

WOOLWORTHS LIMITED

annual report **2010**



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**sales of
\$51.7
billion, up
2.1 billion
or 4.2%**

(excluding petrol up 4.8%)

9.4% increase in
earnings before
interest, tax,
depreciation and
amortisation



9.5% increase in
earnings before
interest and tax
to \$3,082.1 million

10.1% increase in
net profit after tax
to \$2,020.8 million



**solid
increase in
operating
cash flows**

**8.8%
increase
in earnings
per share
to 164 cents**



**10.6%
increase
in fully
franked
dividend
to 115 cents
per share**

announcement
of an off-market
share buy-back
to return
\$700 million
to shareholders
bringing capital
returns in the
2010 year to
over \$1 billion

from strength to strength

The Board and management team of Woolworths Limited are delighted to report on another strong result by our Company.

This result was achieved on the back of a year of significant global economic challenges. the strength of Woolworths' financial position has allowed it to steer through the challenge of the Global Financial Crisis.

With economic uncertainty likely to continue in the near term, Woolworths is well positioned to benefit from an upturn in the economy with clear strategies going forward. Our Company has a deep pool of talented retailers adept at responding to changing market conditions.

Financial results

Net Profit After Tax reached \$2,020.8 million, an increase of 10.1% attributable to equity holders of the parent entity. This is a solid result given the economic challenges of cycling the prior year's stimulus packages, the significant decline in inflation and the emergence of a more conservative consumer in the second half of the year.

The strength of our business has allowed us to lead the market in investing significantly in reducing shelf prices in Australia and New Zealand and to do so profitably. Lower shelf prices are like a dividend for our customers that rewards them for their loyalty which in turn drives our business and generates returns for shareholders.

Delivering value for shareholders

The Board decided on a 10.6% increase in shareholder dividends to 115 cents per share. This reflects more than a decade of consecutive dividend increases. Over the last nine years, profit growth coupled with

balance sheet management will have delivered \$8.2 billion to shareholders.

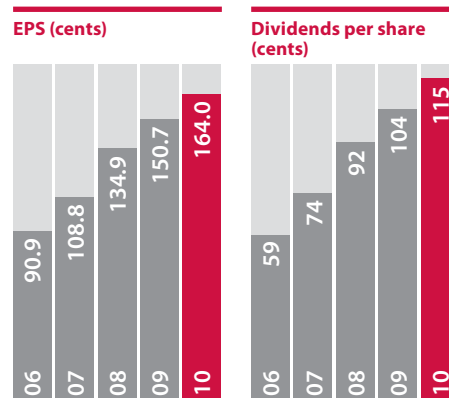
The Board has also announced a \$700 million off-market buy-back as the next step in Woolworths' ongoing capital management program. It means more than \$1 billion will be returned to shareholders in the 2010 calendar year, when combined with the \$325 million of capital bought back in the first half of the calendar year via an on-market buy-back.

The buy-back program reflects the Board's confidence in the Company's operations, results and the continued focus on providing enhanced long-term shareholder value. Woolworths' shareholders are expected to benefit from the improved earnings per share, improved dividends per share and improved return on equity following the buy-back.

Doing the right thing

With 3,199 stores across Australia and New Zealand, we recognise the role our Company plays in our communities and the impact we have on our environment.

Woolworths continues to take a leadership position on corporate responsibility and sustainability. Our support of the community has remained strong focusing on four key focus areas of sustainability and environment, health and wellbeing, education and



employment, and rural and regional Australia. We also continue to reduce our carbon emissions through investment in low carbon technologies.

Talented retailers

Woolworths has more than 188,000 talented retailers across the Company and this result and our ongoing success is a credit to their efforts.

As our business grows and enters into new markets, we welcome new team members from home and abroad who share our success-driven culture and common goal of delivering more for our customers and our shareholders.

On behalf of the Board of Directors, I would like to welcome our new team members and thank our long serving team members for their commitment to our Company.

Under the leadership of Michael and his team, our Company continues to go from strength to strength.

James Strong
Chairman

A portrait of a middle-aged man with short, light-colored hair, smiling slightly. He is wearing a dark pinstriped suit jacket over a white dress shirt and a blue and white checkered bow tie. The background is a solid blue color. In the top right corner, there is a white text box containing the text "more than a decade of consecutive dividend increases".

**more than
a decade of
consecutive
dividend
increases**

**consumers
continued
to trust
woolworths
to deliver
the best
value
for their
shopping
dollar**



a robust and resilient business

Woolworths once again demonstrated the robustness and resilience of its business model during 2010 by reporting an eleventh successive year of double digit profit growth.

For 86 years, Woolworths has focused on building a business that is strong in all cycles and seasons. In 2010, this underlying core strength enabled us to deliver enhanced value to both our customers and our shareholders despite tough economic conditions resulting from low inflation and the after effects of the prior year's stimulus payments.

In each division, our highly experienced retail teams aspire to set the benchmarks for value, quality, range and innovation as part of a continuous effort to exceed customer expectations. This year's positive result is a direct reflection of the ability of 188,000 team members to reach those service goals.

Strong core business

The pleasing performance of Woolworths in financial year 2010 was underpinned by the ongoing strength and momentum of our **Australian Supermarkets** business.

Our team remains committed to optimising value and delivering a better shopping experience for our customers. Over the last year, we significantly reduced shelf prices, improved our range, increased our focus on fresh food and provided unparalleled rewards through our Everyday Rewards program.

In return, consumers continued to trust Woolworths to deliver the best possible value for their shopping dollar. This was evidenced by sales over the last three years growing at 7.5% (CAGR).

Our store refurbishment program continued with 50% of stores now trading in the 2010 format. Work also commenced on our new 2015 Market Store which further evolves our supermarket store format to reflect changing customer trends. 26 new supermarkets were opened during the year.

The **New Zealand Supermarkets** business reported a successful year despite challenging macro economic circumstances. The success of the business transformation process is a credit to the New Zealand team.

Liquor continued to perform well in a highly priced competitive market. All three liquor store brands achieved solid market share growth and further reinforced their clear customer value propositions.

Following the acquisition of a 25% stake in Gage Road Brewery, the launch of our second exclusive brand of beer, Dry Dock, was very well received by consumers. The liquor business will continue to build on this success by expanding the opportunities for exclusive

brand liquor products to further complement our extensive range of branded beers, wines and spirits.

Petrol sales decreased during the year to reflect lower prices but EBIT remained strong, increasing 13.7%.

BIG W achieved a very solid result in 2010, achieving comparable profitability to 2009 in spite of very low inflation and the cycling of the stimulus package. BIG W's unswerving commitment to its market-leading everyday low price proposition has proved to be a winning formula, particularly in light of tightened consumer spending patterns.

The business has also continued to improve its offer to customers via new branded ranges such as Man and Woman by Peter Morrissey and Mambo, and via the new BIG W online channel. BIG W also opened its first green store in Inverell.

Consumer Electronics experienced a mixed year, with solid growth during the first half but weaker trading during the second half. We continue to move forward with the repositioning strategy for this business and are pleased with the relative performance of the new format stores in Australia, which now account for 42% of the network.

Our **Hotels** business achieved pleasing results relative to the rest of the hotel industry which was broadly impacted by lower levels of consumer spending and changes to the regulatory regime in several states. A further six properties were added to the portfolio during the year.

Committed to customers

Woolworths continues to be a business that puts its customers at the heart of every decision. This year, each business has had a very strong focus on value with significant price reinvestment, particularly in Australian Supermarkets, helping to lower overall basket costs for consumers.

Rewarding our customers for their loyalty is a key part of our offer. In addition to maximising in-store value through lower prices, our Everyday Rewards program is going from strength to strength with more than 5.1 million registered members, of whom 2.7 million have also registered to earn Qantas Frequent Flyer points.

Driving efficiencies

During 2010, Woolworths commenced a program of cost control called Quantum. Quantum is a whole of business effort to further improve efficiencies and follows in the vein of previous initiatives such as Project Refresh. It will encompass all aspects of operations including supply chain, operational work practices and support structures to produce positive benefits in Gross Margin and Cost of Doing Business (CODB).

An ongoing growth focus

Woolworths has been a solidly performing growth stock for more than a decade and our commitment to continuing our growth trajectory is as strong as ever. We firmly believe there is significant growth available within our existing core businesses as a result of both margin expansion and cost reduction. We will also continue to pursue complimentary revenue streams such as online channels as well as adjacent opportunities such as financial services.

During the financial year our Home Improvement strategy progressed well and we look forward to opening our first store in the latter half of the 2011 calendar year. Together with our joint venture partner Lowe's, we are extremely excited about adapting their highly successful retail practices to introduce a whole new shopping experience tailored for the Australian consumer.

We remain open to additional acquisition opportunities both in Australia and offshore but will continue to assess these in a prudent, considered and highly disciplined manner.

A responsible corporate citizen

Woolworths is equally as proud of its achievements in corporate responsibility as it is of its corporate financial performance and 2010 marked yet another year of community and social investment as well as significant progress towards our sustainability targets. In FY10, Woolworths invested the equivalent of \$36.3 million into community activities, which remains above our target of 1% of pre-tax profits.

Children's health and wellbeing remains a key focus through our Fresh Food Kids Community Grants scheme which delivered an additional \$3 million to local programs. This year we also launched Fresh Food Rescue, a \$2 million injection of capital into the food welfare sector to help redirect food towards the people who need it most.

Creating opportunities

As one of the largest private sector employers in Australia, Woolworths is acutely aware of its role in safeguarding the jobs and wellbeing of more than 188,000 staff members. We are also highly cognisant of the degree to which ordinary Australians invest their future in Woolworths either directly as shareholders or via their superannuation funds.

Our business is essentially about creating opportunities – for customers to derive value, for employees to develop their skills, for suppliers to prosper and for investors to be rewarded. We aim to deliver these opportunities every single day by growing our business sustainably, enhancing value for customers and shareholders, contributing to our communities and investing in the future of each country we operate in.



Michael Luscombe

Managing Director and Chief Executive Officer

highlights

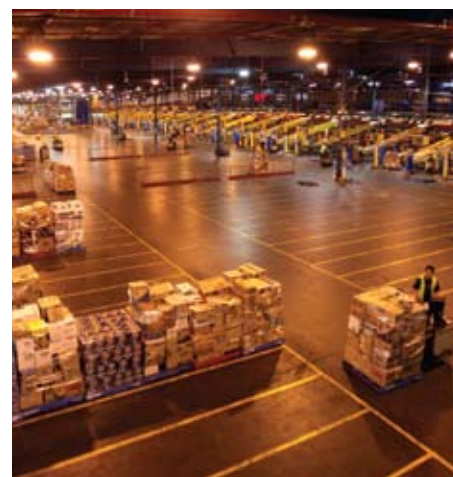
excellent platform for continued future growth

Woolworths has continued to focus on customers and their evolving needs and expectations and is deploying this knowledge into our core business by improving stores, enhancing the shopping experience, developing our range and implementing new merchandise initiatives.

- Our major business, **Food and Liquor** in Australia has had another solid result reflecting the strength of the business. It has grown both customer numbers and market share, significantly reinvested in price and delivered solid growth in sales and EBIT.
- **Store Refurbishment** activity in Supermarkets, BIG W and Consumer Electronics is making an important contribution to an enhanced shopping experience for customers. Approximately 50% of Australian Supermarkets, 48% of New Zealand Supermarkets, 55% of BIG W and 42% of Australian Consumer Electronics have now been converted to the new formats. We will continue to evolve these new formats to ensure they meet changing customer needs, including the commencement of trading of our supermarket 2015 market store design.
- The development of our **exclusive brands** continues, with new Woolworths Select products across the majority of the grocery categories, new products in Fresh and new Homebrand packaging designs being introduced. The growth in exclusive brands continues to exceed our overall sales growth, which is a strong endorsement of their quality and value for money. The launch of the Macro Wholefood Market range in Supermarkets during the year has been very successful with strong sales and good customer feedback.
- **New Zealand Supermarkets** has achieved solid sales growth in a difficult market and delivered a 17.3% (NZD) improvement in the trading EBIT for the year or 19.1% after intercompany charges. These results are underpinned by the benefits of operational improvements and cost efficiencies driven by completion of the integration process and progress in transitioning to a single brand.
- The investment in **BIG W** continues to achieve good results. EBIT levels have been maintained in a challenging trading environment at the record EBIT levels achieved in FY09 which were 25.9%⁽¹⁾ up on the previous year. The two year CAGR⁽²⁾ is 12.1%.⁽¹⁾ The BIG W offer was very well positioned to take advantage of the government stimulus packages in FY09. Sales growth over a two year period, while cycling this stimulus, achieved a two year sales CAGR⁽²⁾ of 4.2%⁽¹⁾. Over the last three years, in terms of sales, BIG W has outperformed all other major department stores in Australia with 6.6% sales growth (CAGR⁽²⁾). quantum

(1) Allowing for the impact of the 53rd week in FY08.

(2) Compound Annual Growth Rate.



During the year Woolworths has commenced Quantum. The overall objective is to reduce costs and improve efficiencies across the Woolworths business.

Key elements of the project are:

- Ramnik Narsey has been appointed to head the initiative. Ramnik is one of our most senior executives and has successfully run our Petrol business for eight years.
- It will encompass all aspects of Woolworths operations including:
 - End to End supply chain – move to the next level.
 - Procurement (not for resale) – lowering our costs.
 - Operational work practices – improving efficiency and lowering costs.
 - Global direct sourcing – significantly enhancing capability and lowering costs for the consumer.
 - Support structures – significantly improving efficiency.

Several key initiatives have commenced.

The project follows in the tradition of Project Refresh with benefits emerging in both Gross Margin and CODB which will be shared between customers and shareholders.



strategic investments for growth

- Very good progress has been made on our entry into the retail home improvement sector, together with our joint venturer Lowe's. Our aim is to deliver a multi format strategy designed to meet the everyday **home improvement** needs of Australian consumers. As part of this strategy we completed the acquisition of Danks Holdings Limited, Australia's second largest hardware distributor, supplying 581 Home Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centre stores and over 900 independent hardware stores. During the year we also acquired the business and assets of Gunns Retail Division in Tasmania which included five hardware stores, one timber joinery centre and one truss manufacturing plant. Recently we completed the purchase of the Becks Timber and Hardware business also in Tasmania.
- During the year we purchased a 25% stake in **Gage Roads Brewery** which has positioned us well to continue increasing our exclusive brand offer in beer.
- During the year we also completed the acquisition of **Macro Wholefoods**, consisting of seven existing store leases

and a development site. This purchase enabled the expansion of the Thomas Dux Grocer format in Sydney and Melbourne and provided numerous ranging opportunities for the Macro Wholefoods label within Supermarkets.

- The **Everyday Rewards** program grew at a rapid pace during the year prompted by the Qantas Frequent Flyer affiliation. The program now has 5.1 million registered members, of whom 2.7 million have also registered to earn Qantas Frequent Flyer points. The program now operates in Woolworths Supermarkets, BIG W, BWS and Dick Smith. Registered card holders also receive a range of personalised and targeted offers from participating stores in the Woolworths Group. Whilst we are in the early stages of utilising the information we now have available, our focus over the next few years will be to develop expertise in targeting our customers with compelling offers, making ranging and merchandising decisions based on our customers' shopping activity and communicating more effectively with customers.
- In addition to the very successful **WISH gift cards**, we introduced specific store-branded cards into the range and launched a Gift Card Mall offer across Supermarkets, BIG W, Dick Smith and Petrol prior to Christmas 2009.
- The **Woolworths Everyday Money** credit card continues to grow despite the trend in customer preference towards debit card

payment. The card has won five awards reflecting the excellent value for money offer. In June 2010, we launched the **Woolworths Everyday Money Prepaid MasterCard** initially in Supermarkets and then BIG W. Whilst it is early days for this product, first indications have surpassed expectations.

- We have continued to see savings in **payments acceptance costs** and improvements in customer service at the checkouts as we move to fully leverage our payments processing infrastructure.
- Shopping **online** is becoming an increasingly important part of the Woolworths business with strategies developing across all trading divisions. Online channel sales increased 59% for the year. A new BIG W website was launched in May 2010 with promising traffic to the site and new and expanded product ranges continuing to be added. The Australian Supermarkets and Consumer Electronics online shopping sites have been refreshed to create better shopping experiences and have received very pleasing feedback from customers. Woolworths online supermarket is now operating in all States and Territories. We will continue to invest in this rapidly growing channel to drive incremental sales and profitability.
- Woolworths will continue to be disciplined in its approach to investments, including acquisitions, to drive **value for shareholders**.

supply chain has and will continue to deliver financial benefits

The intellectual property developed in the supply chain teams, IT systems and distribution centres for our Australian Supermarkets business is now being applied to other Woolworths businesses, including New Zealand Supermarkets, BWS, Dan Murphy's, BIG W and Consumer Electronics.

- Work has commenced on the development of the **Next Generation Replenishment** solution which will continue to reduce inventory days as well as save costs in Stores, DCs and Transport.
- The successful commissioning of **Liquor Distribution Centres** in Brisbane, Melbourne and Sydney provides significant ongoing capacity to respond to changing market conditions.
- The application of our AutoStockR systems to liquor has meant that stock levels in our stores have reduced. In our Dan Murphy's business we added 18 new

stores with average store stock levels across the network decreasing together with store back rooms being freed up to increase trading space over time.

- The **National Distribution Centre** in Melbourne is in the process of being re-engineered to significantly improve pick rate efficiency and immediately reduce costs.
- The development of a new **BIG W Distribution Centre** at Hoxton Park in Sydney has commenced. This work is expected to be completed in FY12 and will enable us to improve service and reduce costs.
- Our **global sourcing business** continues to develop rapidly, delivering substantial benefits. We have grown our direct buying volume by over 70% during the year and continue to expand our geographic reach for sourcing product.

establishing leadership in corporate responsibility

During the year, important achievements were made in Corporate Responsibility. Our 2010 annual Corporate Responsibility Report will be published in November, detailing our Sustainability Strategy (2007–2015) achievements. The report will be available at www.woolworthslimited.com.au

Highlights include:

- We reviewed our community investment approach and governance during the year and consolidated under a new Community Investment Strategy with four key focus areas of Sustainability and Environment; Health and Wellbeing; Education and Employment; and Rural and Regional Communities. Examples of this new focus are our announced investments of \$3.25 million in a Fresh Food Farming program and \$2 million in our Fresh Food Rescue program.
- We also made considerable progress on implementing our environmental sustainability strategy 2007–2015. We have continued to reduce carbon emissions through investment in low carbon technologies in our existing stores and building more energy efficient stores. We have reduced carbon emissions from our logistics transportation and from our

Company cars. Supermarkets opened its 51st Green Store in 2010 and BIG W opened its first Green Store in Inverell. Green Stores feature the latest in energy efficient and low carbon technology.

- We have continued to make progress on implementation of our Ethical Sourcing Policy across our buying activities and announced a sustainable sourcing policy for palm oil used in private label products.
- Woolworths continues to maintain focus and drive to achieve best practice in safety and health performance. The goal for safety within Woolworths is 'Destination ZERO': zero harm to our people, our property and our community. For the full year, we achieved a reduction in our Lost Time Injury Frequency Rate (LTIFR) of 34% from the previous year and the number of Lost Time Injuries was also down by 34%. We have also reduced the number of customer related claims by 15% for the same period.

number of green supermarkets

51

lost time injury frequency rate for the full year reduced by

34%

invested into supporting our communities

\$36.3 million

Managing Director's Report

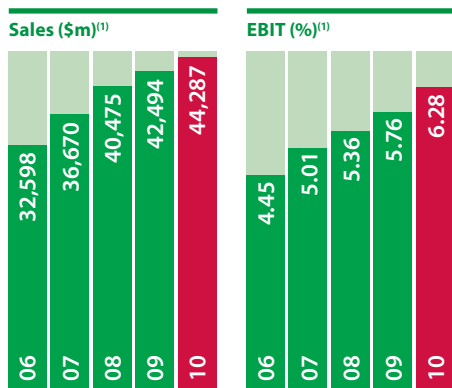
The results in brief

| | FY10 52 weeks \$m | FY09 52 weeks \$m | Change |
|--|-------------------------|-------------------------|---------|
| Sales | | | |
| Australian Food and Liquor | 34,675 | 32,978 | 5.1% |
| New Zealand Supermarkets (NZD) | 5,185 | 4,957 | 4.6% |
| New Zealand Supermarkets | 4,131 | 4,034 | 2.4% |
| Petrol | 5,481 | 5,482 | (0.0%) |
| Supermarket division | 44,287 | 42,494 | 4.2% |
| BIG W | 4,193 | 4,267 | (1.7%) |
| Consumer Electronics – Australia and New Zealand | 1,530 | 1,537 | (0.5%) |
| Consumer Electronics – India | 252 | 187 | 34.8% |
| Consumer Electronics – Total | 1,782 | 1,724 | 3.4% |
| General Merchandise division | 5,975 | 5,991 | (0.3%) |
| Hotels | 1,102 | 1,110 | (0.7%) |
| Home Improvement | 330 | – | N/A |
| Group sales | 51,694 | 49,595 | 4.2% |
| Group sales (excluding Petrol) | 46,213 | 44,113 | 4.8% |
| Earnings Before Interest and Tax (EBIT) | | | |
| Australian Food and Liquor | 2,492.5 | 2,206.9 | 12.9% |
| New Zealand Supermarkets (NZD) | 232.2 | 194.9 | 19.1% |
| New Zealand Supermarkets | 190.4 | 153.9 | 23.7% |
| Petrol | 99.5 | 87.5 | 13.7% |
| Supermarket division | 2,782.4 | 2,448.3 | 13.6% |
| BIG W | 200.0 | 200.2 | (0.1%) |
| Consumer Electronics – Australia and New Zealand | 30.2 | 55.1 | (45.2%) |
| Consumer Electronics – India | 1.3 | (4.3) | N/A |
| Consumer Electronics – Total | 31.5 | 50.8 | (38.0%) |
| General Merchandise division | 231.5 | 251.0 | (7.8%) |
| Hotels | 176.7 | 218.0 | (18.9%) |
| Total trading result | 3,190.6 | 2,917.3 | 9.4% |
| Property expense | 2.5 | (7.2) | N/A |
| Central overheads | (111.0) | (111.6) | (0.5%) |
| Other significant items | – | 17.0 | N/A |
| Group EBIT | 3,082.1 | 2,815.5 | 9.5% |

| | FY10 52 weeks \$m | FY09 52 weeks \$m | Change |
|--|-------------------------|-------------------------|----------|
| Profit | | | |
| Earnings Before Interest, Tax, Depreciation, Amortisation and Rent (EBITDAR) | 5,357.7 | 4,954.6 | 8.1% |
| Rent | (1,477.9) | (1,409.7) | 4.8% |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | 3,879.8 | 3,544.9 | 9.4% |
| Depreciation and amortisation | (797.7) | (729.4) | 9.4% |
| Earnings Before Interest and Tax (EBIT) | 3,082.1 | 2,815.5 | 9.5% |
| Net financing costs ⁽¹⁾ | (211.5) | (189.2) | 11.8% |
| Operating income tax expense | (832.6) | (766.3) | 8.7% |
| Net operating profit after income tax | 2,038.0 | 1,860.0 | 9.6% |
| Non-controlling interests | (17.2) | (24.3) | (29.2%) |
| Total profit after tax and minority interests | 2,020.8 | 1,835.7 | 10.1% |
| Gross profit margin | 25.91% | 25.66% | 0.25%pts |
| Cost of doing business | 19.95% | 19.98% | (0.03%) |
| EBIT to sales | 5.96% | 5.68% | 0.28%pts |
| Returns | | | |
| Funds employed (period end) | 10,575.7 | 9,319.3 | 13.5% |
| ROFE (average) | 31.0% | 31.9% | 0.9%pts |
| Weighted average ordinary shares on issue (million) | 1,232.1 | 1,218.0 | 1.2% |
| Ordinary earnings per share (cents) | 164.0 | 150.7 | 8.8% |
| Diluted earnings per share (cents) | 163.2 | 149.7 | 9.0% |
| Interim dividend per share (cents) | 53 | 48 | 10.4% |
| Final dividend per share (cents) ⁽²⁾ | 62 | 56 | 10.7% |
| Total dividend per share (cents) | 115 | 104 | 10.6% |
| (1) | | | |
| Breakdown of net financing costs | | | |
| Interest expense | (257.4) | (239.6) | 7.4% |
| Less interest capitalised | 30.1 | 17.4 | 73.0% |
| Net interest expense | (227.3) | (222.2) | 2.3% |
| Dividend income | 12.5 | 7.8 | 60.3% |
| Foreign exchange gain | 3.3 | 25.2 | (86.9%) |
| Net financing costs | (211.5) | (189.2) | 11.8% |
| (2) | | | |

Final dividend payable on 15 October 2010 will be fully franked at 30%.

supermarkets woolworths



(1) Includes Liquor, Petrol and New Zealand Supermarkets. Prior year numbers restated to include Wholesale, previously reported separately.

| | FY09 ⁽¹⁾ (52 weeks) | FY10 (52 weeks) | Change |
|---|-----------------------------------|--------------------|----------|
| Sales – Food and Liquor (\$ million) | 32,978 | 34,675 | 5.1% |
| – Petrol (\$ million) | 5,482 | 5,481 | – |
| – Total (\$ million) | 38,460 | 40,156 | 4.4% |
| Gross margin (%) | 24.05 | 24.51 | 46bps |
| Cost of doing business (%) ⁽²⁾ | 18.08 | 18.06 | (2)bps |
| EBIT to sales (%) | 5.97 | 6.45 | 48bps |
| EBIT (\$ million) | 2,294.4 | 2,592.0 | 13.0% |
| Funds employed (\$ million) | 3,316.4 | 3,417.7 | 3.1% |
| Return on funds employed (%) | 74.9 | 77.0 | 2.1% pts |

(1) Includes Wholesale division previously reported separately.

(2) CODB decrease is distorted by Petrol sales.

For the full year Australian Supermarket division sales increased 4.4%, of which Food and Liquor sales grew 5.1%. EBIT grew faster than sales, increasing by \$297.6 million or 13.0% to \$2,592 million. The Australian Supermarket division's EBIT margin increased from 5.97% to 6.45%, an increase of 48bps.

The increase in funds employed reflects the investment in our store network offset by reductions in net inventory. Excluding the impact of incremental liquor stock in the new warehouses, the impact of incremental owned imported inventory and petrol, inventory days reduced by 1.0 day.

The Return on Funds Employed (ROFE) improved to 77.0%. Over the last three years funds employed has increased by \$1.1 billion with incremental EBIT generated of \$909 million representing an 80% incremental return on incremental Funds Employed. ROFE has increased from 64% in 2006 to 77% in 2010.

Over the last three years approximately \$2.6 billion of capital expenditure has been invested into the business. The incremental EBIT over capex invested for that period was 36%.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result, with sales growth of \$1.7 billion or 5.1% to \$34.7 billion. Sales Growth for the year exceeded Market⁽¹⁾ growth. Comparable sales have increased by 3.3% (FY09: 7.4%). This sales result featured a continued low food inflation price index⁽²⁾ which was 1.1% for the year, reflecting deflation in produce and perishables (FY09: 4.1%).

It is pleasing that sales over the last three years have grown by \$6.8 billion or 7.5% CAGR⁽³⁾ (excluding Petrol) reflecting the effectiveness of all our customer initiatives including refurbishments.

Woolworths' Food and Liquor customers are benefiting from significantly reduced shelf prices, improved ranges, focus on fresh foods, great rewards from our Everyday Rewards program and an enhanced shopping experience from our refurbishment program.

We have refurbished approximately 50% of stores to our 2010 format (FY09: 40%). Our Supermarkets format continues to evolve with refinements that improve performance and build on customer feedback. In the new financial year we have commenced trading our new 2015 Market Store, reflecting the evolution of formats as customer behaviours and trends change.

The expansion of our exclusive brand range has continued with the introduction of the Macro Wholefoods Market range into our supermarkets to add to our existing exclusive brands, including Homebrand, Select and Essentials. These ranges continue to gain strong customer acceptance.

Australian Food and Liquor EBIT increased \$285.6 million to \$2,492.5 million or 12.9%. To achieve this EBIT growth off a 5.1% increase in sales reflects the strength of our Food and Liquor business to drive improvements in the Gross Margin and CODB, providing us a greater capacity to re-invest substantially in price and also deliver improved profitability for shareholders. This result was achieved in a challenging trading environment with very low food inflation.

(1) Market is determined by reference to Australian Bureau of Statistics Supermarket and Grocers Retailing turnover for the 12 months to June 2010.

(2) The inflation price index is calculated by comparing the number of products sold in the current year using the current year prices to the number of products sold in the current year using the prior year prices. The price used for this comparison is the standard shelf price. Products on promotion are excluded from the calculation (i.e. the volume of these items sold is removed from both years' sales). The calculation removes the impact of any changes in volume and the distortion of promotional activity.

(3) Compound Annual Growth Rate.



expansion of our exclusive brand range with introduction of macro wholefoods market range

customers benefiting from significantly reduced shelf prices

first 2015 market store now open



18 new dan
murphy's and
20 new petrol
canopies



The improvement of Australian Food and Liquor gross margin is attributable to several factors including continued focus on:

- Further reductions in direct store deliveries in Liquor.
- Improvements in buying, including the benefits gained by increased activity through overseas buying offices.
- Significant savings in shrinkage.
- Improvements in freight costs, as a direct result of freight saving initiatives.
- Expansion and improvement of the exclusive brand ranges.
- Rollout of new formats.

Gross Margin improvements are partly offset by the impact of reduced shelf prices on over 4,400 products.

Australian Food and Liquor has achieved a solid Cost of Doing Business (CODB) reduction particularly in the second half. This was achieved through good cost control in an environment where low food sell price inflation resulted in fixed cost fractionalisation being lower than it has been historically.

We opened 26 new supermarkets during the year. Total trading area in Australian Food and Liquor grew by 4.4%.

Liquor

Dan Murphy's, BWS and Woolworths Liquor all continue to perform well with solid growth in both sales and profits. Group liquor sales (including ALH liquor sales) for the year totalled \$5.6 billion, up 7.7% on last year (FY09: \$5.2 billion). Liquor achieved solid market share growth.

The liquor group exceeded its targeted profit, despite changes to Woolworths' 'Wine Equalisation Tax' arrangements. This is a significant achievement when combined with a more price competitive market and shows the ability of our liquor business to adapt to continually changing circumstances and manage all aspects of the business.

During the final quarter of the financial year we commissioned the Brisbane liquor distribution centre to complement the Melbourne and Sydney liquor distribution centres which commenced operation in the previous financial year. The liquor distribution centre network is maturing ahead of expectations and has been driving excellent inventory management resulting in lower store inventory levels and higher in-stock positions.

We continue to expand our range of exclusive brands. During the year we launched our second full strength beer called 'Dry Dock' which has been manufactured by Gage Road Breweries (in which we hold a 25% interest).

Dan Murphy's opened 18 stores in the year bringing the total number of Dan Murphy's stores to 122. 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 1,208 liquor retail outlets.

Petrol

For the full year, Petrol sales were \$5.5 billion, in line with last year. Petrol comparable sales dollars decreased by 1.7% during the year, however comparable volumes increased 0.7% over the year reflecting customer acceptance of our offer. Average sell prices were 3.4 cents per litre lower than the previous year.

At the end of the year there were 561 petrol stations including 132 Caltex Woolworths alliance sites. We opened an additional 20 petrol canopies during the year.

Petrol EBIT of \$99.5 million increased by 13.7%. The EBIT margin increased from 1.60% to 1.82%.

Store numbers Australian Supermarkets



food and liquor sales grew

5.1%

number of new supermarkets opened during 2009/10

26



supermarkets new zealand

new zealand
supermarkets trading
EBIT increased

17.3%

percentage of
stores that are now
countdown branded

68%



New Zealand Supermarket sales for the year were NZ\$5.2 billion (A\$4.1 billion), a 4.6% (in NZD) increase over last year with comparable sales for the year increased by 4.0%. The food inflation price index for the year was low at 0.9% (FY09: 5.8%). The result, achieved in challenging economic conditions, continues to demonstrate the benefits of the completed integration process and transitioning to a single brand. It reflects the hard work of the New Zealand team to continually improve our customer offer through new formats, improved ranging, exclusive brand growth and improved in-stock position.

Trading EBIT increased 17.3%, with EBIT margins improving to 4.71% (FY09: 4.20%). This is a significant improvement and reflects the results of our planned repositioning of the New Zealand business with the business foundation transformation now complete. We have made progress in reducing the price differential between our business and the equivalent offerings from our main competitor. While re-investment in price has continued, gross profit margins have also improved by 37bps as we realise the benefits of the merchandising, front of store (point of sale) and replenishment (StockSmart and AutoStockR)

core support systems which completed implementation in the first half of 2009. There have been significant improvements in shelf stock availability and reductions in shrinkage.

CODB has reduced 14bps, with cost savings more than offsetting an increase in depreciation resulting from capital expenditure on new stores, refurbishment, shelving and the re-branding program. This reduction was achieved despite low food sell price inflation resulting in fixed cost fractionalisation being lower than it has been historically.

Three new Countdown stores were added during the year in addition to 33 refurbishments. At the end of the year, 68% of our stores were branded Countdown, including all stores on the South Island. Customers are responding well to the rebranding and refurbishments with average sales growth of re-branded stores significantly higher than average sales growth for New Zealand Supermarkets.

Funds Employed reflects the new store and refurbishment activity offset by depreciation and a reduction in inventory holdings.



