.91	1/07/2012	445,250	$8.91
	25/07/2007	30,000	1/07/2009	$0.00	1/07/2009	731,100	$24.37
	25/07/2007	30,000	1/07/2010	$0.00	1/07/2010	701,100	$23.37
		155,000				**2,093,225**	

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.

Notes

(1)
The number of options at 29 June 2008 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/ performance right was determined by an independent actuary using the Monte Carlo Simulation Binomial method.

75% of the 1/07/2003 options grant was yet to vest at 29 June 2008.

Offer date	Expiry date	Exercise price	No. of options[1] at 24 June 2007	Options[1] granted during year	Options[1] exercised during year	Options[1] lapsed during year	No. of options[1] at 29 June 2008	No. of options[1] exercisable at 29 June 2008
1/07/1999	1/07/2009	5.11	222,500	–	(17,500)	–	205,000	205,000
1/07/2000	1/07/2010	6.17	45,000	–	(25,000)	–	20,000	20,000
1/07/2001	1/07/2011	10.89	1,161,000	–	(910,000)	–	251,000	251,000
1/07/2002	31/12/2007	12.94	4,340,000	–	(4,084,740)	(255,260)	–	–
1/07/2003	31/12/2008	12.60	5,557,100	–	(19,250)	(329,000)	5,208,850	–
1/07/2004	31/12/2009	11.54	6,708,250	–	–	(527,000)	6,181,250	–
1/07/2005	31/12/2010	16.46	6,348,100	–	–	(498,400)	5,849,700	–
1/07/2006	31/12/2011	19.47	8,184,200	–	–	(565,800)	7,618,400	–
1/07/2007	31/12/2012	25.91	–	9,049,400	–	(145,900)	8,903,500	–
25/07/2007	1/07/2009	–	–	1,550,000	–	(25,000)	1,525,000	–
25/07/2007	1/07/2010	–	–	40,000	–	–	40,000	–
			32,566,150	**10,639,400**	**(5,056,490)**	**(2,346,360)**	**35,802,700**	**476,000**

Note

(1)
Options refers to both options and performance rights.

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 2004:

Five Year Performance Table	*2004[1]*	*2005*	*2006*	*2007*	*2008*
Sales ($m)	27,934	31,352	37,734	42,477	47,035
EBIT ($m)	1,065	1,302	1,722	2,111	2,529
ROFE (%)	49.3	42.6	28.6[2]	27.1	31.4
CODB (%)	21.10	20.73	20.47	20.35	19.92

Notes

(1)
AGAAP. All following years are AIFRS.

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

- Sales have increased by more than 60% since 2004;
- EBIT has increased by more than 100%;
- ROFE 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 118bps.

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:

Year ended June	*2004*	*2005*	*2006*	*2007*	*2008*
EPS (cents per share)	67.40	79.19	90.89	108.8	134.9
Total dividends (cents per share)	45.0	51.0	59.0	74.0	92.0
Market capitalisation ($ million)	11,875	17,493	22,822	33,322	30,453
No. of options granted to executives (million)	7.5	7.8	6.9	8.3	9.0
Options/Performance rights valuation FY08					
Fair value per option ($)	1.16	3.88	2.22	4.68	8.90
No. of executives granted options	1,277	1,354	1,464	1,730	1,961
No. of performance rights granted to executives (million)	–	–	–	–	1.6
Fair value per performance right ($)	–	–	–	–	24.34
No. of executives granted performance rights	–	–	–	–	182
Share price (closing)	11.62	16.48	19.36	27.60	24.64

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 29 June 2008

	Short term employee benefits			Post-employment benefits
2008	*Salary and fees* $	*Short term cash bonus* $	*Non-monetary benefits*(1) $	*Superannuation* $
Non-executive Directors				
J Astbury*	221,708	–	1,370	13,129
R Deane	230,008	–	1,370	13,129
D Grady	212,333	–	1,370	13,129
A Clarke(2)	49,000	–	342	3,282
L L'Huillier(3)	340,250	–	1,370	13,129
J Strong	569,500	–	1,370	13,129
A Watkins	236,708	–	1,370	13,129
I Macfarlane	212,333	–	1,370	13,129
Executive Directors				
M Luscombe	1,843,541	2,652,650	30,978	363,015
T Pockett	961,956	1,315,028	20,194	137,717
Executives				
N Onikul	906,020	816,524	29,054	132,283
P Smith	579,595	393,116	96,951	93,000
J Coates	633,706	414,392	24,143	50,000
R Umbers	675,062	491,568	32,169	50,000
G Foran	718,668	508,130	25,369	97,718
Total	**8,390,388**	**6,591,408**	**268,790**	**1,018,918**

Notes

* These fees include fees sacrificed for the purchase of shares in the Company under the Non-executive Director 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)
Professor Clarke retired as Non-executive Director on 30 September 2007.

(3)
Included in the table above, Mr L'Huillier receives an additional fee of $80,000 per annum as a Non-executive Director and $25,000 per annum as Chairman of the Audit Committee of ALH Group Pty Ltd.

Other long term benefits	Share based payments[4]			Retirement allowance		
Long service leave $	$	*Total* $	*Options & performance rights as a % of total remuneration* %	*Opening balance* $	*Indexation required* $	*Retirement allowance balance* $
	–	236,207	–	–	–	–
	–	244,507	–	435,528	34,699	470,227
	–	226,832	–	–	–	–
	–	52,624	–	–	–	–
	–	354,749	–	–	–	–
	–	583,999	–	–	–	–
	–	251,207	–	–	–	–
	–	226,832	–	–	–	–
159,253	1,847,846	6,897,283	26.8%	–	–	–
23,684	854,846	3,313,425	25.8%	–	–	–
33,825	202,796	2,120,502	9.6%	–	–	–
20,718	152,841	1,336,221	11.4%	–	–	–
12,974	468,428	1,603,643	29.2%	–	–	–
13,114	582,381	1,844,294	31.6%	–	–	–
16,704	390,016	1,756,605	22.2%	–	–	–
280,272	**4,499,154**	**21,048,930**		**435,528**	**34,699**	**470,227**

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

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*	
2007	*Salary and fees* $	*Short-term cash bonus* $	*Non-monetary benefits*(1) $	*Superannuation* $	*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'Huillier(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 Director 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'Huillier 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 Pty Ltd.

Share based payments			Retirement allowance				
Options[4] *$*	*Total* *$*	*Options as a % of total remuneration* *%*	*Opening balance* *$*	*Accrued FY07* *$*	*Balance available for rollover* *$*	*Rolled over to defined benefit fund gross[5]* *$*	*Closing balance* *$*
–	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.

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 (STIP)
The STIP provides for a maximum annual payment of 130% 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 (LTIP)
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 apply to the allocation made to the CEO.

3.5.2 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 16 November 2007, is $3,000,000 per annum. No Directors' fees are paid to Executive Directors.

During the financial year ended 29 June 2008, the amount of Directors' base fees paid to each Non-executive Director was increased to $190,000 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 Chairman received $45,000 for chairing the Audit, Risk Management and Compliance Committee, $30,000 for the People Policy Committee and $25,000 for the Woolworths Group Superannuation Scheme.

Fees for Directors who were also Directors of the controlled entity ALH Group Pty Ltd ("ALH") were $80,000 and for Chairing of the ALH Audit Committee $25,000.

An overseas Directors' Allowance of $10,210 was also provided to any Non-executive Directors' residing outside Australia, representing the additional time and cost involved in attending to Board and Board Committee responsibilities.

The structure and level of Non-executive Directors' fees was based on independent research and advice from external remuneration advisers. The advice takes into consideration the fees paid to Non-executive Directors of Australian listed corporations, the size and complexity of the Company's operations and the responsibilities and workload requirements of Directors. Directors (with the exception of the Chairman) receive a base fee for being a Director of the Board, and additional fees for either chairing or being a member of a Board Committee or serving on the Boards of controlled entities. No element of the remuneration of any Non-executive Director is dependent on the satisfaction of a performance condition.

4.2 Non-executive Director Share Plan

The Non-executive Director Share Plan ("NEDSP") was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. The NEDSP allows Non-executive Directors to forgo some of their future pre-tax Directors' fees to acquire shares in the Company at prevailing market prices on the ASX. The rules of the NEDSP are virtually identical to the Woolworths Executive Management Share Plan as described in Note 23. During the 53 week period ended 29 June 2008, 103 shares (2007: 3,451) were purchased under the NEDSP.

4.3 Non-executive Directors' retirement benefits cease

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 are indexed by reference to the bank bill rate or have been rolled into a defined benefit superannuation fund until retirement occurs. With the cessation of the retirement benefits, all Non-executive Directors (other than the Chairman) receive the same base fees.

4.4 Remuneration tables for Non-executive Directors

For the financial year ended 29 June 2008, details of the remuneration of the Non-executive Directors are set out at section 3.4 of this report.

4.5 Shareholdings of Non-executive Directors

For the financial year ended 29 June 2008, details of shareholdings by Non-executive Directors is set out at section 3.2 of this report.

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

The Company and each of the Non-executive Directors have entered into an Appointment Letter together with a Deed of Access, Insurance and Indemnity and a Disclosure Deed (as required under the ASX Listing Rules). The Appointment Letter covers the key aspects of the duties, role and responsibilities of Non-executive Directors.

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

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 and employees of the Company or its subsidiaries) 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 55 of the Annual Report.

NON-AUDIT SERVICES

During the year, Deloitte Touche Tohmatsu, the Company's auditor, has performed certain other services in addition to its 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 23 September 2008.

James Strong
Chairman

Michael Luscombe
Chief Executive Officer and
Managing Director

Deloitte.

Deloitte Touche Tohmatsu
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The Chairman
The Audit, Risk Management and Compliance Committee
Woolworths Limited
1 Woolworths Way
Bella Vista NSW 2153

23 September 2008

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 53 weeks ended 29 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

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 that its policies and practices in the critical areas of financial reporting, remuneration reporting and corporate governance meet the highest levels of disclosure and compliance.

As a company listed on the ASX, Woolworths is also required to apply the Recommendations contained within the ASX Corporate Governance Council's (ASX CGC) Principles of Good Corporate Governance and Best Practice Recommendations (1st edition) and disclose any differences to them.

In August 2007, the ASX CGC issued the 2nd edition of these requirements titled "Corporate Governance Principles and Recommendations". These new requirements will become effective for Woolworths in the 2009 financial year. The Company is currently putting in place procedures to confirm and reinforce our compliance with these new requirements and it is anticipated that full compliance will continue.

The following corporate governance disclosures relate to the ASX CGC's 1st edition corporate governance requirements.

The Company has reviewed its current Corporate Governance Policies and Practices against the ASX CGC'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 29 June 2008.

As recommended by the ASX CGC, further information in relation to Corporate Governance Practices is publicly available on the Woolworths website at 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 defines the matters that are reserved for the Board and its Committees, and those that are the responsibility of the Chief Executive Officer ("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 developed by management;,

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 CEO and the Finance Director (CFO) and the Company Secretary;

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 – oversight of the effectiveness of risk management and compliance in the organisation;

8 Relationship with the ASX 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;

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 and reporting to the Audit, Risk Management and Compliance Committee.

While 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;
- People Policy Committee; and
- Superannuation Plan Policy Committee.

Details of each Director's attendance at Board and Committee meetings is detailed in the Directors' Report on page 34.

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 page 28 to 29.

New Directors receive a letter of appointment which sets out the Company's expectations of the role, their duties, the terms and conditions of their appointment and remuneration. The Appointment Letter is consistent with the ASX Principles and Recommendations.

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.

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 page 28 to 29 of this Report.

At each Annual General Meeting (AGM) of the Company there must be an election of Directors. Any Director who held office without re-election beyond the third AGM since their appointment or last election, or for at least three years, whichever is the longer, must retire. Any Director who has been appointed during the year must stand for election at the next AGM.

Eligible Directors who retire as required may offer themselves for re-election by shareholders at the next AGM. Directors offering themselves for re-election are invited to make a short presentation to shareholders at the AGM in support of their candidacy for re-election.

With the exception of the CEO and the CFO, all of the Directors are Non-executive Directors and each is considered to be independent.

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

In order for a Director to be considered independent, the Board needs to have determined 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 Director's 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 adviser). The Board has not set materiality thresholds, considering it more effective to assess relationships on the individual circumstances applicable on a case-by-case basis, and where appropriate with the assistance of external advice.

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 Board 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 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 28.

Information on the Company's CEO is set out on page 28.

Corporate Governance Committee

The Corporate Governance Committee consists of all 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 CEO of the Company. Their record of attendance at meetings of the Committee is set out on page 34 of the Directors' Report.

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

Recommendation 2.4 of the ASX CGC Principles 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 responsibilities of the Corporate Governance Committee include:

– assessing of the necessary and desirable competencies of Board members;
– reviewing of the Board's succession plans;
– evaluating the performance of the Board and the Board Committees;
– making recommendations for the appointment and removal of Directors; and
– ensuring an appropriate Director induction program is in place.

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 Corporate Governance Manual with a view to influencing appropriate behaviour by Directors and key executives. The Corporate Governance Manual is comprised of 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 in fixed blackout periods preceding the release of the half year, full year and quarterly results to the ASX. The Securities Dealing Policy is available on the Company's website.

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' CEO and Finance Director have stated to the Board, in writing, that the Company's financial statements and Reports for the current financial period 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 have provided statements in writing to the Board that these Financial Statements are founded on sound systems of risk management and internal compliance control, and on the effectiveness of those systems.

Audit, Risk Management and Compliance Committee

The Audit, Risk Management and Compliance Committee of Directors is comprised of Non-executive Directors who, at the date of this Report, are Ms AM Watkins (Chair), Messrs JF Astbury, JA Strong, LM L'Huillier and IJ Macfarlane, and Ms DJ Grady. Their attendance at meetings of the Committee is set out on page 34 of the Directors' Report.

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 is responsible for:

- reviewing and recommending for approval by the Board the Company's half year and full year financial statements, Annual Report and ASX 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;
- reviewing any representation letters provided to the external auditor in respect of the financial statements; and
- reviewing and monitoring 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 is responsible for assisting 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:
  - reviews 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;
  - reviews group-wide objectives in the context of the abovementioned categories of corporate risk;
  - reviews and where necessary approves guidelines and policies governing identification, assessment and management of the Company's exposure to risk;
  - reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis;
  - reviews compliance with agreed treasury policy; and
  - reviews 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.
- Chairman: The Chairman 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 requires the provision of periodic 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 has procedures to review proposed services by the providers of the external audit which are unrelated to audit assurance activities. However, the Committee has not set any nominal "cap" on the level of non-audit services to be performed by the external auditor, as it considers that this may restrict the ability of the Company to access the best advisers for the particular task.
- 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 programmes 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 CEO.

5. MAKE TIMELY AND BALANCED DISCLOSURES

The Company has detailed policies and procedures designed to ensure compliance with ASX Listing Rule continuous disclosure requirements and to ensure accountability at senior management level for such compliance. The Company's Continuous Disclosure Policy 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, and specifically the "Investor Centre" section), 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-year reports, quarterly sales results, share price updates, dividend history, presentations and webcasts, shareholder meeting details, email alerts 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, the 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. A summary of the Woolworths Limited Risk Management Policy is available on the Company's website.

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 Recommendation 7.2, the CEO and CFO have stated to the Board in writing that:

- the integrity of the Company's Financial Statements is founded on sound systems of risk management and compliance and internal control which implements, in all material respects, the policies adopted by the Board; and
- to the extent they relate to financial reporting, the Company's risk management and compliance and internal control systems are operating effectively in all material respects.

In addition, in the current period the Board has received certification by the CEO and CFO, in accordance with the Corporations Act, stating that, in all material respects:

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

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 internal control benchmark criteria – the Company uses the criteria contained in the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls 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 Chairman conducts reviews of each Director's performance and seeks feedback from them on the performance of Board Committees and the Board as a whole. During the period, the Chairman conducted these reviews.

Along with overseeing, and regularly reviewing, an effective Director induction process, Directors are supported by the company secretarial function in the following ways:

- continuing education to update and enhance their knowledge as the business environment changes; and
- access to information in appropriate form, currency and quality, including procedures to cover additional requests of management, company secretarial access and support or, if need be, through the use of independent professional advice.

The performance evaluation of the CEO is undertaken by the Chairman in conjunction with the People Policy Committee and the Non-executive Directors.

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.

In terms of remuneration, the People Policy Committee's 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; 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 Program and senior executive/CEO 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 CEO and senior executives;
4. Monitoring the CEO 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;
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 Dr RS Deane (Chair), Prof AE Clarke (retired 30 September 2007), Ms AM Watkins and Mr JA Strong. Their attendance at meetings of the Committee is set out on page 34 of the Directors' Report.

Superannuation

The Superannuation Policy Committee acts as the consultative and review body on behalf of the members of the Woolworths Group Superannuation Plan and the Company. The Committee consists of equal representatives of the Company and the members.

Mr LM L'Huillier is Chairman of the Committee.

Remuneration Report

In accordance with the Corporations Act 2001 (section 300A), disclosures in relation to Director and executive remuneration are included in a separate component of the Directors' Report, entitled Remuneration Report. The Remuneration Report is set out from page 35 to 53. Full details of the Company's remuneration philosophy, structure – including fixed and variable remuneration – and quantum are detailed in the Remuneration Report. Any equity based remuneration is made within thresholds set in plans approved by shareholders.

Employee Share Plans

The Company has established various Plans which have provided for the allocation of shares to approximately 40,000 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 58 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.

The policies which have been incorporated in the 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. Details of the Code of Conduct can be found on the Company's website.

Contents

FIVE YEAR SUMMARY

Weeks	*AIFRS 2008 53*	*AIFRS 2007 52*	*AIFRS 2006 52*	*AIFRS 2005 52*	*AGAAP 2005 52*	*AGAAP 2004 52*
PROFIT AND LOSS						
Sales ($m)						
Food and Liquor[1]	**34,670.7**	31,685.0	28,063.0	23,569.6	23,569.6	21,997.6
Petrol	5,642.1	4,836.8	4,390.4	3,308.4	3,308.4	2,194.9
Total Supermarkets	40,312.8	36,521.8	32,453.4	26,878.0	26,878.0	24,192.5
BIG W	**3,915.9**	3,465.2	3,119.1	2,908.7	2,908.7	2,717.9
Consumer Electronics[2]	1,530.6	1,310.2	1,167.1	1,007.5	1,007.5	886.3
General Merchandise	5,446.5	4,775.4	4,286.2	3,916.2	3,916.2	3,604.2
Hotels	**1,113.4**	1,032.1	849.9	415.8	415.8	–
Continuing operations	**46,872.7**	42,329.3	37,589.5	31,210.0	31,210.0	27,796.7
Wholesale	**162.1**	147.8	144.7	142.5	142.5	137.2
Total Group	**47,034.8**	42,477.1	37,734.2	31,352.5	31,352.5	27,933.9
Earnings before interest and tax ($m)						
Food and Liquor[1]	**2,082.9**	1,752.2	1,394.9	1,091.5	1,077.2	941.7
Petrol	81.9	82.9	53.1	36.2	36.3	18.6
Total Supermarkets	2,164.8	**1,835.1**	1,448.0	**1,127.7**	1,113.5	960.3
BIG W	**161.2**	138.6	123.1	118.3	118.0	116.2
Consumer Electronics[2]	63.1	66.8	64.0	54.5	51.8	44.1
General Merchandise	224.3	205.4	187.1	172.8	169.8	160.3
Hotels	215.1	**183.7**	151.1	**52.8**	54.9	–
Total trading operations	2,604.2	**2,224.2**	1,786.2	**1,353.3**	1,338.2	1,120.6
Net property income/(expense)	33.1	(23.8)	18.3	21.2	20.3	21.7
Head office overheads	(112.8)	**(91.6)**	(84.1)	**(74.9)**	(77.9)	(79.0)
Total unallocated[3]	(79.7)	(115.4)	(65.8)	(53.7)	(57.6)	(57.3)
Continuing operations	**2,524.5**	2,108.8	1,720.4	1,299.6	1,280.6	1,063.3
Wholesale	**4.3**	2.5	1.8	2.5	2.4	1.8
Total Group	**2,528.8**	2,111.3	1,722.2	1,302.1	1,283.0	1,065.1
EBIT to sales (%)						
Supermarkets	**5.37**	5.02	4.46	4.19	4.14	3.97
BIG W	**4.12**	4.00	3.95	4.07	4.06	4.28
Consumer Electronics	**4.12**	5.10	5.48	5.41	5.14	4.98
Hotels	**19.32**	17.79	17.78	12.70	13.20	–
Wholesale	**2.65**	1.69	1.25	1.75	1.68	1.31
Total	**5.38**	4.97	4.56	4.16	4.09	3.81

Weeks	*AIFRS 2008 53*	*AIFRS 2007 52*	*AIFRS 2006 52*	*AIFRS 2005 52*	*AGAAP 2005 52*	*AGAAP 2004 52*
PROFIT AND LOSS DETAIL ($m)						
Sales	**47,034.8**	42,477.1	37,734.2	31,352.5	31,352.5	27,933.9
Cost of goods sold	**(35,134.5)**	(31,723.1)	(28,289.6)	(23,550.2)	(23,549.9)	(20,975.5)
Gross profit	**11,900.3**	10,754.0	9,444.6	7,802.3	7,802.6	6,958.4
Gross profit margin (%)	***25.30***	*25.32*	*25.03*	*24.89*	*24.89*	*24.91*
Cost of doing business (CODB)	**(9,371.5)**	(8,642.7)	(7,722.4)	(6,500.2)	(6,519.6)	(5,893.3)
CODB (%)	***19.92***	*20.35*	*20.47*	*20.73*	*20.80*	*21.10*
Selling, general and administrative expenses (excluding, rent, depreciation and amortisation)	**(7,405.5)**	(6,847.1)	(6,130.1)	(5,184.0)	(5,153.7)	(4,675.9)
EBITDAR	**4,494.8**	3,906.9	3,314.5	2,618.3	2,648.9	2,282.5
EBITDAR margin (%)	***9.56***	*9.20*	*8.78*	*8.35*	*8.45*	*8.17*
Rent (including fitout rent)	**(1,315.9)**	(1,206.3)	(1,070.1)	(900.2)	(904.9)	(809.8)
EBITDA	**3,178.9**	2,700.6	2,244.4	1,718.1	1,744.0	1,472.7
EBITDA margin (%)	***6.76***	*6.36*	*5.95*	*5.48*	*5.56*	*5.27*
Depreciation and amortisation	**(650.1)**	(589.3)	(522.2)	(416.0)	(419.2)	(379.6)
Amortisation of goodwill	**–**	–	–	–	(41.8)	(28.0)
EBIT	**2,528.8**	2,111.3	1,722.2	1,302.1	1,283.0	1,065.1
EBIT margin (%)	***5.38***	*4.97*	*4.56*	*4.16*	*4.09*	*3.81*
Interest	**(140.8)**	(189.7)	(201.8)	(104.9)	(108.5)	(47.3)
WINs and Woolworths Notes interest	**(50.5)**	(43.9)	(47.9)	(45.2)	(45.2)	(42.9)
Profit before tax	**2,337.5**	1,877.7	1,472.5	1,152.0	1,129.3	974.9
Taxation	**(686.0)**	(566.4)	(445.8)	(334.8)	(337.7)	(286.7)
Profit after tax	**1,651.5**	1,311.3	1,026.7	817.2	791.6	688.2
Minority interest	**(24.7)**	(17.3)	(12.1)	(1.0)	(1.1)	(0.4)
Profit attributable to members of Woolworths Limited after tax	**1,626.8**	1,294.0	1,014.6	816.2	790.5	687.8
BALANCE SHEET ($m)						
Funds employed						
Inventory	**3,010.0**	2,739.2	2,316.1	1,969.6	1,977.3	1,847.0
Accounts payable	(3,878.1)	(3,277.4)	(2,778.5)	(2,339.8)	(2,335.6)	(2,176.3)
Net investment in inventory	**(868.1)**	(538.2)	(462.4)	(370.2)	(358.3)	(329.3)
Fixed assets and investments	**5,825.5**	4,886.1	4,172.1	3,425.8	3,581.9	2,758.8
Intangibles	**4,835.2**	5,003.5	4,759.4	2,046.4	2,011.4	572.3
Receivables	**641.4**	490.1	1,174.4	611.9	689.9	423.0
Other creditors	**(2,118.1)**	(2,038.3)	(1,838.7)	(1,483.8)	(1,457.8)	(1,267.1)
Total funds employed[4]	**8,315.9**	7,803.2	7,804.8	4,230.1	4,467.1	2,157.7
Net tax balances	**100.5**	154.3	252.3	182.2	147.2	58.7
Net assets employed	**8,416.4**	7,957.5	8,057.1	4,412.3	4,614.3	2,216.4
Net repayable debt[5]	**(2,181.1)**	(2,442.8)	(3,799.5)	(2,412.1)	(2,417.2)	(163.9)
Net assets	**6,235.3**	5,514.7	4,257.6	2,000.2	2,197.1	2,052.5
Noteholders' equity (WINs)[6]	**–**	–	–	–	–	583.0
Minority interest	**242.4**	239.4	229.8	26.0	33.3	5.2
Shareholders' equity	**5,992.9**	5,275.3	4,027.8	1,974.2	2,163.8	1,464.3
Total equity	**6,235.3**	5,514.7	4,257.6	2,000.2	2,197.1	2,052.5

FIVE YEAR SUMMARY

Weeks	AIFRS 2008 53	AIFRS 2007 52	AIFRS 2006 52	AIFRS 2005 52	AGAAP 2005 52	AGAAP 2004 52
CASH FLOW ($m)						
EBITDA	**3,178.9**	2,700.6	2,244.4	1,718.1	1,744.0	1,472.7
Movement in net investment in inventory	**341.4**	68.1	61.4	(44.3)	(44.0)	97.3
Other operating cash flows	**(76.9)**	297.7	127.5	100.4	80.8	69.2
Net interest paid (including cost of income notes)	**(215.5)**	(249.8)	(253.2)	(161.5)	(161.5)	(95.7)
Tax paid	**(573.9)**	(522.4)	(475.3)	(398.3)	(398.3)	(324.1)
Operating cash flow	**2,654.0**	2,294.2	1,704.8	1,214.4	1,221.0	1,219.4
Payments for normal capex	**(1,748.1)**	(1,131.0)	(1,411.7)	(1,180.5)	(1,180.5)	(718.7)
Proceeds on disposal of property, plant and equipment	**228.4**	778.2	328.7	97.7	97.7	138.1
Major acquisitions debt funded	**–**	–	(1,464.7)	(1,208.8)	(1,208.8)	–
Other investing cash flows	**(233.7)**	(372.3)	(178.2)	(76.7)	(76.6)	1.4
Free cash flow	**900.6**	1,569.1	(1,021.1)	(1,153.9)	(1,147.2)	640.2
Movement in gross debt	**(132.2)**	(999.5)	1,079.0	1,312.7	1,312.5	(133.7)
Dividends paid	**(862.5)**	(355.2)	–	(201.9)	(201.9)	(346.9)
Dividends paid to minority interests	**(14.3)**	(7.7)	–	–	–	–
Buyback of shares	**–**	–	–	–	–	(140.9)
New shares issued	**72.2**	63.6	40.9	128.0	120.0	42.9
Effects of exchange rate changes on balance of cash held in foreign currencies	**(8.0)**	2.6	(6.7)	–	–	–
Net cash flow	**(44.2)**	272.9	92.1	84.9	83.4	61.6

Weeks	*AIFRS 2008 53*	*AIFRS 2007 52*	*AIFRS 2006 52*	*AIFRS 2005 52*	*AGAAP 2005 52*	*AGAAP 2004 52*
SHAREHOLDER VALUE						
ROFE (pre-tax return on funds employed) (%)[7]						
Normal	**31.38**	27.05	28.62	42.64	38.73	49.32
Du Pont analysis (abnormals excluded) (%)						
EBIT to sales	**5.38**	4.97	4.56	4.16	4.09	3.81
Service burden[8]	**92.43**	88.94	85.50	88.47	88.02	91.53
Tax burden[9]	**70.65**	69.84	69.72	70.94	70.10	70.59
Asset turn[10]	**3.13**	3.06	3.41	4.24	4.15	4.64
Financial leverage[11]	**2.67**	2.98	3.69	4.62	4.16	4.46
Return on equity[12]	**28.87**	27.82	33.81	50.93	43.57	50.95
Earnings per share						
Ordinary share price closing ($)	**25.02**	27.60	19.36	16.48	16.48	11.62
Market capitalisation ($m)	**30,453.3**	33,321.5	22,881.9	17,493.2	17,493.2	11,874.8
Weighted average shares on issue	**1,206.0**	1,189.4	1,116.3	1,030.6	1,043.7	1,020.5
Normal basic EPS[13]	**134.89**	108.79	90.89	79.19	75.74	67.40
EPS pre goodwill amortisation	**134.89**	108.79	90.89	79.19	79.75	70.14
Interim dividend ($m)	**534.5**	421.7	325.9	250.9	250.9	213.6
Interim dividend (cents per share)	**44.0**	35.0	28.0	24.0	24.0	21.0
Final dividend ($m)[14]	**586.0**	471.9	367.2	287.2	287.2	248.9
Final dividend (cents per share)	**48.0**	39.0	31.0	27.0	27.0	24.0
Total dividend ($m)	**1,120.5**	893.6	693.1	538.2	538.2	462.5
Total dividend (cents per share)	**92.0**	74.0	59.0	51.0	51.0	45.0
Payout ratio (before abnormals) (%)	**68.87**	68.97	68.30	65.94	68.01	67.24
Price/earnings ratio (times)	**18.55**	25.37	21.30	20.81	21.76	17.20
Price/cash flow ratio (times)	**11.37**	14.31	12.67	13.99	14.09	9.76
Growth rates (% increase)						
Sales	**10.73**	12.57	20.35	12.24	12.24	6.13
Sales per equivalent week	**8.64**	12.57	20.35	12.24	12.24	6.13
EBITDA	**17.71**	20.33	30.64	16.66	18.42	9.58
EBIT	**19.77**	22.59	32.26	22.25	20.46	12.63
Profit before tax	**24.49**	27.52	27.82	18.17	15.84	12.72
Normal basic EPS	**23.99**	19.70	14.76	17.50	12.37	16.03
FINANCIAL STRENGTH						
Service cover ratio (times)[15]	**13.22**	9.04	6.90	8.67	8.35	11.81
Fixed charges cover (times)	**2.94**	2.72	2.50	2.48	2.48	2.52
Sales to inventory[16]	**16.36**	16.80	17.61	16.46	16.40	15.14
Capital expenditure to EBITDA (%)	**54.99**	41.88	62.90	68.71	67.69	48.80
Operating cash flow per share	**2.20**	1.93	1.53	1.18	1.17	1.19
Serviced gearing (%)[17]	**25.91**	30.70	47.16	54.67	52.38	33.70
Current assets to current liabilities (%)	**70.08**	75.62	84.54	81.06	81.60	85.98

FIVE YEAR SUMMARY

	2008	2007	2006	2005	2004
PRODUCTIVITY					
Stores (number)					
Supermarkets					
NSW and ACT	**234**	237	238	233	234
Queensland	**177**	168	161	147	143
Victoria	**187**	183	182	183	179
South Australia and Northern Territory	**72**	72	69	69	63
Western Australia	**81**	79	79	64	60
Tasmania	**29**	27	27	27	29
Supermarkets in Australia	**780**	766	756	723	708
Supermarkets in New Zealand	**201**	199	198	–	–
Total Supermarkets	**981**	965	954	723	708
Freestanding Liquor	**233**	212	204	192	192
ALH Group Retail Outlets	**434**	424	432	382	–
Caltex/WOW Petrol	**133**	134	131	117	44
WOW Petrol – Australia	**389**	371	360	339	315
WOW Petrol – New Zealand	**22**	22	22	–	–
Total Supermarket Division	**2,192**	2,128	2,103	1,753	1,259
General Merchandise					
BIG W	**151**	142	129	120	111
Dick Smith Electronics	**282**	254	223	202	164
Dick Smith Electronics PowerHouse	**28**	23	20	18	18
Tandy	**106**	123	123	122	148
Total General Merchandise	**567**	542	495	462	441
Hotels (ALH Group) (includes 8 clubs)	**271**	263	250	169	–
Total Group	**3,030**	2,933	2,848	2,384	1,700

	June 2007	Opened/Acquired	Closed	June 2008
Stores (movement)				
Supermarkets				
NSW and ACT	237	7	10	**234**
Queensland	168	13	4	**177**
Victoria	183	5	1	**187**
South Australia and Northern Territory	72	1	1	**72**
Western Australia	79	2	–	**81**
Tasmania	27	2	–	**29**
Total Australian Supermarkets	766	30	16	**780**
Supermarkets – New Zealand	199	4	2	**201**
Total Supermarkets	965	34	18	**981**
Freestanding Liquor	212	31	10	**233**
ALH Group retail outlets	424	33	23	**434**
Caltex/WOW Petrol	134	1	2	**133**
WOW Petrol – Australia	371	20	2	**389**
WOW Petrol – New Zealand	22	–	–	**22**
Total Supermarket Division	2,128	119	55	**2,192**
General Merchandise				
BIG W	142	9	–	**151**
Dick Smith Electronics	254	32	4	**282**
Dick Smith Electronics PowerHouse	23	5	–	**28**
Tandy	123	3	20	**106**
Total General Merchandise	542	49	24	**567**
Hotels (ALH Group)	263	9	1	**271**
Total Group Movement	2,933	177	80	**3,030**

Weeks	*2008* *53*	*2007* *52*	*2006* *52*	*2005* *52*	*2004* *52*
Area (sqm)					
Supermarkets (Australia)[18]	**1,945,641**	1,848,792	1,784,279	1,682,536	1,623,530
Supermarkets (New Zealand)[19]	**296,549**	291,092	291,792	–	–
General Merchandise[20]	**989,767**	930,288	843,316	783,685	731,788
Sales per square metre (normalised 52 weeks)					
Supermarkets (Australia)[18]	**14,934.0**	14,570.6	13,877.9	13,754.2	13,549.2
Supermarkets (New Zealand)[19]	**14,634.1**	14,382.5	–	–	–
General Merchandise[20]	**5,295.9**	5,106.2	5,082.5	4,997.2	4,925.2

NOTES TO STATISTICS

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

(2)
Includes Woolworths Wholesale India results since October 2006. (FY08 sales $104.0 million, EBIT loss $5.0 million; FY07 sales $25.0 million, EBIT loss $4.3 million)

(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. 2008 includes other significant items including the profit on sale of certain properties ($49.7 million) and the costs associated with certain key strategic initiatives ($21.1 million).

(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 and 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) total 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' equity for the year.

(13)
Normal basic earnings per share (Normal EPS) is profit after tax and servicing Hybrid Notes before abnormal items divided by 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 which reflects the number of shares on issue at record 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 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.

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

(20)
Excludes Woolworths Wholesale India.

INCOME STATEMENTS

	Note	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Revenue from the sale of goods	2a	**47,034.8**	42,477.1	**33,412.3**	30,165.2
Other operating revenue	2a	**123.3**	109.7	**99.2**	99.6
Revenue from operations		**47,158.1**	42,586.8	**33,511.5**	30,264.8
Cost of sales		**(35,257.8)**	(31,832.8)	**(25,198.0)**	(22,701.0)
Gross profit		**11,900.3**	10,754.0	**8,313.5**	7,563.8
Other revenue	2b	**129.6**	140.0	**95.4**	86.9
Other income	2c	**34.4**	–	**–**	–
Branch expenses		**(7,330.5)**	(6,781.2)	**(4,952.5)**	(4,680.3)
Administration expenses		**(2,205.0)**	(2,001.5)	**(1,777.9)**	(1,464.0)
Earnings before interest and tax		**2,528.8**	2,111.3	**1,678.5**	1,506.4
Financial expense	3	**(230.8)**	(262.0)	**(231.1)**	(260.2)
Financial income	3	**39.5**	28.4	**325.6**	228.8
Net financing cost		**(191.3)**	(233.6)	**94.5**	(31.4)
Net profit before income tax expense		**2,337.5**	1,877.7	**1,773.0**	1,475.0
Income tax expense	5a	**(686.0)**	(566.4)	**(529.5)**	(457.0)
Profit after income tax expense		**1,651.5**	1,311.3	**1,243.5**	1,018.0
Net profit attributable to:					
Equity holders of the parent entity		**1,626.8**	1,294.0	**1,243.5**	1,018.0
Minority interest		**24.7**	17.3	**–**	–
		1,651.5	1,311.3	**1,243.5**	1,018.0
Earnings per share (EPS)					
Basic EPS (cents per share)	20	**134.89**	108.79	**–**	–
Diluted EPS (cents per share)	20	**133.55**	107.85	**–**	–
Weighted average number of shares used in the calculation of basic EPS (million)	20	**1,206.0**	1,189.4	**–**	–

The income statements should be read in conjunction with the Notes to the Financial Statements set out on pages 76 to 141.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Note	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Movement in translation of foreign operations taken to equity	18	**(298.4)**	190.0	**–**	–
Movement in the fair value of available-for-sale financial assets	18	**(54.0)**	(11.8)	**(7.2)**	–
Movement in fair value of cash flow hedges	18	**5.1**	(161.5)	**5.1**	(161.5)
Actuarial losses on defined benefit plans	19	**(39.7)**	(7.4)	**(39.7)**	(7.4)
Tax effect of items recognised directly to equity	5b	**58.4**	(17.2)	**(36.6)**	(6.0)
Net income/(expense) recognised directly in equity		**(328.6)**	(7.9)	**(78.4)**	(174.9)
Transfer to income statement cash flow hedges	18	**156.7**	236.0	**156.7**	236.0
Profit for the period		**1,651.5**	1,311.3	**1,243.5**	1,018.0
Total recognised income and expense for the period		**1,479.6**	1,539.4	**1,321.8**	1,079.1
Attributable to:					
Equity holders of the parent		**1,454.9**	1,522.1	**1,321.8**	1,079.1
Minority interest		**24.7**	17.3	**–**	–
		1,479.6	1,539.4	**1,321.8**	1,079.1

The statements of recognised income and expense should be read in conjunction with the Notes to the Financial Statements set out on pages 76 to 141.