**Store numbers – New Zealand
(including franchises)**

| | 06 | 07 | 08 | 09 | 10 |
|---------------|-----|-----|-----|-----|-----|
| Store numbers | 198 | 199 | 201 | 202 | 206 |

| | FY09 (52 weeks) \$NZD | FY10 (52 weeks) \$NZD | Change \$NZD |
|---|-----------------------------|-----------------------------|-----------------|
| Sales (\$ million) | 4,957 | 5,185 | 4.6% |
| Gross margin (%) | 21.90 | 22.27 | 37bps |
| Cost of doing business (%) ⁽¹⁾ | 17.70 | 17.56 | (14)bps |
| EBIT to sales (%) ⁽¹⁾ | 4.20 | 4.71 | 51bps |
| Trading EBIT (\$ million) | 208.1 | 244.1 | 17.3% |
| Less intercompany charges (\$ million) | (13.2) | (11.9) | (9.8)% |
| Reported EBIT (\$ million) | 194.9 | 232.2 | 19.1% |
| Funds employed (\$ million) | 2,846.9 | 2,995.5 | 5.2% |

(1) Excludes intercompany charges.

general merchandise big w

**low prices,
the whole
shop, the
whole time**



two year
sales CAGR

4.2%



optical stores across australia

28

Sales for the year decreased 1.7% over the previous year. Comparable sales for the full year declined 3.2% (FY09: 7.1% increase). This result primarily reflects the cycling of the prior year Government stimulus package with sales growth last year of 10.5% (on a 52 week basis), combined with price deflation in key categories including Home entertainment, Toys and Sporting goods. The two year sales CAGR⁽¹⁾ for BIG W is 4.2%⁽²⁾, reflecting solid growth in the business over a two year period.

As consumer spending has tightened, budget conscious customers appreciate BIG W's market-leading everyday low price value proposition, in particular everyday low prices (BIG W prices) on a wide range of quality and national branded products. BIG W continues to focus on value, improving its offer and range, the rollout of new stores, BIG W online (launched in May) and new product categories such as Optical and the new Mambo range of clothing and accessories.

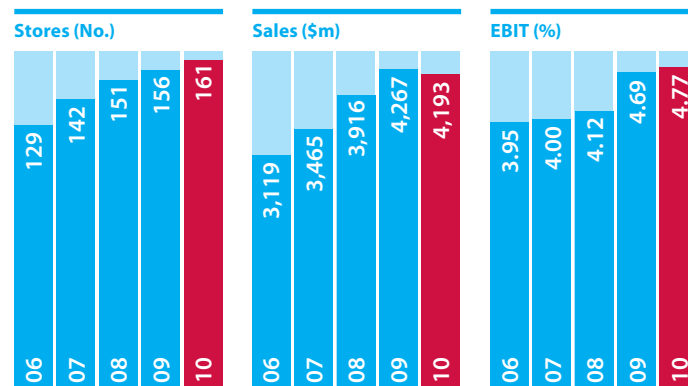
BIG W has continued the rollout of its Optical offer which is now located in 28 stores and complements our focus on home and family. It is a full service optical offer staffed by qualified optometrists and providing a good range of branded frames at very competitive prices.

EBIT for BIG W in FY10 achieved last year's levels (on lower sales). EBIT levels in FY09 were up 25.9%⁽²⁾ on the previous year. On a two year CAGR⁽¹⁾ basis EBIT is up 12.1%⁽²⁾. This is a strong result achieved despite decreased sales and a competitive trading environment resulting from tightened consumer spending and reflects the strength and flexibility of the BIG W business model to respond to changing economic conditions.

The increase in Gross Margin of 61bps primarily reflects the benefits of strong inventory management with reduced markdown activity required to clear seasonal stock and improved buying.

Strong cost control held COBD dollars at approximately last year's level however they increased as a percentage of sales by 53bps as lower sales reduced the ability to fractionalise costs.

During the year we continued to improve the standard of our stores, fully refurbishing 11 stores (FY09: 12), and continuing to retrofit key merchandising initiatives across the network. Six BIG W stores were opened in the year (FY09: five stores), taking the total number of stores in the division to 161. Over 54% of the stores are in the new livery.



| | FY09 (52 weeks) | FY10 (52 weeks) | Change |
|------------------------------|--------------------|--------------------|------------|
| Sales (\$ million) | 4,267 | 4,193 | (1.7)% |
| Gross margin (%) | 29.59 | 30.20 | 61bps |
| Cost of doing business (%) | 24.90 | 25.43 | 53bps |
| EBIT to sales (%) | 4.69 | 4.77 | 8bps |
| EBIT (\$ million) | 200.2 | 200.0 | (0.1)% |
| Funds employed (\$ million) | 634.2 | 789.3 | 24.5% |
| Return on funds employed (%) | 34.1 | 28.1 | (6.0)% pts |

The increase in funds employed reflects the store openings and refurbishment activity and increased inventory up 5.7 days reflecting higher levels of incremental owned imported inventory, in particular inventory required for the toy sale in early July and the impact of winter stock selling through more quickly than normal in FY09 as a result of the Government stimulus spending. BIG W has implemented an automated inventory replenishment system during the second half FY10.

ROFE steadily improved from 30.4% in FY07 to 34.1% in FY09. In FY10, ROFE decreased slightly; however we expect ROFE to continue to improve into the future.

(1) Compound Annual Growth Rate.

(2) Adjusted to remove the impact of the 53rd week in 2008.

general merchandise consumer electronics

sales increase
in new
format store

15%

the best
price and
the right
techxpert
advice



Trading in Australian Consumer Electronics is a tale of two halves. The first half saw solid sales and EBIT growth. The second half was disappointing and impacted by a combination of factors namely cycling the Government stimulus package, lower consumer confidence and spending, intense competition in the Consumer Electronics sector as participants chased lower consumer spend levels, and some industry product supply shortages in the fourth quarter.

The impact of these factors on the second half trading result was exacerbated by the transitioning and repositioning of our network of stores, as we continue to reposition the Dick Smith business.

We are confident in our new format stores as they have strong customer acceptance and are performing relatively better in terms of sales and EBIT. Sales in the new formats for the year increased 15%.

The impacts to the network were:

1. Whilst 42% of the stores have been repositioned to the new customer offer the remaining 58% were more negatively impacted during the year due to the above factors.

2. The significant number of stores refurbished and relocated and staff retrained to deliver the new customer retail experience did create some disruption to the network.
3. Continuing shifts to lower margin products and the clearance of discontinued ranges in the second half in particular.

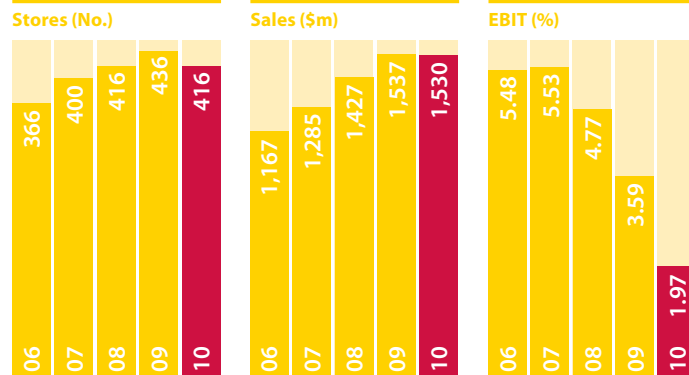
Whilst the management team are focused on improving performance in FY11, the significant task of repositioning the Consumer Electronics business will continue during the year. The key initiatives are:

- **Rollout of new format stores:** Results achieved in the new format Dick Smith stores continue to outperform the older concept stores in both sales and EBIT.
- **Branding, price promise and range:** Our new contemporary logo and signage, 'Dick Smith – Talk to the Techxperts', continues to roll out across the business in conjunction with our price promise, 'The best price and right Techxpert advice'. Our range has been repositioned to be more compelling and relevant to the consumer and we are revamping our exclusive brand offer. We will have exited the Tandy store brand during FY12.

- **Investment in our people:** We have invested in improvements to our recruitment, retention, training and support initiatives for our people. A new staff training program focused on sales techniques and customer service, ensures our staff are trusted and knowledgeable. New e-learning courses on technical product information are increasing our sales staff's confidence and ability to sell the latest technology to customers.
- **Techxpert services:** Our Mobile Techxperts service, offering delivery, installation, troubleshooting and support, was launched in July 2009. The Mobile Techxperts provide in-home consultation helping customers to simplify technology in everyday life. The service is available across the Dick Smith network and is seeing rapid growth in sales.
- **Online:** Our website, www.dicksmith.com.au, has undergone a significant overhaul and was relaunched in August 2009. The refreshed site has created a much improved online shopping experience with pleasing feedback from customers in relation to the ease of use. As a result we have seen online channel sales more than double those achieved in the prior year.

stores repositioned
to new customer
offer

42%



Consumer Electronics (Australia, New Zealand, India)

| | FY09 (52 weeks) | FY10 (52 weeks) | Change |
|------------------------------|--------------------|--------------------|------------|
| Sales (\$ million) | 1,724 | 1,782 | 3.4% |
| Gross margin (%) | 23.74 | 23.08 | (66)bps |
| Cost of doing business (%) | 20.79 | 21.31 | 52bps |
| EBIT to sales (%) | 2.95 | 1.77 | (118)bps |
| EBIT (\$ million) | 50.8 | 31.5 | (38.0)% |
| Funds employed (\$ million) | 367.2 | 383.6 | 4.5% |
| Return on funds employed (%) | 14.2 | 8.4 | (5.8)% pts |

Consumer Electronics Australia

| | FY09 | FY10 | 1st half change | FY09 | FY10 | 2nd half change | FY09 | FY10 | Full year change |
|----------------------------|-------|-------|--------------------|-------|--------|--------------------|-------|-------|---------------------|
| Sales (\$ million) | 681 | 710 | 4.3% | 561 | 550 | (2.0)% | 1,242 | 1,260 | 1.4% |
| Gross margin (%) | 25.72 | 27.50 | 178bps | 28.02 | 25.36 | (266)bps | 26.75 | 26.57 | (18)bps |
| Cost of doing business (%) | 22.58 | 23.63 | 105bps | 25.04 | 26.41 | 137bps | 23.68 | 24.85 | 117bps |
| EBIT to sales (%) | 3.14 | 3.87 | 73bps | 2.98 | (1.05) | (403)bps | 3.07 | 1.72 | (135)bps |
| EBIT (\$ million) | 21.4 | 27.5 | 28.5% | 16.7 | (5.8) | N/A | 38.1 | 21.7 | (43.0)% |

Consumer Electronics Australia growth summary

| | Total | 2010 comparable | Total | 2009 comparable |
|------|-----------------------|-----------------------|--------------------------|-------------------------|
| Q1 | 9.3% | 6.5% | 10.2% | 6.6% |
| Q2 | 0.3% | 0.6% | 11.8% | 7.2% |
| Q3 | (2.4)% ⁽¹⁾ | (1.2)% ⁽¹⁾ | 11.1% ⁽¹⁾ | 7.1% ⁽¹⁾ |
| Q4 | (1.5)% ⁽¹⁾ | 0.6% ⁽¹⁾ | 13.0% ^{(1),(2)} | 8.4% ^{(1),(3)} |
| Year | 1.4% | 1.6% | 11.6% ⁽²⁾ | 7.3% ⁽³⁾ |

(1) Adjusted for the impact of Easter. In 2010 the first week of Easter was in the third quarter and the second week in the fourth quarter. In 2009 Easter was in the fourth quarter and in 2008 Easter was in the third quarter.

(2) Adjusted to reflect the removal of the 53rd week in 2008. Including the 53rd week in 2008 Q4 total sales for Australia increased by 3.8%, Full Year sales increased by 9.6% for Australia.

(3) Comparable sales for the fourth quarter were based on 12 weeks. Comparable sales for the full year were based on 52 weeks.

Consumer Electronics New Zealand

| | FY09 (52 weeks) NZD | FY10 (52 weeks) NZD | Change NZD |
|----------------------------|---------------------------|---------------------------|---------------|
| Sales (\$ million) | 362 | 341 | (5.8)% |
| Gross margin (%) | 24.48 | 24.60 | 12bps |
| Cost of doing business (%) | 18.68 | 21.46 | 278bps |
| EBIT to sales (%) | 5.80 | 3.14 | (266)bps |
| EBIT (\$ million) | 21.0 | 10.7 | (49.0)% |

consumer
electronics
india EBIT

\$1.3 million

Consumer Electronics New Zealand continued to be challenged, with comparable store sales declining 12.1%⁽¹⁾ as the weak economic environment impacted discretionary retailers. Consumer Electronics EBIT is down as tightening of consumer spending in New Zealand and the continued challenging economic environment placed particular pressure on the consumer electronics market resulting in increasing price competition and lower margins.

Consumer Electronics Australia and New Zealand

During the year, the nature of rebates in Consumer Electronics changed in Australia and New Zealand whereby they are all now accounted for in Gross Margin. In the prior year, part of the rebates was included in CODB. When the impact of this is adjusted for in the prior year, Gross Margin for Australia and New Zealand would have declined 149bps and CODB would have increased 13bps.

There were 24 Dick Smith stores opened during the year, 19 Dick Smith and 25 Tandy stores were closed during the year and 40 Tandy stores have been rebranded as Dick Smith, taking total stores to 416 (394 Dick Smith and 22 Tandy).

Average inventory days were up 10.0 days reflecting the impact of new format range changes and lower sales.

Funds employed have increased reflecting the growth in store numbers and an increase in working capital as we expand the range on our repositioned stores.

Consumer Electronics India

The business venture with TATA is still growing, with 50 retail stores operating under the 'Croma' brand, serviced by five 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 and recorded sales of \$252 million during the year, and for the first time made EBIT of \$1.3 million.



(1)
Comparable sales % quoted based on NZD sales.



total number of
consumer electronic
stores across australia
and new zealand

416

**online sales
more than
double the
prior year**



hotels

number of
hotels and clubs

284



| | FY09 (52 weeks) | FY10 (52 weeks) | Change |
|----------------------------|--------------------|--------------------|----------|
| Sales (\$ million) | 1,110 | 1,102 | (0.7)% |
| Gross margin (%) | 83.04 | 82.42 | (62)bps |
| Cost of doing business (%) | 63.41 | 66.39 | 298bps |
| EBIT to sales (%) | 19.63 | 16.03 | (360)bps |
| EBIT (\$ million) | 218.0 | 176.7 | (18.9)% |



Relative to the hotel sector performance our Hotel business continues to prove reasonably resilient reflecting the overall quality of our management team and Hotel portfolio. It is important to note that the Hotel business has provided us with a strong platform for our successful growth in the liquor market and it will continue to do so as we selectively expand this business.

Hotel sales of \$1.1 billion for the year represent a decrease of 0.7% with comparable sales declining 3.0%. This result has been impacted by the cycling of the Government stimulus payments, tightened consumer spending and alterations to the regulatory environment, in particular, reduced trading hours in Queensland and changes to maximum bet and ATM maximum withdrawal limits in Victoria. Comparable gaming sales for the year were down 3.7%.

EBIT decreased 18.9% to \$176.7 million reflecting a change in mix of business, with the lower margin food business increasing and gaming declining. In addition, CODB was impacted by a change of accounting standards where venue acquisition costs may no longer be capitalised, resulting in a charge for the year of \$2.5 million.

The 2012 changes to the Victorian gaming arrangements are well underway. The new structure allows us to own the licences for gaming machines for 10 years and will be beneficial for our Hotel business.

A further six properties were added in the year, taking the total number of hotels and clubs to 284 and a total of 1,358 accommodation rooms.

home improvement

good progress has been made in establishing our home improvement business joint venture with lowe's



With the assistance of Lowe's, store design, layout and ranging of product are very well developed. Combined with the local expertise of the Danks team, we have significant traction in the rapid development of the business.

The supply chain strategy is developed which is a key milestone that will enable a successful national rollout plan.

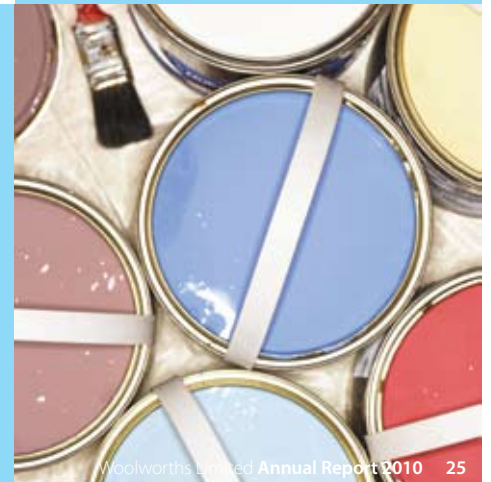
Danks integration has progressed very well and additional integration efforts are under way for the Gunns and Becks businesses acquired in Tasmania. The development of a strategy to develop the Danks wholesale business and the benefits to its customers is well underway.

Of the 150 sites we plan to secure over the next five years, a significant number have been secured, with many more being added to the pipeline. The sites are prime retail sites which are well located in good trading zones. We are on track to open our first store in 2011.

The corporate support office is well established and staffed with an excellent team that has extensive Home Improvement experience in both domestic and international businesses.

With the Lowe's partnership, IT systems have been leveraged to aid in our systems implementation program in an efficient and cost effective manner.

Vendor negotiations are well underway, both domestically and internationally, and a significant number of SKUs have been ranged so far. Through the assistance of Danks and Lowe's, supply arrangements are unfolding expeditiously and favourably.



capital management

cash generated by operating activities

\$2,760

million, up 6% on previous year

amount returned to shareholders since July 2001 over

\$8 billion

(including dividends)

amount of capital to be returned to shareholders in 2010 calendar year over

\$1 billion

(excluding dividends)

Central overheads

Central overheads remained stable at \$111.0 million and include costs associated with various business development activities. There were no significant items during the year, but the prior year included the release of a provision no longer required (\$17.0 million).

Net interest expense and tax expense

Net interest expense of \$227.3 million has increased from the prior year (\$222.2 million) as a result of higher debt levels reflecting the funding of planned capital expenditure and the on-market share buy-back. This was offset partially by an increase in capitalised interest costs relating to store development activity.

Tax expense is 29.0%, down slightly from 29.2% last year, reflecting the benefit of the Government's investment allowance and other minor tax differences.

Balance sheet and cash flow

Our cash flow and balance sheet remain strong.

Cash generated by operating activities was \$2,759.9 million, up 6.0% on the previous year reflecting strong earnings growth. There were two cash timing items namely an increase in prepaid occupancy (\$19.1 million) and an increase in rebates not received at year end (and collected after year end) (\$44.6 million). If these timing items are taken into account cash from operating activities increased by 9.3%, consistent with EBITDA growth.

Net interest paid was well managed increasing 2.2% on last year. Tax payments are up \$94.8 million or 11.8% due to a higher level of tax instalments relative to last year. A refund of excess instalments is expected but was not received by year end; allowing for this timing difference tax instalment payments would have increased by 7.1%.

Key balance sheet movements are explained as follows:

- The year end inventory balance increased by 4.4% (FY09: 9.4%) which compares to Sales increase of 4.8% for the year (excluding Petrol).

- Trade creditors have increased with inventory and general business growth.
- Negative working capital has decreased by \$137.8 million to \$2,298.2 million primarily as a result of increase in receivables of \$263.2 million. The increase in receivables reflects the receivables acquired with the Danks and Gunns businesses as well as property related receivables and deposits.
- Fixed assets and investments increased \$980.7 million from \$6,822.2 million to \$7,802.9 million, primarily reflecting the increase in capital expenditure offset by depreciation.
- Intangibles increased by 2.8% from \$4,933.1 million to \$5,071.0 million, reflecting foreign exchange movements in respect of the New Zealand goodwill and the purchase of goodwill and intangibles with the acquisitions of Danks, Macro, individual hotels, stores and liquor licences.
- Net repayable debt (which includes cash, borrowings, financial assets and financial liabilities) has increased by \$528.5 million to \$2,991.6 million reflecting the increased borrowings due to capital expenditure activity and share buy-backs.
- An on-market share buy-back was undertaken during the year with \$325 million spent to acquire 12.1 million shares.

Objectives

Woolworths currently sets its capital structure with the objective of enhancing shareholder value through optimising its weighted average cost of capital while retaining flexibility to pursue growth and undertake capital management initiatives. Consistent with this objective, Woolworths has targeted, achieved and maintained its strong credit ratings of A- from Standard and Poor's and A3 from Moody's Investor Services, which underpin our debt profile.

Capital returns

Woolworths will seek to return capital to shareholders when that is consistent with its capital structuring objectives and where it will enhance shareholder value. Since July 2001, over \$8 billion has been returned to shareholders through dividends and on-market and off-market buy-backs (including the final dividend for the financial year ending 27 June 2010).

The \$700 million off-market buy-back announced 26 August 2010 is the next step in Woolworths' ongoing capital management program. Capital management initiatives will continue to be assessed in light of investment and growth opportunities available to the Company, the Company's focus on maintaining a strong credit rating, the capital markets environment from time to time and the overarching objective of enhancing long-term shareholder value.

The combination of the on-market share buy-back conducted by Woolworths in the first half of Calendar 2010 and the \$700 million off-market share buy-back announced 26 August 2010, means that Woolworths will be returning over \$1 billion of capital (excluding dividends) to shareholders in the 2010 calendar year.

The off-market share buy-back and payment of the October 2010 dividend will return over \$500 million in franking credits to Shareholders. Woolworths expects that after these events there will be approximately \$1 billion of franking credits available for future distribution.

Financing transactions

It is intended that the off-market buy-back will be ultimately financed via long-term debt issued into both domestic and international (in particular the US) debt capital markets within the coming months, subject to financial market conditions. In the interim, Woolworths has access to sufficient undrawn bank facilities to fund the buy-back.

The maturity profile of our debt facilities is such that the only immediate need to refinance any long-term debt in the current financial year is an A\$350 million medium-term note maturing in March 2011. Refinancing requirements immediately following this include an A\$600 million hybrid note (a perpetual instrument whose non-call period ends in September 2011), followed by US\$300 million in US 144A notes (hedged at A\$410 million) maturing in November 2011. Pre-funding these maturities is under consideration.

Supply Chain and Logistics initiatives

Food and Liquor

The transformation of our Supermarket supply chain has been driven through our unique systems StockSmart (distribution centre forecast based replenishment), AutoStockR (store forecast based replenishment), Warehouse Management Systems and Transport Management Systems. We will continue to create a competitive advantage in this area as we invest in systems which further enhance our supply chain capability. We are actively transferring this intellectual property across the Woolworths Group, with AutoStockR now implemented across BIG W stores, New Zealand Supermarkets and our liquor stores. Work has commenced on the development of the Next Generation Replenishment solution which will continue to reduce day's inventory as well as save costs in Stores, DCs and Transport.

The financial performance of our Supply Chain program continues to benefit the bottom line and further returns will continue as the DC infrastructure reaches greater efficiency levels through product ranging and asset utilisation. These benefits will underpin our targeted and consistent reduction in CODB.

The continuing development of our Food and Liquor Supply Chain will result in further productivity improvements.

The liquor distribution network has been further developed by the successful commissioning of the Brisbane Liquor DC in the last quarter of FY10 which complements the Melbourne and Sydney Liquor DCs, commissioned in the previous financial year. The network is now well positioned to support continued growth of our liquor business. Construction of the Tasmanian Regional Distribution Centre will commence in the first half of this financial year, with completion planned for FY12.

Woolworths is investing in the re-engineering of the National Distribution Centre located in Mulgrave (VIC). This involves significant software and hardware upgrades and increases capacity on the site with an extension of existing automation. These changes will significantly improve pick rate efficiency and immediately reduce costs. Work is well progressed in Mulgrave with completion expected by the end of FY11. The refurbishment of our two automated sites at Hume (VIC) and Minchinbury (NSW) continues to progress well and we are on target to complete this work in the first half of FY11, which significantly extends the life of these DCs.

Further development of the Bunbury (WA) Meat processing and distribution operation is planned with work commencing in early FY11. This will improve the efficiency of both the meat processing and distribution to our supermarkets in Western Australia.

The rollout of the outbound Metro Transport Model continues. Perth and Adelaide were commissioned in FY10 and the next phase is planned for Brisbane in the first half of FY11. This involves Woolworths' ownership of specifically designed trailers and the deployment of industry leading capacity planning, optimisation and freight tracking systems. We have also developed a new rail strategy, the first phase of which was implemented in the last quarter of FY10 on the Adelaide to Northern Territory corridor. We are working closely with rail providers to deliver a more cost effective 'end to end' solution and plan to focus on the east-west and north-south corridors in FY11.

BIG W, Consumer Electronics and New Zealand Supermarkets

Woolworths is now well advanced in transforming the remaining part of the network in BIG W, Consumer Electronics and New Zealand Supermarkets.

New Zealand Supermarkets

The ongoing process of rolling out the supply chain strategy in New Zealand Supermarkets is progressing well, delivering improved service and lower cost. In Auckland we are well advanced with a new NDC project which is expected to complete during FY11. The AutoStockR replenishment system has delivered a major increase in product availability.

BIG W

The Quicksilver program, commenced in 2007, is focused on transforming the flow of merchandise to stores to support BIG W in delivering the right product, to the right stores, at the right time. The program is progressing on schedule with significant progress made on a number of key initiatives.

The most significant of these initiatives is the development and implementation of a more advanced store forecast based replenishment system that builds on the capabilities of AutoStockR. The accelerated rollout across the entire BIG W store network was successfully completed in FY10.

The development of a third BIG W DC at Hoxton Park in Sydney is progressing well with work on the site recently commenced.

We have strengthened our merchandise financial planning capabilities.

These initiatives are important formulations for BIG W's future business growth.

Consumer Electronics

Consumer Electronics continues to leverage off work completed by Australian Supermarkets Supply Chain implementing a range of initiatives that have driven costs down. New DC capacity at Hoxton Park is expected to drive further cost reductions in FY12 and beyond.

The DCs in India continue to deliver efficiency improvements and benefits from International Logistics. We are now well placed to support further retail expansion. We are currently working through improvements in forecasting and changes to our replenishment approach.

Home Improvement

Design of the future Home Improvement Supply Chain Network has been completed and implementation of the first phases will commence in FY11. Much of the design involves leveraging Lowe's current operations and processes and leveraging the systems and decision support tools currently used in our Food and Liquor and General Merchandise supply chains.

Global Sourcing

Global Sourcing has had another strong year, growing our direct buying volumes by over 70% and expanding our activities into more countries and product categories. Significant opportunities are available to continue to grow this business, improving the quality of goods and further reducing our costs.

We continue to develop our international supply chain, improving the flow of stock and reducing our inventory levels through the development of our ordering capability and network improvements, and utilising the improved visibility gained through our tracking system.

Progress continues to develop our international logistics capability to support our growth plans. This includes a major review of our international logistics network which resulted in a reduction in the number of consolidation partners to two. We have also increased the number of consolidation facilities employed to support an improved flow of merchandise and introduced a single, comprehensive order tracking system. Further development will continue.

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 (excluding Petrol) to grow in the upper single digits assisted by bolt-on acquisitions.
- EBIT growth outperforming sales growth assisted by cost savings.
- NPAT growth in the lower double digits.
- EPS growth outperforming EBIT growth assisted by capital management over the longer term.
- CODB reduction of 20bps per annum (minimum) – when Petrol and Hotels are excluded. This is underpinned by our supply chain capabilities.
- Maintenance of targeted credit ratings.

Defined plans to continue space rollout

Space rollout is supported by detailed plans for the next three to five years identifying specific sites. Minimal cannibalisation is expected.

Outlook

We expect Net Profit After Tax for FY11 will grow between 8% and 11%. The above guidance is subject to the extent of any impact from the following:

- Consumer confidence levels
- Inflation
- Interest rates
- Global economic conditions

Defined plans to continue space rollout

Gross store openings in FY10

| | | Target |
|--------------------------|--|---|
| Australian Supermarkets | 26 Supermarkets 8 Thomas Dux Grocer | 15-25 new Supermarkets per annum 3%+ space growth |
| New Zealand Supermarkets | 3 | 3-5 new Supermarkets per annum |
| Dan Murphy's | 18 | Target of 150+ stores |
| BWS | 37 | Plans to open 10 stores (net) per annum |
| Petrol | 20 | Will grow supporting the supermarket rollout strategy |
| BIG W | 6 | 4-5 stores per annum targeting 200+ stores |
| Consumer Electronics | 24 | Schedule to convert all Consumer Electronics stores to the new concept format within the next two years |
| Hotels (ALH Group) | 6 | Acquired selectively as opportunities arise |

expected net profit
growth after tax for FY11

8-11%

global sourcing has
grown our direct buying
volumes by over

70%





board of directors

James Alexander Strong AO
Chairman

Chairman: Nomination Committee, Member: Audit, Risk Management and Compliance Committee and People Policy Committee.

Mr Strong is currently Chairman of Kathmandu Holdings Limited (October 2009 to date) and the Australian Council for the Arts. He is also a Director of Qantas Airways Limited (2006 to date), a member of the Australian Grand Prix Corporation and a member of the Nomura Australia Advisory Board.

Mr Strong was Chairman of Insurance Australia Group Limited (IAG) (Director 2001 to August 2010), Chief Executive and Managing Director of Qantas Airways Limited (1993 to 2001), Chairman of Rip Curl Group Pty Limited (Director from 2001 to 2008), Group Chief Executive of DB Group Limited in New Zealand, National Managing Partner and later Chairman of law firm Corrs Chambers Westgarth, Chief Executive of Trans Australian Airlines (later Australian Airlines) and Executive Director of the Australian Mining Industry Council.

Mr Strong has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia. In 2006 he was made an Officer of the Order of Australia.

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

Age: 66.

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 and 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 is also Chair of the Australian National Retailers' Association and a Director of The Consumer Goods Forum, the peak global body for food/grocery retailers and manufacturers.

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

Age: 57.

John Frederick Astbury
FAICD

Chairman, Audit, Risk Management and Compliance Committee (since July 2010), and Member, Nomination Committee. He is also a Director of Hydrox Holdings Pty Ltd and Chairman of its Audit Committee (since October 2009).

Mr John Astbury was a Director of AMP Limited from September 2004 to October 2007 and of Insurance Australia Group Limited from July 2000 to August 2007. 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: 66.

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

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

Dr Deane is the Chairman of the New Zealand Seed Fund (2000 to date), the IHC Foundation (2006 to date) and was appointed Chairman and Director of Pacific Road Group Pty Limited in January 2010. He is Patron of New Zealand's largest charitable organisation, the IHC. He was previously Chairman and a Director of Fletcher Building Limited (2001 to March 2010), Telecom Corporation of New Zealand Limited (1999–2006), having been CEO 1992–1999), Te Papa Tongarewa, The Museum of New Zealand (2000–2006) and ANZ National Bank Limited (1999–2006), a Director of ANZ Banking Group Limited (1994–2006) and TransAlta Corporation (2000–2003), Chief Executive of the Electricity Corporation of NZ Limited (1987–2002), Chairman of the State Services Commission (1986–1987), Deputy Governor of the Reserve Bank of NZ (1982–1986), Chairman of the City Gallery Wellington Foundation (1998–2006) and Professor of Economics and Management at Victoria University of Wellington (2000–2003).

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

Age: 69.

Diane Jennifer Grady AM
BA Hons, MA, MBA

Member: Audit, Risk Management and Compliance Committee and Nomination 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 (2002 to date) and Goodman Group (2007 to date) and formerly of Lend Lease Corporation Ltd (1994–2002), Wattyl Limited (1994–2006) and the Sydney Opera House Trust. She is a senior adviser to McKinsey & Co., and Chairman of the Council of Governors 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: 62.



Carla (Jayne) Hrdlicka
BA, MBA

Member: People Policy Committee and Nomination Committee.

Ms Hrdlicka holds a Bachelor of Arts degree in Economics and Business Administration from the Colorado College, Colorado Springs, Colorado USA and an MBA from Dartmouth College, Hanover, New Hampshire USA.

Ms Hrdlicka is an experienced executive and adviser. She was a senior partner with management consulting firm Bain & Company where she led the Asia region Customer Strategy practice for eight years. She is a recognised leader globally on the topic of customer led growth and loyalty. She has held numerous leadership positions within the firm including being a founding member of the Bain's Global Women's Leadership Council. Ms Hrdlicka has worked across many industries and geographies and has extensive experience in Consumer Products, Retail and Alcoholic Beverages.

Prior to her consulting career, she was an executive in the publishing and marketing industry.

In August 2010, she joined Qantas Airways to run Group Strategy and a growth related transformation program. She is also a member of the Sydney Medical School Deans Advisery Board.

Ms Hrdlicka was appointed a Director of Woolworths Limited in August 2010.

Age: 48.

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

Member: Nomination Committee; Audit, Risk Management and Compliance Committee; member of Audit, Risk Management and Compliance Committee from August 2010, and member of People Policy Committee until August 2010; Chairman of 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. Mr L'Huillier is currently a Director of the Melbourne Rebels Rugby Union Ltd (appointed December 2009).

Mr L'Huillier was previously a member of the Policy Board of Price Waterhouse, Chairman and Chief Executive of the Transport Accident Commission, a Director of MPG Logistics and former Chairman of the Australian 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: 67.

Ian John Macfarlane AC
BEc (Hons), MEC

Member: Audit, Risk Management and Compliance Committee and Nomination 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. 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 (since 2007), Leighton Holdings Limited (since 2007) and of the Lowy Institute for International Policy (since 2003). He is a member of the International Advisory Board of Goldman Sachs (since 2007), the International Advisory Board of Temasek Holdings (Private) Limited (since 2010) and the International Advisory Board of the China Banking Regulatory Commission (since 2010). Mr Macfarlane is also a member of the Asian Advisory Board of Champ Private Equity (since 2008).