BALANCE SHEETS

	Note	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Current assets					
Cash		**754.6**	798.8	**550.5**	607.7
Trade and other receivables	8	**637.8**	484.7	**1,091.9**	450.1
Inventories		**3,010.0**	2,739.2	**2,130.1**	1,902.9
Assets held for sale	10	**34.7**	96.9	**14.1**	95.6
Other financial assets	9	**65.1**	41.4	**65.1**	41.4
Total current assets		**4,502.2**	4,161.0	**3,851.7**	3,097.7
Non-current assets					
Trade and other receivables	8	**3.6**	5.4	**5,559.0**	5,557.1
Other financial assets	9	**262.0**	256.0	**3,254.7**	3,184.3
Property, plant and equipment	10	**5,638.8**	4,623.0	**3,147.8**	2,539.8
Intangibles	11	**4,835.2**	5,003.5	**464.8**	445.8
Deferred tax assets	5d	**430.7**	367.2	**297.8**	280.8
Total non-current assets		**11,170.3**	10,255.1	**12,724.1**	12,007.8
Total assets		**15,672.5**	14,416.1	**16,575.8**	15,105.5
Current liabilities					
Trade and other payables	12	**4,804.9**	4,184.7	**7,385.0**	6,291.2
Borrowings	14	**550.2**	379.8	**299.9**	269.5
Current tax liabilities	5c	**330.2**	212.9	**267.5**	139.8
Other financial liabilities	13	**61.9**	74.9	**61.9**	74.9
Provisions	16	**677.2**	650.5	**549.9**	531.2
Total current liabilities		**6,424.4**	5,502.8	**8,564.2**	7,306.6
Non-current liabilities					
Borrowings	14	**2,224.0**	2,690.9	**2,222.5**	2,684.0
Other financial liabilities	13	**274.7**	227.2	**274.7**	227.2
Provisions	16	**380.0**	382.3	**328.8**	318.7
Other		**134.1**	98.2	**106.3**	74.2
Total non-current liabilities		**3,012.8**	3,398.6	**2,932.3**	3,304.1
Total liabilities		**9,437.2**	8,901.4	**11,496.5**	10,610.7
Net assets		**6,235.3**	5,514.7	**5,079.3**	4,494.8
Equity					
Issued capital	17	**3,627.1**	3,422.7	**3,627.1**	3,422.7
Shares held in trust	17	**(60.0)**	(71.6)	**(60.0)**	(71.6)
Reserves	18	**(133.9)**	(38.3)	**208.9**	54.3
Retained earnings	19	**2,559.7**	1,962.5	**1,303.3**	1,089.4
Equity attributable to the members of Woolworths Limited		**5,992.9**	5,275.3	**5,079.3**	4,494.8
Minority interest		**242.4**	239.4	**–**	–
Total equity		**6,235.3**	5,514.7	**5,079.3**	4,494.8

The balance sheets should be read in conjunction with the Notes to the Financial Statements set out on pages 76 to 141.

STATEMENTS OF CASH FLOWS

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Cash flows from operating activities				
Receipts from customers	**50,347.4**	46,021.5	**34,691.4**	32,654.8
Receipts from vendors and tenants	**36.5**	35.8	**4.4**	4.7
Payments to suppliers and employees	**(46,940.5)**	(42,990.9)	**(32,285.9)**	(30,493.3)
Interest and costs of finance paid	**(236.7)**	(273.5)	**(235.5)**	(283.1)
Interest received	**21.2**	23.7	**264.1**	182.7
Income tax paid	**(573.9)**	(522.4)	**(485.1)**	(467.4)
Net cash provided by operating activities	**2,654.0**	2,294.2	**1,953.4**	1,598.4
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	**228.4**	778.2	**84.5**	15.9
Payments for property, plant and equipment	**(1,733.6)**	(1,113.4)	**(1,069.7)**	(709.4)
Payments for the purchase of intangibles	**(14.5)**	(17.6)	**(5.8)**	(1.2)
Payment for purchase of investments	**(57.3)**	(173.0)	**(57.3)**	–
Advances from related entities	**–**	–	**86.5**	775.7
Dividend received	**14.7**	4.7	**42.8**	23.1
Payments for purchase of businesses	**(191.1)**	(204.0)	**(20.1)**	(27.4)
Net cash (used in)/provided by investing activities	**(1,753.4)**	(725.1)	**(939.1)**	76.7
Cash flows from financing activities				
Proceeds from issue of equity securities	**72.2**	63.6	**72.2**	63.6
Proceeds from external borrowings	**6,334.0**	10,097.1	**5,378.0**	9,987.3
Repayment of external borrowings	**(6,466.2)**	(11,096.6)	**(5,659.2)**	(11,095.0)
Dividends paid	**(862.5)**	(355.2)	**(862.5)**	(355.2)
Dividends paid to minority interest	**(14.3)**	(7.7)	**–**	–
Net cash used in financing activities	**(936.8)**	(1,298.8)	**(1,071.5)**	(1,399.3)
Net increase/(decrease) in cash held	**(36.2)**	270.3	**(57.2)**	275.8
Effects of exchange rate changes on balance of cash held in foreign currencies	**(8.0)**	2.6	**–**	–
Cash at the beginning of the financial period	**798.8**	525.9	**607.7**	331.9
Cash at the end of the financial period	**754.6**	798.8	**550.5**	607.7
Non-cash financing and investing activities				
In accordance with the Company's Dividend Reinvestment Plan (DRP), 14% (2007: 55%) of the dividend paid was reinvested in the shares of the company				
Dividend (Note 6)	**1,006.4**	788.9	**1,006.4**	788.9
Issuance of shares under the DRP	**(143.9)**	(433.7)	**(143.9)**	(433.7)
Net cash outflow	**862.5**	355.2	**862.5**	355.2

The statements of cash flows should be read in conjunction with the Notes to the Financial Statements set out on pages 76 to 141.

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $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	**1,651.5**	1,311.3	**1,243.5**	1,018.0
Depreciation/amortisation charged to income statement	**650.1**	589.3	**465.1**	393.9
Difference between defined benefit expense and cash contributions	**(9.9)**	(8.7)	**(9.9)**	(8.7)
(Profit)/loss on sale of property, plant and equipment	**(34.4)**	12.7	**7.6**	14.5
(Increase)/decrease in deferred tax asset	**(3.7)**	(47.4)	**(53.6)**	(14.0)
Increase/(decrease) in current tax liability	**115.9**	91.3	**127.7**	43.3
(Increase)/decrease in trade and other receivables	**(154.7)**	(6.4)	**(140.6)**	(65.3)
(Increase)/decrease in inventories	**(303.4)**	(399.2)	**(226.6)**	(299.4)
Increase/(decrease) in trade creditors	**644.8**	467.3	**519.8**	342.8
Increase/(decrease) in sundry creditors and provisions	**68.5**	264.7	**19.4**	188.1
Dividend received	**(14.7)**	(4.7)	**(42.8)**	(23.1)
Share-based payments expense	**48.5**	17.0	**48.5**	17.0
Other non-cash movements	**(4.5)**	7.0	**(4.7)**	(8.7)
Net cash provided by operating activities	**2,654.0**	2,294.2	**1,953.4**	1,598.4

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
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	**99.5**	113.6	**4.0**	9.8
– inventories	**2.7**	4.4	**0.6**	1.6
– liquor and gaming licences	**52.8**	50.1	**2.5**	5.4
– cash acquired	**0.2**	0.3	**–**	–
– other assets	**1.4**	4.8	**0.5**	2.1
– provisions	**(0.2)**	(1.5)	**–**	–
– other liabilities	**–**	–	**–**	0.2
Net assets acquired	**156.4**	171.7	**7.6**	19.1
Goodwill on acquisition	**34.9**	32.6	**12.5**	8.3
Fair value of net assets acquired	**191.3**	204.3	**20.1**	27.4
Analysed as follows:				
Consideration				
– cash paid (Note 30)	**191.3**	204.3	**20.1**	27.4
Total consideration	**191.3**	204.3	**20.1**	27.4
Cash paid	**191.3**	204.3	**20.1**	27.4
Less: cash balances acquired	**(0.2)**	(0.3)	**–**	–
Cash consideration paid this year	**191.1**	204.0	**20.1**	27.4

Details of acquisitions are shown at Note 30.

1 SIGNIFICANT ACCOUNTING POLICIES

Woolworths Limited (the "Company") is a company domiciled in Australia. The Financial Report of the Company for the 53 weeks ended 29 June 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The Financial Report was authorised for issue by the Directors on 23 September 2008.

(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 Financial Statements and notes of the Company and consolidated entity comply with International Financial Reporting Standards ("IFRS").

(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 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 25 June 2007. The Group has also adopted the following Standards as listed below which only impacted on the consolidated entity's Financial Statements with respect to disclosure:

- AASB 101 Presentation of Financial Statements (revised October 2006).
- AASB 7 Financial Instruments: Disclosures.

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 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:

- Interpretation 13 Customer Loyalty Programmes. The Interpretation gives guidance on the accounting by an entity for customer loyalty award credits granted to its customers as part of a sales transaction and which, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. This Interpretation is applicable to annual reporting periods beginning on or after 1 July 2008.
- Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This Interpretation provides general guidance on how to assess the limit in AASB 119 Employee Benefits paragraph 58 on the amount of the surplus that can be recognised as an asset by an employer sponsor. This Interpretation is applicable to annual reporting periods beginning on or after 1 January 2008.
- AASB 2008-1 Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations. These amendments clarify that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. They also specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This Standard is applicable to annual reporting periods beginning on or after 1 January 2009.
- 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.

- 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, Interpretation 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.
- AASB 101 Presentation of Financial Statements is applicable to annual periods beginning on or after 1 January 2009.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. These amendments arise from the issuance in September 2007 of a revised AASB 101 Presentation of Financial Statements, as a result of the issuance by the IASB of a revised IAS 1 Presentation of Financial Statements. This Standard is applicable to annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. The requirements of AASB 2008-7 are applicable from 1 January 2009, with early adoption permitted.
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation. This Standard is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.

The revised AASB 3 and AASB 127 are effective for annual reporting periods beginning on or after 1 July 2009 and must be applied prospectively to business combinations. The Standard introduces greater emphasis on the use of fair value through increasing the judgement and subjectivity around business combination accounting and requiring greater involvement of valuation experts.

The Standard also requires the separate accounting for transaction costs, changes in the fair value of contingent consideration, settlement of pre-existing contracts and share-based payments and also focuses on changes in control as a significant economic event, with requirements to remeasure interests to fair value on gaining or losing control, and to recognise all transactions between controlling and non-controlling shareholders whilst control is retained in retained earnings.

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 affect 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.

(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 are reported initially in the hedging reserve 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, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

1 SIGNIFICANT ACCOUNTING POLICIES continued

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.

Gains or losses removed from equity during the period in relation to interest rate hedge instruments are recognised within "net finance costs" 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 warehouse, retail, development and other 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 development properties 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:

	2008	*2007*
Buildings	25–40 years	25–40 years
Plant and equipment	3–10 years	3–10 years

(b) Leasehold improvements

The cost of leasehold improvements is amortised over the remaining period of the individual leases or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are amortised over a maximum period of 20 years for retail properties and 40 years for hotels.

(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:

	2008	*2007*
Plant and equipment	2.5–10 years	2.5–10 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).

(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 combination 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)). 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.

1 SIGNIFICANT ACCOUNTING POLICIES continued

(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 with the exception of impairment losses which are recognised directly through the income statement. 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.

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 dependants 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.

(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 are 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 virtually certain 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 sheet 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.

1 SIGNIFICANT ACCOUNTING POLICIES continued

(S) Revenue recognition

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

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

(i) Sales revenue
Sales revenue represents the revenue earned from the provision of products and rendering of services to parties external to the consolidated entity 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 payment 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.

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 Consumer Price Index (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 where the member would have been able to recognise the deferred tax asset or deferred tax liability on a stand alone basis.

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 equity 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.

2 PROFIT FROM OPERATIONS

Profit before income tax expense includes the following items of revenue, income and expense:

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
(a) Operating revenue				
Revenue from the sale of goods:				
Third parties	**47,034.8**	42,477.1	**33,386.5**	30,165.2
Related parties	**–**	–	**25.8**	–
Other operating revenue	**123.3**	109.7	**99.2**	99.6
Revenue from operations	**47,158.1**	42,586.8	**33,511.5**	30,264.8
(b) Other revenue				
Rent	**36.5**	35.8	**4.1**	4.7
Other	**93.1**	104.2	**91.3**	82.2
Total other revenue	**129.6**	140.0	**95.4**	86.9
Total revenue	**47,287.7**	42,726.8	**33,606.9**	30,351.7
(c) Other income				
Net profit on disposal of property, plant, and equipment	**34.4**	–	**–**	–
Total other income	**34.4**	–	**–**	–
(d) Expenses				
Amounts provided for:				
Self-insured risks (Note 16)	**110.8**	101.7	**97.5**	81.5
Depreciation of:				
Development properties and freehold warehouses retail and other properties	**12.3**	20.4	**1.9**	1.3
Plant and equipment	**559.6**	496.9	**408.0**	345.4
Amortisation of:				
Leasehold improvements	**78.2**	72.0	**55.2**	47.2
Total depreciation and amortisation	**650.1**	589.3	**465.1**	393.9
Employee benefits expense[1]	**5,542.2**	4,959.8	**4,180.6**	3,760.2
Net loss on disposal of property, plant and equipment	**–**	12.7	**7.6**	12.2
Operating lease rental expenses:				
– minimum lease payments	**1,223.3**	1,121.1	**835.6**	779.7
– contingent rentals	**92.6**	85.2	**76.6**	71.8
Total operating lease rental expense	**1,315.9**	1,206.3	**912.2**	851.5

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.

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m

3 NET FINANCING COSTS

	2008	2007	2008	2007
Financial expense				
Interest expense – other parties	**(235.2)**	(265.1)	**(233.8)**	(263.1)
Less: interest capitalised[1]	**4.4**	3.1	**4.0**	2.9
Foreign exchange loss	**–**	–	**(1.3)**	–
	(230.8)	(262.0)	**(231.1)**	(260.2)
Financial income				
Dividend income				
Related parties	**–**	–	**65.3**	23.1
Other parties	**14.7**	4.7	**–**	–
Interest income				
Related parties	**–**	–	**245.3**	188.2
Other parties	**21.2**	23.7	**15.0**	17.5
Foreign exchange gain	**3.6**	–	**–**	–
	39.5	28.4	**325.6**	228.8
Net financing cost	**(191.3)**	(233.6)	**94.5**	(31.4)

Note

(1)
Weighted average capitalisation rate on funds borrowed generally: 7.08% (2007: 6.70%).

4 AUDITORS' REMUNERATION

	2008	2007	2008	2007
Audit or review of the Financial Report				
Deloitte Touche Tohmatsu Australia	**1.648**	1.792	**1.223**	1.131
Deloitte Touche Tohmatsu network firms	**0.469**	0.368	**–**	–
	2.117	2.160	**1.223**	1.131
Other non audit services				
Tax compliance services	**0.049**	0.051	**–**	–
Other advisory services	**0.684**	0.047	**0.682**	0.034
	0.733	0.098	**0.682**	0.034
Total auditors' remuneration	**2.850**	2.258	**1.905**	1.165

5 INCOME TAXES

(a) Income tax recognised in the income statement

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Tax expense comprises:				
Current tax expense	**747.6**	613.5	**580.8**	463.0
Adjustments recognised in the current year in relation to the current tax of prior years	**3.1**	0.4	**2.3**	8.0
Deferred tax relating to the origination and reversal of temporary differences	**(64.7)**	(47.5)	**(53.6)**	(14.0)
Total tax expense	**686.0**	566.4	**529.5**	457.0

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:

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Profit from operations before income tax expense	**2,337.5**	1,877.7	**1,773.0**	1,475.0
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	**701.3**	563.3	**531.9**	442.5
Non-deductible expenses	**3.6**	3.4	**0.3**	3.4
Impact of differences in offshore tax rates	**1.3**	7.8	**–**	–
Exempt dividend income	**(4.4)**	–	**(19.6)**	(6.9)
Other	**(18.9)**	(8.5)	**14.6**	10.0
	682.9	566.0	**527.2**	449.0
Under provided in prior years	**3.1**	0.4	**2.3**	8.0
	686.0	566.4	**529.5**	457.0

(b) Income tax recognised directly in equity

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

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Current tax liability				
Transactions charged to foreign currency translation reserve	**(59.6)**	–	**–**	–
	(59.6)	–	**–**	–
Deferred tax				
Cash flow hedges	**48.5**	8.2	**48.5**	8.2
Transactions charged to foreign currency translation reserve	**(35.4)**	11.2	**–**	–
Actuarial movements on defined benefits plans	**(11.9)**	(2.2)	**(11.9)**	(2.2)
	1.2	17.2	**36.6**	6.0

(c) Current tax assets and liabilities

The current tax liability for the consolidated entity of $330.2 million (2007: $212.9 million) and for Woolworths Limited of $267.5 million (2007: $139.8 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 Group Limited in respect of prior year amended assessments issued by the Australian Taxation Office ("ATO"). These assessments relate to years when Australian Leisure and Hospitality Group 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

	Consolidated 2008 53 weeks $m	Consolidated 2007 52 weeks $m	Woolworths Limited 2008 53 weeks $m	Woolworths Limited 2007 52 weeks $m
Deferred tax assets comprise:				
Tax losses – revenue	**2.2**	2.7	**–**	–
Temporary differences	**428.5**	364.5	**297.8**	280.8
	430.7	367.2	**297.8**	280.8

Taxable and deductible differences arise from the following:

Consolidated 2008	*Opening balance $m*	*Credited/ (Charged) to income $m*	*Credited/ (Charged) to equity $m*	*Closing balance $m*
Gross deferred tax assets				
Property, plant and equipment	80.0	49.3	(1.3)	128.0
Provisions and accruals	332.3	13.6	8.7	354.6
Unrealised foreign exchange differences	–	(21.1)	40.0	18.9
Recognised tax losses	2.7	(0.5)	–	2.2
Other	3.4	1.8	(0.1)	5.1
	418.4	43.1	47.3	508.8
Gross deferred tax liabilities				
Intangible assets	(14.0)	–	–	(14.0)
Prepayments	(2.5)	2.0	–	(0.5)
Unrealised foreign exchange differences	(16.5)	16.5	–	–
Cash flow hedges	(3.8)	–	(48.5)	(52.3)
Other	(14.4)	3.1	–	(11.3)
	(51.2)	21.6	(48.5)	(78.1)
	367.2	64.7	(1.2)	(11.3)

Woolworths Limited 2008	*Opening balance $m*	*Credited/ (Charged) to income $m*	*Credited/ (Charged) to equity $m*	*Closing balance $m*
Gross deferred tax assets				
Property, plant and equipment	71.0	15.4	–	86.4
Provisions and accruals	217.6	32.5	11.9	262.0
Other	2.5	2.4	–	4.9
	291.1	50.3	11.9	353.3
Gross deferred tax liabilities				
Prepayments	(2.1)	1.9	–	(0.2)
Unrealised foreign exchange differences	(3.7)	0.7	–	(3.0)
Cash flow hedges	(3.8)	–	(48.5)	(52.3)
Other	(0.7)	0.7	–	–
	(10.3)	3.6	(48.5)	(55.5)
	280.8	53.6	(36.6)	297.8

5 INCOME TAXES continued

Taxable and deductible differences arise from the following:

Consolidated 2007	*Opening balance $m*	*Credited/ (Charged) to income $m*	*Credited/ (Charged) to equity $m*	*Closing balance $m*
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

Woolworths Limited 2007	*Opening balance $m*	*Credited/ (Charged) to income $m*	*Credited/ (Charged) to equity $m*	*Closing balance $m*
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

6 DIVIDENDS

2008	*Cents per share*	*Total amount $m*	*Franked*	*Date of payment*
Interim 2008 ordinary	44	534.5	100%	24/04/2008
Final 2007 ordinary	39	471.9	100%	5/10/2007
Total	83	1,006.4		

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

All dividends are fully franked at a 30% rate.