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

Age: 64.

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: 52.

Alison Mary Watkins
BComm, FCA, FSIA, MAICD

Formerly Chairman, Audit, Risk Management and Compliance Committee; Member, People Policy Committee and Nomination Committee (until July 2010).

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

Ms Watkins retired as a Director of Woolworths Limited in July 2010 to become Chief Executive Officer (CEO) of GrainCorp Limited. She was CEO of investment and funds management business the Bennelong Group until July 2010 and is a Director of ANZ Banking Group Limited (2008 to date). She is President of the Victorian Division of the Australian Institute of Company Directors (AICD) and a member of the national board of AICD.

Her recent career also includes leadership roles in retail, agriculture and food processing. She was previously a Non-Executive Director of Just Group Limited (2004 to 2007) and of National Food Industry Strategy Limited. She was Chief Executive 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 and with McKinsey and Company, including as a partner of the firm.

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

Age: 47.

management board

Michael Luscombe
Managing Director and
Chief Executive Officer

Tom Pockett
Finance Director

Greg Foran
Director
Supermarkets,
Liquor and Petrol

Julie Coates
Director
BIG W



Peter Horton
Group General Counsel
and Company Secretary

Grant O'Brien
Chief Operating Officer
Australian Food and Petrol

Kim Schmidt
Director
Human Resources

Andrew Hall
Director
Corporate and Public Affairs



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 27 June 2010.

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 | |
| R S Deane | |
| D J Grady | |
| C J (Jayne) Hrdlicka | (appointed 10 August 2010) |
| L M L'Huillier | |
| I J Macfarlane | |
| A M Watkins | (retired 31 July 2010) |

Executive Directors

| | |
|-------------|---|
| MG Luscombe | Managing Director and Chief Executive Officer |
| TW 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 30 to 31.

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 3,199 stores and more than 188,000 employees. The Company operates 975 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's, Woolworths/Safeway attached liquor outlets and through supermarket outlets in New Zealand.

The petrol retailing division has 561 canopies at year end across Australia which are co-branded Woolworths/Caltex. The general merchandise division services customers' everyday needs through 161 BIG W stores and supplies consumers with the latest technology through Dick Smith and Tandy stores operating throughout Australia and New Zealand in 416 outlets. The business venture with TATA in India now provides wholesale services to 50 retail stores operating under the 'Croma' brand. The Hotel division includes 284 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 \$2,020.8 million (2009: \$1,835.7 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 29 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.

| | <i>Franking tax rate</i> % | <i>Dividend</i> <i>Cents per share</i> | <i>Total paid/payable</i> <i>\$m</i> |
|---|-------------------------------|---|---|
| Final 2009 Dividend Payable on 9 October 2009 | 30 | 56 | 691.9 |
| Interim 2010 Dividend Paid on 23 April 2010 | 30 | 53 | 657.2 |
| Final 2010 Dividend Payable on 15 October 2010 | 30 | 62 | 766.4 |

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 2,098,325 fully paid ordinary shares as a result of:

- (i) the issue on 9 October 2009 of 3,236,818 fully paid ordinary shares and the issue on 23 April 2010 of 3,214,594 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan. Neither the 2009 final dividend nor the 2010 interim dividend was underwritten and a cap of 20,000 maximum share participation in the Dividend Reinvestment Plan was in operation for both dividends;
- (ii) the issue on various dates, for cash at the relevant exercise price, of 7,726,614 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); and
- (iii) On-market Share buy-back. On 26 February 2010, Woolworths Limited announced a proposed \$400 million on-market share buy-back. At 27 June 2010, 12,079,701 shares with a value of \$325 million have been bought back and subsequently cancelled under the buy-back from 23 March 2010 to 27 June 2010.

Grant of options

On 27 November 2009 an offer was made under the Long-term Incentive Plan (LTIP) with an effective date of 1 July 2009 granting 4,124,850 options and 958,070 performance rights with stringent performance measures relating to EPS and TSR hurdles.

A further 80,000 performance rights were offered under the Retention Plan with effective dates of 1 November 2009 and 24 December 2009.

Between 27 June 2010 and 27 August 2010, 78,000 shares were allotted as a result of the maturity of retention rights under the LTIP in 2007 and 2008, and the exercise of options granted under the LTIP in July 2005, July 2006 and July 2007.

Matters subsequent to the end of the financial period

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 27 June 2010.

Final dividend

On 20 August 2010, the Directors declared a final dividend of 62 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 15 October 2010.

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 purchased various building supplies and services totalling \$61,428,390 (2009: \$75,656,952) 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 purchased various building supplies and services totalling \$19,542,987 (2009: \$20,299,852) 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.

ALH Group purchased various marketing services totalling \$287,345 (2009: \$300,316) from Capricornia Pty Ltd, a company which Mr Bruce Mathieson is a related party. Amounts relate to a pro-rata of shared marketing costs associated with the promotion of two ALH accommodation properties jointly with one Capricornia accommodation property.

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 and competitive tender.

Directors' interests in shares/options

Particulars of Directors' relevant interests in shares and options in the Company as at 27 August 2010 are set out below:

| <i>Director</i> | <i>Shares</i> | <i>Options</i> | <i>Performance rights</i> |
|-----------------|---------------|----------------|---------------------------|
| J A Strong | 70,479 | – | – |
| M G Luscombe | 523,290 | 1,580,000 | 61,175 |
| J F Astbury | 12,797 | – | – |
| R S Deane | 40,000 | – | – |
| D J Grady | 36,259 | – | – |
| C J Hrdlicka | Nil | – | – |
| L M L'Huillier | 30,000 | – | – |
| I J Macfarlane | 8,000 | – | – |
| T W Pockett | 133,000 | 955,000 | 30,588 |
| A M Watkins | 11,859 | – | – |

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 27 June 2010 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, 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.

Meetings attended/held while in office

| <i>Directors</i> | <i>Board Meetings</i> | <i>Ad hoc Board Meetings</i> | <i>Audit, Risk Management and Compliance Committee</i> | <i>People Policy Committee</i> |
|--|-----------------------|------------------------------|--|--------------------------------|
| J A Strong ⁽¹⁾⁽²⁾⁽³⁾ | 10/10 | 2/2 | 7/7 | 4/4 |
| M G Luscombe | 10/10 | 2/2 | 7/7 | 4/4 |
| J F Astbury ⁽¹⁾⁽³⁾⁽⁶⁾ | 10/10 | 2/2 | 7/7 | – |
| R S Deane ^{(2a)(3)} | 10/10 | 1/2 | – | 4/4 |
| D J Grady ⁽¹⁾⁽³⁾ | 9/10 | 2/2 | 6/7 | – |
| L M L'Huillier ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ | 10/10 | 2/2 | – | 4/4 |
| I J Macfarlane ⁽¹⁾⁽³⁾ | 10/10 | 2/2 | 7/7 | – |
| T W Pockett | 10/10 | 2/2 | 7/7 | 4/4 |
| A M Watkins ^{(1a)(2)(3)} | 10/10 | 2/2 | 7/7 | 4/4 |

Notes

- (1)** Member of the Audit, Risk Management and Compliance Committee.
- (1a)** Chairman of the Audit, Risk Management and Compliance Committee during the period.
- (2)** Member of the People Policy Committee.
- (2a)** Chairman of the People Policy Committee.

- (3)** Member of the Nomination Committee which meets at the same time as the Board meetings.
- (4)** Chairman of the Woolworths Group Superannuation Plan's Policy Committee.

- (5)** Director of ALH Group Pty Limited and Chairman of its Audit Committee.
- (6)** Director of Hydrox Holdings Pty Ltd and Chairman of its Audit, Risk Management and Compliance Committee.

1. Introduction

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

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

Woolworths has an achievement and performance-oriented culture which our remuneration policies drive and support. In recognising the importance of our people to our success, approximately 40,000 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' approach to remuneration is in line with principles endorsed by the Australian Institute of Company Directors, Australian Employee Ownership Association and Australian Shareholders Association.

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 restrictive covenants on future employment by competitors.

3. Role of the People Policy Committee

The Committee works closely with management to review processes and programs to ensure the Remuneration Policy is implemented. The Committee also obtains independent external advice on key remuneration issues, as required. The Committee oversees management 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;
- protects the safety and health of its employees, customers, contractors and visitors;
- undertakes the appropriate performance management, succession planning and development activities and programs;
- provides effective remuneration policies having regard to the creation of value for shareholders and the external remuneration market;
- provides a safe working environment for all employees;
- complies with relevant legal and regulatory requirements and principles of good governance; and
- reports to shareholders in line with required standards.

In terms of remuneration, the People Policy Committee is specifically responsible for annually:

- reviewing and approving the structure of short-term incentive plans to ensure they are designed to effectively reward the achievement of Company and individual objectives;
- reviewing the implementation and outcome of short-term incentive plans to ensure individuals are fairly and equitably rewarded within the Company's cost parameters;
- reviewing the design of all long-term incentive and equity plans to determine:
 1. if Company objectives are met;
 2. compliance with the legislative and regulatory environment;
 3. alignment to industry standards; and
 4. overall cost effectiveness;
- reviewing and approving categories of employees who will be eligible to participate in long-term incentive and equity plans; and
- recommending to the Board, for approval, the overall structure and level of participation in the plans.

The Committee also reviews and recommends to the Board, for approval, the remuneration structure for the Non-Executive Directors; however, the CEO's remuneration is the responsibility of the Chairman in direct consultation with the full Board.

Membership of the Committee consists of four independent Non-Executive Directors who for the financial year were Roderick Deane (Chair), James Strong, Leon L'Huillier and Alison Watkins. The members' attendance at meetings of the People Policy Committee is set out on page 36.

4. Remuneration structure 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 on target performance varies with the level and complexity of the role so that generally, the 'at risk' component increases with accountability. In order to align reward to performance, Woolworths requires a significant proportion of senior executives' total potential reward to be at risk. To ensure alignment, 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:

| | Percentage of total target remuneration | | |
|-------------------------|---|-----------------------------|----------------------------|
| | | Target | Target |
| | Fixed remuneration | short-term incentive (STIP) | long-term incentive (LTIP) |
| | % | % | % |
| Executive Directors | 33 | 33 | 33 |
| Direct reports to CEO | 40 | 30 | 30 |
| Other senior executives | 60 | 20 | 20 |

5. Base salary

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. External consultants are engaged by and report to the People Policy Committee to work with management to conduct a review of key management personnel (KMP) salaries. Whilst remuneration reviews are conducted annually, there are no guaranteed remuneration increases. Any increases are determined by individual performance, economic indicators and market data.

6. 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 calculated based on financial year results and is based on a maximum percentage of the executive's base salary, except for the CEO and Finance Director STIPs which are calculated on fixed remuneration.

STIP is payable upon the achievement of a number of measures, with 60% to 70% of the total maximum percentage based on key financial objectives and 40% to 30% based on non-financial or individual objectives.

There are four main financial key result areas (KRAs) that are standard in plans and are designed to ensure the Company achieves long-term sustainable profitable growth. These KRAs are cascaded from total Group results down to department level.

In line with the Company's strategy of achieving long-term sustainable profit growth, it was recognised that non-financial measures also impact profitability so non-financial measures such as reducing staff turnover rates and improving performance in areas such as safety, shrinkage, inventory control and food safety compliance ratings have been targeted to provide a balanced approach. In line with achieving our 'Destination Zero' objectives, safety measures have been added to or increased in all STIPs to ensure there is sufficient focus on both employee and customer safety.

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 and are designed to deliver improvements on the prior year's results. This results in each executive having a STIP that is directly linked to their annual business objectives. 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.

STIPs for each financial year are not paid until the release of Woolworths' financial results to the ASX.

7. Long-term incentives

7.1 Overview

Woolworths' long-term incentive plans have been in place, in various forms, since 1993 and are 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.

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 Long-term Incentive Plan (LTIP) which provided the Company with greater flexibility to determine whether to use options or a number of other alternatives such as performance rights, performance shares or cash. Following is a summary of the plans from 1999.

| Financial year | Plan type | Vesting period (years) ⁽¹⁾ | Exercise period (years) ⁽¹⁾ | Options | Performance rights | Total |
|--------------------------|-----------|---------------------------------------|--|---------|--------------------|-------|
| 1999–2001 | EOP | 5 | 10 | 100% | – | 100% |
| 2002–2004 | EOP | 5 | 5.5 | 100% | – | 100% |
| 2005–2007 | LTIP | 5 | 5.5 | 100% | – | 100% |
| 2008–2009 ⁽²⁾ | LTIP | 4 | 5.5 | 50% | 50% | 100% |

Notes

(1)
Measured from grant date.

(2)
Based on value to individual.

Since 2002, eligibility to participate in long-term incentives has been linked to executives entering into Service Agreements that offer the Company protection, management stability for shareholders and clarity for executives. Effective from 2003 all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to receive long-term incentives and for FY10 buyers from Home Improvements and Consumer Electronics also became eligible. Where new participants are not executives and therefore not required to enter Service Agreements, it is a condition of the long-term incentive plan offer that these participants are required to enter into amended terms and conditions of employment that offer similar protection to the Company and shareholders.

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 incentives.

7.2 Performance measures

Both the EOP and LTIP use the same two performance measures, each worth 50% of the total grant, however vesting is subject to different performance hurdles which must be met before vesting occurs. The hurdles are explained in detail in the relevant section. For both plans the two performance hurdles are based on cumulative earnings per share (EPS) growth and relative total shareholder return (TSR) measured over the performance period.

- EPS and TSR were chosen as performance measures to retain a balance between an external, TSR, and internal, EPS, measure of success and are directly linked to the Company's objectives of long-term profitable sustainability;
- basic EPS is measured as the net profit of the consolidated entity after non-controlling 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;
- relative TSR measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured 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 the S&P/ASX100 comparator companies, excluding companies in the ASX classified as financial services 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 during the measurement periods;
- the percentage of the total number of instruments granted that vest is dependent on Woolworths' ranking relative to the performance of the comparator companies; and
- TSR performance measurement for the purpose of calculating the number of instruments to vest is subject to testing by our independent auditors.

7.3 Option exercise price

For both EOP and LTIP the exercise price of options is set at the volume weighted average market price of Woolworths Limited's ordinary shares on the five trading days prior to the date approved by the Board, generally 1 July annually, as the effective date for the purpose of determining the exercise period and performance hurdles.

7.4 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 27 June 2010, there were 153,600 options outstanding 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.

The Executive Option Plan has the following features:

- 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;

- for offers made from 2002 the 50% EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%;
- the fifth tranche is comprised of the 50% TSR component which vests progressively where TSR equals or exceeds the 60th percentile of the comparator group up to the full 50% vesting where TSR equals the 75th percentile of the comparator group; and
- no further grants have been made under this plan since 2004.

7.5 Woolworths Long-term Incentive Plan (LTIP)

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 allows the Board flexibility to determine which of the Sub-Plans' awards will be granted to deliver the overall LTIP objectives.

From 2005 to 2007 the Option Sub-Plan was used to satisfy Woolworths LTIP requirements. Offers made in 2008 and 2009 used a combination of the Option Sub-Plan and the Performance Rights Sub-Plan. Irrespective of Sub-Plan, stringent performance measures are set annually and relate to EPS and TSR hurdles. The Performance Shares and Cash Award Sub-Plans have not been used.

Summary of Sub-Plans

| | <i>Delivers a right to acquire...</i> | <i>Subject to performance hurdles being met and...</i> |
|-----------------------------|---------------------------------------|--|
| Option Sub-Plan | A share at a future date | Payment of an exercise price |
| Performance Rights Sub-Plan | A share at a future date | No monetary payment |
| Performance Shares Sub-Plan | A share immediately | No monetary payment |
| Cash Award Sub-Plan | Cash at a future date | No other condition |

In addition the Performance Rights Sub-Plan has been used as a Retention Plan since 2007 to ensure that key employees are retained to protect and deliver on the Company's strategic direction. It has been delivered to senior executives who had either no or relatively small option grants scheduled to vest over the ensuing two years. This plan does not have performance measures attached to it due to the objective of retaining key talent and vests subject to the executive remaining employed by the Company for a two year or more period. It is intended that this plan be used only in special circumstances.

Summary of outstanding Instruments Granted under LTIP (as at 27 June 2010)

| <i>Year</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>Total</i> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Options | 5,273,547 | 6,749,250 | 8,157,500 | 5,314,250 | 4,062,550 | 29,557,097 |
| Performance Rights | – | – | – | 1,013,984 | 943,920 | 1,957,904 |
| Retention Performance Rights | – | – | 40,000 | 65,000 | 95,000 | 200,000 |

The LTIP has the following features:

- A maximum exercise period of five and a half years;
- Upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share;
- For offers from 2005 through to 2007:
 - an exercise period that commences after five years, subject to performance hurdles being met;
 - the 50% EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%; and
 - a fifth tranche comprised of the 50% TSR component which vests progressively where TSR equals or exceeds the 60th percentile of the comparator group up to 50% vesting where TSR equals the 75th percentile of the comparator group.
- For offers from 2008 through to 2009:
 - a four year vesting period that may commence vesting after three years, subject to performance hurdles being met;
 - if the minimum performance hurdles are not met after three years, nothing vests and the measures will be tested at the end of four years;
 - where any performance measures are met after three years, nothing further vests at the end of four years;
 - the 50% EPS component vests progressively upon attaining average annual growth of 10%. At 10% growth, 12.5% EPS will vest with the full 50% vesting at an average annual growth of 15%; and
 - the 50% TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group. At the 51st percentile, 12.5% TSR will vest with the full 50% vesting where TSR equals the 75th percentile of the comparator group.

Securities Dealing Policy

The Woolworths Securities Dealing Policy was reviewed in September 2008. As part of the policy all members of the senior management team have signed a declaration that they have not entered into any arrangements that would contravene the policy.

Under the policy, executives may not enter into any derivative (including hedging) transaction that will protect the value of unvested securities issued as part of the Woolworths Long-term Incentive Plan.

Compliance with the 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 derivative transaction in relation to their unvested Woolworths securities.

Woolworths does not have holding locks in place on any of the long-term incentive schemes. The proposed changes in relation to the Productivity Commission into Executive Remuneration, if accepted, will therefore require no change to the policy.

7.6 Conditional entitlement to share 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.

| | Opening balance No. | Options and performance rights granted as remuneration ⁽¹⁾ | | Options exercised ⁽²⁾ | | Options and performance rights holding at 27 June 2010 ⁽³⁾ No. | Options vested at 27 June 2010 | | | Vested during the year No. |
|--------------------------|---------------------------|---|------------------|----------------------------------|-------------------|---|--------------------------------|--------------------|----------------------|-------------------------------------|
| | | No. | \$ | No. | \$ | | Total No. | Exercisable No. | Unexercisable No. | |
| | | | | | | | | | | |
| M Luscombe | 1,730,000 | 311,175 | 2,164,572 | (400,000) | 4,805,500 | 1,641,175 | 20,000 | – | 20,000 | 382,500 |
| T Pockett | 980,000 | 155,588 | 1,082,296 | (150,000) | 2,545,500 | 985,588 | 20,000 | – | 20,000 | 132,500 |
| J Coates | 272,500 | 55,000 | 370,450 | (100,000) | 1,875,200 | 227,500 | 12,500 | – | 12,500 | 72,500 |
| G Foran | 292,500 | 55,000 | 370,450 | (120,000) | 2,048,600 | 227,500 | 12,500 | – | 12,500 | 87,500 |
| A Hall | 54,445 | 42,778 | 288,132 | – | – | 97,223 | – | – | – | – |
| P Horton | 124,445 | 42,778 | 288,132 | – | – | 167,223 | 12,500 | – | 12,500 | 12,500 |
| G O'Brien | 202,000 | 55,000 | 370,450 | (32,000) | 721,240 | 225,000 | 5,000 | – | 5,000 | 14,000 |
| K Schmidt | 112,778 | 42,778 | 288,132 | (12,000) | 203,640 | 143,556 | 3,250 | – | 3,250 | 12,250 |
| Total | 3,768,668 | 760,097 | 5,222,614 | (814,000) | 12,199,680 | 3,714,765 | 85,750 | – | 85,750 | 713,750 |
| M Hamnett ⁽⁴⁾ | 286,389 | 42,778 | 288,132 | (150,000) | 2,545,500 | 179,167 | 10,000 | – | 10,000 | 122,500 |
| R Umbers ⁽⁴⁾ | 176,389 | 42,778 | 288,132 | (30,000) | 776,400 | 189,167 | – | – | – | 30,000 |
| Total | 462,778 | 85,556 | 576,264 | (180,000) | 3,321,900 | 368,334 | 10,000 | – | 10,000 | 152,500 |
| Grand total | 4,231,446 | 845,653 | 5,798,878 | (994,000) | 15,521,580 | 4,083,099 | 95,750 | – | 95,750 | 866,250 |

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.

(3)

The number of ordinary shares under option/performance rights as at 27 June 2010 is equivalent to the option/performance rights holding at that date.

(4)

Included as key management personnel to comply with the Corporations Act.

In 2010 no options lapsed or were forfeited relating to the key management personnel above during the year as a result of failure to meet performance hurdles.



| | Opening balance No. | Options and performance rights granted as remuneration ⁽¹⁾ | | Options exercised ⁽²⁾ | | Options and performance rights holding at 28 June 2009 ⁽³⁾ No. | Options vested at 28 June 2009 | | | Vested during the year No. |
|--------------|---------------------------|---|------------------|----------------------------------|--------------------|---|--------------------------------|--------------------------------|----------------------|-------------------------------------|
| | | No. | \$ | No. | \$ | | Total No. | Options vested at 28 June 2009 | | |
| | | | | | | | | Exercisable No. | Unexercisable No. | |
| M Luscombe | 1,330,000 | 500,000 | 2,477,500 | (100,000) | (1,501,000) | 1,730,000 | 37,500 | – | 37,500 | 112,500 |
| T Pockett | 880,000 | 250,000 | 1,238,750 | (150,000) | (2,251,500) | 980,000 | 37,500 | – | 37,500 | 150,000 |
| N Onikul | 380,000 | 27,500 | 217,713 | (60,000) | (900,600) | 347,500 | 25,000 | – | 25,000 | 70,000 |
| P Smith | 325,000 | 21,389 | 169,335 | (100,000) | (1,501,000) | 246,389 | 20,000 | – | 20,000 | 95,000 |
| J Coates | 345,000 | 27,500 | 217,713 | (100,000) | (1,489,000) | 272,500 | 20,000 | – | 20,000 | 95,000 |
| G Foran | 365,000 | 27,500 | 217,713 | (100,000) | (1,359,000) | 292,500 | 25,000 | – | 25,000 | 100,000 |
| R Umbers | 155,000 | 21,389 | 169,335 | – | – | 176,389 | – | – | – | – |
| Total | 3,780,000 | 875,278 | 4,708,059 | (610,000) | (9,002,100) | 4,045,278 | 165,000 | – | 165,000 | 622,500 |

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.

(3)

The number of ordinary shares under option/performance rights as at 28 June 2009 is equivalent to the option/performance rights holding at that date.

In 2009 no options lapsed or were forfeited relating to the key management personnel above during the year as a result of failure to meet performance hurdles.

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 28 June 2009 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 27 June 2010 No. |
|--------------------------|--|--|--|--|---|--|
| J Strong | 70,479 | – | – | – | – | 70,479 |
| M Luscombe | 433,290 | – | 400,000 | – | (310,000) | 523,290 |
| J Astbury | 12,797 | – | – | – | – | 12,797 |
| R Deane | 40,000 | – | – | – | – | 40,000 |
| D Grady | 36,259 | – | – | – | – | 36,259 |
| L L'Huillier | 60,000 | – | – | – | (30,000) | 30,000 |
| I Macfarlane | 4,000 | – | – | – | 4,000 | 8,000 |
| A Watkins | 11,859 | – | – | – | – | 11,859 |
| T Pockett | 93,000 | – | 150,000 | – | (110,000) | 133,000 |
| J Coates | 66,250 | – | 100,000 | – | (146,250) | 20,000 |
| G Foran | 50,380 | 763 | 120,000 | – | (100,000) | 71,143 |
| A Hall | – | – | – | – | – | – |
| P Horton | 1,212 | 52 | – | – | – | 1,264 |
| G O'Brien | 20,000 | – | 32,000 | – | (32,000) | 20,000 |
| K Schmidt | – | – | 12,000 | – | (12,000) | – |
| M Hamnett ⁽⁴⁾ | 5,000 | – | 150,000 | – | (150,000) | 5,000 |
| R Umbers ⁽⁴⁾ | – | – | 30,000 | – | – | 30,000 |

| Notes | (1) | (2) | (4) |
|-------|--|---|---|
| | Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions. | Comprises shares issued under the Non-Executive Directors' Share Plan (NEDSP). | Included as key management personnel to comply with the Corporations Act. |
| | | (3) | |
| | | Figures in brackets indicate that these shares have been sold or otherwise disposed of. | |

The table below sets out the grants and outstanding number of options and performance rights for the key management personnel in Woolworths Limited for the period 29 June 2009 to 27 June 2010.

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

| | Grant date | Effective date | No. of options and rights at | | Expiry date | Exercise price per option/right | Exercise date ⁽²⁾ | Maximum value of award to vest ⁽³⁾ | Fair value per option/performance right ⁽⁴⁾ | | |
|------------|------------|----------------|------------------------------|----------------|-------------|---------------------------------|------------------------------|---|--|-----|-----------|
| | | | 27 June 2010 ⁽¹⁾ | | | | | | EPS | TSR | Retention |
| M Luscombe | 2/12/2005 | 1/07/2005 | 80,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 177,200 | \$2.50 | \$1.93 | | |
| | 24/11/2006 | 1/07/2006 | 250,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 863,125 | \$4.23 | \$2.68 | | |
| | 3/12/2007 | 1/07/2007 | 250,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 2,201,250 | \$9.42 | \$8.19 | | |
| | 3/12/2007 | 1/07/2007 | 250,000 | 31/12/2012 | \$25.91 | 1/07/2010 | 2,201,250 | \$9.42 | \$8.19 | | |
| | 9/12/2008 | 1/07/2008 | 500,000 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 2,477,500 | \$5.15 | \$4.76 | | |
| | 27/11/2009 | 1/07/2009 | 250,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 1,005,000 | \$4.77 | \$3.27 | | |
| | 27/11/2009 | 1/07/2009 | 61,175 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 1,159,572 | \$24.74 | \$13.17 | | |
| | | | 1,641,175 | | | | 10,084,897 | | | | |
| T Pockett | 2/12/2005 | 1/07/2005 | 80,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 177,200 | \$2.50 | \$1.93 | | |
| | 24/11/2006 | 1/07/2006 | 250,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 898,750 | \$4.26 | \$2.93 | | |
| | 3/12/2007 | 1/07/2007 | 250,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 2,226,250 | \$9.48 | \$8.33 | | |
| | 9/12/2008 | 1/07/2008 | 250,000 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 1,238,750 | \$5.15 | \$4.76 | | |
| | 27/11/2009 | 1/07/2009 | 125,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 502,500 | \$4.77 | \$3.27 | | |
| | 27/11/2009 | 1/07/2009 | 30,588 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 579,796 | \$24.74 | \$13.17 | | |
| | | | | 985,588 | | | | 5,623,246 | | | |

Fair value per option/performance right⁽⁴⁾

| | Grant date | Effective date | No. of options and rights at 27 June 2010 ⁽¹⁾ | Expiry date | Exercise price per option/right | Exercise date ⁽²⁾ | Maximum value of award to vest ⁽³⁾ | Fair value per option/performance right ⁽⁴⁾ | | |
|-----------|------------|----------------|--|-------------|---------------------------------|------------------------------|---|--|---------|-----------|
| | | | | | | | | EPS | TSR | Retention |
| J Coates | 2/12/2005 | 1/07/2005 | 50,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 110,750 | \$2.50 | \$1.93 | |
| | 30/01/2007 | 1/07/2006 | 45,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 215,775 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 1/07/2007 | 50,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 445,250 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 1/07/2008 | 22,500 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 111,488 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 1/07/2008 | 5,000 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 106,225 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 1/07/2009 | 45,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 180,900 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 1/07/2009 | 10,000 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 189,550 | \$24.74 | \$13.17 | |
| | | | 227,500 | | | 1,359,938 | | | | |
| G Foran | 2/12/2005 | 1/07/2005 | 50,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 110,750 | \$2.50 | \$1.93 | |
| | 30/01/2007 | 1/07/2006 | 45,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 215,775 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 1/07/2007 | 50,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 445,250 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 1/07/2008 | 22,500 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 111,488 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 1/07/2008 | 5,000 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 106,225 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 1/07/2009 | 45,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 180,900 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 1/07/2009 | 10,000 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 189,550 | \$24.74 | \$13.17 | |
| | | | 227,500 | | | 1,359,938 | | | | |
| A Hall | 3/12/2007 | 1/07/2007 | 30,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 267,150 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 1/07/2008 | 20,000 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 99,100 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 1/07/2008 | 4,445 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 94,434 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 1/07/2009 | 35,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 140,700 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 1/07/2009 | 7,778 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 147,432 | \$24.74 | \$13.17 | |
| | | | 97,223 | | | 748,816 | | | | |
| P Horton | 2/12/2005 | 1/07/2005 | 50,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 110,750 | \$2.50 | \$1.93 | |
| | 30/01/2007 | 1/07/2006 | 20,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 95,900 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 1/07/2007 | 30,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 267,150 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 1/07/2008 | 20,000 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 99,100 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 1/07/2008 | 4,445 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 94,434 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 1/07/2009 | 35,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 140,700 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 1/07/2009 | 7,778 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 147,432 | \$24.74 | \$13.17 | |
| | | | 167,223 | | | 955,466 | | | | |
| G O'Brien | 2/12/2005 | 1/07/2005 | 20,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 44,300 | \$2.50 | \$1.93 | |
| | 30/01/2007 | 1/07/2006 | 45,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 215,775 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 1/07/2007 | 50,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 445,250 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 1/07/2008 | 45,000 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 222,975 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 1/07/2008 | 10,000 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 212,450 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 1/07/2009 | 45,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 180,900 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 1/07/2009 | 10,000 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 189,550 | \$24.74 | \$13.17 | |
| | | | 225,000 | | | 1,511,200 | | | | |

| Grant date | Effective date | No. of options and rights at 27 June 2010 ⁽¹⁾ | Expiry date | Exercise price per option/right | Exercise date ⁽²⁾ | Maximum value of award to vest ⁽³⁾ | Fair value per option/performance right ⁽⁴⁾ | | |
|--------------------------|----------------|--|-------------|---------------------------------|------------------------------|---|--|---------|-----------|
| | | | | | | | EPS | TSR | Retention |
| K Schmidt | 2/12/2005 | 13,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 28,795 | \$2.50 | \$1.93 | |
| | 30/01/2007 | 15,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 71,925 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 30,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 267,150 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 35,000 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 173,425 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 7,778 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 165,244 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 35,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 140,700 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 7,778 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 147,432 | \$24.74 | \$13.17 | |
| | | 143,556 | | | | 994,671 | | | |
| R Umbers ⁽⁷⁾ | 30/01/2007 | 45,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 215,775 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 50,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 445,250 | \$9.48 | \$8.33 | |
| | 3/08/2007 | 30,000 | 1/07/2009 | Nil | 1/07/2010 | 701,100 | | | \$23.37 |
| | 9/12/2008 | 17,500 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 86,713 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 3,889 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 82,622 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 35,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 140,700 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 7,778 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 147,432 | \$24.74 | \$13.17 | |
| | | 189,167 | | | | 1,819,592 | | | |
| M Hamnett ⁽⁷⁾ | 2/12/2005 | 40,000 | 31/12/2010 | \$16.46 | 1/07/2010 | 88,600 | \$2.50 | \$1.93 | |
| | 30/01/2007 | 45,000 | 31/12/2011 | \$19.47 | 1/07/2011 | 215,775 | \$5.73 | \$3.86 | |
| | 3/12/2007 | 30,000 | 31/12/2012 | \$25.91 | 1/07/2012 | 267,150 | \$9.48 | \$8.33 | |
| | 9/12/2008 | 17,500 | 31/12/2013 | \$24.90 | 1/07/2012 ⁽⁵⁾ | 86,713 | \$5.15 | \$4.76 | |
| | 9/12/2008 | 3,889 | 31/12/2013 | Nil | 1/07/2012 ⁽⁵⁾ | 82,622 | \$23.66 | \$18.83 | |
| | 27/11/2009 | 35,000 | 31/12/2014 | \$25.88 | 1/07/2013 ⁽⁶⁾ | 140,700 | \$4.77 | \$3.27 | |
| | 27/11/2009 | 7,778 | 31/12/2014 | Nil | 1/07/2013 ⁽⁶⁾ | 147,432 | \$24.74 | \$13.17 | |
| | | 179,167 | | | | 1,028,992 | | | |

Grant date represents the offer acceptance date.

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 27 June 2010 comprises both options that have vested and have not been exercised and options yet to vest.

(2)

Represents the first day the option/right can be exercised.

(3)

The maximum value of award 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.

(5)

Vesting may occur on 1 July 2011 if the performance hurdles are met as outlined on page 41.

(6)

Vesting may occur on 1 July 2012 if the performance hurdles are met as outlined on page 41.

(7)

Included as key management personnel to comply with the Corporations Act.

The following table summarises movements for the financial year ended 27 June 2010 for outstanding options and performance rights:

| <i>Offer date</i> | <i>Expiry date</i> | <i>Exercise price</i> \$ | <i>No. of options</i> 28 June 2009 | <i>Options/ rights granted</i> during year | <i>Options exercised</i> during year | <i>Options/ rights lapsed</i> during year | <i>No. of options/ rights at</i> 27 June 2010 | <i>No. of options exercisable at</i> 27 June 2010 |
|-------------------|--------------------|-----------------------------|---------------------------------------|---|---|--|--|--|
| Options | | | | | | | | |
| 01/07/2001 | 01/07/2011 | 10.89 | 192,500 | – | (38,900) | – | 153,600 | 153,600 |
| 01/07/2002 | 31/12/2007 | 12.94 | – | – | – | – | – | – |
| 01/07/2004 | 31/12/2009 | 11.54 | 5,926,937 | – | (5,880,689) | (46,248) | – | – |
| 01/07/2005 | 31/12/2010 | 16.46 | 5,496,725 | – | (42,025) | (181,153) | 5,273,547 | – |
| 01/07/2006 | 31/12/2011 | 19.47 | 7,315,150 | – | (250,000) | (315,900) | 6,749,250 | – |
| 01/07/2007 | 31/12/2012 | 25.91 | 8,580,300 | – | – | (422,800) | 8,157,500 | – |
| 01/07/2008 | 31/12/2013 | 24.90 | 5,541,625 | – | – | (227,375) | 5,314,250 | – |
| 01/07/2009 | 31/12/2014 | 25.88 | – | 4,124,850 | – | (62,300) | 4,062,550 | – |
| Rights | | | | | | | | |
| 25/07/2007 | 01/07/2009 | Nil | 1,515,000 | – | (1,515,000) | – | – | – |
| 25/07/2007 | 01/07/2009 | Nil | 40,000 | – | – | – | 40,000 | – |
| 01/07/2008 | 01/07/2013 | Nil | 1,064,916 | – | – | (50,932) | 1,013,984 | – |
| 01/09/2008 | 01/09/2010 | Nil | 80,000 | – | – | (15,000) | 65,000 | – |
| 02/02/2009 | 02/02/2012 | Nil | 15,000 | – | – | – | 15,000 | – |
| 01/07/2009 | 31/12/2014 | Nil | – | 958,070 | – | (14,150) | 943,920 | – |
| 01/11/2009 | 01/11/2011 | Nil | – | 60,000 | – | – | 60,000 | – |
| 24/12/2009 | 24/12/2010 | Nil | – | 20,000 | – | – | 20,000 | – |
| | | | 35,768,153 | 5,162,920 | (7,726,614) | (1,335,858) | 31,868,601 | 153,600 |

8. 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.

A decade ago, Woolworths did not have the same structure around short and long-term incentives with very few employees participating in either. Since then, short-term incentives have been aligned to key business drivers, standardised and now apply to in excess of 20,000 Woolworths employees.

Long-term incentives eligibility has been broadened and currently applies to in excess of 2,500 employees including store managers, buyers and other key personnel as well as our executives.

In addition, our preference for redeployment over redundancy reinforces the culture of performance improvement at the individual level.

Woolworths believes there is a direct link to our improved business performance over the last decade through these changes and believes there is a significant financial benefit linked to both short and long-term decision making.

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 2006:

| <i>Five year performance table</i> | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------------|---------------------|--------|--------|--------|---------------|
| Sales (\$m) | 37,734 | 42,477 | 47,035 | 49,595 | 51,694 |
| EBIT (\$m) | 1,722 | 2,111 | 2,529 | 2,816 | 3,082 |
| ROFE (%) | 28.6 ⁽¹⁾ | 27.1 | 31.4 | 31.9 | 31.0 |
| CODB (%) | 20.47 | 20.35 | 19.92 | 19.98 | 19.95 |

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

- Sales have increased by more than 36% since 2006;
- EBIT has increased by more than 78%; and
- CODB has decreased by 52bps over the past five years.

Whilst EBIT has increased by more than 78% over the period, STIP paid to executives has remained at less than 10% of EBIT over the same period.

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

| <i>Year ended June</i> | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|--------|--------|--------|--------|---------------|
| EPS (cents per share) | 90.9 | 108.8 | 134.9 | 150.7 | 164.0 |
| Total dividends (cents per share) | 59.0 | 74.0 | 92.0 | 104.0 | 115.0 |
| Market capitalisation (\$ million) | 22,822 | 33,322 | 30,453 | 31,906 | 33,733 |
| No. of options granted to executives (million) | 6.9 | 8.3 | 9.0 | 5.6 | 4.1 |
| No. of executives granted options | 1,464 | 1,730 | 1,961 | 2,410 | 2,262 |
| Fair value per option (\$) – Total weighted | 2.22 | 4.68 | 8.90 | 4.96 | 4.02 |
| Fair value per option (\$) – TSR | 1.93 | 3.76 | 8.32 | 4.76 | 3.27 |
| Fair value per option (\$) – EPS | 2.50 | 5.60 | 9.48 | 5.15 | 4.77 |
| No. of performance rights granted to executives (million) | – | – | 1.6 | 1.2 | 1.1 |
| Fair value per performance right (\$) – Total weighted | – | – | 24.34 | 21.55 | 19.42 |
| Fair value per performance right (\$) – TSR | – | – | – | 18.83 | 13.17 |
| Fair value per performance right (\$) – EPS | – | – | – | 23.66 | 24.74 |
| Fair value per performance right (\$) – Retention | – | – | 24.34 | 24.89 | 24.49 |
| No. of executives granted performance rights | – | – | 182 | 2,416 | 2,267 |
| Share price (closing) (\$) | 19.36 | 27.60 | 25.02 | 25.96 | 27.40 |

9. 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:

| | <i>Position title</i> |
|--------------------------------|--|
| Executive Directors | |
| Michael Gerard Luscombe | Managing Director and Chief Executive Officer |
| Thomas (Tom) William Pockett | Finance Director |
| Chairman | |
| James Alexander Strong | Chairman of the Board, Chairman of the Nomination Committee, member of the Audit, Risk Management and Compliance Committee and member of the People Policy Committee |
| Non-Executive Directors | |
| John Frederick Astbury | Non-Executive Director, Chairman of the Audit, Risk Management and Compliance Committee (since July 2010) and member of the Nomination Committee. Director of Hydrox Holdings Pty Ltd and Chairman of its Audit Risk Management and Compliance Committee |
| Roderick Sheldon Deane | Non-Executive Director, Chairman of the People Policy Committee and member of the Nomination Committee |
| Diane Jennifer Grady | Non-Executive Director, member of the Audit, Risk Management and Compliance Committee and Nomination Committee |
| Leon Michael L'Huillier | Non-Executive Director, Chairman of the Woolworths Group Superannuation Plan's Policy Committee and member of the People Policy Committee and Nomination 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 Nomination Committee |
| Alison Mary Watkins | Non-Executive Director, formerly Chairman of the Audit, Risk Management and Compliance Committee (until July 2010) and member of the People Policy Committee and member of the Nomination Committee |
| Executives | |
| Julie Coates | Director – BIG W |
| Greg Foran | Director – Supermarkets, Liquor and Petrol |
| Andrew Hall | Director – Corporate and Public Affairs |
| Peter Horton | Group General Counsel and Company Secretary |
| Grant O'Brien | Chief Operating Officer Australian Food and Petrol |
| Kim Schmidt | Director – Human Resources |

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

Mr R. Umbers and Mr M. Hamnett are also included as key management personnel to satisfy the Corporations Act reporting requirements.

Remuneration tables

Set out in the following table is the remuneration for the Non-Executive Directors and key management personnel of Woolworths Limited and its subsidiary during the financial year ended 27 June 2010.

| 2010 | Salary and fees \$ | Short-term employee benefits | | | | Non-monetary benefits ⁽¹⁾ \$ | Post- employment benefits \$ |
|--------------------------------|--------------------------|------------------------------|---------------------------------|--------------------------------------|----------------------|---|---------------------------------------|
| | | Short-term cash bonus | | | | | |
| | | Paid \$ | % of potential bonus paid | % of potential bonus forfeited | Superannuation \$ | | |
| Non-Executive Directors | | | | | | | |
| J Astbury ⁽²⁾ | 311,738 | – | – | – | 1,253 | 14,461 | |
| R Deane | 251,812 | – | – | – | 1,253 | 14,461 | |
| D Grady | 230,625 | – | – | – | 1,253 | 14,461 | |
| L L'Huilier ⁽³⁾ | 356,187 | – | – | – | 1,253 | 14,461 | |
| J Strong | 615,000 | – | – | – | 1,253 | 14,461 | |
| A Watkins* | 274,188 | – | – | – | 1,253 | 14,461 | |
| I Macfarlane | 230,625 | – | – | – | 1,253 | 14,461 | |
| Executive Directors | | | | | | | |
| M Luscombe | 2,209,817 | 2,548,205 | 75% | 25% | 31,852 | 510,576 | |
| T Pockett | 1,177,925 | 1,193,815 | 70% | 30% | 20,515 | 138,083 | |
| Executives | | | | | | | |
| J Coates | 703,083 | 152,439 | 30% | 70% | 24,294 | 81,168 | |
| G Foran | 912,945 | 685,878 | 79% | 21% | 23,845 | 130,174 | |
| A Hall | 351,941 | 152,439 | 73% | 27% | 28,970 | 25,000 | |
| P Horton | 546,563 | 234,002 | 73% | 27% | 25,900 | 53,482 | |
| G O'Brien | 674,319 | 406,504 | 73% | 27% | 26,091 | 118,000 | |
| K Schmidt | 571,288 | 312,005 | 73% | 27% | 24,024 | 25,000 | |
| Total | 9,418,056 | 5,685,287 | | | 214,262 | 1,182,710 | |
| M Hamnett ⁽⁵⁾ | 761,845 | 479,101 | 68% | 32% | 21,871 | 50,000 | |
| R Umbers ⁽⁵⁾ | 768,914 | 286,746 | 69% | 31% | 24,532 | 25,000 | |

Notes

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

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

(2) Included in the table above, Mr J. Astbury received an additional fee of \$62,800 from Oct 2009 to June 2010 as a Director of Hydrox Holdings Pty Ltd and \$19,312 from Oct 09 to June 2010 as Chairman of its Audit Committee.

(3) Included in the table above, Mr L L'Huilier receives an additional fee of \$82,400 per annum as a Director of ALH Group Pty Ltd and \$25,750 per annum as Chairman of its Audit Committee.



| <i>Other long-term benefits</i> | <i>Share based payments⁽⁴⁾</i> | <i>Retirement allowance</i> | | | | | | |
|---------------------------------|---|-----------------------------|---|--|------------------------|----------------------------|-------------------------------------|--|
| <i>Long service leave</i> | | <i>Total</i> | <i>Proportion of remuneration performance related</i> | <i>Options and performance rights as a % of total remuneration</i> | <i>Opening balance</i> | <i>Indexation required</i> | <i>Retirement allowance balance</i> | |
| \$ | \$ | \$ | % | % | \$ | \$ | \$ | |
| – | – | 327,452 | – | – | – | – | – | |
| – | – | 267,526 | – | – | 492,501 | 20,334 | 512,835 | |
| – | – | 246,339 | – | – | – | – | – | |
| – | – | 371,901 | – | – | – | – | – | |
| – | – | 630,714 | – | – | – | – | – | |
| – | – | 289,902 | – | – | – | – | – | |
| – | – | 246,339 | – | – | – | – | – | |
| 63,815 | 2,966,152 | 8,330,417 | 66.2% | 35.6% | – | – | – | |
| 22,269 | 1,467,059 | 4,019,666 | 66.2% | 36.5% | – | – | – | |
| 14,057 | 353,307 | 1,328,348 | 38.1% | 26.6% | – | – | – | |
| 18,013 | 353,307 | 2,124,162 | 48.9% | 16.6% | – | – | – | |
| 6,201 | 217,540 | 782,091 | 47.3% | 27.8% | – | – | – | |
| 9,928 | 254,053 | 1,123,928 | 43.4% | 22.6% | – | – | – | |
| 18,781 | 416,338 | 1,660,033 | 49.6% | 25.1% | – | – | – | |
| 11,323 | 285,512 | 1,229,152 | 48.6% | 23.2% | – | – | – | |
| 164,387 | 6,313,268 | 22,977,970 | | | 492,501 | 20,334 | 512,835 | |
| 28,491 | 268,572 | 1,609,880 | 46.4% | 16.7% | – | – | – | |
| 14,676 | 541,850 | 1,661,717 | 49.9% | 32.6% | – | – | – | |

(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.

(5) Mr R. Umbers and Mr M. Hamnett were also included as key management personnel to satisfy the Corporations Act reporting requirements.

Directors' Statutory Report
Remuneration report

Set out in the following table is the remuneration for the Non-Executive Directors and key management personnel of Woolworths Limited and its subsidiary during the financial year ended 28 June 2009.

| 2009 | Salary and fees \$ | Short-term employee benefits | | | Non-monetary benefits ⁽¹⁾ \$ | Post- employment benefits Superannuation \$ |
|--------------------------------|--------------------------|------------------------------|---------------------------------|--------------------------------------|---|---|
| | | Paid \$ | % of potential bonus paid | % of potential bonus forfeited | | |
| Non-Executive Directors | | | | | | |
| J Astbury* | 222,917 | – | – | – | 1,317 | 13,745 |
| R Deane | 243,093 | – | – | – | 1,317 | 13,745 |
| D Grady | 222,917 | – | – | – | 1,317 | 13,745 |
| L L'Huillier ⁽²⁾ | 346,667 | – | – | – | 1,317 | 13,745 |
| J Strong | 595,000 | – | – | – | 1,317 | 13,745 |
| A Watkins* | 264,583 | – | – | – | 1,317 | 13,745 |
| I Macfarlane | 222,917 | – | – | – | 1,317 | 13,745 |
| Executive Directors | | | | | | |
| M Luscombe | 2,044,307 | 3,037,720 | 92% | 8% | 33,114 | 444,341 |
| T Pockett | 1,021,906 | 1,424,795 | 87% | 13% | 22,080 | 266,733 |
| Executives | | | | | | |
| N Onikul | 670,397 | 466,063 | 90% | 10% | 24,082 | 217,420 |
| P Smith | 483,654 | 150,273 | 31% | 69% | 75,591 | 114,000 |
| J Coates | 688,955 | 516,738 | 96% | 4% | 25,571 | 50,000 |
| R Umbers | 734,649 | 481,284 | 86% | 14% | 29,015 | 50,000 |
| G Foran | 949,148 | 723,193 | 92% | 8% | 34,807 | 164,413 |
| Total | 8,711,110 | 6,800,066 | | | 253,479 | 1,403,122 |

Notes

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

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

(2) Included in the table above, Mr L. 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 Limited.

(3) 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.



| <i>Other long-term benefits</i> | <i>Share based payments⁽³⁾</i> | <i>Retirement allowance</i> | | | | | | |
|---|---|-----------------------------|---|--|----------------------------|--------------------------------|---|--|
| <i>Long service leave</i> | | <i>Total</i> | <i>Proportion of remuneration performance related</i> | <i>Options and performance rights as a % of total remuneration</i> | <i>Opening balance</i> | <i>Indexation required</i> | <i>Retirement allowance balance</i> | |
| \$ | \$ | \$ | % | % | \$ | \$ | \$ | |
| – | – | 237,979 | – | – | – | – | – | |
| – | – | 258,155 | – | – | 470,227 | 22,274 | 492,501 | |
| – | – | 237,979 | – | – | – | – | – | |
| – | – | 361,729 | – | – | – | – | – | |
| – | – | 610,062 | – | – | – | – | – | |
| – | – | 279,645 | – | – | – | – | – | |
| – | – | 237,979 | – | – | – | – | – | |
| 150,949 | 2,617,336 | 8,327,767 | 67.9% | 31.4% | – | – | – | |
| 31,936 | 1,203,169 | 3,970,619 | 66.2% | 30.3% | – | – | – | |
| 62,912 | 371,869 | 1,812,743 | 46.2% | 20.5% | – | – | – | |
| 24,145 | 266,511 | 1,114,174 | 37.4% | 23.9% | – | – | – | |
| 20,140 | 549,424 | 1,850,828 | 57.6% | 29.7% | – | – | – | |
| 15,261 | 845,987 | 2,156,196 | 61.6% | 39.2% | – | – | – | |
| 35,755 | 560,674 | 2,467,990 | 52.0% | 22.7% | – | – | – | |
| 341,098 | 6,414,970 | 23,923,845 | | | 470,227 | 22,274 | 492,501 | |

10. Executive service agreements

10.1 Chief Executive Officer

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

The CEO 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;
- any accrued statutory entitlements; and
- any Long-term Incentive Plan entitlements in accordance with the Plan rules.

The Company retains the right to terminate the CEO employment without notice for a number of reasons such as dishonesty, serious or persistent breach of duty or serious or persistent neglect of duty.

Short-term Incentive Plan

The Short-term Incentive Plan (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

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. At the 2008 Annual General Meeting shareholder approval was given for up to a maximum of 1,500,000 options or a combination of options and performance rights to an equivalent value to be granted to the CEO over three years commencing with the 2010 financial year.

- For the 2006 and 2007 grants, the same performance hurdles and conditions that apply under the Woolworths LTIP apply to options allocated to the CEO, except that 50% of the allocation vests and becomes exercisable three years from the effective date of the grant subject to meeting the performance hurdles. The remaining 50% of the allocation vests and becomes exercisable after five years in accordance with the prescribed conditions.
- For the 2008 and 2009 grants, the same performance hurdles and conditions that apply under the Woolworths LTIP apply to the allocation made to the CEO.

10.2 All other executives

Since 2002, LTIP participation has been offered subject to executives entering into Service Agreements with the Company. The Service Agreements detail the components of remuneration paid to executives 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 executives are required to provide the Company with a minimum of four weeks notice of termination. In addition, for all executives and LTIP participants, 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.

11. Non-Executive Directors' remuneration

11.1 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 27 June 2010, the amount of Directors' base fees paid to each Non-Executive Director was increased to \$206,000 per annum effective from 1 September 2009. The Chairman receives a multiple of three times this amount. Following is a summary of base and Committee fees for the last two financial years:

| Committee fees | 2009 | | 2010 | |
|---|---------|---------|----------------|----------------|
| | Chair | Member | Chair | Member |
| Woolworths Limited | 600,000 | 200,000 | 618,000 | 206,000 |
| Audit, Risk Management and Compliance Committee | 50,000 | 25,000 | 51,500 | 25,750 |
| People Policy Committee | 35,000 | 17,500 | 36,050 | 18,025 |
| Woolworths Group Superannuation Plan | | 25,000 | | 25,750 |
| ALH Group Pty. Ltd. | | 80,000 | | 82,400 |
| ALH Audit Committee | 25,000 | | 25,750 | |
| Hydrox Holdings Pty. Ltd | | 80,000 | | 82,400 |
| Hydrox Audit Committee | 25,000 | | 25,750 | |

In addition to the above fees, an overseas Directors' Allowance of \$10,990 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.

External remuneration consultants provided advice on the structure and level of Non-Executive Directors' fees. 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. No element of the remuneration of any Non-Executive Director is dependent on the satisfaction of a performance condition. The increase of 3% for Non-Executive Directors was less than recommended by the external consultants but was consistent with the overall salary increase awarded to non-EBA employees of the Company.

11.2 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 forego some of their future pre-tax Directors' fees to acquire shares in the Company at prevailing market prices on the Australian Securities Exchange. The rules of the NEDSP are virtually identical to the Woolworths Executive Management Share Plan as described in Note 24. Following September 2008, no further shares have been purchased and the NEDSP has been suspended.

11.3 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 on-going 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.

11.4 Remuneration tables for Non-Executive Directors

For the financial year ended 27 June 2010 details of the remuneration of the Non-Executive Directors are set out at section 9 of this report.

11.5 Shareholdings of Non-Executive Directors

For the financial year ended 27 June 2010 details of shareholdings by Non-Executive Directors is set out at section 7.6 of this report.

11.6 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; and
- (iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Officers (and any persons who are Officers in the future 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 57 of the annual report.

Non-audit services

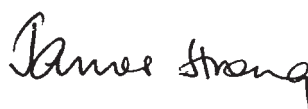
During the year, Deloitte Touche Tohmatsu, the Company's auditors, have performed certain other services in addition to their statutory duties. The Board is satisfied that the provision of those non-audit services during the year provided by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* or as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and 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 7 September 2010.



James Strong
Chairman



Michael Luscombe
Managing Director and Chief Executive Officer

Deloitte.

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

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

7 September 2010

Dear Board Members

Woolworths Limited

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

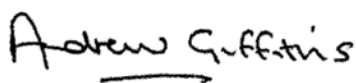
As lead audit partner for the audit of the financial statements of Woolworths Limited for the 52 weeks ended 27 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants

The following statement sets out the corporate governance framework adopted by the Board of Woolworths Limited and highlights the work undertaken by the Board and its Committees over the past financial year.

Approach to governance

Corporate governance is at the core of the Board's approach to the enhancement of shareholder value and the 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 high levels of disclosure and compliance.

Compliance with governance standards

As a Company listed on the Australian Securities Exchange ('ASX'), Woolworths is required to apply the recommendations contained within the ASX Corporate Governance Council's ('ASX CGC') *Corporate Governance Principles and Recommendations* (2nd Edition) ('ASX Recommendations') and disclose any differences to them.

The Company has reviewed its current corporate governance policies and practices against the ASX Recommendations and considers that they meet the ASX Recommendations for the financial period ended 27 June 2010.

Activities during the past financial year

Over the past financial year, a comprehensive review of Woolworths' corporate governance policies and practices has been undertaken to ensure that the Company maintains high standards of corporate governance.

The review affirmed that Woolworths' existing corporate governance practices were appropriate, consistent with the ASX Recommendations and in line with good market practice. The review also identified changes which were appropriate to reflect recent amendments to the ASX Recommendations and to update Woolworths' formal governance framework.

Where appropriate, relevant charters and policies have been amended in order to implement the changes recommended by the corporate governance review. The revised documents are available on the Company's website. In addition, we have set out measurable diversity objectives in this report, with a view towards early adoption of the new ASX Recommendations regarding diversity (which do not formally come into effect for Woolworths until the financial year ending in June 2012).

Website

Full details of Woolworths' corporate governance practices, including its charters and policies, are publicly available on Woolworths' website at www.woolworthslimited.com.au > Our Company > Governance.

The website is reviewed and updated regularly to ensure that it reflects Woolworths' most recent governance information.

Woolworths' governance framework

Woolworths is governed by a Board of Directors who (with the exception of the CEO) are elected by the Company's shareholders.

The Board is accountable to shareholders for the strategic direction of the Company and the pursuit of value-creation for shareholders. The Board delegates the implementation of its strategy to Woolworths' management within a formal delegation framework. However, the Board remains ultimately responsible for the affairs of the Company.

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 to perform certain of its functions and to provide it with recommendations and advice.

The Board has established the following committees:

- Nomination Committee (formerly Corporate Governance Committee);
- Audit, Risk Management and Compliance Committee; and
- People Policy Committee.

The Board has also established a Superannuation Plan Policy Committee as a consultative body to monitor and review the operation of the Woolworths Group Superannuation Plan on behalf of the members of the Plan and the Company. The Committee consists of equal representatives of the Company and the members and is Chaired by Mr L L'Huillier.

The following diagram gives a brief overview of the three main standing Committees of the Woolworths Board, each of which are explained in further detail below.



Chairman and composition of Board Committees

The Chairman is elected by and from the Non-Executive Directors, each of whom is appointed to the Nomination Committee. Information on the Company's Chairman is set out on page 30.

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 Superannuation Plan Policy Committee.

The Nomination Committee, the Audit, Risk Management and Compliance Committee and the People Policy Committee all have comprehensive Charters defining their roles and responsibilities (as summarised in this Report). These Charters are available on the Company's website.

The role of the Board

The Board's role is to represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. The Board's principal objective is to maintain and increase shareholder value while ensuring that Woolworths' overall activities are properly managed.

The Board has adopted a Board Charter which sets out how its role, powers and responsibilities are exercised, having regard to principles of good corporate governance, international best practice and applicable laws.

The names, qualifications and details of each Director are included on page 30 to 31 of this report and the Directors' attendance at Board and Committee meetings are included on page 36.

Responsibilities and objectives

The roles and responsibilities of the Board are formalised in the Board Charter, 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.

As set out in the Board Charter, the Board is responsible for:

| Overseeing strategy | Governance processes | Risk and reporting |
|--|---|---|
| <p>Strategy Reviewing strategic direction and approving corporate strategic initiatives developed by management;</p> <p>Major expenditure and capital initiatives Approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;</p> <p>Leadership selection Selecting and evaluating the performance of the CEO, and selecting the Finance Director and Company Secretary; and</p> <p>Succession and remuneration planning Planning for Board, CEO and executive succession and remuneration, and setting Non-Executive Director remuneration within shareholder approved limits.</p> | <p>Corporate governance Reviewing and monitoring the Company's corporate governance policies and practices;</p> <p>Board performance and composition Evaluating the performance of the Board and determining its size and composition; and</p> <p>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.</p> | <p>Financial performance Reviewing Woolworths' budget, monitoring management and financial performance;</p> <p>Financial reporting Considering and approving Woolworths' half-yearly and annual financial statements, and monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;</p> <p>Risk management Oversight of the effectiveness of risk management and compliance in the organisation, including safety and health governance arrangements; and</p> <p>External auditor Selecting and recommending to shareholders the appointment of the external auditor.</p> |

The role of the CEO and management

Pursuant to formal delegations of authority, the Board has delegated the management function to the CEO. However, ultimate responsibility for strategy and control rests with the Directors.

The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO.

The CEO is accountable to the Board for the exercise of the delegated authority and, with the support of senior management, must report to the Board on the exercise of the authority through reports, briefings and presentations to the Board.

Responsibilities and objectives

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;
- appointing and determining the terms of appointment of senior management, developing and maintaining succession plans, and evaluating the performance of key executives;
- developing Woolworths' annual budget and managing day-to-day operations within the budget (approved by the Board);
- maintaining effective risk management and compliance management frameworks;
- 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.

Review of CEO and management performance

The importance of a clear relationship between management performance and the assessment of remuneration is reflected in our approach to evaluating management performance.

The following process for senior management performance evaluation was undertaken during the reporting period:

- the performance evaluation of the CEO was undertaken by the Chairman, in consultation with the Board; and
- the performance evaluation of key executives was undertaken by the CEO, with the People Policy Committee's oversight of their objectives and performance assessments.

Composition and membership of the Board of Directors

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.

The Nominations Committee, when assisting the Board in reviewing potential candidates for Board appointment, considers a number of factors including:

- skills, experience, expertise and personal qualities and attributes that will best complement Board effectiveness;
- the diversity of Board composition;
- the capability of the candidate to devote the necessary time and commitment to the role; and
- potential conflicts of interest and independence.

Skills, experience and attributes

The Board recognises that having a range of different skills, backgrounds and experience represented amongst its Directors is important to ensuring robust decision-making processes with a diversity of viewpoints and the effective governance of the Group. The range of skills, backgrounds and experience currently represented on the Board includes experience in senior roles in retail, property, banking and finance, transport, management consultancy and telecommunications, as well as qualifications across a range of fields including business management, economics, accounting and the humanities.

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size and composition. This responsibility includes making recommendations on the desirable competencies, experience and attributes of Board members and strategies to address Board diversity.

Directors of Woolworths are required to act at all times with honesty and integrity and must observe the highest standards of ethical behaviour. The Directors must also ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests. They must also demonstrate a commitment to the decision-making processes of the Board by being prepared to question and critique matters brought to the Board for consideration.

Director tenure, election and appointment

There is no specified term of office for Non-Executive Directors.

At each Annual General Meeting ("AGM") of the Company there must be an election of Directors. Any Non-Executive Director who has 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 Non-Executive 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 election or re-election are invited to make a short presentation to shareholders at the AGM in support of their candidacy for election or re-election.

Independence of Directors

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.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

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 Board regularly reviews the independence of each Non-Executive Director in light of the relevant information disclosed to the Board.

What is a 'material relationship'?

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.

With the exception of the CEO and the Finance Director, all of the Directors are Non-Executive Directors and each is considered to be independent.

The Non-Executive Directors of the Board will periodically meet without the Executive Directors or management being present.

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.

Performance evaluation

The Chairman is responsible for monitoring the contribution of individual Directors and counselling them on any areas which might help improve Board performance. The Chairman, as Chairman of the Nomination Committee, is also responsible for the process for evaluating the performance of the Directors, Board Committees and the Board as a whole. The Board engages external assistance, as appropriate, in reviewing the performance of the Board.

During the reporting period, the Board engaged an external adviser who assisted in the conduct of reviews of the Board as a whole, its Committees and its individual Directors.

Induction and Director development

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 their remuneration. The Appointment Letter is consistent with the ASX Recommendations and forms the initial part of the program of induction for Directors.

Directors are also expected to participate in all induction and orientation programs and continuing education, training or development programs arranged for them by the Company Secretary. The Company Secretary oversees and reviews the Director induction process in order to ensure that it remains effective and up-to-date.

The Company secretarial function supports Directors by providing:

- access to information in appropriate form, currency and quality, including procedures to cover additional requests of management;
- continuing education to update and enhance their knowledge as the business environment changes; and
- access to independent professional advice, where requested.

Company Secretary

The Board has appointed Mr P Horton as Company Secretary. All Directors have access to the services and advice of the Company Secretary. Details of the skills, experience and expertise of the Company Secretary are set out on page 34 of this Report.

The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.

Nomination Committee

As part of its recent corporate governance review, the Board considered the role of its Corporate Governance Committee and decided to formalise the Committee's role in relation to Board composition, governance and performance evaluation responsibilities in a new Charter. The Board also decided to refer to the Committee as the Nomination Committee, in line with the terminology adopted by other major ASX-listed companies.

Membership and Charter

The Nomination Committee consists of all of the Non-Executive Directors.

The Nomination Committee Charter is available on the Company's website.

Responsibilities

The Nomination Committee has the following responsibilities:

- reviewing and making recommendations to the Board on the size and composition of the Board, including:
 - assessment of necessary and desirable competencies, experience and attributes of Board members;
 - strategies to address Board diversity; and
 - Board succession plans and the succession of the Chair;
- membership of the Board, including recommendations for the appointment and re-election of Directors, and where necessary propose candidates for consideration by the Board (including in respect of Executive Directors); and
- assisting the Board and the Chair of the Board as required in evaluating the performance of the Board, its Committees and individual Directors against appropriate measures.

Nomination Committee members are not involved in making recommendations to the Board in respect of themselves.

The Nomination Committee also has responsibility for:

- assisting the Board in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- ensuring that an effective induction process is in place and regularly reviewing its effectiveness;
- reviewing the time expected to be devoted by Non-Executive Directors in relation to the Company's affairs;
- making recommendations to the Board on corporate governance issues as requested by the Board from time to time; and
- reviewing the Board Charter on a periodic basis and recommending for Board consideration any amendments it considers are necessary.

Audit, Risk Management and Compliance Committee

The Audit, Risk Management and Compliance 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, 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.

Membership and Charter

The Audit, Risk Management and Compliance Committee must have at least three members and be comprised solely of Non-Executive Directors, the majority of whom must be independent. The Chair of the Committee must be an independent Non-Executive Director who is not the Chairman of the Board.

All members of the Committee must have appropriate business expertise and be financially literate. At least one member should have relevant financial qualifications and experience, as determined by the Board.

The Audit, Risk Management and Compliance Committee of Directors is currently comprised of Messrs JF Astbury (Chair from August 2010), JA Strong, IJ Macfarlane, Ms DJ Grady and Mr L L'Huillier (from August 2010). Ms AM Watkins was Chair of the Committee until her retirement in July 2010. Their attendance at meetings of the Committee is set out on page 36 of the Directors' Report.

The Committee has a formal Charter which is available on the Company's website. During the year, the Charter was reviewed and updated to better reflect the Committee's practices.

Responsibilities

The responsibilities of the Committee extend across the Company's global operations and include:

- **External audit:** The Committee oversees the effectiveness of processes in place for the appointment, performance and independence of external audit services. This is discussed further below.
- **Internal controls:** The Committee examines the adequacy of the nature, extent and effectiveness of the internal audit control processes of the Group.
- **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.
- **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 appropriate benchmarks.
- **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.
- **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.

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.

Risk in financial reporting

In 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, the Committee has regard to:

- the quality of earnings, liquidity and transparency and accuracy of reporting;
- critical accounting policies applied and the implications of any changes in such policies;
- compliance with relevant regulatory and statutory requirements;
- areas of significant judgement and estimates by management and their treatment in the financial statements; and
- significant or unusual transactions or events and their implications for the financial statements.

Committee meetings and access to auditors and management

The Audit, Risk Management and Compliance Committee maintains direct, unfettered access to external auditors, Business Review (internal auditors) and management. The Committee meets regularly with external auditors, Business Review and Compliance, and the Board and Committee meet with Business Review 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 Finance Director, senior management, external auditors, Business Review, Compliance and Legal between meetings, to discuss and review matters relating to Committee functions as appropriate.

The Committee's Charter requires the key issues and reports discussed at each Committee meeting to be reported to the Board by the Chairman of the Committee at the immediately following Board meeting. These periodic reports to the Board include details of the most significant risks facing the Group and the mitigation strategies and practices adopted by management.