On 25 August 2008, the Board of Directors declared a final dividend in respect of the 2008 year of 48c (2007: 39c) per share 100% franked at a 30% tax rate. The amount that will be paid on 3 October 2008 (2007: 5 October 2007) will be $586.0 million (2007: $471.9 million). As the dividend was declared subsequent to 29 June 2008, no provision has been included as at 29 June 2008.

Dividend Reinvestment Plan (the "Plan")

Eligible shareholders may elect to participate in the Plan in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the Plan that the Directors may specify. There is currently a limit on DRP participation of 20,000 shares which is applicable to the final dividend payable on 3 October 2008 (and was applicable to the 2007 final dividend 2007 paid on 5 October 2007, and 2008 interim dividend paid on 24 April 2008.)

Franked dividends

	Consolidated		*Woolworths Limited*	
	2008 $m	*2007 $m*	*2008 $m*	*2007 $m*
The franked portions of the dividends proposed as at 29 June 2008 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ending 28 June 2009.				
Franking credits available for the subsequent financial year 30% (2007: 30%)	**1,194.7**	960.3	**1,075.1**	876.6

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

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

(b) franking debits that will arise from the payment of dividends provided at the end of the financial period.

Franking accounts are presented on a tax paid basis.

The franking account balances reported for the consolidated group are inclusive of $35.4m attributable to the minority interest holders.

7 SEGMENT DISCLOSURES

	Supermarkets[1] 2008 $m	Supermarkets[1] 2007 $m	BIG W 2008 $m	BIG W 2007 $m
Business segments				
Sales to customers	**40,312.8**	36,521.8	**3,915.9**	3,465.2
Other operating revenue	**123.3**	109.7	**–**	–
Inter-segment revenue	**–**	–	**–**	–
Segment revenue	**40,436.1**	36,631.5	**3,915.9**	3,465.2
Eliminations				
Unallocated revenue/(expenses)[5]				
Total revenue				
Segment result before tax	**2,164.8**	1,835.1	**161.2**	138.6
Unallocated revenue/(expenses) – Property[6]				
– Head Office[6]				
Net financing cost				
Profit before tax				
Income tax expense				
Profit after tax				
Segment assets	**8,776.3**	8,061.0	**1,152.5**	996.8
Unallocated[7]				
Total assets				
Segment liabilities	**3,663.2**	3,337.7	**597.2**	511.0
Unallocated[7]				
Total liabilities				
Capital expenditure	**1,148.3**	680.6	**152.9**	103.4
Unallocated[7]				
Acquisition of assets				
Segment depreciation and amortisation	**467.2**	412.8	**55.0**	47.9
Unallocated[7]				
Total depreciation and amortisation				
Segment other non-cash expenses	**29.1**	11.5	**4.6**	2.0
Unallocated[8]				
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.

	Consumer Electronics(2) 2008 $m	2007 $m	Hotels(3) 2008 $m	2007 $m	Wholesale(4) 2008 $m	2007 $m	Consolidated 2008 $m	2007 $m
	1,530.6	1,310.2	**1,113.4**	1,032.1	**162.1**	147.8	**47,034.8**	42,477.1
	–	–	**–**	–	**–**	–	**123.3**	109.7
	0.4	0.3	**–**	–	**264.2**	235.3	**264.6**	235.6
	1,531.0	1,310.5	**1,113.4**	1,032.1	**426.3**	383.1	**47,422.7**	42,822.4
							(264.6)	(235.6)
							129.6	140.0
							47,287.7	42,726.8
	63.1	66.8	**215.1**	183.7	**4.3**	2.5	**2,608.5**	2,226.7
							33.1	(23.8)
							(112.8)	(91.6)
							(191.3)	(233.6)
							2,337.5	1,877.7
							(686.0)	(566.4)
							1,651.5	1,311.3
	498.6	479.6	**2,893.8**	2,590.9	**57.6**	49.5	**13,378.8**	12,177.8
							2,293.7	2,238.3
							15,672.5	14,416.1
	150.6	132.6	**149.2**	140.4	**45.6**	38.6	**4,605.8**	4,160.3
							4,831.4	4,741.1
							9,437.2	8,901.4
	36.2	36.4	**333.4**	247.9	**1.7**	1.2	**1,672.5**	1,069.4
							269.2	257.8
							1,941.7	1,327.2
	25.7	24.4	**57.8**	55.6	**1.4**	1.4	**607.1**	542.1
							43.0	47.2
							650.1	589.3
	1.5	0.4	**2.2**	0.2	**–**	–	**37.4**	14.1
							115.1	99.4
							152.5	113.5

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

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

(6)
2008 includes other significant items including the profit on sale of certain properties ($49.7 million) and the costs associated with certain key strategic initiatives ($21.1 million).

(7)
Unallocated comprises corporate head office and property division.

(8)
Includes non-cash transactions including the defined benefit liability movement, employee shares scheme expenses and unrealised foreign exchange losses.

7 SEGMENT DISCLOSURES continued

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

Geographical segments

	Australia		*New Zealand*		*Consolidated*	
	2008 $m	*2007 $m*	*2008 $m*	*2007 $m*	*2008 $m*	*2007 $m*
Sales to customers	**42,571.2**	38,272.6	**4,463.6**	4,204.5	**47,034.8**	42,477.1
Other revenue	**363.8**	339.4	**24.1**	5.9	**387.9**	345.3
Segment revenue	**42,935.0**	38,612.0	**4,487.7**	4,210.4	**47,422.7**	42,822.4
Segment assets	**10,733.2**	9,293.1	**2,645.6**	2,884.7	**13,378.8**	12,177.8
Capital expenditure	**1,482.2**	1,012.4	**190.3**	57.0	**1,672.5**	1,069.4

8 TRADE AND OTHER RECEIVABLES

	Consolidated as at		*Woolworths Limited as at*	
	2008 $m	*2007 $m*	*2008 $m*	*2007 $m*
Current				
Trade receivables	**99.1**	95.7	**42.2**	42.3
Other receivables	**356.1**	284.0	**280.4**	190.5
Loans to controlled entities	**–**	–	**625.4**	128.6
Prepayments	**182.6**	105.0	**143.9**	88.7
	637.8	484.7	**1,091.9**	450.1
Non-current				
Loans to controlled entities	**–**	–	**5,556.0**	5,551.9
Prepayments	**3.6**	5.2	**3.0**	5.2
Other receivables	**–**	0.2	**–**	–
	3.6	5.4	**5,559.0**	5,557.1

Trade and other receivables are presented net of impairment allowance. Impairment provision balance as at 29 June 2008 was $14.3 million (2007: $10.4 million). All recovery risk has been provided for in the balance sheet.

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m

9 OTHER FINANCIAL ASSETS

	2008 $m	2007 $m	2008 $m	2007 $m
Current				
Fair value derivatives				
Interest rate swaps	**49.3**	20.6	**49.3**	20.6
Forward exchange contracts	**15.8**	20.8	**15.8**	20.8
	65.1	41.4	**65.1**	41.4
Non-current				
Unlisted shares at cost	**–**	–	**3,094.0**	3,094.0
Fair value derivatives				
Interest rate swaps	**110.1**	89.8	**110.1**	89.9
Available for sale				
listed equity securities at fair value	**151.2**	165.5	**50.2**	–
Other	**0.7**	0.7	**0.4**	0.4
	262.0	256.0	**3,254.7**	3,184.3

10 PROPERTY, PLANT AND EQUIPMENT

	2008 $m	2007 $m	2008 $m	2007 $m
Current				
Assets held for sale[1]	**34.7**	96.9	**14.1**	95.6
Non-current				
Development properties				
At cost	**384.8**	273.4	**–**	–
Less: Accumulated depreciation	**(8.0)**	(8.3)	**–**	–
	376.8	265.1	**–**	–
Freehold warehouse, retail and other properties				
At cost	**1,280.9**	1,094.1	**41.9**	39.3
Less: Accumulated depreciation	**(62.3)**	(44.7)	**(11.4)**	(9.5)
	1,218.6	1,049.4	**30.5**	29.8
Leasehold improvements				
At cost	**1,295.7**	1,068.1	**851.8**	647.2
Less: Accumulated amortisation	**(529.1)**	(473.0)	**(277.8)**	(226.5)
	766.6	595.1	**574.0**	420.7
Plant and equipment				
At cost	**7,964.1**	7,032.8	**4,851.1**	4,065.2
Less: Accumulated depreciation	**(4,687.3)**	(4,319.4)	**(2,307.8)**	(1,975.9)
	3,276.8	2,713.4	**2,543.3**	2,089.3
	5,638.8	4,623.0	**3,147.8**	2,539.8
Total property, plant and equipment – net book value	**5,673.5**	4,719.9	**3,161.9**	2,635.4

Note

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

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 29 June 2008 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 (2007: $115.2 million) is held as at 29 June 2008.

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:

Consolidated 2008	*Development properties $m*	*Freehold warehouse, retail and other properties $m*	*Leasehold Improvements $m*	*Plant and equipment $m*	*Total $m*
Carrying amount at start of period	**265.1**	**1,049.4**	**595.1**	**2,713.4**	**4,623.0**
Additions (excluding additions arising from acquisition of businesses)	**126.3**	**193.9**	**264.4**	**1,147.2**	**1,731.8**
Additions arising from acquisition of businesses	**–**	**84.8**	**0.1**	**14.6**	**99.5**
Disposals	**–**	**(0.5)**	**(3.0)**	**(17.8)**	**(21.3)**
Depreciation/amortisation expense	**–**	**(12.3)**	**(78.2)**	**(559.6)**	**(650.1)**
Other	**(7.4)**	**(91.1)**	**(2.8)**	**(0.9)**	**(102.2)**
Effect of movements in foreign exchange rates	**(7.2)**	**(5.6)**	**(9.0)**	**(20.1)**	**(41.9)**
Carrying amount at end of period	**376.8**	**1,218.6**	**766.6**	**3,276.8**	**5,638.8**

Consolidated 2007	*Development properties $m*	*Freehold warehouse, retail and other properties $m*	*Leasehold improvements $m*	*Plant and equipment $m*	*Total $m*
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 businesses	–	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

Woolworths Limited 2008	Development properties $m	Freehold warehouse, retail and other properties $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Carrying amount at start of period	–	**29.8**	**420.7**	**2,089.3**	**2,539.8**
Additions (excluding additions arising from acquisition of businesses)	–	**2.1**	**205.8**	**860.8**	**1,068.7**
Additions arising from acquisition of businesses	–	–	–	**4.0**	**4.0**
Disposals	–	–	**(1.5)**	**(16.4)**	**(17.9)**
Depreciation/amortisation expense	–	**(1.9)**	**(55.2)**	**(408.0)**	**(465.1)**
Other	–	**0.5**	**4.2**	**13.6**	**18.3**
Carrying amount at end of period	–	**30.5**	**574.0**	**2,543.3**	**3,147.8**

Woolworths Limited 2007	Development properties $m	Freehold warehouse, retail and other properties $m	Leasehold improvements $m	Plant and equipment $m	Total $m
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 businesses	–	–	–	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

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 12% and 14% (2007: 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, cost of doing business ("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.

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m

11 INTANGIBLES

	2008 $m	2007 $m	2008 $m	2007 $m
Goodwill	**2,941.4**	3,156.2	**302.0**	289.5
Brand names	**233.4**	252.3	**–**	–
Liquor and gaming licences	**1,594.6**	1,529.2	**162.8**	156.3
Other	**65.8**	65.8	**–**	–
Total	**4,835.2**	5,003.5	**464.8**	445.8

Reconciliation of movements in intangibles

Consolidated 2008	Goodwill $m	Brand names $m	Liquor and gaming licences $m	Other $m	Total intangibles $m
Carrying amount at start of period	**3,156.2**	**252.3**	**1,529.2**	**65.8**	**5,003.5**
Additions arising from acquisition of businesses	**34.9**	**–**	**52.8**	**–**	**87.7**
Other acquisitions	**–**	**–**	**14.5**	**–**	**14.5**
Reclassification	**0.7**	**–**	**(1.9)**	**–**	**(1.2)**
Effect of movements in foreign exchange rates	**(250.4)**	**(18.9)**	**–**	**–**	**(269.3)**
Carrying amount at end of period	**2,941.4**	**233.4**	**1,594.6**	**65.8**	**4,835.2**

Consolidated 2007	Goodwill $m	Brand names $m	Liquor and gaming licences $m	Other $m	Total intangibles $m
Carrying amount at start of period	2,971.2	241.1	1,481.3	65.8	4,759.4
Additions arising from acquisition of businesses	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

Woolworths Limited 2008	Goodwill $m	Liquor and gaming licences $m	Total intangibles $m
Carrying amount at start of period	**289.5**	**156.3**	**445.8**
Additions arising from acquisition of subsidiaries	**12.5**	**2.5**	**15.0**
Other acquisitions	**–**	**5.8**	**5.8**
Reclassifications	**–**	**(1.8)**	**(1.8)**
Carrying amount at end of period	**302.0**	**162.8**	**464.8**

Woolworths Limited 2007	Goodwill $m	Liquor and gaming licences $m	Total intangibles $m
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
Disposals	0.4	1.5	1.9
Carrying amount at end of period	289.5	156.3	445.8

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 12% and 14% (2007: 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:

	Consolidated as at		*Woolworths Limited as at*	
	2008 $m	*2007 $m*	*2008 $m*	*2007 $m*
Supermarkets – Australia	**554.3**	529.4	**302.0**	289.5
Supermarkets – New Zealand	**1,710.0**	1,960.5	**–**	–
Consumer Electronics	**70.3**	67.4	**–**	–
Hotels	**605.3**	597.4	**–**	–
Wholesale	**1.5**	1.5	**–**	–
	2,941.4	3,156.2	**302.0**	289.5

No intangible assets were identified as impaired at reporting date.

12 TRADE AND OTHER PAYABLES

Accounts payable	**3,878.1**	3,277.4	**3,084.8**	2,565.0
Loans from controlled entities	**–**	–	**3,675.7**	3,088.2
Accruals	**859.6**	841.9	**594.8**	611.6
Unearned income	**67.2**	65.4	**29.7**	26.4
Trade and other payables	**4,804.9**	4,184.7	**7,385.0**	6,291.2

13 OTHER FINANCIAL LIABILITIES

Current				
At fair value				
Fair value derivatives				
Cross-currency swaps	**55.9**	66.4	**55.9**	66.4
Forward exchange contracts	**6.0**	8.5	**6.0**	8.5
	61.9	74.9	**61.9**	74.9
Non current				
At fair value				
Fair value derivatives				
Cross-currency swaps	**274.7**	227.2	**274.7**	227.2
	274.7	227.2	**274.7**	227.2

14 BORROWINGS

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Current				
Unsecured				
Short term securities[1]	**299.9**	269.4	**299.9**	269.5
Short term money market loans	**–**	55.6	**–**	–
Bank loans[2]	**250.3**	54.1	**–**	–
	550.2	379.1	**299.9**	269.5
Secured				
Bank loans	**–**	0.7	**–**	–
	550.2	379.8	**299.9**	269.5
Non-current				
Unsecured				
Long term securities[3]	**1,629.0**	2,092.5	**1,627.5**	2,090.8
Woolworths Notes[4]	**595.0**	593.2	**595.0**	593.2
	2,224.0	2,685.7	**2,222.5**	2,684.0
Secured				
Bank loans	**–**	5.2	**–**	–
	2,224.0	2,690.9	**2,222.5**	2,684.0
Total	**2,774.2**	3,070.7	**2,522.4**	2,953.5

Notes

(1)
$299.9 million domestic Medium Term Notes (adjusted for unamortised discount) issued in 2005 are due to mature in September 2008. Interest is payable semi-annually at a fixed bond rate.

(2)
NZ$311.68 million ($246.4 million) was drawn by a controlled entity against a NZ$400.0 million ($316.2 million) Revolving Credit facility maturing in the financial year of 2009. An amount of INR 160.0 million Indian Rupees ($3.9 million) was drawn by another controlled entity against an INR 1.72 billion ($42.5 million) Revolving Credit facility also expiring in the 2009 financial year.