Auditor appointment and supervision

The Committee is involved in the appointment and supervision of the external auditor and Business Review (internal audit).

External Auditor:

- **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 approval.
- **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.

Business Review (internal audit):

- **Appointment:** The Committee is involved in the performance assessment and appointment or termination of the Head of Business Review.
- **Audit plans:** The Committee reviews the overall scope, annual plans and budget for Business Review activities and oversees the alignment of risk management programs and Business Review activities.
- **Reports:** The Committee reviews all key Business Review reports.
- **Access:** The Committee has regular direct access to the Head of Business Review, who reports directly to the CEO.

Non-audit services

The Committee has procedures to review proposed services by the providers of the external audit which are unrelated to audit assurance activities and provide advice to the Board on whether and why it is satisfied that the auditor's independence is not compromised.

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.

Details of the non-audit services provided by the external auditor over the financial year are contained in Note 4 to the Financial Statements.

Risk management

Woolworths has a sound system of risk management and internal control which, together with its governance structure, is designed to ensure that the material risks of conducting business are properly managed.

The risk management framework has regard to relevant regulations, standards and guidelines including:

- the Committee of Sponsoring Organisations of the Treadway Commission paper on *Enterprise Risk Management – Integrated Framework* ('COSO');
- the ASX Recommendations;
- the Joint Australian/New Zealand Standard Risk management (AS/NZS 4360:2004) – replaced in November 2009 by AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines.

Risk management policy

A risk management policy was prepared by management and formally approved by the Audit, Risk Management and Compliance Committee. The policy reflects the overall risk management philosophy of the Group, our overall approach to risk management, and the roles and responsibilities for risk management within the Group.

The policy is reviewed annually by the Committee to ensure its accuracy. A summary of the Risk Management Policy is available on the Company's website.

Roles and responsibilities

Roles and responsibilities under the risk management framework and policy are divided as follows:

- The **Board** is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit, Risk Management and Compliance Committee and reviewed by the full Board. The Nomination Committee and People Policy Committee also assist the Board in this role.
- The **Audit, Risk Management and Compliance 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 management of risk and the processes for auditing and evaluating the Company's risk management system;
 - provides input into rating business risks;
 - monitors the alignment of the Company's risk profile (which is presented to the Committee on at least an annual basis) with risk appetite and tolerance levels approved by the Board and the broader business and regulatory environment;
 - reviews details of material business risks that are reported to the Committee, including detailed risk reports and action plans that are periodically presented to the Committee and any other communications from Senior Management, the Risk Steering Group and Group Risk and Safety;
 - reviews and where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk, including the periodic review of those guidelines and policies;
 - reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
 - reviews insurance arrangements to ensure appropriate and cost-effective coverage.

The full explanation of the responsibilities of the Committee is contained in its Charter, available on the Company's website.

The Committee recommends any actions it deems appropriate to the Board for its consideration. The Company's Business Review function assists the Committee by providing an independent appraisal and reporting of the adequacy and effectiveness of the risk management framework.

- **Management** is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and must report to the Audit, Risk Management and Compliance Committee on the effectiveness of the risk management and internal control system during the year and of the Company's management of its material business risks.

Assurances by management

Management has reported to the Audit, Risk Management and Compliance Committee on the effectiveness:

- of the risk management and internal control system during the year; and
- of the Company's management of its material business risks.

The Board has received assurance from the CEO and Finance Director, in accordance with the *Corporations Act 2001* (Cth), 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.

In addition, the CEO and Finance Director have stated to the Board in writing that:

- the assurances given above and the integrity of the Company's Financial Statements are founded on sound systems of risk management and compliance and internal control which implements, in all material respects, the policies adopted by the Board;
- 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;
- nothing has come to their attention since 27 June 2010 that would indicate any material change to the above statements; and
- the assurances made above regarding risk management and compliance and internal control are made in the context of providing a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future.

The Board's role in the above assurance includes:

- determining the scope of risk management, compliance and internal control to be covered by the CEO/Finance Director assurance;
- confirming the internal control benchmark criteria – the Company uses the criteria contained in the COSO Internal Controls framework upon which an assessment of the effectiveness of internal controls will be based; and
- satisfying itself that the process underlying assurance is appropriate and that the CEO and Finance Director are justified in providing their assurance.

People Policy Committee

In accordance with the ASX Recommendations, the Board has established a remuneration committee, named the People Policy Committee, which is designed to ensure that the level and composition of Group remuneration is appropriate and reasonable and that its relationship to performance is clear.

In addition to having responsibilities related to Group remuneration, the People Policy Committee also has broader responsibilities in respect of overseeing and reporting to the Board in respect of Group human resources strategies and processes.

Membership and Charter

The People Policy Committee of Directors must be comprised of at least three independent, Non-Executive Directors. Currently, the Committee comprises Non-Executive Directors Dr R S Deane (Chair), Mr J A Strong and Ms C J Hrdlicka (appointed as a member of the Committee in August 2010). The attendance of members at meetings of the Committee is set out on page 36 of the Directors' Report. Ms A Watkins was a member of the Committee until her retirement in July 2010. Mr L M L'Huillier was a member of the Committee until August 2010.

The formal Charter of the People Policy Committee is available on the Company's website. During the year, the Charter was reviewed and updated. The revised Charter addresses recent amendments to the ASX Recommendations, ensuring that Woolworths is well placed to implement the substance of the ASX Recommendations in relation to diversity before they come into effect for Woolworths in respect of the 2012 financial year.

Responsibilities

The People Policy Committee acts on behalf of the Board and shareholders in respect of human resources to oversee management activities in:

- establishing and implementing a human resources strategy which ensures that appropriately talented and trained people are available to achieve Woolworths' business strategy;
- protecting the safety and health of its employees, customers, contractors and visitors;
- undertaking the appropriate performance management, succession planning and development activities and programs;
- providing effective remuneration policies having regard to the creation of value for shareholders and the external remuneration market;
- complying with relevant legal and regulatory requirements and principles of good governance; and
- reporting to shareholders in line with required standards.

The following diagram sets out the specific powers and functions of the People Policy Committee.

| HR strategy | Remuneration | Compliance |
|--|---|--|
| <p>HR strategy Review the overall human resources strategy, monitor management's implementation of the human resources strategy, and oversee management's alignment of the human resources strategy with the Company's overall business strategy and objectives;</p> <p>HR policy (including diversity, equal opportunity and unfair dismissal) Review the Company's policies and performance to assess the effectiveness of the policies and their compliance with relevant legislative, regulatory and governance requirements including EOWA, sexual harassment, diversity and unfair dismissal; and on the proportion of women who are employed by the Group as a whole and at all levels of the Group;</p> <p>Gender pay equity Review remuneration by gender and make recommendations to the Board;</p> <p>Performance management and succession planning Review principles, policies and processes for performance management and succession planning and provide oversight to management as it implements the processes to ensure there are sufficient people with the appropriate skills, experience, attributes and capability to deliver the requirements of the business strategy; and</p> <p>Development Review the principles, policies and programs for the development of Woolworths employees.</p> | <p>Remuneration strategy Review and approve the Group's overall remuneration policy, including assessing if remuneration is market competitive and designed to attract, motivate and retain employees;</p> <p>Short-term incentives Review and approve short-term incentive plans annually to determine if they are designed to effectively reward the achievement of Company and individual objectives, including reviewing their implementation to determine whether they reward individuals fairly and equitably within Company cost-parameters;</p> <p>Long-term incentives Review the design of all employee long-term incentive and equity plans annually, to determine if Company objectives are met, compliance with legislative and regulatory requirements, alignment with industry standards and overall cost effectiveness; and make recommendations to the Board for approval of the overall structure and the level of participation in the plans;</p> <p>Management Review and approve the CEO's recommendations in regard to proposed remuneration packages of executives within the Management Board and Executive Leadership team; and</p> <p>Non-Executive Directors Review and recommend to the Board the remuneration structure for the Non-Executive Directors of the Company, within the maximum amount approved by shareholders.</p> | <p>Health and safety Review the Company's policies and programs to achieve safety and health objectives, the Company's health and safety performance against agreed targets and monitor, review and report to the Board on key health and safety issues;</p> <p>Gender reporting Review and report to the Board at least annually on the proportion of women who are employed by the Group as a whole and at all levels of the Group;</p> <p>Risk management Provide input to the Group's management of risks relevant to human resources strategy, policy and practices; and</p> <p>Remuneration Report Review and approve the Remuneration Report contained within the Annual Report to ensure disclosure meets the requirements of the Corporations Act and the ASX Listing Rules and is in accordance with good corporate governance practice.</p> |

Remuneration Report

In accordance with section 300A of the *Corporations Act 2001* (Cth), disclosures in relation to Director and executive remuneration are included in a separate component of the Directors' Report, entitled Remuneration Report.

Full details of the Company's remuneration philosophy, structure – including fixed and variable remuneration – and quantum are detailed in the Remuneration Report. The Remuneration Report is set out from pages 37 to 56.

Employee Share Plans

The Company has established various Plans which have provided for the allocation of shares to more than 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.

Code of Conduct

Woolworths has developed a Code of Conduct which is designed to assist all our employees conduct themselves in accordance with the highest of standards and enhance the Company's reputation by explaining how these standards can be met every day through their behaviours and the choices they make. The Code of Conduct takes into account the Company's legal responsibilities and the reasonable expectations of stakeholders.

The Code of Conduct applies to all employees and sets out the standards in accordance with which they are expected to act. The policy is aimed at the maintenance of standards of honesty, integrity and fair dealing by all employees in their interaction with customers, suppliers, the community, competitors and each other in the performance of their duties and responsibilities.

During the course of the year, the Code of Conduct was reviewed as part of the Board's comprehensive review of Woolworths' corporate governance policies and practices. As a result, the Code of Conduct was amended and the revised Code of Conduct can be found on the Company's website.

In addition to the Code of Conduct, there are a range of activities and compliance programs across the Company designed to promote and encourage the responsibility and accountability of individuals for reporting unethical practices.

The **Speak Up** service was introduced during the year, a channel for employees to raise breaches directly with a party external to the Company and is specifically designed for situations when normal escalation procedures have all been exhausted or are not appropriate.

The **Speak Up** service is an independent, confidential telephone, internet, email, mail and fax service, operated by an external provider, for employees to report on workplace misconduct.

All matters that constitute a breach of the law or company policy including the Code of Conduct are within scope of the **Speak Up** service, in particular where:

- the seriousness of the matter demands immediate investigation and urgent attention from senior management;
- the matter involves fraud, corruption or behaviour that threatens others; or
- the matter has the potential to expose the Company or individuals who work for the Company to civil or criminal liability or reputation damage.

The **Speak Up** service is only to be used where accepted procedures for raising a matter are not appropriate.

Woolworths is strongly committed to eliminating workplace misconduct and employees are encouraged to make use of **Speak Up** if they encounter anything they believe constitutes serious workplace misconduct.

Diversity at Woolworths

New ASX Recommendations regarding diversity

As part of its recently completed corporate governance review, the Board took into account the diversity related recommendations and commentary in the June 2010 revision by the ASX *Corporate Governance Council in its Corporate Governance Principles and Recommendations* (2nd edition). Work has commenced on a Group-wide diversity policy which will reflect Woolworths' ongoing commitment to diversity and provide a framework for the Group's ongoing diversity initiatives, while at the same time ensuring timely compliance with the revised ASX Recommendations.

Woolworths Limited has demonstrated a commitment to an inclusive workplace that embraces and promotes diversity through a number of initiatives including a focus on indigenous and disability employment, equal opportunity and women in management. We recognise that working towards gender balance is imperative to the attraction and retention of the best talent in retail and to this end, career development and pay equity for women will be important elements of our diversity action plan.

Our objectives and targets in these areas include the following:

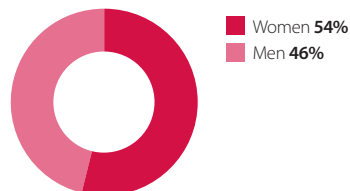
- continue to incrementally grow the number of women performing senior roles, with a target of 33% of Non-Executive Directors and executive leadership roles (direct reports to the CEO and their executive reports at the next three levels) to be occupied by females by 2015;
- continue to create programs that prepare women to take on senior roles within the business both in operational and specialist support areas, with a target of 50% of participants in the Company's senior leadership programs to be women;
- new participants for the Woolworths Graduate Program to be 50% women, from the 2010 financial year, which will support both of the objectives above;
- continue to review gender pay gaps for key roles on an annual basis and implement action plans to address;
- as part of Woolworths' ongoing commitment to the reconciliation process, continue to assist Indigenous Australians to access employment opportunities through our business;
- continue to provide employment opportunities for people with disabilities; and
- continue to recognise and celebrate our multicultural diversity and continue to grow a workforce which reflects the diversity of the Australian population.

The targets and progress towards achieving them will be assessed annually by the People Policy Committee who will report its assessment to the Board and make recommendations as appropriate. The CEO and Director of HR will monitor and report to the People Policy Committee on the progress and effectiveness of initiatives. A diversity steering committee has been appointed to make recommendations and ensure that programs of work are progressing correctly and successfully.

Gender balance at Woolworths

Women constitute 54% of the Woolworths workforce and we continue to focus on the progress of gender diversity, particularly in executive leadership roles. In 2004, 16.7% of executive leadership roles in Woolworths Limited were held by women. By comparison in 2010, 27% of our leadership roles are held by women. Further details are included in the 2010 Corporate Responsibility Report.

Employee Gender FY10



In facilitating women's career development and progression, our focus has been to create an inclusive environment that is supportive and appreciative of difference. Women and men offer different perspectives, which provide undeniable business benefits.

Woolworths has introduced programs to facilitate the inclusion of women and to remove barriers that may restrict their career progression. These programs include structured mentoring and networking opportunities, the provision of part-time and job-share roles, flexible reintegration after parental leave and support during this leave.

In an initiative to further retain women within the workforce, Woolworths introduced paid maternity leave in 2008, being Australia's largest private employer to take this bold initiative. The scheme includes six weeks paid maternity leave and a two week paid return to work bonus. Eligible employees need to be Australian based and have worked for any Woolworths division for two years or more in a permanent role. In addition, employees also have the option to extend the benefit so they can take up to 104 weeks leave from work.

Policy on trading in Company securities

The Company has adopted a Securities Dealing Policy which regulates dealings with Woolworths securities by all Woolworths people. The Securities Dealing Policy is available on the Company's website.

The policy requires Woolworths people 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. Additional restrictions apply to Woolworths people (including Directors and designated persons) who are most likely to come into possession of inside information during the course of their work.

The objective of the policy is not only to require compliance with the law, but to ensure that any dealings in securities by relevant Woolworths parties are above reproach. In addition to the legal consequences for breach, the policy provides for disciplinary action, including dismissal. The policy provides very clear, specific direction to designated persons and other people in relation to prohibited periods for trading in securities.

The Securities Dealing Policy has recently been amended to broaden its prohibition on hedging to cover vested Woolworths securities that are subject to disposal restrictions (hedging of unvested Woolworths securities is already prohibited). This amendment is in line with the Productivity Commission's recommendation in relation to hedging in its final report on Executive Remuneration and is intended to prevent transactions which could have the effect of distorting the proper functioning of performance hurdles or reduce the intended alignment between management and shareholder interests.

Notwithstanding anything in the Securities Dealing Policy, there is no period during which an individual is exempt from the requirements of the *Corporations Act 2001* (Cth) with regard to insider trading prohibitions.

Continuous disclosure

Woolworths' practice is to release all price sensitive information to the market in a timely manner in accordance with its continuous disclosure obligations under the *Corporations Act 2001* (Cth) and ASX Listing Rules.

Woolworths has established a framework to enable the Company to provide shareholders and the market generally with timely, direct and equal access to relevant information about Woolworths.

Woolworths' Continuous Disclosure Policy aims to:

- ensure compliance with continuous disclosure regulatory requirements;
- ensure accountability of Woolworths' senior management level for compliance; and
- promote investor confidence in the integrity of Woolworths and its securities.

The full Continuous Disclosure Policy is available on the Company's website.

Shareholder engagement

Communication strategy

Woolworths aims to ensure that shareholders are kept informed of all major developments affecting Woolworths. Additionally, we recognise that potential investors and other interested stakeholders may wish to obtain information about Woolworths from time to time.

To achieve this, Woolworths communicates information regularly to shareholders and other stakeholders through a range of forums and publications, as outlined in our Shareholder Communications Policy (which can be found on the Company's website).

Investor Centre

The Investor Centre is one of the key methods of communicating with the Company's shareholders. The Investor Centre is available through the Company's website (www.woolworthslimited.com.au) and includes key Woolworths financial and shareholder information, including the Company's published reports, share price updates, dividend history, presentations and webcasts, shareholder meeting details and all major ASX announcements made by the Company in the last five years.

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| | 2010 52 weeks | 2009 52 weeks | 2008 53 weeks | 2007 52 weeks | 2006 52 weeks |
|---|------------------|------------------|------------------|------------------|------------------|
| Profit and Loss | | | | | |
| Sales (\$m) | | | | | |
| Australian Food and Liquor ⁽¹⁾ | 34,675.4 | 32,977.2 | 30,662.6 | 27,892.9 | 25,602.8 |
| Supermarkets NZ | 4,130.6 | 4,034.3 | 4,170.2 | 3,939.9 | 2,604.9 |
| Petrol | 5,481.0 | 5,482.1 | 5,642.1 | 4,836.8 | 4,390.4 |
| Total Supermarkets | 44,287.0 | 42,493.6 | 40,474.9 | 36,669.6 | 32,598.1 |
| BIG W | 4,193.1 | 4,267.3 | 3,915.9 | 3,465.2 | 3,119.1 |
| Consumer Electronics ⁽²⁾ | 1,782.4 | 1,723.6 | 1,530.6 | 1,310.2 | 1,167.1 |
| General Merchandise | 5,975.5 | 5,990.9 | 5,446.5 | 4,775.4 | 4,286.2 |
| Hotels | 1,102.0 | 1,110.3 | 1,113.4 | 1,032.1 | 849.9 |
| Unallocated ⁽³⁾ | 329.8 | – | – | – | – |
| Total Group | 51,694.3 | 49,594.8 | 47,034.8 | 42,477.1 | 37,734.2 |
| Earnings before interest and tax (\$m) | | | | | |
| Australian Food and Liquor ⁽¹⁾ | 2,492.5 | 2,206.9 | 1,918.0 | 1,599.6 | 1,287.8 |
| Supermarkets NZ | 190.4 | 153.9 | 169.2 | 155.1 | 108.9 |
| Petrol | 99.5 | 87.5 | 81.9 | 82.9 | 53.1 |
| Total Supermarkets | 2,782.4 | 2,448.3 | 2,169.1 | 1,837.6 | 1,449.8 |
| BIG W | 200.0 | 200.2 | 161.2 | 138.6 | 123.1 |
| Consumer Electronics ⁽²⁾ | 31.5 | 50.8 | 63.1 | 66.8 | 64.0 |
| General Merchandise | 231.5 | 251.0 | 224.3 | 205.4 | 187.1 |
| Hotels | 176.7 | 218.0 | 215.1 | 183.7 | 151.1 |
| Total trading operations | 3,190.6 | 2,917.3 | 2,608.5 | 2,226.7 | 1,788.0 |
| Net property income/(expense) | 2.5 | (7.2) | 33.1 | (23.8) | 18.3 |
| Central overheads/unallocated | (111.0) | (94.6) | (112.8) | (91.6) | (84.1) |
| Total unallocated ⁽³⁾ | (108.5) | (101.8) | (79.7) | (115.4) | (65.8) |
| Total Group | 3,082.1 | 2,815.5 | 2,528.8 | 2,111.3 | 1,722.2 |
| EBIT to Sales % | | | | | |
| Supermarkets | 6.28 | 5.76 | 5.36 | 5.01 | 4.45 |
| BIG W | 4.77 | 4.69 | 4.12 | 4.00 | 3.95 |
| Consumer Electronics | 1.77 | 2.95 | 4.12 | 5.10 | 5.48 |
| Hotels | 16.03 | 19.63 | 19.32 | 17.79 | 17.78 |
| Total | 5.96 | 5.68 | 5.38 | 4.97 | 4.56 |

Five Year Summary

| | 2010 52 weeks | 2009 52 weeks | 2008 53 weeks | 2007 52 weeks | 2006 52 weeks |
|---|-------------------|------------------|------------------|------------------|------------------|
| Profit and Loss Detail (\$m) | | | | | |
| Sales | 51,694.3 | 49,594.8 | 47,034.8 | 42,477.1 | 37,734.2 |
| Cost of goods sold | (38,300.7) | (36,871.4) | (35,134.5) | (31,723.1) | (28,289.6) |
| Gross profit | 13,393.6 | 12,723.4 | 11,900.3 | 10,754.0 | 9,444.6 |
| <i>Gross profit margin %</i> | 25.91 | 25.66 | 25.30 | 25.32 | 25.03 |
| Cost of doing business (CODB) | (10,311.5) | (9,907.9) | (9,371.5) | (8,642.7) | (7,722.4) |
| <i>CODB %</i> | 19.95 | 19.98 | 19.92 | 20.35 | 20.47 |
| Selling, general and admin expenses (excluding, rent, depreciation and amortisation) | (8,035.9) | (7,768.8) | (7,405.5) | (6,847.1) | (6,130.1) |
| EBITDAR | 5,357.7 | 4,954.6 | 4,494.8 | 3,906.9 | 3,314.5 |
| <i>EBITDAR margin %</i> | 10.36 | 9.99 | 9.56 | 9.20 | 8.78 |
| Rent (including fitout rent) | (1,477.9) | (1,409.7) | (1,315.9) | (1,206.3) | (1,070.1) |
| EBITDA | 3,879.8 | 3,544.9 | 3,178.9 | 2,700.6 | 2,244.4 |
| <i>EBITDA margin (%)</i> | 7.51 | 7.15 | 6.76 | 6.36 | 5.95 |
| Depreciation | (797.7) | (729.4) | (650.1) | (589.3) | (522.2) |
| EBIT | 3,082.1 | 2,815.5 | 2,528.8 | 2,111.3 | 1,722.2 |
| <i>EBIT margin (%)</i> | 5.96 | 5.68 | 5.38 | 4.97 | 4.56 |
| Interest | (181.5) | (149.9) | (140.8) | (189.7) | (201.8) |
| WINs and Woolworths Notes interest | (30.0) | (39.3) | (50.5) | (43.9) | (47.9) |
| Profit before tax and abnormal items | 2,870.6 | 2,626.3 | 2,337.5 | 1,877.7 | 1,472.5 |
| Taxation | (832.6) | (766.3) | (686.0) | (566.4) | (445.8) |
| Profit after tax and before abnormal items | 2,038.0 | 1,860.0 | 1,651.5 | 1,311.3 | 1,026.7 |
| Non-controlling interests | (17.2) | (24.3) | (24.7) | (17.3) | (12.1) |
| Profit attributable to members of Woolworths Limited after tax and hybrid notes | 2,020.8 | 1,835.7 | 1,626.8 | 1,294.0 | 1,014.6 |

| | 2010 52 weeks | 2009 52 weeks | 2008 53 weeks | 2007 52 weeks | 2006 52 weeks |
|--|------------------|------------------|------------------|------------------|------------------|
| Balance Sheet (\$m) | | | | | |
| Funds employed | | | | | |
| Inventory | 3,438.8 | 3,292.6 | 3,010.0 | 2,739.2 | 2,316.1 |
| Accounts payable | (4,211.2) | (4,055.1) | (3,878.1) | (3,277.4) | (2,778.5) |
| Net investment in inventory | (772.4) | (762.5) | (868.1) | (538.2) | (462.4) |
| Fixed assets and investments | 7,802.9 | 6,822.2 | 5,825.5 | 4,886.1 | 4,172.1 |
| Intangibles | 5,071.0 | 4,933.1 | 4,835.2 | 5,003.5 | 4,759.4 |
| Receivables | 930.1 | 666.9 | 641.4 | 490.1 | 1,174.4 |
| Other creditors | (2,455.9) | (2,340.4) | (2,118.1) | (2,038.3) | (1,838.7) |
| Total funds employed⁽⁴⁾ | 10,575.7 | 9,319.3 | 8,315.9 | 7,803.2 | 7,804.8 |
| Net tax balances | 233.6 | 201.1 | 100.5 | 154.3 | 252.3 |
| Net assets employed | 10,809.3 | 9,520.4 | 8,416.4 | 7,957.5 | 8,057.1 |
| Cash and borrowings ⁽⁵⁾ | (2,828.7) | (2,412.3) | (2,019.6) | (2,271.9) | (3,790.4) |
| Other financial assets and liabilities | (162.9) | (50.8) | (161.5) | (170.9) | (9.1) |
| Net assets | 7,817.7 | 7,057.3 | 6,235.3 | 5,514.7 | 4,257.6 |
| Non-controlling interests | 247.3 | 244.8 | 242.4 | 239.4 | 229.8 |
| Shareholders' equity | 7,570.4 | 6,812.5 | 5,992.9 | 5,275.3 | 4,027.8 |
| Total equity | 7,817.7 | 7,057.3 | 6,235.3 | 5,514.7 | 4,257.6 |
| Cash Flow | | | | | |
| EBITDA | 3,879.8 | 3,544.9 | 3,178.9 | 2,700.6 | 2,244.4 |
| Movement in net investment in inventory | (11.3) | (103.2) | 341.4 | 68.1 | 61.4 |
| Other operating cash flows and other non cash | 38.1 | 209.0 | (76.9) | 297.7 | 127.5 |
| Net interest paid (including cost of income notes) | (249.8) | (244.4) | (215.5) | (249.8) | (253.2) |
| Tax paid | (896.9) | (802.1) | (573.9) | (522.4) | (475.3) |
| Operating cash flow | 2,759.9 | 2,604.2 | 2,654.0 | 2,294.2 | 1,704.8 |
| Payments for property, plant and equipment | (1,817.7) | (1,678.2) | (1,748.1) | (1,131.0) | (1,411.7) |
| Proceeds on disposal of property, plant and equipment | 55.4 | 18.7 | 228.4 | 778.2 | 328.7 |
| Major acquisitions debt funded | - | - | - | - | (1,464.7) |
| Other investing cash flows | (197.8) | (146.7) | (233.7) | (372.3) | (178.2) |
| Free cash flow | 799.8 | 798.0 | 900.6 | 1,569.1 | (1,021.1) |
| Movement in gross debt | 486.1 | 160.8 | (132.2) | (999.5) | 1,079.0 |
| Issue of subsidiary shares to non-controlling interests | 79.5 | - | - | - | - |
| Dividends paid | (1,164.6) | (1,012.4) | (862.5) | (355.2) | - |
| Dividends paid to minority interests | (16.8) | (29.2) | (14.3) | (7.7) | - |
| Buy-back of shares | (294.6) | - | - | - | - |
| New shares issued | 77.5 | 71.9 | 72.2 | 63.6 | 40.9 |
| Effects of exchange rate changes on balance of cash held in foreign currencies | (0.2) | 3.0 | (8.0) | 2.6 | (6.7) |
| Net cash flow | (33.3) | (7.9) | (44.2) | 272.9 | 92.1 |

Five Year Summary

| | 2010 52 weeks | 2009 52 weeks | 2008 53 weeks | 2007 52 weeks | 2006 52 weeks |
|--|------------------|------------------|------------------|------------------|------------------|
| Shareholder Value | | | | | |
| ROFE (Pre-tax return on funds employed) (%)⁽⁶⁾ | | | | | |
| Normal | 30.98 | 31.93 | 31.38 | 27.05 | 28.62 |
| Du Pont analysis (abnormals excluded) (%) | | | | | |
| EBIT to sales | 5.96 | 5.68 | 5.38 | 4.97 | 4.56 |
| Service burden ⁽⁷⁾ | 93.14 | 93.28 | 92.43 | 88.94 | 85.50 |
| Tax burden ⁽⁸⁾ | 71.00 | 70.82 | 70.65 | 69.84 | 69.72 |
| Asset turn ⁽⁹⁾ | 2.91 | 3.03 | 3.13 | 3.06 | 3.41 |
| Financial leverage ⁽¹⁰⁾ | 2.47 | 2.56 | 2.67 | 2.98 | 3.69 |
| Return on equity ⁽¹¹⁾ | 28.10 | 28.67 | 28.87 | 27.82 | 33.81 |
| Earnings per share | | | | | |
| Ordinary share price closing (\$) | 27.40 | 25.96 | 25.02 | 27.60 | 19.36 |
| Market capitalisation (\$m) | 33,733.2 | 31,905.9 | 30,453.3 | 33,321.5 | 22,881.9 |
| Weighted average shares on issue | 1,232.1 | 1,218.0 | 1,206.0 | 1,189.4 | 1,116.3 |
| Normal basic EPS ⁽¹²⁾ | 164.01 | 150.71 | 134.89 | 108.79 | 90.89 |
| Interim dividend (\$m) | 657.2 | 588.3 | 534.5 | 421.7 | 325.9 |
| Interim dividend (cents per share) | 53.0 | 48.0 | 44.0 | 35.0 | 28.0 |
| Final dividend (\$m) ⁽¹³⁾ | 766.4 | 692.0 | 586.0 | 471.9 | 367.2 |
| Final dividend (cents per share) | 62.0 | 56.0 | 48.0 | 39.0 | 31.0 |
| Total dividend (\$m) | 1,423.6 | 1,280.3 | 1,120.5 | 893.6 | 693.1 |
| Total dividend (cents per share) | 115.0 | 104.0 | 92.0 | 74.0 | 59.0 |
| Payout ratio (before abnormals) (%) | 70.44 | 69.74 | 68.87 | 68.97 | 68.30 |
| Price/earnings ratio (times) | 16.71 | 17.23 | 18.55 | 25.37 | 21.30 |
| Price/cash flow ratio (times) | 12.23 | 12.13 | 11.37 | 14.31 | 12.67 |
| Growth rates (% increase) | | | | | |
| Sales | 4.23 | 5.44 | 10.73 | 12.57 | 20.35 |
| Sales per equivalent week | 4.23 | 7.47 | 8.64 | 12.57 | 20.35 |
| EBITDA | 9.44 | 11.51 | 17.71 | 20.33 | 30.64 |
| EBIT | 9.47 | 11.34 | 19.77 | 22.59 | 32.26 |
| Profit before tax | 9.30 | 12.36 | 24.49 | 27.52 | 27.82 |
| Normal basic EPS | 8.82 | 11.73 | 23.99 | 19.70 | 14.76 |
| Financial Strength | | | | | |
| Service cover ratio (times) ⁽¹⁴⁾ | 14.57 | 14.88 | 13.22 | 9.04 | 6.90 |
| Fixed charges cover (times) ⁽¹⁵⁾ | 3.09 | 3.00 | 2.94 | 2.72 | 2.50 |
| Sales to inventory (times) ⁽¹⁶⁾ | 15.36 | 15.74 | 16.36 | 16.80 | 17.61 |
| Capital expenditure to EBITDA (%) | 45.07 | 47.34 | 54.99 | 41.88 | 62.90 |
| Operating cash flow per share (\$) | 2.24 | 2.14 | 2.20 | 1.93 | 1.53 |
| Serviced gearing (%) ⁽¹⁷⁾ | 27.16 | 25.87 | 25.91 | 30.70 | 47.16 |
| Current assets to current liabilities (%) | 72.68 | 75.75 | 70.08 | 75.62 | 84.54 |

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|--------------|-------|-------|-------|-------|
| Productivity | | | | | |
| Stores (number) FY10 | | | | | |
| Supermarkets | | | | | |
| NSW and ACT | 248 | 241 | 234 | 237 | 238 |
| Queensland | 189 | 186 | 177 | 168 | 161 |
| Victoria | 200 | 192 | 187 | 183 | 182 |
| South Australia and Northern Territory | 74 | 72 | 72 | 72 | 69 |
| Western Australia | 83 | 82 | 81 | 79 | 79 |
| Tasmania | 29 | 29 | 29 | 27 | 27 |
| Supermarkets in Australia | 823 | 802 | 780 | 766 | 756 |
| Supermarkets in New Zealand | 152 | 149 | 149 | 149 | 152 |
| Total Supermarkets | 975 | 951 | 929 | 915 | 908 |
| Thomas Dux | 11 | 3 | 1 | – | – |
| Freestanding Liquor | 281 | 256 | 233 | 212 | 204 |
| ALH Group retail outlets | 480 | 463 | 434 | 424 | 432 |
| Caltex/WOW Petrol | 132 | 133 | 133 | 134 | 131 |
| WOW Petrol – Australia | 429 | 409 | 389 | 371 | 360 |
| WOW Petrol – New Zealand | 22 | 22 | 22 | 22 | 22 |
| Total Supermarket Division | 2,330 | 2,237 | 2,141 | 2,078 | 2,057 |
| General Merchandise | | | | | |
| BIG W | 161 | 156 | 151 | 142 | 129 |
| Dick Smith Electronics | 394 | 349 | 310 | 277 | 243 |
| Tandy | 22 | 87 | 106 | 123 | 123 |
| Total General Merchandise | 577 | 592 | 567 | 542 | 495 |
| Hotels (ALH Group) (includes 8 clubs) | 284 | 280 | 271 | 263 | 250 |
| Danks (Home Improvement Retail) | 8 | – | – | – | – |
| Total Group | 3,199 | 3,109 | 2,979 | 2,883 | 2,802 |

| | June 2009 | Opened/ACQ | Closed | June 2010 |
|--|--------------|------------|-----------|--------------|
| Stores (movement) FY10 | | | | |
| Supermarkets | | | | |
| New South Wales | 241 | 10 | 3 | 248 |
| Queensland | 186 | 3 | – | 189 |
| Victoria | 192 | 9 | 1 | 200 |
| South Australia and Northern Territory | 72 | 3 | 1 | 74 |
| Western Australia | 82 | 1 | – | 83 |
| Tasmania | 29 | – | – | 29 |
| Total Australian Supermarkets | 802 | 26 | 5 | 823 |
| Supermarkets – New Zealand | 149 | 3 | – | 152 |
| Total Supermarkets | 951 | 29 | 5 | 975 |
| Thomas Dux | 3 | 8 | – | 11 |
| Freestanding Liquor | 256 | 30 | 5 | 281 |
| ALH Group retail outlets | 463 | 25 | 8 | 480 |
| Caltex/WOW Petrol | 133 | – | 1 | 132 |
| WOW Petrol – Australia | 409 | 20 | – | 429 |
| WOW Petrol/Convenience – New Zealand | 22 | – | – | 22 |
| Total Supermarket Division | 2,237 | 112 | 19 | 2,330 |
| General Merchandise | | | | |
| BIG W | 156 | 6 | 1 | 161 |
| Dick Smith Electronics and Tandy (Aust/NZ) | 436 | 24 | 44 | 416 |
| Total General Merchandise | 592 | 30 | 45 | 577 |
| Hotels (ALH Group) | 280 | 6 | 2 | 284 |
| Danks (Home Improvement Retail) | – | 8 | – | 8 |
| Total Group movement | 3,109 | 156 | 66 | 3,199 |

| | 2010 52 weeks | 2009 52 weeks | 2008 53 weeks | 2007 52 weeks | 2006 52 weeks |
|--|------------------|------------------|------------------|------------------|------------------|
| Area (sqm) | | | | | |
| Supermarkets (Australia) ⁽¹⁸⁾ | 2,127,195 | 2,037,680 | 1,945,641 | 1,848,792 | 1,784,279 |
| Supermarkets (New Zealand) ⁽¹⁹⁾ | 325,256 | 303,889 | 296,549 | 291,092 | 291,792 |
| General Merchandise ⁽²⁰⁾ | 1,061,934 | 1,038,561 | 989,767 | 930,288 | 843,316 |
| Sales per square metre | | | | | |
| Supermarkets (Australia) ⁽¹⁸⁾ | 15,764.3 | 15,641.1 | 14,934.0 | 14,570.6 | 13,877.9 |
| Supermarkets (New Zealand) ⁽¹⁹⁾ | 14,548.0 | 14,820.4 | 14,634.1 | 14,382.5 | – |
| General Merchandise ⁽²⁰⁾ | 5,389.8 | 5,588.3 | 5,295.9 | 5,106.2 | 5,082.5 |

Notes to statistics

- (1)**
Includes FAL results since 2 November 2005 and Taverner retail results from 6 February 2006. Includes the Wholesale division that was previously reported separately.
- (2)**
Includes India wholesale results since October 2006. (FY10 Sales \$251.9 million, EBIT 1.3 million, FY09 Sales \$187.1 million, EBIT loss (-\$4.3 million)).
- (3)**
Unallocated consists of the Group's other operating segments that are not separately reportable as well as various support functions including Property and Head Office costs.
- (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)**
Cash and Borrowings is gross debt less cash on hand, cash at bank and cash on short-term deposit.
- (6)**
Return on funds employed (ROFE) is EBIT as a percentage of average (of opening and closing) funds employed for the year.
- (7)**
Service burden is net operating profit before income tax expressed as a percentage of EBIT.
- (8)**
Tax burden is profit after income tax expressed as a percentage of profit before income tax.
- (9)**
Asset turn is total sales divided by average (of opening and closing) total assets for the year.
- (10)**
Financial leverage is average (of opening and closing) total assets divided by average (of opening and closing) total shareholders' equity for the year.
- (11)**
Return on equity is profit after income tax attributable to shareholders, divided by average of (opening and closing) shareholders' equity for the year.
- (12)**
Normal basic earnings per share (Normal EPS) is profit after tax and servicing hybrid notes 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.
- (13)**
The current year figure represents the dividend value given the shares on issue as at reporting date. This figure will change if there are any shares issued between reporting date and the ex-dividend date.
- (14)**
Service cover ratio is EBIT divided by the sum of net financing cost and hybrid notes interest.
- (15)**
Fixed charges cover is EBITDAR divided by rent and interest costs. It excludes foreign exchange gains/losses and dividend income and capitalised interest.
- (16)**
Sales to inventory is total sales divided by average (of opening and closing) inventory.
- (17)**
Serviced gearing is net repayable debt plus other hedge financial assets and liabilities divided by net repayable debt plus other hedge financial assets and liabilities 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 India.

Income Statements

| | Note | Consolidated | | Woolworths Limited | |
|---|------|-------------------|-----------------|--------------------|-----------------|
| | | 2010 | 2009 | 2010 | 2009 |
| | | 52 weeks \$m | 52 weeks \$m | 52 weeks \$m | 52 weeks \$m |
| Revenue from the sale of goods | 2a | 51,694.3 | 49,594.8 | 37,006.9 | 35,607.0 |
| Other operating revenue | 2a | 90.5 | 103.0 | 81.8 | 84.4 |
| Revenue from operations | | 51,784.8 | 49,697.8 | 37,088.7 | 35,691.4 |
| Cost of sales | | (38,391.2) | (36,974.4) | (27,460.6) | (26,586.1) |
| Gross profit | | 13,393.6 | 12,723.4 | 9,628.1 | 9,105.3 |
| Other revenue | 2b | 179.3 | 148.4 | 117.1 | 97.0 |
| Branch expenses | | (8,165.4) | (7,800.4) | (5,651.9) | (5,381.8) |
| Administration expenses | | (2,325.4) | (2,255.9) | (1,861.0) | (1,853.8) |
| Earnings before interest and tax | | 3,082.1 | 2,815.5 | 2,232.3 | 1,966.7 |
| Financial expense | 3 | (238.5) | (235.2) | (233.9) | (226.9) |
| Financial income | 3 | 27.0 | 46.0 | 274.1 | 314.8 |
| Net financing (cost)/benefit | | (211.5) | (189.2) | 40.2 | 87.9 |
| Net profit before income tax expense | | 2,870.6 | 2,626.3 | 2,272.5 | 2,054.6 |
| Income tax expense | 5a | (832.6) | (766.3) | (655.3) | (606.3) |
| Profit after income tax expense | | 2,038.0 | 1,860.0 | 1,617.2 | 1,448.3 |
| Net profit attributable to: | | | | | |
| Equity holders of the parent entity | | 2,020.8 | 1,835.7 | 1,617.2 | 1,448.3 |
| Non-controlling interest | | 17.2 | 24.3 | – | – |
| | | 2,038.0 | 1,860.0 | 1,617.2 | 1,448.3 |
| Earnings per share (EPS) | | | | | |
| Basic EPS (cents per share) | 20 | 164.01 | 150.71 | – | – |
| Diluted EPS (cents per share) | 20 | 163.17 | 149.69 | – | – |
| Weighted average number of shares used in the calculation of basic EPS (million) | 20 | 1,232.1 | 1,218.0 | – | – |

The income statements should be read in conjunction with the Notes to the Financial Statements set out on pages 88 to 159.

Statements of Comprehensive Income

| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|--|---------------------|-----------------|---------------------------|-----------------|
| | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| | <i>52 weeks</i> | <i>52 weeks</i> | <i>52 weeks</i> | <i>52 weeks</i> |
| | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| Profit for the period | 2,038.0 | 1,860.0 | 1,617.2 | 1,448.3 |
| Other comprehensive income | | | | |
| Movement in translation of foreign operations taken to equity | 50.7 | (12.5) | – | – |
| Movement in the fair value of investments in equity securities | (4.0) | (20.5) | 1.4 | (11.0) |
| Movement in fair value of cash flow hedges | (36.3) | 112.9 | (36.3) | 112.9 |
| Transfer to income statement cash flow hedges | 126.3 | (223.5) | 126.3 | (223.5) |
| Actuarial gains/(losses) on defined benefit plans | 1.7 | (67.4) | 1.7 | (66.8) |
| Tax effect of items recognised directly to equity | (34.9) | 60.8 | (27.5) | 53.0 |
| Other comprehensive income for the period (net of tax) | 103.5 | (150.2) | 65.6 | (135.4) |
| Total comprehensive income for the period | 2,141.5 | 1,709.8 | 1,682.8 | 1,313.0 |
| Attributable to: | | | | |
| Equity holders of the parent | 2,124.3 | 1,685.6 | 1,682.8 | 1,313.0 |
| Non-controlling interest | 17.2 | 24.2 | – | – |
| | 2,141.5 | 1,709.8 | 1,682.8 | 1,313.0 |

Income tax on other comprehensive income

| <i>Consolidated</i> | <i>Before tax</i> | <i>Tax (expense)/benefit</i> | <i>Net of tax</i> |
|--|-------------------|------------------------------|-------------------|
| <i>For the year ended 27 June 2010</i> | | | |
| Movement in translation of foreign operations taken to equity | 50.7 | (7.4) | 43.3 |
| Movement in the fair value of investments in equity securities | (4.0) | – | (4.0) |
| Gain/(loss) in cash flow hedges taken to equity | (36.3) | 11.0 | (25.3) |
| Gain/(loss) in cash flow hedges taken to income statement | 126.3 | (37.9) | 88.4 |
| Actuarial gains/(losses) on defined benefit plans | 1.7 | (0.6) | 1.1 |
| Total of items recognised directly in equity | 138.4 | (34.9) | 103.5 |
| <i>Consolidated</i> | <i>Before tax</i> | <i>Tax (expense)/benefit</i> | <i>Net of tax</i> |
| <i>For the year ended 28 June 2009</i> | | | |
| Movement in translation of foreign operations taken to equity | (12.5) | 7.5 | (5.0) |
| Movement in the fair value of investments in equity securities | (20.5) | – | (20.5) |
| Gain/(loss) in cash flow hedges taken to equity | 112.9 | (33.9) | 79.0 |
| Gain/(loss) in cash flow hedges taken to income statement | (223.5) | 66.9 | (156.6) |
| Actuarial gains/(losses) on defined benefit plans | (67.4) | 20.3 | (47.1) |
| Total of items recognised directly in equity | (211.0) | 60.8 | (150.2) |

The consolidated statements of comprehensive income should be read in conjunction with the Notes to the Financial Statements set out on pages 88 to 159.

Statements of Comprehensive Income

| <i>Income tax on other comprehensive income</i> | | | |
|--|----------------|-----------------------|----------------|
| <i>Woolworths Limited</i> | <i>Before</i> | <i>Tax (expense)/</i> | <i>Net of</i> |
| <i>For the year ended 27 June 2010</i> | <i>tax</i> | <i>benefit</i> | <i>tax</i> |
| Movement in translation of foreign operations taken to equity | – | – | – |
| Movement in the fair value of investments in equity securities | 1.4 | – | 1.4 |
| Gain/(loss) in cash flow hedges taken to equity | (36.3) | 11.0 | (25.3) |
| Gain/(loss) in cash flow hedges taken to income statement | 126.3 | (37.9) | 88.4 |
| Actuarial gains/(losses) on defined benefit plans | 1.7 | (0.6) | 1.1 |
| Total of items recognised directly in equity | 93.1 | (27.5) | 65.6 |
| <i>Woolworths Limited</i> | <i>Before</i> | <i>Tax (expense)/</i> | <i>Net of</i> |
| <i>For the year ended 28 June 2009</i> | <i>tax</i> | <i>benefit</i> | <i>tax</i> |
| Movement in translation of foreign operations taken to equity | – | – | – |
| Movement in the fair value of investments in equity securities | (11.0) | – | (11.0) |
| Gain/(loss) in cash flow hedges taken to equity | 112.9 | (33.9) | 79.0 |
| Gain/(loss) in cash flow hedges taken to income statement | (223.5) | 66.9 | (156.6) |
| Actuarial gains/(losses) on defined benefit plans | (66.8) | 20.0 | (46.8) |
| Total of items recognised directly in equity | (188.4) | 53.0 | (135.4) |

The consolidated statements of comprehensive income should be read in conjunction with the Notes to the Financial Statements set out on pages 88 to 159.

Balance Sheets

| | Note | Consolidated | | Woolworths Limited | |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2010 52 weeks \$m | 2009 52 weeks \$m | 2010 52 weeks \$m | 2009 52 weeks \$m |
| Current assets | | | | | |
| Cash | | 713.4 | 762.6 | 459.1 | 574.4 |
| Trade and other receivables | 8 | 916.8 | 664.2 | 1,451.4 | 1,254.4 |
| Inventories | | 3,438.8 | 3,292.6 | 2,354.9 | 2,285.9 |
| Assets held for sale | 10 | 37.3 | 36.9 | 14.1 | 14.1 |
| Other financial assets | 9 | 92.7 | 102.9 | 92.7 | 102.9 |
| Total current assets | | 5,199.0 | 4,859.2 | 4,372.2 | 4,231.7 |
| Non-current assets | | | | | |
| Trade and other receivables | 8 | 13.3 | 2.7 | 5,868.2 | 5,604.6 |
| Other financial assets | 9 | 132.3 | 155.4 | 3,410.7 | 3,270.8 |
| Property, plant and equipment | 10 | 7,639.1 | 6,653.9 | 3,977.1 | 3,654.0 |
| Intangibles | 11 | 5,071.0 | 4,933.1 | 507.0 | 485.9 |
| Deferred tax assets | 5d | 432.6 | 480.6 | 317.3 | 353.0 |
| Total non-current assets | | 13,288.3 | 12,225.7 | 14,080.3 | 13,368.3 |
| Total assets | | 18,487.3 | 17,084.9 | 18,452.5 | 17,600.0 |
| Current liabilities | | | | | |
| Trade and other payables | 12 | 5,278.9 | 5,110.0 | 7,656.8 | 7,468.1 |
| Borrowings | 14 | 871.7 | 188.6 | 793.8 | 142.4 |
| Current tax liabilities | 5c | 199.0 | 279.5 | 160.1 | 232.5 |
| Other financial liabilities | 13 | 24.7 | 99.3 | 24.7 | 99.3 |
| Provisions | 16 | 779.1 | 737.2 | 612.0 | 588.9 |
| Total current liabilities | | 7,153.4 | 6,414.6 | 9,247.4 | 8,531.2 |
| Non-current liabilities | | | | | |
| Borrowings | 14 | 2,670.4 | 2,986.3 | 2,668.0 | 2,984.8 |
| Other financial liabilities | 13 | 236.7 | 78.4 | 159.4 | 78.4 |
| Provisions | 16 | 416.3 | 362.3 | 376.5 | 326.6 |
| Other | | 192.8 | 186.0 | 158.6 | 152.8 |
| Total non-current liabilities | | 3,516.2 | 3,613.0 | 3,362.5 | 3,542.6 |
| Total liabilities | | 10,669.6 | 10,027.6 | 12,609.9 | 12,073.8 |
| Net assets | | 7,817.7 | 7,057.3 | 5,842.6 | 5,526.2 |
| Equity | | | | | |
| Issued capital | 17 | 3,784.4 | 3,858.6 | 3,784.4 | 3,858.6 |
| Shares held in trust | 17 | (41.2) | (51.2) | (41.2) | (51.2) |
| Reserves | 18 | (28.0) | (173.5) | 291.4 | 183.8 |
| Retained earnings | 19 | 3,855.2 | 3,178.6 | 1,808.0 | 1,535.0 |
| Equity attributable to the members of Woolworths Limited | | 7,570.4 | 6,812.5 | 5,842.6 | 5,526.2 |
| Non-controlling interest | | 247.3 | 244.8 | – | – |
| Total equity | | 7,817.7 | 7,057.3 | 5,842.6 | 5,526.2 |

The balance sheets should be read in conjunction with the Notes to the Financial Statements set out on pages 88 to 159.

Cash Flow Statements

| | Consolidated | | Woolworths Limited | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 52 weeks \$m | 2009 52 weeks \$m | 2010 52 weeks \$m | 2009 52 weeks \$m |
| Cash flows from operating activities | | | | |
| Receipts from customers | 55,664.6 | 53,184.3 | 38,657.4 | 37,364.2 |
| Receipts from vendors and tenants | 45.5 | 41.6 | 4.8 | 4.8 |
| Payments to suppliers and employees | (51,803.5) | (49,575.2) | (35,786.2) | (34,631.8) |
| Interest and costs of finance paid | (260.5) | (257.4) | (254.5) | (248.3) |
| Interest received | 10.7 | 13.0 | 218.0 | 238.0 |
| Income tax paid | (896.9) | (802.1) | (815.4) | (722.1) |
| Net cash provided by operating activities | 2,759.9 | 2,604.2 | 2,024.1 | 2,004.8 |
| Cash flows from investing activities | | | | |
| Proceeds from the sale of property, plant and equipment | 55.4 | 18.7 | 0.6 | 6.3 |
| Proceeds from the sale of investments | 4.2 | – | 4.2 | – |
| Payments for capital expenditure | (1,817.7) | (1,678.2) | (874.8) | (1,031.4) |
| Payment for purchase of investments | (1.9) | – | (160.8) | (52.3) |
| (Repayments)/advances (to)/from related entities | – | – | (210.4) | (411.9) |
| Dividend received | 12.5 | 7.8 | 55.1 | 90.1 |
| Payments for purchase of businesses | (212.6) | (154.5) | (25.6) | (28.5) |
| Net cash (used in)/provided by investing activities | (1,960.1) | (1,806.2) | (1,211.7) | (1,427.7) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of equity securities | 73.8 | 66.7 | 73.8 | 66.7 |
| Proceeds from issue of equity securities in subsidiary to non-controlling interests | 79.5 | – | – | – |
| Payments for share buy-back | (294.6) | – | (294.6) | – |
| Proceeds from external borrowings | 12,833.8 | 13,619.3 | 10,118.8 | 12,364.6 |
| Repayment of external borrowings | (12,347.7) | (13,458.5) | (9,664.8) | (11,977.3) |
| Dividends paid | (1,164.6) | (1,012.4) | (1,164.6) | (1,012.4) |
| Dividends paid to non-controlling interest | (16.8) | (29.2) | – | – |
| Repayment of employee share plan loans | 3.7 | 5.2 | 3.7 | 5.2 |
| Net cash (used in) financing activities | (832.9) | (808.9) | (927.7) | (553.2) |
| Net (decrease)/increase in cash held | (33.1) | (10.9) | (115.3) | 23.9 |
| Effects of exchange rate changes on balance of cash held in foreign currencies | (0.2) | 3.0 | – | – |
| Cash at the beginning of the financial period | 746.7 | 754.6 | 574.4 | 550.5 |
| Cash at the end of the financial period | 713.4 | 746.7 | 459.1 | 574.4 |
| Non-cash financing and investing activities | | | | |
| In accordance with the Company's Dividend Reinvestment Plan (DRP) 14% (2009: 14%) of the dividend paid was reinvested in the shares of the Company | | | | |
| Dividend (Note 6) | 1,349.2 | 1,174.3 | 1,349.2 | 1,174.3 |
| Issuance of shares under the DRP | (184.6) | (161.9) | (184.6) | (161.9) |
| Net cash outflow | 1,164.6 | 1,012.4 | 1,164.6 | 1,012.4 |

The cash flow statements should be read in conjunction with the Notes to the Financial Statements set out on pages 88 to 159.

| | Consolidated | | Woolworths Limited | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 52 weeks \$m | 2009 52 weeks \$m | 2010 52 weeks \$m | 2009 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 | 2,038.0 | 1,860.0 | 1,617.2 | 1,448.3 |
| Depreciation/amortisation charged to income statement | 797.7 | 729.4 | 573.4 | 532.3 |
| Difference between defined benefit expense and cash contributions | (3.6) | (4.1) | (3.6) | (3.7) |
| (Profit)/Loss on sale of property, plant and equipment | 11.4 | 14.2 | 7.4 | 5.5 |
| (Increase)/decrease in deferred tax asset | 19.2 | 3.6 | 8.7 | (2.2) |
| Increase/(decrease) in current tax liability | (83.1) | (50.8) | (72.4) | (35.0) |
| (Increase)/decrease in trade and other receivables | (85.9) | (15.4) | (41.7) | (5.0) |
| (Increase)/decrease in inventories | (94.2) | (273.1) | (68.4) | (152.2) |
| Increase/(decrease) in trade creditors | 82.9 | 169.9 | (17.8) | 162.3 |
| Increase/(decrease) in sundry creditors and provisions | 66.1 | 160.0 | 56.6 | 103.1 |
| Other non-cash movements | 11.4 | 10.5 | (35.3) | (48.6) |
| Net cash provided by operating activities | 2,759.9 | 2,604.2 | 2,024.1 | 2,004.8 |
| 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 date of the acquisition were as follows: | | | | |
| – property, plant and equipment | 77.6 | 75.6 | 2.5 | 0.9 |
| – inventories | 47.0 | 5.7 | 0.7 | 3.7 |
| – liquor and gaming licences and other intangibles | 23.4 | 52.5 | 3.1 | 12.8 |
| – brand names | 8.4 | – | – | – |
| – cash acquired | 2.4 | 0.5 | – | – |
| – other asset | – | 4.8 | – | 2.2 |
| – deferred tax asset | 5.8 | – | 0.5 | – |
| – receivables | 97.1 | – | – | – |
| – interest bearing liabilities | (15.2) | – | – | – |
| – accounts payable | (66.9) | – | – | – |
| – provisions | (13.8) | (0.3) | (0.4) | – |
| – other liabilities | (10.1) | (1.2) | (0.8) | – |
| Net assets acquired | 155.7 | 137.6 | 5.6 | 19.6 |
| Goodwill on acquisition | 47.7 | 28.2 | 18.0 | 8.9 |
| Fair value of net assets acquired | 203.4 | 165.8 | 23.6 | 28.5 |
| Analysed as follows: | | | | |
| Consideration | | | | |
| – equity issued | – | 6.4 | – | – |
| – contingent consideration | (1.7) | 4.4 | – | – |
| – cash paid | 205.1 | 155.0 | 23.6 | 28.5 |
| Total consideration | 203.4 | 165.8 | 23.6 | 28.5 |
| Cash paid | 205.1 | 155.0 | 23.6 | 28.5 |
| Add: costs of acquisition and deferred consideration | 9.9 | – | 2.0 | – |
| Less: cash balances acquired | (2.4) | (0.5) | – | – |
| Cash consideration paid this year | 212.6 | 154.5 | 25.6 | 28.5 |

Details of acquisitions are shown at Note 30.

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | 2010 | 2009 |
|----------------|--------------|--------------|
| Cash | 713.4 | 762.6 |
| Bank overdraft | – | (15.9) |
| | 713.4 | 746.7 |

Statement of Changes in Equity

| | <i>Issued capital \$m</i> | <i>Shares held in trust \$m</i> | <i>Hedging reserve \$m</i> | <i>Foreign currency translation reserve \$m</i> | <i>Remuneration reserve \$m</i> |
|--|-----------------------------------|---|------------------------------------|---|---|
| <i>For the year ended 27 June 2010</i> | | | | | |
| <i>Consolidated</i> | | | | | |
| Balance at 29 June 2009 | 3,858.6 | (51.2) | 44.5 | (305.6) | 157.5 |
| Profit after income tax expense | – | – | – | – | – |
| Other comprehensive income for the period (net of tax) | – | – | 63.1 | 43.3 | – |
| Total comprehensive income for the period (net of tax) | – | – | 63.1 | 43.3 | – |
| Dividend paid | – | – | – | – | – |
| Issue of shares as a result of options exercised under executive share option plans | 73.8 | – | – | – | – |
| Issue of shares as a result of dividend reinvestment plan | 184.6 | – | – | – | – |
| Issue of shares under employee share plan | – | 10.0 | – | – | – |
| Shares bought back | (326.3) | – | – | – | – |
| Issue of shares to non-controlling interest (NCI) | – | – | – | – | – |
| Issue of shares as consideration for acquired entity | – | – | – | – | – |
| Compensation on share-based payments | – | – | – | – | 43.1 |
| Reclassification of NCI for recognition of financial liability | – | – | – | – | – |
| Other | (6.3) | – | – | – | – |
| Balance at 27 June 2010 | 3,784.4 | (41.2) | 107.6 | (262.3) | 200.6 |
| <i>For the year ended 28 June 2009</i> | | | | | |
| <i>Consolidated</i> | | | | | |
| Balance at 30 June 2008 | 3,627.1 | (60.0) | 122.1 | (300.6) | 94.0 |
| Profit after income tax expense | – | – | – | – | – |
| Other comprehensive income for the period (net of tax) | – | – | (77.6) | (5.0) | – |
| Total comprehensive income for the period (net of tax) | – | – | (77.6) | (5.0) | – |
| Dividend paid | – | – | – | – | – |
| Issue of shares as a result of options exercised under executive share option plans | 66.7 | – | – | – | – |
| Issue of shares as a result of dividend reinvestment plan | 161.9 | – | – | – | – |
| Issue of shares under employee share plan | – | 8.8 | – | – | – |
| Issue of shares as consideration for acquired entity | 6.4 | – | – | – | – |
| Compensation on share-based payments | – | – | – | – | 63.5 |
| Other | (3.5) | – | – | – | – |
| Balance at 28 June 2009 | 3,858.6 | (51.2) | 44.5 | (305.6) | 157.5 |

| <i>Asset revaluation reserve \$m</i> | <i>Equity instrument reserve \$m</i> | <i>Retained earnings \$m</i> | <i>Equity attributable to members of Woolworths Limited \$m</i> | <i>Non-controlling interest \$m</i> | <i>Total \$m</i> |
|--|--|--------------------------------------|---|---|----------------------|
| 16.4 | (86.3) | 3,178.6 | 6,812.5 | 244.8 | 7,057.3 |
| – | – | 2,020.8 | 2,020.8 | 17.2 | 2,038.0 |
| – | (4.0) | 1.1 | 103.5 | – | 103.5 |
| – | (4.0) | 2,021.9 | 2,124.3 | 17.2 | 2,141.5 |
| – | – | (1,349.2) | (1,349.2) | (16.8) | (1,366.0) |
| – | – | – | 73.8 | – | 73.8 |
| – | – | – | 184.6 | – | 184.6 |
| – | – | – | 10.0 | – | 10.0 |
| – | – | – | (326.3) | – | (326.3) |
| – | – | – | – | 79.5 | 79.5 |
| – | – | – | – | – | – |
| – | – | – | 43.1 | – | 43.1 |
| – | – | – | – | (77.4) | (77.4) |
| – | – | 3.9 | (2.4) | – | (2.4) |
| 16.4 | (90.3) | 3,855.2 | 7,570.4 | 247.3 | 7,817.7 |

| <i>Asset revaluation reserve \$m</i> | <i>Equity instrument reserve \$m</i> | <i>Retained earnings \$m</i> | <i>Equity attributable to members of Woolworths Limited \$m</i> | <i>Non-controlling interest \$m</i> | <i>Total \$m</i> |
|--|--|--------------------------------------|---|---|----------------------|
| 16.4 | (65.8) | 2,559.7 | 5,992.9 | 242.4 | 6,235.3 |
| – | – | 1,835.7 | 1,835.7 | 24.3 | 1,860.0 |
| – | (20.5) | (47.0) | (150.1) | (0.1) | (150.2) |
| – | (20.5) | 1,788.7 | 1,685.6 | 24.2 | 1,709.8 |
| – | – | (1,174.3) | (1,174.3) | (21.8) | (1,196.1) |
| – | – | – | 66.7 | – | 66.7 |
| – | – | – | 161.9 | – | 161.9 |
| – | – | – | 8.8 | – | 8.8 |
| – | – | – | 6.4 | – | 6.4 |
| – | – | – | 63.5 | – | 63.5 |
| – | – | 4.5 | 1.0 | – | 1.0 |
| 16.4 | (86.3) | 3,178.6 | 6,812.5 | 244.8 | 7,057.3 |

Statement of Changes in Equity

| <i>Woolworths Limited</i> <i>For the full year ended</i> <i>27 June 2010</i> | <i>Issued</i> <i>capital</i> <i>\$m</i> | <i>Shares held</i> <i>in trust</i> <i>\$m</i> | <i>Hedging</i> <i>reserve</i> <i>\$m</i> | <i>Foreign</i> <i>currency</i> <i>translation</i> <i>reserve</i> <i>\$m</i> |
|---|---|---|--|---|
| Balance at 29 June 2009 | 3,858.6 | (51.2) | 44.5 | – |
| Profit after income tax expense | – | – | – | – |
| Other comprehensive income for the period (net of tax) | – | – | 63.1 | – |
| Total comprehensive income for the period (net of tax) | | | 63.1 | – |
| Dividend paid | – | – | – | – |
| Issue of shares as a result of options exercised under executive share option plans | 73.8 | – | – | – |
| Issue of shares as a result of dividend reinvestment plan | 184.6 | – | – | – |
| Issue of shares under employee share plan | – | 10.0 | – | – |
| Shares bought back | (326.3) | – | – | – |
| Compensation on share-based payments | – | – | – | – |
| Other | (6.3) | – | – | – |
| Balance at 27 June 2010 | 3,784.4 | (41.2) | 107.6 | – |

| <i>Woolworths Limited</i> <i>For the full year ended</i> <i>28 June 2009</i> | <i>Issued</i> <i>capital</i> <i>\$m</i> | <i>Shares held</i> <i>in trust</i> <i>\$m</i> | <i>Hedging</i> <i>reserve</i> <i>\$m</i> | <i>Foreign</i> <i>currency</i> <i>translation</i> <i>reserve</i> <i>\$m</i> |
|---|---|---|--|---|
| Balance at 30 June 2008 | 3,627.1 | (60.0) | 122.1 | – |
| Profit after income tax expense | – | – | – | – |
| Other comprehensive income for the period (net of tax) | – | – | (77.6) | – |
| Total comprehensive income for the period (net of tax) | | | (77.6) | – |
| Dividend paid | – | – | – | – |
| Issue of shares as a result of options exercised under executive share option plans | 66.7 | – | – | – |
| Issue of shares as a result of dividend reinvestment plan | 161.9 | – | – | – |
| Issue of shares under employee share plan | – | 8.8 | – | – |
| Issue of shares as consideration for acquired entity | 6.4 | – | – | – |
| Compensation on share-based payments | – | – | – | – |
| Other | (3.5) | – | – | – |
| Balance at 28 June 2009 | 3,858.6 | (51.2) | 44.5 | – |

| <i>Remuneration reserve \$m</i> | <i>Asset revaluation reserve \$m</i> | <i>Equity instrument reserve \$m</i> | <i>Retained earnings \$m</i> | <i>Non- controlling interest \$m</i> | <i>Total \$m</i> |
|---|--|--|--------------------------------------|--|----------------------|
| 157.5 | – | (18.2) | 1,535.0 | – | 5,526.2 |
| – | – | – | 1,617.2 | – | 1,617.2 |
| – | – | 1.4 | 1.1 | – | 65.6 |
| – | – | 1.4 | 1,618.3 | – | 1,682.8 |
| – | – | – | (1,349.2) | – | (1,349.2) |
| – | – | – | – | – | 73.8 |
| – | – | – | – | – | 184.6 |
| – | – | – | – | – | 10.0 |
| – | – | – | – | – | (326.3) |
| 43.1 | – | – | – | – | 43.1 |
| – | – | – | 3.9 | – | (2.4) |
| 200.6 | – | (16.8) | 1,808.0 | – | 5,842.6 |

| <i>Remuneration reserve \$m</i> | <i>Asset revaluation reserve \$m</i> | <i>Equity instrument reserve \$m</i> | <i>Retained earnings \$m</i> | <i>Non- controlling interest \$m</i> | <i>Total equity \$m</i> |
|---|--|--|--------------------------------------|--|---------------------------------|
| 94.0 | – | (7.2) | 1,303.3 | – | 5,079.3 |
| – | – | – | 1,448.3 | – | 1,448.3 |
| – | – | (11.0) | (46.8) | – | (135.4) |
| – | – | (11.0) | 1,401.5 | – | 1,312.9 |
| – | – | – | (1,174.3) | – | (1,174.3) |
| – | – | – | – | – | 66.7 |
| – | – | – | – | – | 161.9 |
| – | – | – | – | – | 8.8 |
| – | – | – | – | – | 6.4 |
| 63.5 | – | – | – | – | 63.5 |
| – | – | – | 4.5 | – | 1.0 |
| 157.5 | – | (18.2) | 1,535.0 | – | 5,526.2 |

1 Significant Accounting Policies

Woolworths Limited (the 'Company') is a company domiciled in Australia. The Financial Report of the Company for the 52 weeks ended 27 June 2010 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The Financial Report was authorised for issue by the Directors on 7 September 2010.

(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 ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and consolidated entity comply with International Financial Reporting Standards ('IFRS').

The Corporations Amendment (Corporate Reporting Reform) Act 2010 (CRRA) was given Royal Assent on 28 June 2010 and became effective from 1 July 2010. As a result of the decision being made after the Group's year end, this amendment will not apply. CRRA amended the *Corporations Act 2001* (the Act) so that those entities reporting under Chapter 2M that present consolidated financial statements are no longer required to present parent entity financial statements.

(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 assets valued through other comprehensive income and other financial liabilities.

The Company is of a kind referred to in ASIC Class Order 98/0100 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 30 June 2009.

The adoption of these new and revised accounting standards, other than AASB 3 Business Combinations, has not resulted in any significant impact on the financial results as the standards and amendments are primarily concerned with disclosures.