(3)
Comprises of:
- $350.0 million Medium Term Notes issued in 2006, to mature in March 2011. On $200.0 million of the $350 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$522.9 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$758.4 million) of senior notes issued into the US 144a market in the United States in 2005, maturing: US$300.0 million in November 2011 and US$425.0 million in November 2015;
- $1.5 million borrowings by a controlled entity;
- $3.3 million adjustment of unamortised borrowing costs (2007: $3.5 million); and
- $0.5 million adjustment of unamortised discount on Medium Term Notes (2007: $1.0 million).

(4)
$600.0 million in Woolworths Notes were issued on 5 June 2006, with a perpetual maturity. Offset by unamortised borrowing costs of $5.0 million (2007: $6.8 million).

15 FINANCING ARRANGEMENTS

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

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Total facilities				
Bank overdrafts	**30.6**	25.7	**11.0**	11.0
Bank loan facilities	**2,511.3**	2,575.2	**2,145.0**	2,145.0
	2,541.9	2,600.9	**2,156.0**	2,156.0
Used at balance date				
Bank overdrafts	**0.4**	–	**–**	–
Bank loan facilities	**250.1**	115.6	**–**	–
	250.5	115.6	**–**	–
Unused at balance date				
Bank overdrafts	**30.2**	25.7	**11.0**	11.0
Bank loan facilities	**2,261.2**	2,459.6	**2,145.0**	2,145.0
	2,291.4	2,485.3	**2,156.0**	2,156.0

Bank loan facilities may be drawn at any time, subject to the terms of the lending agreements. The facilities are denominated in Australian dollars, NZ dollars and Indian Rupees. The bank overdraft facilities may be drawn at any time.

16 PROVISIONS

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Current				
Employee benefits (Note 23)	**564.3**	543.4	**457.1**	439.3
Self-insured risks[1]	**89.7**	88.5	**82.3**	82.6
Other[2]	**23.2**	18.6	**10.5**	9.3
	677.2	650.5	**549.9**	531.2
Non-current				
Employee benefits (Note 23)	**79.8**	73.5	**60.1**	53.9
Self-insured risks[1]	**285.2**	280.3	**263.8**	255.3
Other[2]	**15.0**	28.5	**4.9**	9.5
	380.0	382.3	**328.8**	318.7
Total provisions	**1,057.2**	1,032.8	**878.7**	849.9
Movements in self-insured risk provisions were as follows:				
Balance at start of period	**368.8**	326.8	**337.9**	301.7
Additional provisions recognised	**110.8**	101.7	**97.5**	81.5
Reductions arising from payments/other sacrifices of future economic benefits	**(99.0)**	(74.6)	**(84.0)**	(60.7)
Transfers	**(5.2)**	14.7	**(5.3)**	15.4
Effect of movements in foreign exchange rates	**(0.5)**	0.2	**–**	–
Balance at end of period	**374.9**	368.8	**346.1**	337.9
Current	**89.7**	88.5	**82.3**	82.6
Non-current	**285.2**	280.3	**263.8**	255.3
Movements in other provisions were as follows:				
Balance at start of period	**47.1**	56.1	**18.8**	24.6
Additional provisions recognised/(released)	**3.5**	6.1	**(5.4)**	(2.0)
Reductions arising from payments	**(12.7)**	(1.3)	**(0.5)**	7.6
Transfers	**2.5**	(15.8)	**2.5**	(11.5)
Effect of movements in foreign exchange rates	**(2.2)**	2.0	**–**	0.1
Balance at end of period	**38.2**	47.1	**15.4**	18.8
Current	**23.2**	18.6	**10.5**	9.3
Non-current	**15.0**	28.5	**4.9**	9.5

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 including those arising on acquisitions.

17 ISSUED CAPITAL

Issued and paid-up share capital

1,210,517,308 fully paid ordinary shares (2007: 1,199,362,308)
Fully paid ordinary shares carry one vote per share and the right to dividends.

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Reconciliation of fully paid share capital				
Balance at beginning of period	**3,422.7**	2,947.8	**3,422.7**	2,947.8
Issue of shares as a result of options exercised under Executive Share Option Plan	**63.3**	47.4	**63.3**	47.4
Issue of shares as a result of Dividend Reinvestment Plan	**143.9**	433.7	**143.9**	433.7
Adjustment to paid-up capital to reflect final proceeds for shares issued under Employee Share Plan	**(2.8)**	(6.2)	**(2.8)**	(6.2)
Balance at end of period	**3,627.1**	3,422.7	**3,627.1**	3,422.7

	No. (m)	No. (m)	No. (m)	No. (m)
Reconciliation of fully paid share capital				
Balance at beginning of period	**1,199.4**	1,171.9	**1,199.4**	1,171.9
Issue of shares as a result of options exercised under Executive Share Option Plan	**5.1**	4.5	**5.1**	4.5
Issue of shares as a result of Dividend Reinvestment Plan	**4.8**	20.8	**4.8**	20.8
Incremental proceeds from sale of forfeited shares under Employee Share Plan	**1.2**	2.2	**1.2**	2.2
Balance at end of period	**1,210.5**	1,199.4	**1,210.5**	1,199.4

Shares held in trust

	$m	$m	$m	$m
Reconciliation of shares held in trust				
Balance at beginning of period	**(71.6)**	(87.1)	**(71.6)**	(87.1)
Issue of shares under Employee Share Plan	**11.6**	15.5	**11.6**	15.5
Balance at end of period	**(60.0)**	(71.6)	**(60.0)**	(71.6)

	No. (m)	No. (m)	No. (m)	No. (m)
Reconciliation of shares held in trust				
Balance at beginning of period	**7.9**	10.0	**7.9**	10.0
Issue of shares under Employee Share Plan	**(1.3)**	(2.1)	**(1.3)**	(2.1)
Balance at end of period	**6.6**	7.9	**6.6**	7.9

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:

	Number of options over shares as at		
	29 June 2008	*24 June 2007*	*Expiry date*
Option grant			
1999	205,000	222,500	1 July 2009
2000	20,000	45,000	1 July 2010
2001	251,000	1,161,000	1 July 2011
2002	–	4,340,000	31 December 2007
2003	5,208,850	5,557,100	31 December 2008
2004	6,181,250	6,708,250	31 December 2009
2005	5,849,700	6,348,100	31 December 2010
2006	7,618,400	8,184,200	31 December 2011
2007	8,903,500	–	31 December 2012
	34,237,700	**32,566,150**	
Performance rights			
2007	1,565,000	–	1,525,000 – Exp 1/07/2009 40,000 – Exp 1/07/2010
	35,802,700	**32,566,150**	

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 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m

18 RESERVES

	Consolidated 2008 $m	Consolidated 2007 $m	Woolworths Limited 2008 $m	Woolworths Limited 2007 $m
Hedging reserve	**122.1**	8.8	**122.1**	8.8
Foreign currency translation reserve	**(300.6)**	(97.2)	**–**	–
Remuneration reserve	**94.0**	45.5	**94.0**	45.5
Asset revaluation reserve	**16.4**	16.4	**–**	–
Available-for-sale revaluation reserve	**(65.8)**	(11.8)	**(7.2)**	–
	(133.9)	(38.3)	**208.9**	54.3

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 presentational 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 the 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 revaluation 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 with the exception of impairment losses which are recognised directly in profit and loss.

18 RESERVES continued

Movements

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Hedging reserve				
Balance at start of period	**8.8**	(57.5)	**8.8**	(57.5)
Loss on cash flow hedges taken to equity	**5.1**	(161.5)	**5.1**	(161.5)
Transfer to profit and loss – cash flow hedges	**156.7**	236.0	**156.7**	236.0
Deferred tax arising on hedges	**(48.5)**	(8.2)	**(48.5)**	(8.2)
Balance at end of period	**122.1**	8.8	**122.1**	8.8
Foreign currency translation reserve (FCTR)				
Balance at start of period	**(97.2)**	(276.0)	**–**	–
Net exchange differences on translation of foreign controlled entities	**(298.4)**	190.0	–	**–**
Deferred tax arising on FCTR	**35.4**	(11.2)	**–**	–
Income tax related to FCTR	**59.6**	–	**–**	–
Balance at end of period	**(300.6)**	(97.2)	**–**	–
Remuneration reserve				
Balance at start of period	**45.5**	28.5	**45.5**	28.5
Compensation on share based payments	**48.5**	17.0	**48.5**	17.0
Balance at end of period	**94.0**	45.5	**94.0**	45.5
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	**(11.8)**	–	**–**	–
Revaluation loss during the period	**(54.0)**	(11.8)	**(7.2)**	–
Balance at end of period	**(65.8)**	(11.8)	**(7.2)**	–

19 RETAINED EARNINGS

	Consolidated as at 2008 $m	Consolidated as at 2007 $m	Woolworths Limited as at 2008 $m	Woolworths Limited as at 2007 $m
Retained earnings attributable to the members of Woolworths Limited				
Balance at start of period	**1,962.5**	1,455.7	**1,089.4**	858.6
Profit attributable to members of Woolworths Limited	**1,626.8**	1,294.0	**1,243.5**	1,018.0
Actuarial losses on defined benefit plans	**(39.7)**	(7.4)	**(39.7)**	(7.4)
Tax effect of actuarial losses	**11.9**	2.2	**11.9**	2.2
Employee Share Plan dividends and forfeitures	**4.6**	6.9	**4.6**	6.9
Dividends paid or provided (Note 6)	**(1,006.4)**	(788.9)	**(1,006.4)**	(788.9)
Balance at end of period	**2,559.7**	1,962.5	**1,303.3**	1,089.4

	2008	2007
	Consolidated as at	

20 EARNINGS PER SHARE

Basic earnings per share (cents per share)	**134.89**	108.79
Diluted earnings per share (cents per share)	**133.55**	107.85

Basic earnings per share

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

	$m	*$m*
Earnings (a)	**1,626.8**	1,294.0

	No. (m)	*No. (m)*
Weighted average number of ordinary shares[1] (b)	**1,206.0**	1,189.4

Diluted earnings per share

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

	$m	*$m*
Earnings (a)	**1,626.8**	1,294.0

	No. (m)	*No. (m)*
Weighted average number of shares[1] and potential ordinary shares (c)	**1,218.1**	1,199.8

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

	$m	*$m*
Net profit attributable to the members of Woolworths Limited	**1,626.8**	1,294.0
Earnings used in the calculations of basic and diluted earnings per share	**1,626.8**	1,294.0

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

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

	No. (m)	*No. (m)*
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,206.0**	1,189.4
Shares deemed to be issued for no consideration in respect of outstanding employee options	**12.1**	10.4
	1,218.1	1,199.8

Since 29 June 2008, 3,831,525 shares (2007: 3,524,110) have been issued (as a result of the exercise of options). No options (2007: 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.

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 $374.9 million for self-insured risks (2007: $368.8 million), which includes liabilities relating to workers' compensation claims, that has been recognised in the balance sheet at balance date.

	Consolidated as at		*Woolworths Limited as at*	
	2008 $m	*2007 $m*	*2008 $m*	*2007 $m*
Guarantees				
Bank guarantees[1]	**51.6**	55.7	**18.0**	5.9
Workers' compensation self-insurance guarantees[2]	**425.9**	363.0	**425.9**	363.0
Other				
Outstanding letters of credit issued to suppliers	**11.2**	29.9	**6.0**	19.4
Guarantees arising from the deed of cross guarantee with other entities in the wholly owned group	**–**	–	**774.0**	530.5
	488.7	448.6	**1,223.9**	918.8

Notes

(1)
This item mainly comprises guarantees relating to conditions set out in development applications and for the 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 equal the liability at these dates due to delays in issuing the guarantees.

22 COMMITMENTS FOR EXPENDITURE

	Consolidated as at		*Woolworths Limited as at*	
	2008 $m	*2007 $m*	*2008 $m*	*2007 $m*
Capital expenditure commitments				
Estimated capital expenditure under firm contracts, not provided for in these Financial Statements, payable:				
Not later than one year	**421.9**	458.2	**258.5**	168.0
	421.9	458.2	**258.5**	168.0
Operating lease commitments				
Future minimum rentals under non-cancellable operating leases not provided for in these Financial Statements, payable:				
Not later than one year	**1,168.2**	1,129.8	**814.7**	786.1
Later than one year, not later than five years	**4,124.8**	4,087.2	**2,944.9**	2,910.1
Later than five years	**7,876.0**	7,836.9	**5,495.5**	5,452.5
	13,169.0	13,053.9	**9,255.1**	9,148.7
Total commitments for expenditure	**13,590.9**	13,512.1	**9,513.6**	9,316.7

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 reduces the lessee's exposure to operational charges associated with the properties.

23 EMPLOYEE BENEFITS

	Consolidated as at 2008 $m	2007 $m	*Woolworths Limited as at* 2008 $m	2007 $m
The aggregate employee benefit liability recognised and included in the Financial Statements is as follows:				
Provision for employee benefits				
Current (Note 16)	**564.3**	543.4	**457.1**	439.3
Non-current (Note 16)	**79.8**	73.5	**60.1**	53.9
Accrued liability for defined benefit obligations (included in other non-current liabilities)	**53.0**	32.0	**53.0**	32.0
Accrued salaries and wages (included in trade and other payables)	**268.2**	269.6	**217.6**	239.0
	965.3	918.5	**787.8**	764.2

(A) 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

	As at 29 June 2008 $m	24 June 2007 $m	25 June 2006 $m	24 June 2005 $m
Defined benefit obligation[1]	**(1,609)**	(1,618)	(1,282)	(1,075)
Fair value of assets	**1,556**	1,586	1,244	1,043
Liability for defined benefit obligations	**(53)**	(32)	(38)	(32)
Experience adjustments – liabilities	**(196)**	119	102	52
Experience adjustments – assets	**235**	(110)	(71)	(41)

Note **(1)** Includes contribution tax liability.

The consolidated entity and the 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) are held in the AMP Superannuation Savings Trust.

All disclosures in this note are for the consolidated entity and the Company.

23 EMPLOYEE BENEFITS continued

Movements in the net liability for defined benefit obligations recognised in the balance sheet

	As at 2008 *$m*	2007 *$m*
Opening net liability for defined obligations	**(32)**	(38)
Contributions by employer	**123**	109
Expense recognised in the income statement	**(104)**	(95)
Actuarial losses recognised directly in equity (Note 19)	**(40)**	(8)
Closing net liability for defined benefit obligations	**(53)**	(32)

Actuarial losses recognised in the statement of recognised income and expense during the year were $39.7 million (2007: $7.4 million), with cumulative actuarial losses of $73 million (2007: $33 million).

Changes in the present value of the defined benefit obligation are as follows:

	2008 $m	2007 $m
Opening defined benefit obligation	**1,618**	1,282
Current service cost	**114**	103
Interest cost	**102**	79
Actuarial losses	**(195)**	118
Employee contributions	**105**	105
Past service cost	**–**	3
Benefits paid	**(135)**	(72)
Closing defined benefit obligation	**1,609**	1,618

Changes in the fair value of fund assets are as follows:

	2008 $m	2007 $m
Opening fair value of fund assets	**1,586**	1,244
Expected return[1]	**112**	90
Actuarial (losses)/gains[1]	**(235)**	110
Contributions by employer	**123**	109
Employee contributions	**105**	105
Benefits paid	**(135)**	(72)
Closing fair value of fund assets	**1,556**	1,586

Note

(1)
The actual return on plan assets was a loss of $123 million (2007: gain of $200 million).

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:

	As at 2008 %	As at 2007 %
Overseas equities	**29**	29
Australian equities	**29**	29
Fixed interest securities	**23**	23
Property	**10**	10
Alternatives	**6**	6
Cash	**3**	3

Expense recognised in the income statement

	2008 53 weeks $m	2007 52 weeks $m
Current service costs	**114**	103
Interest cost	**102**	79
Past service cost	**–**	3
Expected return on fund assets	**(112)**	(90)
	104	95

The expense recognised in the employee benefit expense is 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.

	As at 2008 %	As at 2007 %
Discount rate (gross of tax)	**6.45**	6.26
Discount rate (net of tax)	**5.50**	5.30
Expected return on fund assets	**7.50**	7.20
Future salary increases	**4.50**	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 2009 financial year are $118.0 million and $54.0 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.

The Company also pays superannuation contributions in New Zealand in accordance with KiwiSaver legislation.

23 EMPLOYEE BENEFITS continued

(B) SERVICE AGREEMENTS

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 6 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 (STIP)

The STIP provides for a maximum annual payment of 130% 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 (LTIP)

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 section 3.1.2.2 of the Remuneration Report 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

(C) SHARE BASED PAYMENTS

Executive Option Plan (LTIP)

Long term incentives have been in place since 1993 and have been provided through various executive option plans. From 1999 through to 2004, long term incentives were provided through the Executive Option Plan (EOP). At the 2004 Annual General Meeting, shareholders approved the introduction of the Woolworths LTIP. Both the EOP and the LTIP are described below.

Since 2002, long term incentive awards have been linked to executives entering into Service Agreements that offer the Company protection and provide clarity for executives. In 2003 all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to receive long term incentive awards.

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 (EOP)

The EOP was approved by shareholders in November 1999 and was last offered with an effective grant date of 1 July 2004. As at 29 June 2008, there were 11,866,100 options issued under this Plan.

Awards have been made under the EOP in five tranches, with each tranche 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.

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;
- 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 (10 years for options issued prior to 2002);
- 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 minority 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:

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

- the fifth tranche (50% of options) is linked to relative TSR and measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured over five years from the grant date but 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 audited by an independent third party; and
- the percentage of the total number of options granted that vest is dependent on Woolworths' ranking relative to the performance of the above comparator companies. The following table sets out the TSR vesting schedule:

Woolworths TSR equals or exceeds the following percentile of the comparator companies	*Percentage of options in total grant that 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 one 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 purpose of Listing Rule 7.1.

Approval under the exception lasts for three years. Accordingly, Woolworths sought and obtained approval at the 2007 Annual General Meeting to refresh that approval for a further three years.

23 EMPLOYEE BENEFITS continued

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 and as approved at the 2007 AGM) to amend the performance hurdles for grants to be made under the Plan beginning with the 2009 financial year (referred to below as "the 2008 grant" or "the grant").

The 2008 grant will be made using a combination of the option sub-plan and the performance rights sub-plan with vesting subject to the achievement of EPS growth and relative TSR performance hurdles, each representing 50% of the grant, as described below.

EPS performance hurdle

EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after minority 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 the 2008 grant, the EPS component partially vests upon Woolworths attaining an average annual growth rate of equal to or greater than 10%. An EPS growth rate of equal to 10% over the performance period will result in 12.5% of the grant vesting, while an EPS growth rate of equal to or greater than 15% over the performance period will result in 50% of the grant vesting.

TSR performance hurdle

The TSR performance hurdle for the 2008 grant requires a minimum TSR at the 51st percentile measured against comparator companies comprised of the S&P/ASX 100 Index, excluding any non-comparable companies (such as financial services and resources sector companies, Trusts and any companies in the comparator group that are under takeover or takeover speculation, have merged, had a share reconstruction or been de-listed as at the measurement date). Achieving 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 performance hurdle, then those options and performance rights meeting the vesting hurdle shall vest and any options and performance rights not meeting the vesting hurdle shall be forfeited. If the minimum performance hurdles are met on the third anniversary of the date of the grant for the TSR performance hurdle, then those options and performance rights meeting the performance hurdle shall vest and any options and performance rights not meeting the performance hurdle shall be forfeited. If the minimum performance hurdles are not met on the third anniversary for the EPS performance hurdle, those options and performance rights shall remain unvested. If the minimum performance hurdles are not met on the third anniversary for the TSR performance hurdle, those options and performance rights shall remain unvested.

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

Options and performance rights granted during financial year 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 grants in 2009 and 2010 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 29 June 2008 for outstanding options:

Offer date	*Expiry date*	*Exercise price*	*No. of options at 24 June 2007*	*Options/ rights granted during year*	*Options exercised during year*	*Options/ rights lapsed during year*	*No. of options/rights at 29 June 2008*	*No. of options exercisable at 29 June 2008*
1/07/1999	1/07/2009	$5.11	222,500	–	(17,500)	–	205,000	205,000
1/07/2000	1/07/2010	$6.17	45,000	–	(25,000)	–	20,000	20,000
1/07/2001	1/07/2011	$10.89	1,161,000	–	(910,000)	–	251,000	251,000
1/07/2002	31/12/2007	$12.94	4,340,000	–	(4,084,740)	(255,260)	–	–
1/07/2003	31/12/2008	$12.60	5,557,100	–	(19,250)	(329,000)	5,208,850	–
1/07/2004	31/12/2009	$11.54	6,708,250	–	–	(527,000)	6,181,250	–
1/07/2005	31/12/2010	$16.46	6,348,100	–	–	(498,400)	5,849,700	–
1/07/2006	31/12/2011	$19.47	8,184,200	–	–	(565,800)	7,618,400	–
1/07/2007	31/12/2012	$25.91	–	9,049,400	–	(145,900)	8,903,500	–
25/07/2007	1/07/2009	–	–	1,550,000	–	(25,000)	1,525,000	–
25/07/2007	1/07/2010	–	–	40,000	–	–	40,000	–
			32,566,150	**10,639,400**	**(5,056,490)**	**(2,346,360)**	**35,802,700**	**476,000**

The weighted average share price during the financial year ended 29 June 2008 was $29.60.

The following table summarises movements for the financial year ended 24 June 2007 for outstanding options:

Offer date	*Expiry date*	*Exercise price*	*No. of options at 27 June 2006*	*No. of options granted during year*	*No. of options exercised during year*	*No. of options forfeited during year*	*No. of options at 24 June 2007*	*No. of options exercisable at 24 June 2007*
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 fair value of the services received in return for share options and performance rights 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 29 June 2008, an expense of $48.48 million (2007: $17.03 million) was recognised in the income statement in relation to options and performance rights 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.

23 EMPLOYEE BENEFITS continued

The contractual exercise period of the options set out above is used as an input into the model. Other inputs are:

Offer date	*Share price at grant date*	*Exercise price*	*Expected volatility*[1]	*Dividend yield*	*Risk free interest rate*	*Weighted average fair value of options granted*[2]
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
1/07/2007	$33.39	$25.91	18%	3.1%	6.3%	$8.90
25/07/2007	$27.45	$0	–	3.2%	–	$24.34

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. The number of options and rights expected to vest based on achievement of non market conditions (EPS and Service condition), 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 Ltd) 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 29 June 2008, there were 14,444 (2007: 17,097) participating employees who held a total of 6,640,644 (2007: 7,940,057) shares. The total amount receivable by the Company in relation to these shares is $42,431,823 as at 29 June 2008 (2007: $55,634,178). During the 53 week period ended 29 June 2008, 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.

	Weighted average exercise price 2008	*No. of options 2008*	*Weighted average exercise price 2007*	*No. of options 2007*
Balance at the beginning of the period	**$7.01**	**7,940,057**	$7.13	10,027,062
Forfeited during the period	**$7.21**	**(13,760)**	$6.44	(514,865)
Exercised during the period	**$6.62**	**(1,285,653)**	$5.13	(1,572,140)
Balance at the end of the period	**$6.39**	**6,640,644**	$7.01	7,940,057
Exercisable at the end of the period	**$6.39**	**6,640,644**	$7.01	7,940,057

The weighted average share price during the period was $29.60 (2007: $23.51).

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 the $1,000 per employee per annum by way of a tax free concession on discounts under employee incentive schemes.

During the 53 week period ended 29 June 2008, no shares (2007: nil) were issued to qualifying employees.

Executive Management Share Plan (EMSP)

The EMSP allows any executive management, including any Executive Director, to forgo some of their future pre-tax remuneration to acquire shares in the Company on-market at prevailing market prices on the ASX. During the 53 week period ended 29 June 2008, 6,187 (2007: 7,138) shares were purchased under the EMSP. No additional expense is recognised in relation to these shares as they are acquired out of salary sacrificed remuneration.

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 positions during the year:

	Position title
Executive Directors	
Michael Gerard Luscombe	Chief Executive Officer and Managing Director
Thomas (Tom) William Pockett	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, member of the Audit, Risk Management and Compliance Committee and its Chairman until 28 November 2007 and member of the Corporate Governance Committee
Adrienne Elizabeth Clarke	Retired 30 September 2007
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	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Alison Mary Watkins	Non-executive Director, Chairman of the Audit, Risk Management and Compliance Committee since 29 November 2007, member of the People Policy Committee and member of the Corporate Governance Committee
Executives	
Naum Onikul	Director of Food and Liquor
Peter Smith	Managing Director Progressive Enterprises Limited
Julie Coates[(1)]	Chief Logistics Officer
Greg Foran	General Manager – BIG W
Richard Umbers	General Manager – Customer Engagement

(1) Julie Coates is acting General Manager BIG W whilst Greg Foran is on an overseas executive development program.

Mr Bradley commenced sabbatical leave from 31 July 2007 and resigned from Woolworths on 30 January 2008. Mr Nahmani commenced an extended leave of absence from 24 September 2007.

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 is set out below.

Remuneration by category

	Consolidated 2008 53 weeks $	2007 52 weeks $
Short term employee benefits	**15,250,586**	12,542,937
Post-employment benefits	**1,018,918**	966,396
Other long term benefits	**280,272**	3,505,126
Share based payments	**4,499,154**	2,059,392
	21,048,930	19,073,851

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 42 to 46.

Shareholdings

The number of fully paid ordinary shares in the Company held during the 53 weeks ended 29 June 2008 by each Director and other key management personnel of the Group, including their related parties, is set out below.

	Shareholding at 24 June 2007 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 29 June 2008 No.*
J Strong	70,479	–	–	–	–	70,479
M Luscombe	408,290	–	152,000	–	(227,000)	333,290
J F Astbury	12,071	121	–	103	–	12,295
R Deane	40,000	–	–	–	–	40,000
D Grady	35,360	554	–	–	–	35,914
L L'Huillier	60,000	–	–	–	–	60,000
I Macfarlane	2,000	–	–	–	1,000	3,000
A Watkins	5,065	214	–	–	5,000	10,279
T Pockett	–	–	190,000	–	(136,000)	54,000
N Onikul	201,360	554	–	–	(43,145)	158,769
P Smith	819	22	–	–	–	841
J Coates	–	–	104,500	–	(92,250)	12,250
G Foran	–	–	–	–	–	–
R Umbers	–	–	–	–	–	–

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 Director Share Plan (NEDSP).

(3)
Figures in brackets indicate that these shares have been sold or otherwise disposed of.

24 KEY MANAGEMENT PERSONNEL continued

	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)
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 Director 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 Executive Officer and Group Managing Director on 30 September 2006.

Option holdings

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

2008	Opening balance No.	Options granted as remuneration No.	Options exercised No.	Options lapsed No.	Options & performance rights holding at 29 June 2008 No.	Balance vested as at 29 June 2008 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
M Luscombe	990,000	500,000	(152,000)	(8,000)	1,330,000	25,000	–	25,000	137,500
T Pockett	830,000	250,000	(190,000)	(10,000)	880,000	37,500	–	37,500	177,500
N Onikul	310,000	70,000	–	–	380,000	15,000	–	15,000	15,000
P Smith	275,000	50,000	–	–	325,000	25,000	–	25,000	25,000
J Coates	385,000	70,000	(104,500)	(5,500)	345,000	25,000	–	25,000	102,000
G Foran	295,000	70,000	–	–	365,000	25,000	–	25,000	25,000
R Umbers	45,000	110,000	–	–	155,000	–	–	–	–

No other key management personnel hold options or performance rights.

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. The key management personnel in the table above were granted options on 1 July 2007. The exercise value of the options granted was $25.71 per option while the performance rights issued on 25 July 2007 had a nil exercise price. Further details of the terms and conditions of the Executive Option Plan and the options and performance rights granted during the financial year are contained in Note 23 to the Financial Statements.

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

Loans to Directors or key management personnel

There were no loans to Directors of the Company or key management personnel.

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 29.

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 transactions within the Group and with other partly owned subsidiaries are presented below:

	Consolidated		Woolworths Limited	
	2008 $	2007 $	2008 $	2007 $
Revenue from the sale of goods	**–**	–	**25,807,394**	–
Dividend income	**–**	–	**65,330,079**	23,077,168
Interest income	**–**	–	**245,328,111**	188,226,031

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 $27.7 million (2007: $39.7 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 $27.7 million (2007: $39.7 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 section 4.6) of the Directors Report.

26 FINANCIAL INSTRUMENTS

(a) 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.

(b) 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 exchange contracts and foreign currency options to cover foreign currency payments and receipts of up to 100% of the exposure generated.

At period end, the details of outstanding forward contracts and foreign exchange currency options, stated in Australian dollar equivalents for the consolidated group and company are:

Outstanding contracts	*Average exchange rate 2008*	*Average exchange rate 2007*	*Foreign currency 2008 FC'm*	*Foreign currency 2007 FC'm*	*Contract value 2008 $m*	*Contract value 2007 $m*	*Mark to market 2008 $m*	*Mark to market 2007 $m*	*Market value 2008 $m*	*Market value 2007 $m*
Hedging imports										
Forward contracts										
Maturing:										
Within 12 months										
Buy United States dollars	**0.92**	0.81	**75.1**	91.9	**81.8**	114.1	**(2.5)**	(5.3)	**79.3**	108.8
Foreign currency options										
Collars										
Maturing:										
Within 12 months										
Buy United States dollars Call Option	**–**	0.83	**–**	26.4	**–**	31.9	**–**	–	**–**	31.9
Sell United States dollars Put Option	**–**	0.84	**–**	26.4	**–**	31.3	**–**	(0.2)	**–**	31.1
Hedging balance sheet										
Forward contracts										
Maturing:										
Within 12 Months										
Buy New Zealand dollars	**1.25**	1.22	**266.6**	260.4	**214.0**	214.0	**(3.5)**	20.8	**210.5**	234.8
Sell New Zealand dollars	**1.15**	1.12	**197.0**	257.0	**171.4**	228.5	**15.8**	(3.0)	**155.6**	231.5

As at reporting date, the net amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is $9.8 million (2007: $12.3 million). This amount has been recognised through the income statement in the current year.

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 element 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 for the consolidated group and company outstanding at reporting date:

	Average interest rate		*Average exchange rate*		*Contract value*		*Fair value*	
Outstanding contracts	*29 June 2008 %*	*24 June 2007 %*	*29 June 2008*	*24 June 2007*	*29 June 2008 $m*	*24 June 2007 $m*	*29 June 2008 $m*	*24 June 2007 $m*
Buy United States dollars								
Maturing:								
Floating rates								
Within 12 months(1)(4)	–	BBSW +41.5bp	–	0.745	–	67.1	–	(7.1)
1 to 2 years	–	–	–	–	–	–	–	–
3 to 4 years(2)(3)(4)	**BBSW +55.9bp**	–	**0.731**	–	**410.4**	–	**(93.6)**	–
4 to 5 years(2)(3)(4)	–	BBSW +55.9bp	–	0.731	–	410.4	–	(71.6)
5 years+(2)(3)(4)	**BBSW +66.2bp**	BBSW +66.2bp	**0.760**	0.760	**1,216.7**	1,216.7	**(256.8)**	(223.6)
					1,627.1	1,694.2	**(350.4)**	(302.3)
Maturing:								
Fixed								
Within 12 months(3)(4)	–	7.10%	–	0.745	–	67.1	–	(8.3)
1 to 2 years	–	–	–	–	–	–	–	–
3 to 4 years	–	–	–	–	–	–	–	–
4 to 5 years	–	–	–	–	–	–	–	–
5 years+	–	–	–	–	–	–	–	–
					–	67.1	–	(8.3)
					1,627.1	1,761.3	**(350.4)**	(310.6)

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 on page 124 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 $19.8 million (2007: $17.0 million) payable.

26 FINANCIAL INSTRUMENTS continued

(c) 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 and 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 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 is settled 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.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding for the consolidated group and company as at reporting date:

	Average contracted fixed interest rate		*Notional principal amount*		*Fair value*	
Outstanding floating for fixed contracts	*29 June 2008 %*	*24 June 2007 %*	*29 June 2008 $m*	*24 June 2007 $m*	*29 June 2008 $m*	*24 June 2007 $m*
Forward contracts						
Less than 1 year	**6.02%**	5.61%	**270.0**	185.0	**5.0**	0.7
1 to 2 years	**–**	6.02%	**–**	270.0	**–**	3.5
2 to 3 years	**5.86%**	–	**250.0**	–	**12.5**	–
3 to 4 years	**5.80%**	5.86%	**410.4**	250.0	**25.2**	8.6
4 to 5 years	**–**	5.80%	**–**	410.4	**–**	17.2
5 years+	**5.85%**	5.85%	**1,216.7**	1,216.7	**121.6**	81.9
			2,147.1	2,332.1	**164.3**	111.9

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 tables detail the consolidated entity's and parent entity's exposure to interest rate risk at 29 June 2008 and 24 June 2007:

		Fixed interest maturing in:								
Consolidated 2008	*Floating interest rate $m*	*1 year or less $m*	*1 to 2 years $m*	*2 to 3 years $m*	*3 to 4 years $m*	*4 to 5 years $m*	*Over 5 years $m*	*Non-interest bearing $m*	*Total $m*	*Effective interest rate %*
Financial assets										
Cash and deposits	469.1	–	–	–	–	–	–	285.4	754.5	6.93
Receivables	–	–	–	–	–	–	–	455.2	455.2	–
Foreign currency forward contracts	–	–	–	–	–	–	–	15.8	15.8	–
Interest rate swaps	–	–	–	–	–	–	–	159.4	159.4	–
Currency swaps	–	–	–	–	–	–	–	–	–	–
Assets available for sale	–	–	–	–	–	–	–	151.2	151.2	–
Other financial assets	–	–	–	–	–	–	–	0.7	0.7	–
	469.1	–	–	–	–	–	–	1,067.7	1,536.8	–
Financial liabilities										
Accounts payable	–	–	–	–	–	–	–	3,878.1	3,878.1	–
Accruals	–	–	–	–	–	–	–	859.6	859.6	–
Unearned income	–	–	–	–	–	–	–	67.2	67.2	–
Provisions	–	–	–	–	–	–	–	1,057.2	1,057.2	–
Other bank loans	249.6	–	–	–	–	–	–	–	249.6	8.75
Other loans	–	–	–	–	–	–	–	1.5	1.5	
Variable rate domestic notes	150.0	–	–	–	–	–	–	–	150.0	5.70
Fixed rate domestic notes	–	299.9	–	199.2	–	–	–	–	499.1	5.85
Foreign currency forward contracts	–	–	–	–	–	–	–	6.0	6.0	–
Interest rate swaps	(2,147.1)	270.0	–	250.0	410.4	–	1,216.7	–	–	–
USD notes	–	–	–	–	313.5	–	965.5	–	1,279.0	5.84
Woolworths Notes	595.0	–	–	–	–	–	–	–	595.0	7.12
Currency swaps	1,627.1	–	–	–	(410.4)	–	(1,216.7)	330.6	330.6	–
	474.6	569.9	–	449.2	313.5	–	965.5	6,200.2	8,972.9	–
Net financial assets/(liabilities)	**(5.5)**	**(569.9)**	**–**	**(449.2)**	**(313.5)**	**–**	**(965.5)**	**(5,132.5)**	**(7,436.1)**	**–**

26 FINANCIAL INSTRUMENTS continued

		Fixed interest maturing in:								
Woolworths Limited 2008	*Floating interest rate $m*	*1 year or less $m*	*1 to 2 years $m*	*2 to 3 years $m*	*3 to 4 years $m*	*4 to 5 years $m*	*Over 5 years $m*	*Non-interest bearing $m*	*Total $m*	*Effective interest rate %*
Financial assets										
Cash and deposits	416.2	–	–	–	–	–	–	134.2	550.4	6.94
Receivables	–	–	–	–	–	–	–	322.6	322.6	–
Loans to controlled entities	1,867.7	–	1,932.6	–	–	–	–	2,381.1	6,181.4	7.13
Foreign currency forward contracts	–	–	–	–	–	–	–	15.8	15.8	–
Interest rate swaps	–	–	–	–	–	–	–	159.4	159.4	–
Currency swaps	–	–	–	–	–	–	–	–	–	–
Unlisted shares at cost	–	–	–	–	–	–	–	3,094.0	3,094.0	–
Assets available for sale	–	–	–	–	–	–	–	50.2	50.2	–
Other financial assets	–	–	–	–	–	–	–	0.4	0.4	–
	2,283.9	–	1,932.6	–	–	–	–	6,157.7	10,374.2	–
Financial liabilities										
Accounts payable	–	–	–	–	–	–	–	3,084.8	3,084.8	–
Accruals	–	–	–	–	–	–	–	594.8	594.8	–
Unearned Income	–	–	–	–	–	–	–	29.7	29.7	–
Loans from controlled entities	214.1	–	–	–	–	–	–	3,461.6	3,675.7	8.04
Provisions	–	–	–	–	–	–	–	905.8	905.8	–
Other bank loans	–	–	–	–	–	–	–	(0.7)	(0.7)	–
Other loans	–	–	–	–	–	–	–	–	–	–
Variable rate domestic notes	150.0	–	–	–	–	–	–	–	150.0	5.70
Fixed rate domestic notes	–	299.9	–	199.2	–	–	–	–	499.1	5.85
Foreign currency forward contracts	–		–	–	–	–	–	6.0	6.0	–
Interest rate swaps	(2,147.1)	270.0	–	250.0	410.4	–	1,216.7	–	–	–
USD notes	–	–	–	–	313.5	–	965.5	–	1,279.0	5.84
Woolworths Notes	595.0	–	–	–	–	–	–	–	595.0	7.12
Currency swaps	1,627.1	–	–	–	(410.4)	–	(1,216.7)	330.7	330.7	–
	439.1	569.9	–	449.2	313.5	–	965.5	8,412.7	11,149.9	–
Net financial assets/(liabilities)	**1,844.8**	**(569.9)**	**1,932.6**	**(449.2)**	**(313.5)**	**–**	**(965.5)**	**(2,255.0)**	**(775.7)**	**–**