The Group has adopted AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards during the period. These amendments relate primarily to the presentation of the financial statements and have resulted in the inclusion of two new financial statements being the Statement of Comprehensive Income and the Statement of Changes in Equity.

AASB 3 Business Combinations was applied for the first time in the current period. It applies prospectively to business combinations for which the acquisition date is on or after 29 June 2009 and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the Group, the application of the Standard has affected the accounting for the acquisition of Danks Holdings Limited and all other acquisitions in the current period with all acquisition expenses now recorded in the Consolidated Income Statement.

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 29 June 2009. AASB 8 requires operating segments to be identified the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment reporting) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result of applying AASB 8 the number of individually reported segments has expanded to include Australian Food and Liquor, New Zealand Supermarkets and Petrol (previously reported under Supermarkets) and the measure of segment profit has been defined as Earnings Before Interest and Tax (EBIT). The comparative period has been restated to reflect these changes.

The Group has early adopted AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 during the current period. AASB 9 provides an option to designate and measure an investment in equity instruments at fair value with changes recognised in other comprehensive income with only dividends being recognised in profit or loss. The Group has elected to apply this option. The application of this standard affects the accounting for the investments in The Warehouse Group Limited and Australian Leisure and Entertainment Property Management Limited ('ALE Property Group'), both of which have been designated as fair value through other comprehensive income. These changes have been adopted retrospectively with no impact on retained earnings in the current or previous financial years.

The Group has adopted AASB 2009-2 Amendments to Australian Accounting standards – Improving Disclosures about Financial Instruments. Amendments to AASB 7 Financial Instruments require enhanced disclosures about fair value measurements and liquidity risk. This includes additional disclosure of any change in the method of determining fair value and reason for change and establishing a disclosure three-level hierarchy for fair value measurement.

Issued standards and interpretations not early adopted

The following standards and Amendment to Standards were available for early adoption and were applicable to the consolidated entity but have not been applied to the consolidated entity in these financial statements. Adoption of these standards is not expected to have a significant impact on the financial results of the Company or the consolidated entity:

- AASB 2009-5 Further Amendments to Australia Accounting Standards arising from the annual improvement process. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. The amendments made to the guidance to AASB 118 Revenue regarding determining whether an entity is acting as agent or principal have no explicit application date and are applicable immediately. This standard applies to annual reporting periods beginning on or after 1 January 2010.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions. This requirement is effective for annual reporting periods beginning on or after 1 January 2010.
- AASB 2009-10 Amendments to Australian Accounting Standards Classification of Rights Issues. Applies to annual reporting periods beginning on or after 1 February 2010.
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement. This standard makes limited application to Interpretation 14 AASB 119. This standard applies to annual reporting periods beginning on or after 1 January 2011.
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project. This standard provides clarification on the measurement of non-controlling interests in a business combination and transition requirements. This standard applies to annual reporting periods beginning on or after 1 July 2010.
- AASB 2010-4 Further to Amendments to Australian Accounting Standard arising from the Annual Improvements Project. Key amendments in this standard includes clarification on financial statement disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134), as well as clarification to Interpretation 13 – fair value of award credits. This standard applies to annual reporting periods beginning on or after 1 January 2011.

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 judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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.

Non-controlling interests in the equity and results of subsidiaries are shown as separate items 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.

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.

1 Significant Accounting Policies continued

(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 time to maturity.

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;
- cross currency interest rate swaps ('CCIRS') that convert foreign currency denominated principal and interest rate payments on offshore loans into fixed Australian dollar amounts; and
- forward foreign exchange contracts that convert foreign currency denominated payments to offshore suppliers and income of offshore subsidiaries into 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:

- Cross currency interest rate swaps (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 recoverable value (refer Note 1(M)).

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 is classified as development properties and stated at the lower of cost less accumulated depreciation and recoverable value (refer Note 1(M)) 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:

| | 2010 | 2009 |
|----------------------|-------------|-------------|
| Buildings | 25–40 years | 25–40 years |
| Plant and equipment* | 3–10 years | 3–10 years |

* Some immaterial assets have a useful life of greater than 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:

| | 2010 | 2009 |
|----------------------|--------------|--------------|
| Plant and equipment* | 2.5–10 years | 2.5–10 years |

* Some immaterial assets have a useful life of greater than 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 A-IFRS, the consolidated entity elected to restate only those business combinations that occurred on or after 27 June 2004. In respect of business combinations prior to 27 June 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Australian GAAP.

Business combinations since 27 June 2004

All business combinations are accounted for by applying the purchase method. Entities and businesses acquired are accounted for using the cost method of accounting, whereby fair values are assigned to all the identifiable underlying assets acquired and liabilities assumed, including contingent liabilities, at the date of acquisition.

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is not amortised, but tested for impairment annually and whenever an indication of impairment exists, (refer Note 1(M)). Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. Any impairment is recognised directly in the income statement and is not subsequently reversed.

(I) Other intangibles

(i) Brand names

Brand names recognised by the Company generally have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 1(M).

1 Significant Accounting Policies continued

(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 profit and loss 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

Financial assets valued through other comprehensive income

The consolidated entity's investments in equity securities are designated as financial assets valued through other comprehensive income. The investments are initially measured at fair value net of transaction costs.

Subsequent to initial recognition the equity investments are measured at fair value with any change recorded through the equity instrument reserve. Dividend income is recognised in profit or loss in accordance with AASB 118 Revenue. This treatment has been selected as the equity investments in the Warehouse Group Limited and the Australian Leisure and Entertainment Property Management Limited ('ALE Property Group'), are deemed to be strategic equity investments.

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 qualifying assets are capitalised as part of the cost of those assets.

(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 A-IFRS, 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').

1 Significant Accounting Policies continued

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 A-IFRS, 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 Comprehensive Income.

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.

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 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) Financial liabilities

(i) 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.

(ii) Put options over Non-controlling interests

The consolidated entity's put option over non-controlling interests is classified as a financial liability. The financial liability is initially measured at fair value. While the non-controlling interest continues to have access to voting rights and dividends in the subsidiary, the non-controlling interest continues to be attributed a share of profits. Subsequently changes in the financial liability are recorded directly in equity.

(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.

(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.

(i) Operating lease payments

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

Fixed rate increases to lease rental payments, excluding contingent or index based rental increases, such as Consumer Price Index, 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.

1 Significant Accounting Policies continued

(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 entity recognising an inter-entity receivable/payable equal in amount to the tax liability/asset assumed. The inter-entity receivable/payable amounts are at call.

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

(W) Assets held for sale

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

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

(X) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authorities is included as a current asset or liability in the balance sheet.

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

(Y) Operating segment reporting

(i) Business segments

Segment information is presented in respect of the consolidated entity's reportable segments which were identified on the basis of the consolidated entity's internal reporting on the components of the Group. The identified reportable segments are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. Inter-segment pricing is determined on an arm's length basis.

In addition, these business units offer different products and services and are managed separately because they require different technology and marketing strategies. The Group's six reportable segments are as follows:

- Retail Operations
 - Australian Food and Liquor – procurement of Food and Liquor and products for resale to customers in Australia
 - New Zealand Supermarkets – procurement of Food and Liquor and products for resale to customers in New Zealand
 - Petrol – procurement of Petroleum products for resale to customers in Australia
 - BIG W – procurement of discount general merchandise products for resale to customers in Australia
 - Consumer Electronics – procurement of electronic products for resale to global customers
- Hotels – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming.

The Unallocated Group consists of the Group's other operating segments that are not separately reportable (including Home Improvement) as well as various support functions including Property and Head Office costs.

(ii) Geographical information

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 judgments

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 judgments 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

| | Consolidated | | Woolworths Limited | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 52 weeks \$m | 2009 52 weeks \$m | 2010 52 weeks \$m | 2009 52 weeks \$m |
| Profit before income tax expense includes the following items of revenue, income and expense: | | | | |
| (a) Operating revenue | | | | |
| Revenue from the sale of goods: | | | | |
| Third parties | 51,694.3 | 49,594.8 | 37,006.9 | 35,607.0 |
| Other operating revenue | 90.5 | 103.0 | 81.8 | 84.4 |
| Revenue from operations | 51,784.8 | 49,697.8 | 37,088.7 | 35,691.4 |
| (b) Other revenue | | | | |
| Rent | 45.5 | 41.6 | 4.8 | 4.5 |
| Other | 133.8 | 106.8 | 112.3 | 92.5 |
| Total other revenue | 179.3 | 148.4 | 117.1 | 97.0 |
| Total revenue | 51,964.1 | 49,846.2 | 37,205.8 | 35,788.4 |
| (c) Expenses | | | | |
| Amounts provided for: | | | | |
| Self-insured risks (Note 16) | 168.1 | 139.9 | 142.7 | 114.8 |
| Depreciation of: | | | | |
| Development properties and freehold warehouses retail and other properties | 30.5 | 23.1 | 2.2 | 2.0 |
| Plant and equipment | 659.5 | 604.9 | 490.7 | 456.5 |
| Amortisation of: | | | | |
| Leasehold improvements | 102.9 | 96.8 | 80.5 | 73.8 |
| Brand names | 4.7 | 4.6 | – | – |
| Other intangibles | 0.1 | – | – | – |
| Total depreciation and amortisation | 797.7 | 729.4 | 573.4 | 532.3 |
| Employee benefits expense⁽¹⁾ | 5,969.9 | 5,724.3 | 4,535.9 | 4,338.7 |
| Net loss on disposal of property, plant and equipment | 11.4 | 14.2 | 7.4 | 5.5 |
| Operating lease rental expenses: | | | | |
| – minimum lease payments | 1,390.8 | 1,313.5 | 961.7 | 906.0 |
| – contingent rentals | 87.1 | 96.2 | 73.5 | 82.2 |
| Total operating lease rental expense | 1,477.9 | 1,409.7 | 1,035.1 | 988.2 |

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.

3 Net Financing Costs

| | Consolidated | | Woolworths Limited | |
|---|----------------|----------------|--------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | 52 weeks | 52 weeks | 52 weeks | 52 weeks |
| | \$m | \$m | \$m | \$m |
| Financial expense | | | | |
| Interest expense – other parties | (268.6) | (252.6) | (261.7) | (244.2) |
| Less: interest capitalised ⁽¹⁾ | 30.1 | 17.4 | 27.8 | 17.3 |
| | (238.5) | (235.2) | (233.9) | (226.9) |
| Financial income | | | | |
| Dividend income | | | | |
| Related parties | – | – | 50.5 | 65.1 |
| Other parties | 12.5 | 7.8 | 4.6 | 2.6 |
| Interest income | | | | |
| Related parties | – | – | 212.0 | 230.6 |
| Other parties | 11.2 | 13.0 | 6.6 | 7.5 |
| Foreign exchange gain | 3.3 | 25.2 | 0.4 | 9.0 |
| | 27.0 | 46.0 | 274.1 | 314.8 |
| Net financing (cost)/benefit | (211.5) | (189.2) | 40.2 | 87.9 |

Note

(1)
Weighted average capitalisation rate on funds borrowed generally: 7.23% (2009: 6.76%).

4 Auditors' Remuneration

| | Consolidated | | Woolworths Limited | |
|--|--------------|--------------|--------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | 52 weeks | 52 weeks | 52 weeks | 52 weeks |
| | \$m | \$m | \$m | \$m |
| Audit or review of the Financial Report | | | | |
| Deloitte Touche Tohmatsu Australia | 2.048 | 1.756 | 1.310 | 1.263 |
| Deloitte Touche Tohmatsu network firms | 0.296 | 0.476 | – | – |
| | 2.344 | 2.232 | 1.310 | 1.263 |
| Other non audit services | | | | |
| Tax compliance | 0.090 | 0.083 | 0.090 | 0.053 |
| Other advisory ⁽¹⁾ | 0.574 | 1.107 | 0.574 | 1.107 |
| | 0.664 | 1.190 | 0.664 | 1.160 |
| Total auditors' remuneration | 3.008 | 3.422 | 1.974 | 2.423 |

Note

(1)
Other advisory comprises assistance on various accounting matters and due diligence.

5 Income Taxes

| | Consolidated | | Woolworths Limited | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 52 weeks \$m | 2009 52 weeks \$m | 2010 52 weeks \$m | 2009 52 weeks \$m |
| (a) Income tax recognised in the income statement | | | | |
| Tax expense comprises: | | | | |
| Current tax expense | 818.1 | 752.0 | 654.7 | 597.2 |
| Adjustments recognised in the current year in relation to the current tax of prior years | (4.7) | 3.5 | (8.1) | 11.2 |
| Deferred tax relating to the origination and reversal of temporary differences | 19.2 | 10.8 | 8.7 | (2.1) |
| Total tax expense | 832.6 | 766.3 | 655.3 | 606.3 |
| Numerical reconciliation between tax expense and pre-tax net profit | | | | |
| The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: | | | | |
| Profit from operations before income tax expense | 2,870.6 | 2,626.3 | 2,272.5 | 2,054.6 |
| Income tax using the domestic corporation tax rate of 30% (2009: 30%) | 861.2 | 787.9 | 681.7 | 616.4 |
| Non-deductible expenses | 5.3 | 2.4 | 2.4 | 1.0 |
| Impact on deferred tax balances from change in company tax rate | (0.6) | – | – | – |
| Exempt dividend income | (2.4) | (2.3) | (15.2) | (20.3) |
| Investment allowance | (20.0) | (18.9) | (18.3) | (18.9) |
| Other | (6.2) | (6.3) | 12.8 | 16.9 |
| | 837.3 | 762.8 | 663.4 | 595.1 |
| Under/(over) provided in prior years | (4.7) | 3.5 | (8.1) | 11.2 |
| | 832.6 | 766.3 | 655.3 | 606.3 |



| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|--|---------------------|-----------------|---------------------------|-----------------|
| | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| | <i>52 weeks</i> | <i>52 weeks</i> | <i>52 weeks</i> | <i>52 weeks</i> |
| | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| (b) Income tax recognised directly in equity | | | | |
| The following current and deferred amounts were charged/(credited) directly to equity during the period: | | | | |
| Current tax liability | | | | |
| Transactions charged to foreign currency translation reserve | 0.3 | 0.1 | – | – |
| Actuarial movements on defined benefits plans | – | (0.3) | – | – |
| | 0.3 | (0.2) | – | – |
| Deferred tax | | | | |
| Cash flow hedges | 26.9 | (33.0) | 26.9 | (33.0) |
| Transactions charged to foreign currency translation reserve | 7.1 | (7.6) | – | – |
| Actuarial movements on defined benefits plans | 0.6 | (20.0) | 0.6 | (20.0) |
| | 34.6 | (60.6) | 27.5 | (53.0) |

(c) Current tax assets and liabilities

The current tax liability for the consolidated entity of \$199.0 million (2009: \$279.5 million) and for Woolworths Limited of \$160.1 million (2009: \$232.5 million) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, Woolworths Limited, as the head entity of the Australian tax-consolidated group has assumed the current tax liabilities of the members in the tax-consolidated group.

The current tax liability balance for the consolidated entity includes an amount of \$37.3 million owing by Australian Leisure and Hospitality Group Limited in respect of prior year amended assessments issued by the 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.

| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|--------------------------------------|---------------------|-----------------|---------------------------|-----------------|
| | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| | <i>52 weeks</i> | <i>52 weeks</i> | <i>52 weeks</i> | <i>52 weeks</i> |
| | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| (d) Deferred tax balances | | | | |
| Deferred tax assets comprise: | | | | |
| Tax losses – revenue | 1.4 | 1.5 | – | – |
| Temporary differences | 431.2 | 479.1 | 317.3 | 353.0 |
| | 432.6 | 480.6 | 317.3 | 353.0 |

5 Income Taxes continued

Taxable and deductible differences arise from the following:

| | Opening balance \$m | Credited/ (Charged) to income \$m | Credited/ (Charged) to equity \$m | Acquisitions \$m | Closing balance \$m |
|---|---------------------------|--|--|---------------------|---------------------------|
| <i>Consolidated 2010</i> | | | | | |
| Gross deferred tax assets | | | | | |
| Property, plant and equipment | 109.4 | (8.2) | – | 0.4 | 101.6 |
| Provisions and accruals | 407.1 | (3.5) | (0.3) | 4.6 | 407.9 |
| Unrealised foreign exchange differences | 25.7 | (1.8) | (7.4) | – | 16.5 |
| Recognised tax losses | 1.5 | (0.1) | – | – | 1.4 |
| Other | 4.1 | 1.2 | – | – | 5.3 |
| | 547.8 | (12.4) | (7.7) | 5.0 | 532.7 |
| Gross deferred tax liabilities | | | | | |
| Intangible assets | (14.0) | – | – | – | (14.0) |
| Prepayments | (4.9) | 1.7 | – | – | (3.2) |
| Cash flow hedges | (19.2) | – | (26.9) | – | (46.1) |
| Other | (29.1) | (8.5) | – | 0.8 | (36.8) |
| | (67.2) | (6.8) | (26.9) | 0.8 | (100.1) |
| | 480.6 | (19.2) | (34.6) | 5.8 | 432.6 |
| <i>Woolworths Limited 2010</i> | | | | | |
| Gross deferred tax assets | | | | | |
| Property, plant and equipment | 87.7 | (6.9) | – | – | 80.8 |
| Provisions and accruals | 288.9 | (1.5) | (0.6) | 0.5 | 287.3 |
| Other | 1.7 | (1.6) | – | – | 0.1 |
| | 378.3 | (10.0) | (0.6) | 0.5 | 368.2 |
| Gross deferred tax liabilities | | | | | |
| Prepayments | (2.1) | 1.0 | – | – | (1.1) |
| Unrealised foreign exchange differences | (2.1) | (0.8) | – | – | (2.9) |
| Cash flow hedges | (19.2) | – | (26.9) | – | (46.1) |
| Other | (1.9) | 1.1 | – | – | (0.8) |
| | (25.3) | 1.3 | (26.9) | – | (50.9) |
| | 353.0 | (8.7) | (27.5) | 0.5 | 317.3 |

| <i>Consolidated 2009</i> | <i>Opening balance \$m</i> | <i>Credited/ (Charged) to income \$m</i> | <i>Credited/ (Charged) to equity \$m</i> | <i>Acquisitions \$m</i> | <i>Closing balance \$m</i> |
|---|------------------------------------|--|--|-----------------------------|------------------------------------|
| Gross deferred tax assets | | | | | |
| Property, plant and equipment | 128.0 | (18.8) | 0.2 | – | 109.4 |
| Provisions and accruals | 354.6 | 32.2 | 20.3 | – | 407.1 |
| Unrealised foreign exchange differences | 18.9 | (0.3) | 7.1 | – | 25.7 |
| Recognised tax losses | 2.2 | (0.7) | – | – | 1.5 |
| Other | 5.1 | (1.0) | – | – | 4.1 |
| | 508.8 | 11.4 | 27.6 | – | 547.8 |
| Gross deferred tax liabilities | | | | | |
| Intangible assets | (14.0) | – | – | – | (14.0) |
| Prepayments | (0.5) | (4.4) | – | – | (4.9) |
| Cash flow hedges | (52.3) | – | 33.1 | – | (19.2) |
| Other | (11.3) | (17.8) | – | – | (29.1) |
| | (78.1) | (22.2) | 33.1 | – | (67.2) |
| | 430.7 | (10.8) | 60.7 | – | 480.6 |

| <i>Woolworths Limited 2009</i> | <i>Opening balance \$m</i> | <i>Credited/ (Charged) to income \$m</i> | <i>Credited/ (Charged) to equity \$m</i> | <i>Acquisitions \$m</i> | <i>Closing balance \$m</i> |
|---|------------------------------------|--|--|-----------------------------|------------------------------------|
| Gross deferred tax assets | | | | | |
| Property, plant and equipment | 86.4 | 1.3 | – | – | 87.7 |
| Provisions and accruals | 262.0 | 6.9 | 20.0 | – | 288.9 |
| Other | 4.9 | (3.2) | – | – | 1.7 |
| | 353.3 | 5.0 | 20.0 | – | 378.3 |
| Gross deferred tax liabilities | | | | | |
| Prepayments | (0.2) | (1.9) | – | – | (2.1) |
| Unrealised foreign exchange differences | (3.0) | 0.9 | – | – | (2.1) |
| Cash flow hedges | (52.3) | – | 33.1 | – | (19.2) |
| Other | – | (1.9) | – | – | (1.9) |
| | (55.5) | (2.9) | 33.1 | – | (25.3) |
| | 297.8 | 2.1 | 53.1 | – | 353.0 |

6 Dividends

| 2010 | Cents per share | Total amount \$m | Franked | Date of payment |
|-----------------------|-----------------|------------------|---------|-----------------|
| Interim 2010 ordinary | 53 | 657.2 | 100% | 23/04/2010 |
| Final 2009 ordinary | 56 | 692.0 | 100% | 09/10/2009 |
| Total | 109 | 1,349.2 | | |

| 2009 | Cents per share | Total amount \$m | Franked | Date of payment |
|-----------------------|-----------------|------------------|---------|-----------------|
| Interim 2009 ordinary | 48 | 588.3 | 100% | 24/04/2009 |
| Final 2008 ordinary | 48 | 586.0 | 100% | 03/10/2008 |
| Total | 96 | 1,174.3 | | |

All dividends are fully franked at a 30% rate.

On 26 August 2010, the Board of Directors determined a final dividend in respect of the 2010 year of 62c (2009: 56c) per share 100% franked at a 30% tax rate. The amount that will be paid on 15 October 2010 (2009: 9 October 2009) is expected to be \$766.4 million (2009: \$692.0 million). As the dividend was declared subsequent to 27 June 2010 no provision has been included as at 27 June 2010. In the opinion of the Directors, this dividend was determined in accordance with the amended *Corporations Act*.

Dividend Reinvestment Plan (the Plan)

Under the terms and conditions of the DRP, 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 no minimum number of shares which a shareholder may designate as participating in the Plan. The maximum number of shares which a shareholder (other than brokers' nominees and certain trustees) may designate as participating in the Plan is 20,000.

Franked dividends

| | Consolidated | | Woolworths Limited | |
|--|----------------|-------------|--------------------|-------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| The franked portions of the dividends proposed as at 27 June 2010 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ending 26 June 2011. | | | | |
| Franking credits available for the subsequent financial year 30% (2009: 30%) | 1,655.9 | 1,419.8 | 1,492.7 | 1,297.1 |

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 \$38.5 million (2009: \$26.1 million) attributable to the non-controlling interest holders.

7 Segment Disclosures

The group has six reportable segments, as described below, that are the Group's strategic business units.

The business units offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Retail Operations
 - Australian Food and Liquor – procurement of Food and Liquor and products for resale to customers in Australia
 - New Zealand Supermarkets – procurement of Food and Liquor and products for resale to customers in New Zealand
 - Petrol – procurement of Petroleum products for resale to customers in Australia
 - BIG W – procurement of discount general merchandise products for resale to customers in Australia
 - Consumer Electronics – procurement of electronic products for resale to global customers
- Hotels – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming.

The Unallocated group consists of the group's other operating segments that are not separately reportable (including Home Improvement) as well as various support functions including Property and Head Office costs.

There are varying levels of integration between the Supermarket and Hotel reportable segments. This includes the common usage of property and services, and some common administration functions. The accounting policies of the reportable segments are the same as described in Note 1.

Information regarding the operations of each segment is included below. Performance is measured based on segment Earnings Before Interest and Tax (EBIT). Segment EBIT is measured as management believes that such information is useful in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Major customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

7 Segment Disclosures continued

| Segment disclosures Business segments | Australian Food and Liquor ⁽¹⁾ | | New Zealand Supermarkets | | Petrol | |
|---|---|-------------|--------------------------|-------------|----------------|-------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Business segments | | | | | | |
| Sales to customers | 34,675.4 | 32,977.2 | 4,130.6 | 4,034.3 | 5,481.0 | 5,482.1 |
| Other operating revenue | 81.8 | 84.3 | 8.7 | 18.7 | – | – |
| Inter-segment revenue | – | – | – | – | – | – |
| Segment revenue | 34,757.2 | 33,061.5 | 4,139.3 | 4,053.0 | 5,481.0 | 5,482.1 |
| Eliminations | | | | | | |
| Unallocated revenue/(expenses) ⁽⁵⁾ | | | | | | |
| Total revenue | 34,757.2 | 33,061.5 | 4,139.3 | 4,053.0 | 5,481.0 | 5,482.1 |
| Segment earnings before interest and tax | 2,492.5 | 2,206.9 | 190.4 | 153.9 | 99.5 | 87.5 |
| Net financing cost | | | | | | |
| Profit before tax | | | | | | |
| Income tax expense | | | | | | |
| Profit after tax | | | | | | |
| Segment depreciation and amortisation | 457.8 | 444.2 | 67.0 | 54.9 | 29.5 | 24.9 |
| Segment other non cash items | 23.9 | 34.5 | 5.3 | 3.8 | 0.5 | 0.7 |
| Capital expenditure ⁽⁶⁾ | 646.3 | 832.4 | 195.6 | 220.3 | 50.7 | 64.5 |

| | | | |
|--------------|--|--|---|
| Notes | (1) Australian Food and Liquor comprises of supermarket and liquor stores and wholesale food and liquor in Australia. | (2) Consumer Electronics includes Woolworths Wholesale India. | (3) Hotels comprises of on-premise liquor sales, food, accommodation, gaming and venue hire. |
|--------------|--|--|---|

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

Geographical information

The Group operates in two principal geographical areas – Australia and New Zealand.

The Group's revenue from external customers and information about its geographical assets (non-current assets excluding investments in associates, finance lease receivables and 'other' financial assets) by geographical location are detailed below:

| Segment disclosures Geographical segments | Australia | | New Zealand | | Consolidated | |
|--|-----------------|-------------|----------------|-------------|-----------------|-------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Sales to customers | 47,293.3 | 45,266.0 | 4,401.0 | 4,328.8 | 51,694.3 | 49,594.8 |
| Other operating revenue | 81.8 | 84.3 | 8.7 | 18.7 | 90.5 | 103.0 |
| Other revenue | 158.1 | 129.9 | 21.2 | 18.5 | 179.3 | 148.4 |
| Revenue from external customers | 47,533.2 | 45,480.2 | 4,430.9 | 4,366.0 | 51,964.1 | 49,846.2 |
| Non-current assets ⁽¹⁾ | 10,076.4 | 9,128.7 | 2,773.5 | 2,592.4 | 12,849.9 | 11,721.1 |

| | |
|-------------|--|
| Note | (1) Geographical non-current assets exclude financial instruments (fair value derivatives), deferred tax assets and intercompany receivables. |
|-------------|--|

| <i>BIG W</i> | | <i>Consumer Electronics⁽²⁾</i> | | <i>Hotels⁽³⁾</i> | | <i>Unallocated⁽⁴⁾</i> | | <i>Consolidated</i> | |
|----------------|-------------|---|-------------|-----------------------------|-------------|----------------------------------|-------------|---------------------|-------------|
| <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| 4,193.1 | 4,267.3 | 1,782.4 | 1,723.6 | 1,102.0 | 1,110.3 | 329.8 | – | 51,694.3 | 49,594.8 |
| – | – | – | – | – | – | – | – | 90.5 | 103.0 |
| – | – | – | 0.2 | – | – | 257.7 | 180.1 | 257.7 | 180.3 |
| 4,193.1 | 4,267.3 | 1,782.4 | 1,723.8 | 1,102.0 | 1,110.3 | 587.5 | 180.1 | 52,042.5 | 49,878.1 |
| | | | (0.2) | | | (257.7) | (180.1) | (257.7) | (180.3) |
| | | | | | | 179.3 | 148.4 | 179.3 | 148.4 |
| 4,193.1 | 4,267.3 | 1,782.4 | 1,723.6 | 1,102.0 | 1,110.3 | 509.1 | 148.4 | 51,964.1 | 49,846.2 |
| 200.0 | 200.2 | 31.5 | 50.8 | 176.7 | 218.0 | (108.5) | (101.8) | 3,082.1 | 2,815.5 |
| | | | | | | | | (211.5) | (189.2) |
| | | | | | | | | 2,870.6 | 2,626.3 |
| | | | | | | | | (832.6) | (766.3) |
| | | | | | | | | 2,038.0 | 1,860.0 |
| 72.5 | 64.1 | 31.2 | 30.8 | 75.4 | 64.6 | 64.3 | 45.9 | 797.7 | 729.4 |
| 5.1 | 6.3 | 0.4 | 3.0 | 5.1 | 3.2 | 2.2 | (19.9) | 42.5 | 31.6 |
| 129.0 | 131.0 | 45.1 | 54.0 | 176.9 | 234.6 | 711.6 | 315.1 | 1,955.2 | 1,851.9 |

(4) Unallocated comprise of corporate head office, Property division and Home Improvement division.

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

(6) Capital expenditure is property, plant and equipment and intangible asset additions.

8 Trade and Other Receivables

| | Consolidated as at | | Woolworths Limited as at | |
|------------------------------|-----------------------|-------------|-----------------------------|-------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Current | | | | |
| Trade receivables | 217.7 | 105.1 | 63.8 | 45.0 |
| Other receivables | 473.5 | 361.4 | 233.1 | 212.0 |
| Loans to controlled entities | – | – | 974.0 | 824.4 |
| Prepayments | 225.6 | 197.7 | 180.5 | 173.0 |
| | 916.8 | 664.2 | 1,451.4 | 1,254.4 |
| Non-current | | | | |
| Loans to controlled entities | – | – | 5,867.2 | 5,602.6 |
| Prepayments | 2.3 | 2.5 | 1.0 | 2.0 |
| Other receivables | 11.0 | 0.2 | – | – |
| | 13.3 | 2.7 | 5,868.2 | 5,604.6 |

Trade and other receivables are presented net of impairment allowance. Impairment provision balance as at 27 June 2010 was \$13.7 million (2009: \$12.7 million). All recovery risk has been provided for in the balance sheet.

9 Other Financial Assets

| | Consolidated as at | | Woolworths Limited as at | |
|--|-----------------------|-------------|-----------------------------|-------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Current | | | | |
| Fair value derivatives | | | | |
| Cross currency swaps | 73.1 | 91.9 | 73.1 | 91.9 |
| Interest rate swaps | 4.1 | – | 4.1 | – |
| Forward exchange contracts | 15.5 | 11.0 | 15.5 | 11.0 |
| | 92.7 | 102.9 | 92.7 | 102.9 |
| Non-current | | | | |
| Unlisted shares at cost | – | – | 3,366.0 | 3,207.0 |
| Fair value derivatives | | | | |
| Cross currency swaps | 3.4 | – | 3.4 | – |
| Interest rate swaps | 2.4 | 24.0 | 2.4 | 24.0 |
| Listed equity securities at fair value | 123.7 | 130.7 | 36.4 | 39.4 |
| Investment in associate | 2.1 | – | 2.1 | – |
| Other | 0.7 | 0.7 | 0.4 | 0.4 |
| | 132.3 | 155.4 | 3,410.7 | 3,270.8 |

10 Property, Plant and Equipment

| | Consolidated as at | | Woolworths Limited as at | |
|---|-----------------------|----------------|-----------------------------|----------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Current | | | | |
| Assets held for sale ⁽¹⁾ | 37.3 | 36.9 | 14.1 | 14.1 |
| Non-current | | | | |
| Development properties | | | | |
| At cost | 946.4 | 515.1 | 10.8 | – |
| Less: Accumulated depreciation | (18.6) | (11.7) | – | – |
| | 927.8 | 503.4 | 10.8 | – |
| Freehold warehouse, retail and other properties | | | | |
| At cost | 1,675.7 | 1,512.0 | 54.2 | 45.8 |
| Less: Accumulated depreciation | (101.1) | (80.3) | (16.0) | (13.2) |
| | 1,574.6 | 1,431.7 | 38.2 | 32.6 |
| Leasehold improvements | | | | |
| At cost | 1,889.0 | 1,627.0 | 1,280.6 | 1,080.6 |
| Less: Accumulated amortisation | (719.5) | (622.6) | (426.5) | (347.5) |
| | 1,169.5 | 1,004.4 | 854.1 | 733.1 |
| Plant and equipment | | | | |
| At cost | 9,499.7 | 8,710.8 | 6,100.8 | 5,434.7 |
| Less: Accumulated depreciation | (5,532.5) | (4,996.4) | (3,026.8) | (2,546.4) |
| | 3,967.2 | 3,714.4 | 3,074.0 | 2,888.3 |
| | 7,639.1 | 6,653.9 | 3,977.1 | 3,654.0 |
| Total property, plant and equipment – net book value | 7,676.4 | 6,690.8 | 3,991.2 | 3,668.1 |

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 27 June 2010 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 \$111.3 million (2009: \$116.8 million) is held as at 27 June 2010.