Consolidated 2007	Floating interest rate $m	Fixed interest maturing in: 1 year or less $m	1 to 2 years $m	2 to 3 years $m	3 to 4 years $m	4 to 5 years $m	Over 5 years $m	Non–interest bearing $m	Total $m	Effective interest rate %
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	–
Assets held for sale	–	–	–	–	–	–	–	165.5	165.5	–
Other financial assets	–	–	–	–	–	–	–	0.7	0.7	–
	196.0	–	–	–	–	–	–	1,280.1	1,476.1	–
Financial liabilities										
Accounts payable	–	–	–	–	–	–	–	3,277.4	3,277.4	–
Accruals	–	–	–	–	–	–	–	841.9	841.9	–
Unearned income	–	–	–	–	–	–	–	65.4	65.4	–
Provisions	–	–	–	–	–	–	–	1,032.8	1,032.8	–
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)**	**–**

26 FINANCIAL INSTRUMENTS continued

Woolworths Limited 2007	Floating interest rate $m	1 year or less $m	1 to 2 years $m	2 to 3 years $m	3 to 4 years $m	4 to 5 years $m	Over 5 years $m	Non–interest bearing $m	Total $m	Effective interest rate %
		Fixed interest maturing in:								
Financial assets										
Cash and deposits	196.0	–	–	–	–	–	–	411.7	607.7	6.28
Receivables	–	–	–	–	–	–	–	232.8	232.8	–
Loans to controlled entities	1,245.4	–	1,932.6	–	–	–	–	5,680.5	6,181.4	6.42
Foreign currency forward contracts	–	–	–	–	–	–	–	20.8	20.8	–
Interest rate swaps	–	–	–	–	–	–	–	110.5	110.5	–
Unlisted shares at cost	–	–	–	–	–	–	–	3,094.0	3,094.0	–
Assets available for sale	–	–	–	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–	–	0.4	0.4	–
	1,441.4	–	1,932.6	–	–	–	–	9,550.7	10,247.6	–
Financial liabilities										
Accounts payable	–	–	–	–	–	–	–	2,565.0	2,565.0	–
Accruals	–	–	–	–	–	–	–	611.6	611.6	–
Unearned Income	–	–	–	–	–	–	–	26.4	26.4	–
Loans from controlled entities	214.1	–	–	–	–	–	–	2,874.1	3,088.2	6.74
Provisions	–	–	–	–	–	–	–	849.9	849.9	–
Other bank loans:										
Fixed	–	–	–	–	–	–	–	–	–	–
Variable	–	–	–	–	–	–	–	(0.8)	(0.8)	–
Other loans	–	–	–	–	–	–	–	–	–	–
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	–
	399.4	307.3	569.4	–	448.9	353.8	1,089.7	7,228.3	10,396.7	–
Net financial assets/(liabilities)	**1,042.0**	**(307.3)**	**1,363.2**	**–**	**(448.9)**	**(353.8)**	**(1,089.7)**	**2,322.4**	**(149.1)**	**–**

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 29 June 2008		*As at 24 June 2007*	
	Carrying amount $m	*Net fair value $m*	*Carrying amount $m*	*Net fair value $m*
Financial (assets)/liabilities:				
Bank loans[(1)(5)]	**(199.6)**	**(199.6)**	84.8	84.8
Short term securities[(1)(2)]	**(304.4)**	**(304.4)**	(273.5)	(273.5)
Other loans[(1)(2)(3)(4)]	**(2,258.3)**	**(2,250.4)**	(2,710.0)	(2,721.1)
Total	**(2,762.3)**	**(2,754.4)**	(2,898.7)	(2,909.8)
Financial (assets)/liabilities:				
Forward foreign currency contracts and foreign exchange options	**9.8**	**9.8**	12.2	12.2
Interest rate swaps	**164.3**	**164.3**	111.9	111.9
Cross-currency swaps	**(350.4)**	**(350.4)**	(310.6)	(310.6)
Total	**(176.3)**	**(176.3)**	(186.5)	(186.5)

Notes

For FY08, the carrying amount for financial assets/liabilities is based on the principal outstanding adjusted for:

(1)
Interest accruals on outstanding debt (total of $31.2 million).

(2)
Unamortised borrowing costs (total of $8.6 million).

(3)
Effect of revaluation of USD borrowings (total of $345.6 million).

(4)
Unamortised premium/discount on issue of Medium Term Notes (total of $0.5 million).

(5)
Deposits.

27 FINANCIAL RISK MANAGEMENT

The Group's Treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal communication which identifies exposures. These exposures include credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and equity price risk).

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on liquidity risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments.

The Treasury function reports on its compliance with the policy on a monthly basis to the Board of Directors and such compliance is reviewed regularly by its internal auditors.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Unless otherwise stated, all calculations and methodologies used are unchanged from prior period reporting.

27 FINANCIAL RISK MANAGEMENT continued

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 dealing only with creditworthy counterparties (as measured by their Standard and Poor's long term credit rating), as a means of mitigating the risk of financial loss from defaults and does not require collateral in respect of financial assets.

In line with Board approved policy, counterparties are assigned a maximum exposure value, based on their credit rating, which limits concentration of credit risk. The consolidated entity's exposure to counterparties and their credit ratings is continuously monitored and compared against the Board approved counterparty credit limits. The consolidated entity measures credit risk using methodologies customarily used by financial institutions, which will yield different results to the balances reported in the balance sheet. There were no breaches of credit limits during the reporting period.

The maximum exposure to credit risk of the consolidated entity at balance sheet date, by class of financial asset, is represented by the carrying amount of the financial assets presented in the balance sheet and notes thereto unless otherwise depicted in the table below:

	Consolidated and Woolworths Limited 2008 Exposure by financial instrument ($m)					
Counterparty S&P credit rating	*Money market deposits*	*Forward exchange contracts*	*Currency options*	*Interest rate swaps*	*Cross-currency swaps*	*Total exposure*
AA– or above	51.0	44.3	–	412.0	162.7	670.0
A	–	–	–	–	–	–

	Consolidated and Woolworths Limited 2007 Exposure by financial instrument ($m)					
Counterparty S&P credit rating	*Money market deposits*	*Forward exchange contracts*	*Currency options*	*Interest rate swaps*	*Cross-currency swaps*	*Total exposure*
AA– or above	196.0	57.5	6.3	404.4	169.4	833.6
A	–	–	–	–	6.7	6.7

All of the above exposures are on an unsecured basis.

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 29 June 2008, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2007: nil). Other than amounts provided for impairment of receivables in Note 8, no financial assets were impaired or past due.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. This risk arises through the possibility that sales income may be reduced due to adverse factors, unusually large amounts may fall due for payment, or existing maturing debt is unable to be refinanced.

The company has established an appropriate liquidity risk management framework for the consolidated entity's short, medium and long term funding liquidity management requirements which has been approved by the Board of Directors.

The consolidated entity maintains a liquidity reserve in the form of undrawn bilateral standby facilities of at least $1 billion with unexpired tenures of at least 12 months at all times. Additionally, to minimise refinancing and repricing risk, there are limitations placed upon amounts which may expire in a 12 month period and amounts which may be from a single source. Included in Note 15 is a summary of undrawn facilities that the consolidated entity has at its disposal to draw upon if required.

The following table details the consolidated entity's and parent entity's undiscounted financial liabilities and their contractual maturities:

Maturity analysis of financial liabilities	*Consolidated as at 29 June 2008 ($m)* Less than 1 year	*1 to 2 years*	*2 to 5 years*	*Over 5 years*	*Total*	*Woolworths Limited as at 29 June 2008 ($m)* Less than 1 year	*1 to 2 years*	*2 to 5 years*	*Over 5 years*	*Total*
Non-derivative liabilities										
Bank loans	(251.1)	–	–	(1.5)	(252.6)	–	–	–	–	–
Domestic notes	(332.7)	(24.1)	(371.0)	–	(727.8)	(332.7)	(24.1)	(371.0)	–	(727.8)
USD notes	(68.3)	(68.3)	(494.0)	(1,144.3)	(1,774.9)	(68.3)	(68.3)	(494.0)	(1,144.3)	(1,774.9)
Woolworths Notes	(53.3)	(53.3)	(159.9)	(933.5)	(1,200.0)	(53.3)	(53.3)	(159.9)	(933.5)	(1,200.0)
Other financial liabilities	(3,878.1)	–	–	–	(3,878.1)	(3,084.8)	–	–	–	(3,084.8)
Loans from controlled entities	–	–	–	–	–	(3,675.7)	–	–	–	(3,675.7)
Accruals	(859.6)	–	–	–	(859.6)	(594.8)	–	–	–	(594.8)
Total non-derivative liabilities	**(5,443.1)**	**(145.7)**	**(1,024.9)**	**(2,079.3)**	**(8,693.0)**	**(7,809.6)**	**(145.7)**	**(1,024.9)**	**(2,077.8)**	**(11,058.0)**
Derivative liabilities										
Foreign exchange contracts payable	(450.6)	(0.8)	–	–	(451.4)	(450.6)	(0.8)	–	–	(451.4)
Foreign exchange contracts receivable	459.8	0.7	–	–	460.5	459.8	0.7	–	–	460.5
Net foreign exchange contracts	**9.2**	**(0.1)**	**–**	**–**	**9.1**	**9.2**	**(0.1)**	**–**	**–**	**9.1**
Interest rate swaps payable fixed	(125.7)	(109.9)	(261.5)	(241.8)	(738.9)	(125.7)	(109.9)	(261.5)	(241.8)	(738.9)
Interest rate swaps receivable floating	167.3	146.8	349.2	322.2	985.5	167.3	146.8	349.2	322.2	985.5
Net receivable Interest Rate Swaps*	**41.6**	**36.9**	**87.7**	**80.4**	**246.6**	**41.6**	**36.9**	**87.7**	**80.4**	**246.6**
Cross-currency swaps payable floating AUD	(137.2)	(137.8)	(770.7)	(1,565.8)	(2,611.5)	(137.2)	(137.8)	(770.7)	(1,565.8)	(2,611.5)
Cross-currency swaps receivable fixed USD	68.3	68.3	494.0	1,144.3	1,774.9	68.3	68.3	494.0	1,144.3	1,774.9
Net payable Cross Currency Swaps	**(68.9)**	**(69.5)**	**(276.7)**	**(421.5)**	**(836.6)**	**(68.9)**	**(69.5)**	**(276.7)**	**(421.5)**	**(836.6)**
Total derivative liabilities	**(18.1)**	**(32.7)**	**(189.0)**	**(341.1)**	**(580.9)**	**(18.1)**	**(32.7)**	**(189.0)**	**(341.1)**	**(580.9)**
Total financial liabilities	**(5,461.2)**	**(178.4)**	**(1,213.9)**	**(2,420.4)**	**(9,273.9)**	**(7,827.7)**	**(178.4)**	**(1,213.9)**	**(2,418.9)**	**(11,638.9)**

Notes

Including interest accruals and excluding unamortised borrowing costs.

* Interest Rate Swaps are net settled.

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last re-pricing date.

27 FINANCIAL RISK MANAGEMENT continued

Maturity analysis of financial liabilities	Consolidated as at 24 June 2007 ($m) Less than 1 year**	1 to 2 years	2 to 5 years	Over 5 years	Total	Woolworths Limited as at 24 June 2007 ($m) Less than 1 year**	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-derivative liabilities										
Bank loans	(116.1)	–	–	(1.5)	(117.6)	–	–	–	–	–
Domestic notes	(194.5)	(332.7)	(395.2)	–	(922.4)	(194.5)	(332.7)	(395.2)	–	(922.4)
USD notes	(199.1)	(77.1)	(576.1)	(1,349.9)	(2,202.2)	(199.1)	(77.1)	(576.1)	(1,349.9)	(2,202.2)
Woolworths Notes	(49.7)	(53.3)	(159.9)	(937.1)	(1,200.0)	(49.7)	(53.3)	(159.9)	(937.1)	(1,200.0)
Other financial liabilities	(3,277.4)	–	–	–	(3,277.4)	(2,565.0)	–	–	–	(2,565.0)
Loans from controlled entities	–	–	–	–	–	(3,088.2)	–	–	–	(3,088.2)
Accruals	(841.9)	–	–	–	(841.9)	(611.6)	–	–	–	(611.6)
Total non-derivative liabilities	**(4,678.7)**	**(463.1)**	**(1,131.2)**	**(2,288.5)**	**(8,561.5)**	**(6,708.1)**	**(463.1)**	**(1,131.2)**	**(2,287.0)**	**(10,589.4)**
Derivative liabilities										
Foreign exchange contracts payable	(559.7)	(0.1)	–	–	(559.8)	(559.7)	(0.1)	–	–	(559.8)
Foreign exchange contracts receivable	571.7	0.1	–	–	571.8	571.7	0.1	–	–	571.8
Net foreign exchange contracts	**12.0**	**–**	**–**	**–**	**12.0**	**12.0**	**–**	**–**	**–**	**12.0**
Interest rate swaps payable fixed	(126.3)	(125.8)	(300.3)	(312.9)	(865.3)	(126.3)	(125.8)	(300.3)	(312.9)	(865.3)
Interest rate swaps receivable floating	151.1	167.3	401.1	417.1	1,136.6	151.1	167.3	401.1	417.1	1,136.6
Net receivable Interest Rate Swaps*	**24.8**	**41.5**	**100.8**	**104.2**	**271.3**	**24.8**	**41.5**	**100.8**	**104.2**	**271.3**
Cross-currency swaps payable floating AUD	(262.1)	(137.2)	(805.5)	(1,668.8)	(2,873.6)	(262.1)	(137.2)	(805.5)	(1,668.8)	(2,873.6)
Cross-currency swaps receivable fixed USD	199.1	77.1	576.1	1,349.9	2,202.2	199.1	77.1	576.1	1,349.9	2,202.2
Net payable Cross Currency Swaps	**(63.0)**	**(60.1)**	**(229.4)**	**(318.9)**	**(671.4)**	**(63.0)**	**(60.1)**	**(229.4)**	**(318.9)**	**(671.4)**
Total derivative liabilities	**(26.2)**	**(18.6)**	**(128.6)**	**(214.7)**	**(388.1)**	**(26.2)**	**(18.6)**	**(128.6)**	**(214.7)**	**(388.1)**
Total financial liabilities	**(4,704.9)**	**(481.7)**	**(1,259.8)**	**(2,503.2)**	**(8,949.6)**	**(6,734.3)**	**(481.7)**	**(1,259.8)**	**(2,501.7)**	**(10,977.5)**

Notes

Including interest accruals and excluding unamortised borrowing costs.

* IRSs are net settled.

** Amounts disclosed in this category are actual cash flows.

Cash flows represented are contractual and calculated on an undiscounted basis, based on current rates at year end.

The principal repayment of Woolworths Notes, being a perpetual instrument, is represented in 5+ years. The coupon payments disclosed in 5+ years in relation to Woolworths Notes have been calculated using a perpetuity interest calculation less the coupon payments up to year 5.

Market risk

(i) Interest rate risk

The consolidated entity manages the majority of its exposure to interest rate risk by borrowing at fixed rates of interest, or by using approved financial instruments. Consistent with Board approved policy, the consolidated entity manages risk and reports compliance based upon whether a change in interest rates (measured as an assumed parallel shift in the yield curve of 1%) will cause a reduction in earnings (profit after tax) greater than maximum accepted levels.

The following table summarises the potential impact, on unhedged debt, to profit and equity from a 1% parallel increase and decrease in the yield curve:

	Consolidated 2008		*Woolworths Limited 2008*	
	Profit $m	*Equity $m*	*Profit $m*	*Equity $m*
After tax impact of 1% increase in yield curve	**(3.0)**	**6.4**	**23.6**	**6.4**
After tax impact of 1% decrease in yield curve	**3.0**	**(6.3)**	**(23.6)**	**(6.3)**

	Consolidated 2007		*Woolworths Limited 2007*	
	Profit $m	*Equity $m*	*Profit $m*	*Equity $m*
After tax impact of 1% increase in yield curve	(1.3)	11.3	21.5	11.3
After tax impact of 1% decrease in yield curve	1.3	(11.6)	(21.5)	(11.6)

This analysis is based on our position as at reporting date. It is not considered representative of our position during the year, due to changes in the net funding position of the entity.

(ii) Foreign currency risk

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 foreign exchange derivatives and cross-currency swap agreements. The term borrowings and equipment are fully hedged and inventory is partially hedged.

Foreign currency exposures arising on the translation of net investments in foreign subsidiaries are predominantly unhedged. Changes in value of these foreign subsidiaries due to movements in foreign exchange rates are recorded in equity.

Income of certain foreign subsidiaries are hedged for movements in foreign exchange rates via the use of foreign exchange derivatives. There were no such derivatives outstanding as at reporting date (2007: nil).

The following table illustrates the effect on profit and equity as at 29 June 2008 and 24 June 2007 if the currency prices were to move by the changes identified below:

Foreign exchange sensitivity analysis

			After tax impact on profit								*Impact on equity*							
	Sensitivity assumptions[1]		*Consolidated*				*Woolworths Limited*				*Consolidated*				*Woolworths Limited*			
Currency pair	*2008 %*	*2007 %*	*2008 $m*		*2007 $m*		*2008 $m*		*2007 $m*		*2008 $m*		*2007 $m*		*2008 $m*		*2007 $m*	
			+	**–**	+	–	**+**	**–**	+	–	**+**	**–**	+	–	**+**	**–**	+	–
AUD/USD	**11.10**	13.33	**(3.13)**	**3.91**	(4.65)	5.69	**(3.13)**	**3.91**	(4.65)	5.69	**0.00**	**0.00**	0.00	0.00	**0.00**	**0.00**	0.00	0.00
AUD/EUR	**10.40**	11.10	**0.39**	**(0.48)**	0.48	(0.54)	**0.39**	**(0.48)**	0.48	(0.54)	**0.00**	**0.00**	0.00	0.00	**0.00**	**0.00**	0.00	0.00
AUD/NZD	**8.36**	8.30	**(0.11)**	**0.13**	(0.10)	0.10	**0.04**	**(0.05)**	0.04	(0.04)	**0.00**	**0.00**	0.00	0.00	**0.00**	**0.00**	0.00	0.00
NZD/USD	**12.45**	15.23	**0.13**	**(0.17)**	0.31	(0.36)	**0.00**	**0.00**	0.00	0.00	**0.00**	**0.00**	0.00	0.00	**0.00**	**0.00**	0.00	0.00

Note

(1)
Based on one year implied market volatility from Bloomberg at balance date.

Sensitivity to foreign exchange exposure is on amounts payable in foreign currency that are not hedged. However, in relation to AUD/USD, also included is the sensitivity on forward exchange contracts against forecast purchases.

27 FINANCIAL RISK MANAGEMENT continued

(iii) Equity price risk
The consolidated entity is exposed to changes in the market price of certain equity investments, being the interests held in the Warehouse Group and ALE Group. Subsequent to initial recognition, they are measured at fair value with any change recorded in a revaluation reserve in equity. No hedging of this risk is undertaken.

(iv) Capital management
Woolworths currently sets its capital structure with the objectives of minimising its weighted average cost of capital while retaining flexibility to pursue growth and capital management opportunities. Consistent with these objectives, Woolworths has maintained its credit ratings of A– from Standard and Poor's and A3 from Moody's Investor Services.

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 buybacks. Since 2001, over $5,770 million, comprising off and on-market buybacks and dividends, has been returned to shareholders (including the final dividend for the financial year ending 29 June 2008).

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

Franking credits available for distribution after 29 June 2008 are estimated to be $823 million (following payment of the final dividend).

Our objective of maintaining a capital structure that will preserve our capital strength, which gives us the flexibility to pursue further growth opportunities, remains unchanged. Our balance sheet, debt profile and strength of our credit ratings ensure we are very well placed for future growth, both organically and through acquisition.

There is a small amount of debt (AUD 300 million) in domestic medium term notes maturing in September 2008 which will be refinanced within existing debt facilities. As at 29 June 2008, undrawn committed bank debt facilities available to Woolworths Limited totalled $2.1 billion.

In addition to our solid operating cash flows, our strong balance sheet position has been assisted by a focus on property sales to take advantage of the then particularly attractive property markets. Over the last three years, Woolworths has sold $1.3 billion of both industrial and retail property including the sale and leaseback of our distribution centres with proceeds received of $727 million (2007) and $82 million (2008) used to repay debt. Our new liquor distribution centres which open in the second half of 2008 are purpose built, design and construct projects on long term operating leases. Capital expenditure is limited to fixtures and equipment.

Woolworths previously advised the market, that, in the absence of any major acquisitions we would undertake some form of capital management in the 2008 calendar year. Whilst capital management remains an important issue, given the current uncertainty in the debt and equity markets, it is considered more prudent to defer any capital management activity at this time. A share buyback will be continually assessed in the context of other initiatives and the capital market environment.

28 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
Kiaora Lands Pty Limited
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
Votraint No. 1622 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

A consolidated income statement and consolidated balance sheet for the closed group representing the Company and the subsidiaries noted on pages 136 to 137, which are party to the Deed as at 29 June 2008, is set out below. The following controlled entities (see Note 29) 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
  - Croxton 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
  - 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.
- Woolstar Investments Limited
  - Woolworths (HK) Sales Limited
  - Woolworths (HK) Procurement Limited
  - Woolworths Wholesale (India) Private Limited
  - WOW (NZ) Supermarkets Limited[(1)]
    - Progressive Enterprises Limited
      - Caledonian Leasing Limited
      - Countdown Foodmarkets Limited
      - Foodtown Supermarkets Limited
      - Fresh Zone Limited
      - General Distributors Limited[(2)]
      - S R Brands Limited
      - Supervalue/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)
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.

(2)
On 28 May 2007, Bancroft Limited and General Distributors Limited were amalgamated to become General Distributors Limited.

28 DEED OF CROSS GUARANTEE continued

INCOME STATEMENT

	2008 53 weeks $m	2007 52 weeks $m
Revenue from the sale of goods	**38,371.5**	34,650.6
Other operating revenue	**99.2**	103.8
Total revenue from operations	**38,470.7**	34,754.4
Cost of sales	**(28,803.1)**	(26,049.8)
Gross profit	**9,667.6**	8,704.6
Other revenue	**132.2**	125.7
Other income	**40.0**	–
Branch expenses	**(5,870.3)**	(5,387.6)
Administration expenses	**(1,918.7)**	(1,748.3)
Earnings before interest and tax	**2,050.8**	1,694.4
Financial expense	**(435.8)**	(265.9)
Financial income	**398.2**	237.1
Net financing cost	**(37.6)**	(28.8)
Net profit before income tax expense	**2,013.2**	1,665.6
Income tax expense	**(506.5)**	(511.6)
Profit after income tax expense	**1,506.7**	1,154.0
Retained earnings		
Balance at start of period	**1,702.6**	1,335.7
Profit attributable to members	**1,506.7**	1,154.0
Dividends paid of provided (Note 6)	**(1,006.4)**	(788.9)
Actuarial loss recognised direct to equity	**(39.7)**	(7.4)
Other	**16.5**	9.2
Balance at end of period	**2,179.7**	1,702.6

	As at	
	2008 $m	2007 $m
BALANCE SHEET		
Current assets		
Cash	**566.3**	621.1
Trade and other receivables	**1,152.7**	483.8
Inventories	**2,603.9**	2,345.9
Assets held for sale	**33.7**	95.6
Other financial assets	**65.1**	41.4
Total current assets	**4,421.7**	3,587.8
Non-current assets		
Trade and other receivables	**3,387.1**	3,387.4
Other financial assets	**1,964.3**	2,266.0
Property, plant and equipment	**4,004.2**	3,350.4
Intangibles	**712.6**	690.7
Deferred tax assets	**370.8**	297.7
Total non-current assets	**10,439.0**	9,992.2
Total assets	**14,860.7**	13,580.0
Current liabilities		
Trade and other payables	**4,468.9**	3,967.1
Borrowings	**546.0**	379.3
Other financial liabilities	**61.9**	74.9
Current tax liabilities	**271.5**	141.4
Provisions	**584.2**	574.8
Total current liabilities	**5,932.5**	5,137.5
Non-current liabilities		
Borrowings	**2,222.5**	2,684.0
Other financial liabilities	**274.7**	227.2
Provisions	**366.6**	346.1
Other	**109.7**	76.4
Total non-current liabilities	**2,973.5**	3,333.7
Total liabilities	**8,906.0**	8,471.2
Net assets	**5,954.7**	5,108.8
Equity		
Issued capital	**3,627.1**	3,422.7
Shares held in trust	**(60.0)**	(71.6)
Reserves	**207.9**	55.1
Retained earnings	**2,179.7**	1,702.6
Equity attributable to the members	**5,954.7**	5,108.8
Minority interest	**–**	–
Total equity	**5,954.7**	5,108.8

29 SUBSIDIARIES

Name of entity	Beneficial holding 2008 %	Beneficial holding 2007 %
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
Croxton 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

Name of entity	Beneficial holding 2008 %	2007 %
Seaford Hotel Pty. Limited	**100**	100
The Second P Pty Ltd	**100**	100
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
Votraint No. 1622 Pty Limited	**100**	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
WOW (NZ) Supermarkets Limited[1]	**100**	100
Progressive Enterprises Limited	**100**	100
Caledonian Leasing Limited	**100**	100

29 SUBSIDIARIES continued

Name of entity	Beneficial holding 2008 %	Beneficial holding 2007 %
Countdown Foodmarkets Limited	**100**	100
Foodtown Supermarkets Limited	**100**	100
Fresh Zone Limited	**100**	100
General Distributors Limited[2]	**100**	100
S R Brands Limited	**100**	100
Supervalue/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)
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.

(2)
On 28 May 2007, Bancroft Limited and General Distributors Limited were amalgamated to become General Distributors Limited.

30 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 $191.3 million, comprising plant and equipment ($99.5 million), liquor and gaming licences ($52.8 million) and other working capital balances ($4.1 million), with goodwill on acquisition of $34.9 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future.

Changes in the composition of the Group

2008 *Entity/business acquired*	*Principal activity*	*Date of acquisition*	*Proportion of ownership acquired*	*Cost of acquisition $m*	
				Consolidated	*Woolworths Limited*
Miscellaneous businesses	Supermarkets, hotels and liquor retail	various	100%	191.3	–
Miscellaneous businesses	Supermarkets and retail liquor	various	100%	–	20.1
Total				**191.3**	**20.1**

2007 *Entity/business acquired*	*Principal activity*	*Date of acquisition*	*Proportion of ownership acquired*	*Cost of acquisition $m*	
				Consolidated	*Woolworths Limited*
Miscellaneous businesses	Supermarkets, hotels and liquor retail	various	100%	204.3	–
Miscellaneous businesses	Supermarkets and liquor retail	various	100%	–	27.4
Total				**204.3**	**27.4**

Over the course of the year, the Company acquired various businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was $20.1 million, comprising plant and equipment ($4 million), liquor and gaming licences ($2.5 million) and other working capital balances ($1.1 million), with goodwill on acquisition of $12.5 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future.

31 SUBSEQUENT EVENTS

At the date of this report, there is no further matter or circumstance which has arisen since 29 June 2008 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years; or
- the results of those operations in future financial years; or
- the consolidated entity's state of affairs in future financial years.

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 28 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

Deloitte.

Deloitte Touche Tohmatsu
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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Woolworths Limited (the company), which comprises the balance sheet as at 29 June 2008, and the income statement, cash flow statement and statements of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 71 to 142.

Directors' Responsibility for the Financial 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion
In our opinion:

(a) 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 the consolidated entity's financial position as at 29 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

(c) 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

Rod Smith
Partner
Chartered Accountants
Sydney, 23 September 2008

The shareholder information set out below was applicable as at 16 September 2008.

Number of shareholders

There were 367,871 shareholders, holding 1,220,989,477 fully paid ordinary shares.

Distribution of equity securities

(a) Analysis of numbers of shareholders by size of holding:

*Range of fully paid ordinary shares/options**	*Number of FPO holders*	*Number of FPO shares*	*Number of option holders*
1 – 1,000	220,043	87,677,055	–
1,001 – 5,000	129,679	258,079,566	442
5,001 – 10,000	12,240	86,584,349	577
10,001 – 100,000	5,723	115,081,086	1,106
100,001 and over	206	673,567,421	12
Total	**367,871**	**1,220,989,477**	**2,137**

(b) There were 7,847 holders of less than a marketable parcel of ordinary shares.

20 Largest Shareholders

The names of the 20 largest holders of shares are listed below:

	Name	*No. of fully paid ordinary shares*	*Percentage of issued capital %*
1	HSBC Custody Nominees (Australia) Limited	190,392,967	15.59
2	J P Morgan Nominees Australia Limited	138,160,851	11.32
3	National Nominees Limited	112,062,643	9.18
4	Citicorp Nominees Pty Limited	37,392,601	3.06
5	ANZ Nominees Limited <cash income a/c>	24,341,767	1.99
6	Queensland Investment Corporation	15,622,960	1.28
7	Cogent Nominees Pty Limited	11,130,761	0.91
8	ANZ Nominees Limited <SL cash income a/c>	11,080,894	0.91
9	AMP Life Limited	9,299,265	0.76
10	Citicorp Nominees Pty Limited <CFS WSLE GEARED SHARE FUND A/C>	8,176,234	0.67
11	Woolworths Custodian Pty Ltd	6,498,404	0.53
12	Australian Foundation Investment Company Limited	6,203,729	0.51
13	UBS Wealth Management Australia Nominees Pty Ltd	4,989,309	0.41
14	Perpetual Trustee Company Limited	4,846,898	0.40
15	Citicorp Nominees Pty Limited <CFS WSLE IMPUTATION FND A/C>	4,528,015	0.37
16	RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	4,512,313	0.37
17	ARGO Investments Limited	3,838,985	0.31
18	RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	3,727,644	0.31
19	Citicorp Nominees Pty Limited <CFS IMPUTATION FUND A/C>	3,111,951	0.25
20	Australian Reward Investment Alliance	3,065,022	0.25

Substantial shareholders
As at 18 September 2008, there were no substantial shareholders in the Company that had provided substantial shareholding notices.

Unquoted equity securities
As at 16 September 2008, there were 30,050,000 options granted over unissued ordinary shares in the Company to employees.

Annual General Meeting
The Annual General Meeting of Woolworths Limited will be held on Thursday, 27 November 2008 at 11am at the Melbourne Convention Centre Building, Cnr Flinders and Spencer Streets, Melbourne VIC. Full details are contained in the Notice of Meeting which has been sent to all shareholders.

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 the 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 and your old address as added security. Change of address advice forms can be downloaded via the Shareholder Centre on the 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 48 cents per share will be paid on 3 October 2008 to shareholders entitled to receive dividends and registered on 5 September 2008 (Record Date).

Direct payment to shareholders' accounts
On Woolworths Limited ordinary fully paid shares, dividends may be paid directly into bank, building society or credit union accounts in Australia and New Zealand. Payments are electronically credited on the dividend payment date and a dividend advice confirming deposit details can either be mailed to shareholders or received electronically .

On Woolworths Notes, quarterly interest payments may be paid directly into bank, building society or credit union accounts in Australia only.

Annual Report and shareholder communications
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 made available on our website at www.woolworthslimited.com.au once it is released. Please contact our share registrar, Computershare Investor Services, on 1300 168 664 should you have any queries.

We encourage you to help reduce costs and benefit the environment by providing your email address and receiving all shareholder communications electronically.

Dividend Reinvestment Plan (DRP)

The Rules of the Dividend Reinvestment Plan (DRP) remain in place and residual balances recorded in a participant's DRP account are carried forward and applied to the next dividend. The DRP discount of 2.5% has been discontinued and there is a limit on DRP participation of 20,000 shares. There is currently no minimum number of shares required for participation. This will apply to the final dividend to be paid on 3 October 2008.

Stock exchange listings

Woolworths Limited ordinary shares are listed on the ASX, under ASX code: WOW. Woolworths Notes are listed on the ASX under the ASX code: WOWHB.

American depository receipts

Woolworths Limited shares may be traded in sponsored American Depository Receipts form in the United States.

History of dividends paid

Date of dividend	*Type*	*Cents per share*	*Franking rate*	*DRP price*
30 November 1993	Final	6 cents	39%	$2.95
29 April 1994	Interim	6 cents	39%	$2.89
30 November 1994	Final	6 cents	39%+33%	$2.60
28 April 1995	Interim	6 cents	33%	$2.72
17 November 1995	Final	8 cents	39%+33%	$2.90
26 April 1996	Interim	7 cents	33%	$2.87
12 November 1996	Final	8 cents	36%	$2.58
24 April 1997	Interim	7 cents	36%	$3.22
15 October 1997	Final	9 cents	36%	$3.94
24 April 1998	Interim	8 cents	36%	$5.35
9 October 1998	Final	9 cents	36%	$5.18
30 April 1999	Interim	8 cents	36%	$4.83
5 October 1999	Final	10 cents	36%	$5.19
28 April 2000	Interim	10 cents	36%	$4.92
5 October 2000	Final	13 cents	34%	$6.61
27 April 2001	Interim	12 cents	34%	$7.99
5 October 2001	Final	15 cents	30%	$10.98
30 April 2002	Interim	15 cents	30%	$12.23
8 October 2002	Final	18 cents	30%	$11.78
30 April 2003	Interim	18 cents	30%	$11.71
3 October 2003	Final	21 cents	30%	$11.37
30 April 2004	Interim	21 cents	30%	$11.49
8 October 2004	Final	24 cents	30%	$13.16
29 April 2005	Interim	24 cents	30%	$15.50
7 October 2005	Final	27 cents	30%	$15.77
28 April 2006	Interim	28 cents	30%	$18.26
06 October 2006	Final	31 cents	30%	$19.73
27 April 2007	Interim	35 cents	30%	$27.05
05 October 2007	Final	39 cents	30%	$29.82
24 April 2008	Interim	44 cents	30%	$30.08
3 October 2008	Final	48 cents	30%	$27.79

SHAREHOLDERS' CALENDAR

2008

October
3 Payment date for Final Dividend
21 Announcement of first quarter sales results

November
27 Annual General Meeting

December
15 Interest Payment on Woolworths Notes

2009

January/February
Announcement of second quarter sales results
Half Year Results announcement

March
16 Interest Payment on Woolworths Notes
Record date for Interim Dividend

April
Announcement of third quarter sales results
Payment of Interim Dividend

June
15 Interest Payment on Woolworths Notes

July
Announcement of fourth quarter sales results

August
Preliminary Full Year Results and Final Dividend announcement

Please note: the timing of events may be subject to change.

COMPANY DIRECTORY

Woolworths Limited
Principal registered office in Australia
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Tel: (02) 8885 0000
Web: www.woolworthslimited.com.au

BIG W
Web: www.bigw.com.au

National Supermarkets
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Woolworths' Petrol
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BWS
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Web: www.progressive.co.nz

ALH Group Pty Ltd

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  Bella Vista NSW 2153
  Tel: (02) 8885 0000
  Web: www.alhgroup.com.au

– Victorian Office
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  16-20 Claremont Street
  South Yarra VIC 3141
  Tel: (03) 9829 1000

– Queensland Office
  Level 1
  152 Oxford Street
  Bulimba QLD 4171
  Tel: (07) 3909 4800

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

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Deloitte Touche Tohmatsu
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Sydney NSW 2000
Tel: (02) 9322 7000
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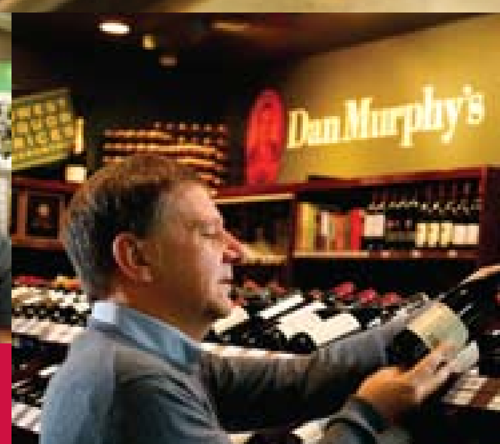
Dan Murphy's