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

| | <i>Development properties</i> | <i>Freehold warehouse, retail and other properties</i> | <i>Leasehold improvements</i> | <i>Plant and equipment</i> | <i>Total</i> |
|--|-----------------------------------|--|-----------------------------------|--------------------------------|----------------|
| | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| Consolidated 2010 | | | | | |
| Carrying amount at start of period | 503.4 | 1,431.7 | 1,004.4 | 3,714.4 | 6,653.9 |
| Additions (excluding additions arising from acquisition of businesses) | 440.3 | 147.3 | 269.7 | 921.4 | 1,778.7 |
| Additions arising from acquisition of businesses | – | 56.7 | 0.5 | 20.4 | 77.6 |
| Disposals | (8.5) | (6.4) | (2.8) | (19.0) | (36.7) |
| Depreciation/amortisation expense | (8.9) | (21.6) | (102.9) | (659.5) | (792.9) |
| Other | (1.8) | (35.2) | (1.5) | (18.1) | (56.6) |
| Effect of movements in foreign exchange rates | 3.3 | 2.1 | 2.1 | 7.6 | 15.1 |
| Carrying amount at end of period | 927.8 | 1,574.6 | 1,169.5 | 3,967.2 | 7,639.1 |
| Consolidated 2009 | | | | | |
| Carrying amount at start of period | 376.8 | 1,218.6 | 766.6 | 3,276.8 | 5,638.8 |
| Additions (excluding additions arising from acquisition of businesses) | 165.0 | 149.0 | 333.4 | 1,046.8 | 1,694.2 |
| Additions arising from acquisition of businesses | – | 65.2 | 0.4 | 10.0 | 75.6 |
| Disposals | (6.6) | (1.7) | (2.0) | (19.1) | (29.4) |
| Depreciation/amortisation expense | (5.1) | (18.0) | (96.8) | (604.8) | (724.7) |
| Other | (26.7) | 18.7 | 2.5 | 2.3 | (3.2) |
| Effect of movements in foreign exchange rates | – | (0.1) | 0.3 | 2.4 | 2.6 |
| Carrying amount at end of period | 503.4 | 1,431.7 | 1,004.4 | 3,714.4 | 6,653.9 |

| <i>Woolworths Limited 2010</i> | <i>Development properties</i> \$m | <i>Freehold warehouse, retail and other properties</i> \$m | <i>Leasehold improvements</i> \$m | <i>Plant and equipment</i> \$m | <i>Total</i> \$m |
|--|--------------------------------------|---|--------------------------------------|-----------------------------------|---------------------|
| Carrying amount at start of period | – | 32.6 | 733.1 | 2,888.3 | 3,654.0 |
| Additions (excluding additions arising from acquisition of businesses) | – | 12.2 | 203.1 | 687.3 | 902.6 |
| Additions arising from acquisition of businesses | – | – | – | 2.5 | 2.5 |
| Disposals | – | – | (1.6) | (6.9) | (8.5) |
| Depreciation/amortisation expense | – | (2.2) | (80.5) | (490.7) | (573.4) |
| Other | 10.8 | (4.4) | – | (6.5) | (0.1) |
| Carrying amount at end of period | 10.8 | 38.2 | 854.1 | 3,074.0 | 3,977.1 |

| <i>Woolworths Limited 2009</i> | <i>Development properties</i> \$m | <i>Freehold warehouse, retail and other properties</i> \$m | <i>Leasehold improvements</i> \$m | <i>Plant and equipment</i> \$m | <i>Total</i> \$m |
|--|--------------------------------------|---|--------------------------------------|-----------------------------------|---------------------|
| Carrying amount at start of period | – | 30.5 | 574.0 | 2,543.3 | 3,147.8 |
| Additions (excluding additions arising from acquisition of businesses) | – | 4.3 | 234.0 | 810.5 | 1,048.8 |
| Additions arising from acquisition of businesses | – | – | – | 0.9 | 0.9 |
| Disposals | – | (0.2) | (0.9) | (10.1) | (11.2) |
| Depreciation/amortisation expense | – | (2.0) | (73.8) | (456.5) | (532.3) |
| Other | – | – | (0.2) | 0.2 | – |
| Carrying amount at end of period | – | 32.6 | 733.1 | 2,888.3 | 3,654.0 |

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 13% and 15% (2009: 12% and 14%) depending on the nature of the business and the country of operation. This discount rate is derived from the Group's post-tax weighted 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.

11 Intangibles

| | Consolidated as at | | Woolworths Limited as at | |
|----------------------------|-----------------------|----------------|-----------------------------|--------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Goodwill | 3,078.2 | 2,991.6 | 328.3 | 310.3 |
| Brand names | 237.1 | 230.4 | – | – |
| Liquor and gaming licences | 1,689.5 | 1,645.3 | 178.7 | 175.6 |
| Other | 66.2 | 65.8 | – | – |
| Total | 5,071.0 | 4,933.1 | 507.0 | 485.9 |

Brand names relate primarily to the supermarket business in New Zealand. These have been assessed for impairment in conjunction with the related goodwill.

Reconciliation of movements in intangibles

| Consolidated 2010 | Goodwill | Brand names | Liquor, petrol and gaming licences | Other | Total intangibles |
|--|----------------|--------------|--|-------------|----------------------|
| | \$m | \$m | \$m | \$m | \$m |
| Carrying amount at start of period | 2,991.6 | 230.4 | 1,645.3 | 65.8 | 4,933.1 |
| Additions arising from acquisition of businesses | 47.7 | 8.4 | 22.9 | 0.5 | 79.5 |
| Other acquisitions | – | – | 19.3 | – | 19.3 |
| Disposals | – | – | – | – | – |
| Other | 0.3 | – | 2.0 | – | 2.3 |
| Amortisation | – | (4.7) | – | (0.1) | (4.8) |
| Effect of movements in foreign exchange rates | 38.6 | 3.0 | – | – | 41.6 |
| Carrying amount at end of period | 3,078.2 | 237.1 | 1,689.5 | 66.2 | 5,071.0 |

| Consolidated 2009 | Goodwill | Brand names | Liquor, petrol and gaming licences | Other | Total intangibles |
|--|----------------|--------------|--|-------------|----------------------|
| | \$m | \$m | \$m | \$m | \$m |
| Carrying amount at start of period | 2,941.4 | 233.4 | 1,594.6 | 65.8 | 4,835.2 |
| Additions arising from acquisition of businesses | 28.2 | – | 52.5 | – | 80.7 |
| Other acquisitions | – | – | 1.4 | – | 1.4 |
| Disposals | (0.7) | – | (3.2) | – | (3.9) |
| Other | 0.1 | – | – | – | 0.1 |
| Amortisation | – | (4.7) | – | – | (4.7) |
| Effect of movements in foreign exchange rates | 22.6 | 1.7 | – | – | 24.3 |
| Carrying amount at end of period | 2,991.6 | 230.4 | 1,645.3 | 65.8 | 4,933.1 |

| <i>Woolworths Limited 2010</i> | <i>Goodwill</i> \$m | <i>Liquor and gaming licences</i> \$m | <i>Total intangibles</i> \$m |
|--|------------------------|--|---------------------------------|
| Carrying amount at start of period | 310.3 | 175.6 | 485.9 |
| Additions arising from acquisition of businesses | 18.0 | 3.1 | 21.1 |
| Disposals | – | – | – |
| Reclassifications | – | – | – |
| Carrying amount at end of period | 328.3 | 178.7 | 507.0 |

| <i>Woolworths Limited 2009</i> | <i>Goodwill</i> \$m | <i>Liquor and gaming licences</i> \$m | <i>Total intangibles</i> \$m |
|--|------------------------|--|---------------------------------|
| Carrying amount at start of period | 302.0 | 162.8 | 464.8 |
| Additions arising from acquisition of businesses | 8.9 | 12.8 | 21.7 |
| Disposals | (0.6) | – | (0.6) |
| Reclassifications | – | – | – |
| Carrying amount at end of period | 310.3 | 175.6 | 485.9 |

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 for five years using data from the Group's latest internal forecasts, the results of which are reviewed by the Board. The key assumptions for the value in use calculation are those regarding discount rates, growth rates and expected changes in margins.

The cash flows are discounted to present value using pre-tax discount rates between 13% and 15% (2009: 12% and 14%) 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 forecasts are extrapolated beyond five years based on estimated long-term growth rates of generally 0% to 7%, and do not exceed industry growth rates for the business in which the cash generating unit operates.

The assumptions regarding expected changes in margin (sales growth and CODB reductions) are based on past experience and expectations of changes in the market.

The components of goodwill are as follows:

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|----------------------------|---------------------------|--------------------|---------------------------------|--------------------|
| | <i>2010</i> \$m | <i>2009</i> \$m | <i>2010</i> \$m | <i>2009</i> \$m |
| Supermarkets – Australia | 585.3 | 566.7 | 328.3 | 310.3 |
| Supermarkets – New Zealand | 1,771.3 | 1,732.6 | – | – |
| Consumer Electronics | 70.3 | 70.3 | – | – |
| Hotels | 632.1 | 622.0 | – | – |
| Unallocated | 19.2 | – | – | – |
| | 3,078.2 | 2,991.6 | 328.3 | 310.3 |

No intangible assets were identified as impaired at reporting date.

12 Trade and Other Payables

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|---------------------------------|-------------------------------|----------------|-------------------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$m | \$m | \$m | \$m |
| Accounts payable | 4,211.3 | 4,055.1 | 3,229.5 | 3,247.1 |
| Loans from controlled entities | – | – | 3,713.0 | 3,509.2 |
| Accruals | 984.5 | 975.0 | 668.5 | 669.5 |
| Unearned income | 83.1 | 79.9 | 45.8 | 42.3 |
| Trade and other payables | 5,278.9 | 5,110.0 | 7,656.8 | 7,468.1 |

13 Other Financial Liabilities

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|-----------------------------|-------------------------------|-------------|-------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$m | \$m | \$m | \$m |
| Current | | | | |
| At fair value | | | | |
| Fair value derivatives | | | | |
| Interest rate swaps | 21.0 | 63.5 | 21.0 | 63.5 |
| Cross currency swaps | – | – | – | – |
| Forward exchange contracts | 3.7 | 35.8 | 3.7 | 35.8 |
| | 24.7 | 99.3 | 24.7 | 99.3 |
| Non-current | | | | |
| At fair value | | | | |
| Other financial liabilities | 77.3 | – | – | – |
| Fair value derivatives | | | | |
| Interest rate swaps | 14.6 | – | 14.6 | – |
| Cross currency swaps | 144.8 | 78.4 | 144.8 | 78.4 |
| | 236.7 | 78.4 | 159.4 | 78.4 |

14 Borrowings

| | Consolidated as at | | Woolworths Limited as at | |
|--|-----------------------|-------------|-----------------------------|-------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Current | | | | |
| Unsecured | | | | |
| Short-term securities ⁽¹⁾ | 554.8 | 141.4 | 554.8 | 141.4 |
| Short-term money market loans ⁽²⁾ | 25.5 | 20.3 | 12.0 | – |
| Bank loans ⁽³⁾ | 289.4 | 25.9 | 225.0 | – |
| Finance leases | 2.0 | 1.0 | 2.0 | 1.0 |
| | 871.7 | 188.6 | 793.8 | 142.4 |
| Non-current | | | | |
| Unsecured | | | | |
| Long-term securities ⁽⁴⁾ | 1,416.2 | 1,867.9 | 1,413.8 | 1,866.4 |
| Bank loans ⁽⁵⁾ | 650.6 | 518.8 | 650.6 | 518.8 |
| Woolworths Notes ⁽⁶⁾ | 598.4 | 596.8 | 598.4 | 596.8 |
| Finance leases | 5.2 | 2.8 | 5.2 | 2.8 |
| | 2,670.4 | 2,986.3 | 2,668.0 | 2,984.8 |
| Total | 3,542.1 | 3,174.9 | 3,461.8 | 3,127.2 |

Notes

(1)

- Comprised of:
- \$350.0 million Medium-term Notes (adjusted for unamortised discount and borrowing costs) issued in 2006 are due to mature in March 2011 (therefore, reclassified from non-current to current). On \$200.0 million of the \$350.0 million interest is payable semi-annually at a fixed bond rate, on the remaining \$150.0 million, interest is payable quarterly at the Bank Bill Swap Rate plus a margin.
 - Short-term Commercial Paper Issuances outstanding at year end (adjusted for unamortised discount).

(2)

Total money market borrowings on an at-call basis of A\$25.5 million were outstanding at period end (2009: A\$20.3 million). This includes a money market borrowing of NZ\$16.5 million (A\$13.5 million) by a controlled entity.

(3)

- Comprised of:
- \$225.0 million was drawn against committed one year bi-lateral facilities (2009: Nil).
 - INR\$450.0 million (A\$11.3 million) was drawn by a controlled entity against a committed Revolving Credit facility (2009: A\$10.0 million).
 - NZ\$65.0 million (A\$53.1 million) was drawn by a controlled entity against a committed Revolving Credit facility (2009: Nil).

(4)

- Comprised of:
- US\$500.0 million (A\$577.8 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\$837.8 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.
 - \$0.9 million borrowings by a controlled entity.
 - \$1.8 million adjustment of unamortised borrowing costs (2009: \$2.8 million).

(5)

- Comprised of:
- The term component of a three year multi-currency syndicated loan facility drawn in three tranches:
 - US\$263.3 million (A\$304.6 million)
 - JPY1,994.5 million (A\$25.7 million)
 - \$178.5 million
 Woolworths has entered into Cross currency swaps in respect of these borrowings which eliminates all foreign currency exposures. This includes a \$8.2 million adjustment of unamortised borrowing costs. The facility matures in May 2012.
 - \$150.0 million was drawn against committed three year bi-lateral facilities (2009: Nil).

(6)

\$600.0 million in Woolworths Notes were issued on 5 June 2006, with a perpetual maturity. Offset by unamortised borrowing costs of \$1.6 million (2009: \$3.2 million).

15 Financing Arrangements

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

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|-------------------------------|-------------------------------|---------------------|-------------------------------------|---------------------|
| | <i>2010 \$m</i> | <i>2009 \$m</i> | <i>2010 \$m</i> | <i>2009 \$m</i> |
| Total facilities | | | | |
| Bank overdrafts | 39.0 | 32.4 | 11.0 | 11.0 |
| Bank loan facilities | 4,168.2 | 4,069.4 | 3,625.1 | 3,537.4 |
| | 4,207.2 | 4,101.8 | 3,636.1 | 3,548.4 |
| Used at balance date | | | | |
| Bank overdrafts | – | 15.9 | – | – |
| Bank loan facilities | 1,179.7 | 704.1 | 1,101.8 | 673.8 |
| | 1,179.7 | 720.0 | 1,101.8 | 673.8 |
| Unused at balance date | | | | |
| Bank overdrafts | 39.0 | 16.5 | 11.0 | 11.0 |
| Bank loan facilities | 2,988.5 | 3,365.3 | 2,523.3 | 2,863.6 |
| | 3,027.5 | 3,381.8 | 2,534.3 | 2,874.6 |

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, US dollars, Japanese yen and Indian rupees. The bank overdraft facilities may be drawn at any time.

16 Provisions

| | Consolidated as at | | Woolworths Limited as at | |
|---|-----------------------|----------------|-----------------------------|--------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Current | | | | |
| Employee benefits (Note 23) | 656.7 | 623.0 | 511.5 | 494.2 |
| Self-insured risks ⁽¹⁾ | 105.6 | 99.9 | 93.3 | 84.4 |
| Other ⁽²⁾ | 16.8 | 14.3 | 7.2 | 10.3 |
| | 779.1 | 737.2 | 612.0 | 588.9 |
| Non-current | | | | |
| Employee benefits (Note 23) | 95.1 | 79.2 | 71.9 | 59.1 |
| Self-insured risks ⁽¹⁾ | 303.4 | 267.7 | 296.5 | 262.7 |
| Other ⁽²⁾ | 17.8 | 15.4 | 8.1 | 4.8 |
| | 416.3 | 362.3 | 376.5 | 326.6 |
| Total provisions | 1,195.4 | 1,099.5 | 988.5 | 915.5 |
| Movements in self-insured risk provisions were as follows: | | | | |
| Balance at start of period | 367.6 | 374.9 | 347.1 | 346.1 |
| Additional provisions recognised | 168.1 | 139.9 | 142.7 | 114.8 |
| Reductions arising from payments/other sacrifices of future economic benefits | (123.3) | (131.4) | (104.8) | (108.8) |
| Transfers | (3.6) | (15.8) | 4.8 | (5.0) |
| Effect of movements in foreign exchange rates | 0.2 | – | – | – |
| Balance at end of period | 409.0 | 367.6 | 389.8 | 347.1 |
| Current | 105.6 | 99.9 | 93.3 | 84.4 |
| Non-current | 303.4 | 267.7 | 296.5 | 262.7 |
| Movements in other provisions were as follows: | | | | |
| Balance at start of period | 29.7 | 38.2 | 15.1 | 15.5 |
| Additional provisions recognised | 7.5 | 6.4 | 0.2 | 0.2 |
| Arising from acquisition of controlled entities | 6.5 | – | – | – |
| Reductions arising from payments | (9.9) | (16.3) | – | (0.1) |
| Transfers | 0.7 | 1.2 | – | (0.5) |
| Effect of movements in foreign exchange rates | 0.1 | 0.2 | – | – |
| Balance at end of period | 34.6 | 29.7 | 15.3 | 15.1 |
| Current | 16.8 | 14.3 | 7.2 | 10.3 |
| Non-current | 17.8 | 15.4 | 8.1 | 4.8 |

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

| | Consolidated as at | | Woolworths Limited as at | |
|---|-----------------------|----------------|-----------------------------|----------------|
| | 2010 \$m | 2009 \$m | 2010 \$m | 2009 \$m |
| Issued and paid-up share capital | | | | |
| 1,231,139,756 fully paid ordinary shares (2009: 1,229,041,431) | | | | |
| Fully paid ordinary shares carry one vote per share and the right to dividends. | | | | |
| Reconciliation of fully paid share capital | | | | |
| Balance at beginning of period | 3,858.6 | 3,627.1 | 3,858.6 | 3,627.1 |
| Issue of shares as a result of options exercised under Executive Share Option Plan | 73.8 | 66.7 | 73.8 | 66.7 |
| Issue of shares as consideration for acquired entity | – | 6.4 | – | 6.4 |
| Issue of shares as a result of Dividend Reinvestment Plan | 184.6 | 161.9 | 184.6 | 161.9 |
| Adjustment to paid-up capital to reflect final proceeds for shares issued under Employee Share Plan | (6.3) | (3.5) | (6.3) | (3.5) |
| Shares bought back | (326.3) | – | (326.3) | – |
| Balance at end of period | 3,784.4 | 3,858.6 | 3,784.4 | 3,858.6 |
| | No. (m) | No. (m) | No. (m) | No. (m) |
| Reconciliation of fully paid share capital (net of own shares held in trust) | | | | |
| Balance at beginning of period | 1,223.6 | 1,210.5 | 1,223.6 | 1,210.5 |
| Issue of shares as a result of options exercised under Executive Share Option Plan | 7.7 | 5.4 | 7.7 | 5.4 |
| Issue of shares as consideration for acquired entity | – | 0.3 | – | 0.3 |
| Issue of shares as a result of Dividend Reinvestment Plan | 6.6 | 6.2 | 6.6 | 6.2 |
| Incremental number of shares from sale of forfeited shares under Employee Share Plan | 1.6 | 1.2 | 1.6 | 1.2 |
| Shares bought back | (12.1) | – | (12.1) | – |
| Balance at end of period | 1,227.4 | 1,223.6 | 1,227.4 | 1,223.6 |
| | \$m | \$m | \$m | \$m |
| Shares held in trust | | | | |
| Reconciliation of shares held in trust | | | | |
| Balance at beginning of period | (51.2) | (60.0) | (51.2) | (60.0) |
| Issue of shares under Employee Share Plan | 10.0 | 8.8 | 10.0 | 8.8 |
| Balance at end of period | (41.2) | (51.2) | (41.2) | (51.2) |
| | No. (m) | No. (m) | No. (m) | No. (m) |
| Reconciliation of shares held in trust | | | | |
| Balance at beginning of period | 5.4 | 6.6 | 5.4 | 6.6 |
| Issue of shares under Employee Share Plan | (1.6) | (1.2) | (1.6) | (1.2) |
| Balance at end of period | 3.8 | 5.4 | 3.8 | 5.4 |

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 Act 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 Management Share Option Plan, executives had options over ordinary shares as follows:

| | <i>Number of options over shares as at</i> | | <i>Expiry date</i> |
|---------------------------|--|---------------------|--------------------|
| | <i>27 June 2010</i> | <i>28 June 2009</i> | |
| Option grant | | | |
| 1999 | – | – | 1 July 2009 |
| 2000 | – | – | 1 July 2010 |
| 2001 | 153,600 | 192,500 | 1 July 2011 |
| 2003 | – | – | 31 December 2008 |
| 2004 | – | 5,926,937 | 31 December 2009 |
| 2005 | 5,273,547 | 5,496,725 | 31 December 2010 |
| 2006 | 6,749,250 | 7,315,150 | 31 December 2011 |
| 2007 | 8,157,500 | 8,580,300 | 31 December 2012 |
| 2008 | 5,314,250 | 5,541,625 | 31 December 2013 |
| 2009 | 4,062,550 | – | 31 December 2014 |
| | 29,710,697 | 33,053,237 | |
| Performance rights | | | |
| 2007 | – | 1,515,000 | Exp 1 July 2009 |
| | 40,000 | 40,000 | Exp 1 July 2010 |
| 2008 | 1,013,984 | 1,064,916 | 31 December 2013 |
| 2009 | 943,920 | – | 31 December 2014 |
| Retention rights | | | |
| 2008 | 65,000 | 80,000 | 1 September 2010 |
| 2009 | 15,000 | 15,000 | 2 February 2012 |
| 2009 | 60,000 | – | 1 November 2011 |
| 2009 | 20,000 | – | 24 December 2010 |
| | 31,868,601 | 35,768,153 | |

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.

18 Reserves

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|--------------------------------------|-------------------------------|---------------------|-------------------------------------|---------------------|
| | <i>2010 \$m</i> | <i>2009 \$m</i> | <i>2010 \$m</i> | <i>2009 \$m</i> |
| Hedging reserve | 107.6 | 44.5 | 107.6 | 44.5 |
| Foreign currency translation reserve | (262.3) | (305.6) | – | – |
| Remuneration reserve | 200.6 | 157.5 | 200.6 | 157.5 |
| Asset revaluation reserve | 16.4 | 16.4 | – | – |
| Equity instrument reserve | (90.3) | (86.3) | (16.8) | (18.2) |
| | (28.0) | (173.5) | 291.4 | 183.8 |

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.

Equity instrument reserve

The equity instrument reserve arises on the revaluation of investments in equity securities. Subsequent to initial recognition, they are measured at fair value with any changes recorded through the equity instrument reserve.

| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|--|---------------------|----------------|---------------------------|---------------|
| | <i>as at</i> | | <i>as at</i> | |
| | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| Movements | | | | |
| Hedging reserve | | | | |
| Balance at start of period | 44.5 | 122.1 | 44.5 | 122.1 |
| Loss on cash flow hedges taken to equity | (36.3) | 112.9 | (36.3) | 112.9 |
| Transfer to profit and loss – cash flow hedges | 126.3 | (223.5) | 126.3 | (223.5) |
| Deferred tax arising on hedges | (26.9) | 33.0 | (26.9) | 33.0 |
| Balance at end of period | 107.6 | 44.5 | 107.6 | 44.5 |
| Foreign currency translation reserve (FCTR) | | | | |
| Balance at start of period | (305.6) | (300.6) | – | – |
| Net exchange differences on translation of foreign controlled entities | 50.7 | (12.5) | – | – |
| Deferred tax arising on FCTR | (7.1) | 7.6 | – | – |
| Income tax related to FCTR | (0.3) | (0.1) | – | – |
| Balance at end of period | (262.3) | (305.6) | – | – |
| Remuneration reserve | | | | |
| Balance at start of period | 157.5 | 94.0 | 157.5 | 94.0 |
| Compensation on share-based payments | 43.1 | 63.5 | 43.1 | 63.5 |
| Balance at end of period | 200.6 | 157.5 | 200.6 | 157.5 |
| Asset revaluation reserve | | | | |
| Balance at start of period | 16.4 | 16.4 | – | – |
| Balance at end of period | 16.4 | 16.4 | – | – |
| Equity instrument reserve | | | | |
| Balance at start of period | (86.3) | (65.8) | (18.2) | (7.2) |
| Revaluation gain/(loss) during the period | (4.0) | (20.5) | 1.4 | (11.0) |
| Balance at end of period | (90.3) | (86.3) | (16.8) | (18.2) |

19 Retained Earnings

| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|--|---------------------|----------------|---------------------------|----------------|
| | <i>as at</i> | | <i>as at</i> | |
| | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| Retained earnings attributable to the members of Woolworths Limited | | | | |
| Balance at start of the period | 3,178.6 | 2,559.7 | 1,535.0 | 1,303.3 |
| Profit attributable to members of Woolworths Limited | 2,020.8 | 1,835.7 | 1,617.2 | 1,448.3 |
| Actuarial losses on defined benefit plans | 1.7 | (67.3) | 1.7 | (66.8) |
| Tax effect of actuarial losses | (0.6) | 20.3 | (0.6) | 20.0 |
| Employee Share Plan dividends and forfeitures | 3.9 | 4.5 | 3.9 | 4.5 |
| Dividends paid or provided (Note 6) | (1,349.2) | (1,174.3) | (1,349.2) | (1,174.3) |
| Balance at end of period | 3,855.2 | 3,178.6 | 1,808.0 | 1,535.0 |

20 Earnings Per Share

| | <i>Consolidated as at</i> | |
|--|-------------------------------|--------|
| | 2010 | 2009 |
| Basic earnings per share (cents per share) | 164.01 | 150.71 |
| Diluted earnings per share (cents per share) | 163.17 | 149.69 |

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) | 2,020.8 | 1,835.7 |
| | <i>No. (m)</i> | <i>No. (m)</i> |
| Weighted average number of ordinary shares ⁽¹⁾ (b) | 1,232.1 | 1,218.0 |

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) | 2,020.8 | 1,835.7 |
| | <i>No. (m)</i> | <i>No. (m)</i> |
| Weighted average number of shares ⁽¹⁾ and potential ordinary shares (c) | 1,238.5 | 1,226.3 |

(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 | 2,020.8 | 1,835.7 |
| Earnings used in the calculations of basic and diluted earnings per share | 2,020.8 | 1,835.7 |

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

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

| | <i>No. (m)</i> | <i>No. (m)</i> |
|--|----------------|----------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 1,232.1 | 1,218.0 |
| Shares deemed to be issued for no consideration in respect of outstanding employee options | 6.4 | 8.3 |
| | 1,238.5 | 1,226.3 |

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.

Since 27 June to 27 August 2010, 78,275 shares (2009: 6,710,189) have been issued as a result of the maturity of retention rights under the LTIP in 2007, and the exercise of options granted under the LTIP in July 2005. No options (2009: nil) have been issued. On 1 July 2010, 954,870 performance rights were issued (1 July 2009: 1,077,444). A further 80,000 performance rights were offered under the Retention Plan with an effective date of 1 November 2009 and 24 December 2010 (98,000 with an effective date of 1 September 2008 and 2 February 2009).

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 \$409.0 million for self-insured risks (2009: \$367.6 million), which includes liabilities relating to workers compensation claims, that has been recognised in the balance sheet at balance date.

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|---|-------------------------------|---------------------|-------------------------------------|---------------------|
| | <i>2010 \$m</i> | <i>2009 \$m</i> | <i>2010 \$m</i> | <i>2009 \$m</i> |
| Guarantees | | | | |
| Bank guarantees ⁽¹⁾ | 44.8 | 54.0 | 6.1 | 20.1 |
| Workers compensation self-insurance guarantees ⁽²⁾ | 474.2 | 448.5 | 474.2 | 448.5 |
| Other | | | | |
| Outstanding letters of credit issued to suppliers | 19.0 | 36.0 | 1.2 | 10.7 |
| Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group | – | – | 610.9 | 559.0 |
| | 538.0 | 538.5 | 1,092.4 | 1,038.3 |

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

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|--|-------------------------------|---------------------|-------------------------------------|---------------------|
| | <i>2010 \$m</i> | <i>2009 \$m</i> | <i>2010 \$m</i> | <i>2009 \$m</i> |
| Capital expenditure commitments | | | | |
| Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable: | | | | |
| Not later than one year | 631.0 | 483.2 | 308.3 | 307.8 |
| Later than one year, not later than two years | 11.3 | 1.5 | – | – |
| Later than two years, not later than five years | 124.7 | – | – | – |
| Later than five years | 41.6 | – | – | – |
| | 808.6 | 484.7 | 308.3 | 307.8 |
| Operating lease commitments | | | | |
| Future minimum rentals under non-cancellable operating leases not provided for in these Financial Statements, payable: | | | | |
| Not later than one year | 1,445.9 | 1,322.4 | 1,014.5 | 929.2 |
| Later than one year, not later than five years | 4,996.7 | 4,968.0 | 3,557.2 | 3,390.9 |
| Later than five years | 8,726.6 | 8,520.7 | 6,086.4 | 6,246.2 |
| | 15,169.2 | 14,811.1 | 10,658.1 | 10,566.3 |
| Total commitments for expenditure | 15,977.8 | 15,295.8 | 10,966.4 | 10,874.1 |

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

| | <i>Consolidated as at</i> | | <i>Woolworths Limited as at</i> | |
|---|-------------------------------|---------------------|-------------------------------------|---------------------|
| | <i>2010 \$m</i> | <i>2009 \$m</i> | <i>2010 \$m</i> | <i>2009 \$m</i> |
| The aggregate employee benefit liability recognised and included in the Financial Statements is as follows: | | | | |
| Provision for employee benefits | | | | |
| Current (Note 16) | 656.7 | 623.0 | 511.5 | 494.2 |
| Non-current (Note 16) | 95.1 | 79.2 | 71.9 | 59.1 |
| Accrued liability for defined benefit obligations (included in other non-current liabilities) | 84.0 | 92.0 | 84.0 | 92.0 |
| Accrued salaries and wages (included in trade and other payables) | 259.6 | 292.5 | 201.3 | 235.4 |
| | 1,095.4 | 1,086.7 | 868.7 | 880.7 |

(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

| | 27 June 2010 | 28 June 2009 | As at | |
|---|----------------|--------------|--------------|--------------|
| | \$m | \$m | 29 June 2008 | 24 June 2007 |
| | | | \$m | \$m |
| Defined benefit obligation ⁽¹⁾ | (1,837) | (1,536) | (1,609) | (1,618) |
| Fair value of assets | 1,753 | 1,444 | 1,556 | 1,586 |
| Liability for defined benefit obligations | (84) | (92) | (53) | (32) |
| Experience adjustments – liabilities | 80 | (310) | (195) | 119 |
| Experience adjustments – assets | (82) | 377 | 235 | (110) |

Note (1)
Includes contribution tax liability.

The consolidated entity and Company make contributions to a defined benefit plan, Woolworths Group Superannuation Plan (WGSP) that provides superannuation benefits for employees upon retirement.

The Company sponsors the WGSP 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 WGSP are held in the AMP Superannuation Savings Trust.

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

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

| | As at | |
|--|--------------|-------|
| | 2010 | 2009 |
| | \$m | \$m |
| Opening net liability for defined obligations | (92) | (53) |
| Contributions by employer | 135 | 148 |
| Expense recognised in the income statement | (129) | (120) |
| Actuarial gains/(losses) recognised directly in equity (Note 19) | 2 | (67) |
| Closing net liability for defined benefit obligations | (84) | (92) |

Actuarial gains recognised in other comprehensive income during the year were \$1.7 million (2009 loss of \$67.3 million), with cumulative actuarial losses of \$140 million (2009: \$142 million).

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

| | | |
|---|--------------|-------|
| Opening defined benefit obligation | 1,536 | 1,609 |
| Current service cost | 139 | 129 |
| Interest cost | 99 | 107 |
| Actuarial losses/(gains) | 80 | (310) |
| Employee contributions | 85 | 92 |
| Past service cost | – | – |
| Benefits paid | (102) | (91) |
| Closing defined benefit obligation | 1,837 | 1,536 |

23 Employee Benefits continued

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

| | 2010 | As at 2009 |
|--|--------------|---------------|
| | \$m | \$m |
| Opening fair value of fund assets | 1,444 | 1,556 |
| Expected return ⁽¹⁾ | 109 | 116 |
| Actuarial gains/(losses) ⁽¹⁾ | 82 | (377) |
| Contributions by employer | 135 | 148 |
| Employee contributions | 85 | 92 |
| Benefits paid | (102) | (91) |
| Closing fair value of fund assets | 1,753 | 1,444 |

Note (1)
The actual return on plan assets was a gain of \$191 million (2009: loss of \$261 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:

| | 2010 | 2009 |
|---------------------------|------|------|
| | % | % |
| Overseas equities | 25 | 27 |
| Australian equities | 29 | 30 |
| Fixed interest securities | 18 | 16 |
| Property | 6 | 6 |
| Alternatives | 19 | 17 |
| Cash | 3 | 4 |

Expense recognised in the income statement

| | 2010 | 2009 |
|--------------------------------|------------|------------|
| | \$m | \$m |
| Current service costs | 139 | 129 |
| Interest cost | 99 | 107 |
| Past service cost | – | – |
| Expected return on fund assets | (109) | (116) |
| | 129 | 120 |

The expense is recognised in the employee benefit expense disclosed in Note 2(c).

The defined benefit obligations have been determined by the Plan actuary, Mr John Burnett, FIAA, Towers Watson, using the projected unit cost method. The following are the principal actuarial assumptions used.

| | <i>As at</i> | |
|--------------------------------|--------------|------|
| | 2010 | 2009 |
| | % | % |
| Discount rate (gross of tax) | 5.10 | 5.50 |
| Discount rate (net of tax) | 4.30 | 4.70 |
| Expected return on fund assets | 7.25 | 7.50 |
| Future salary increases | 3.50 | 3.50 |

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 WGSP. 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 WGSP at 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 WGSP at rates dependent upon their membership category.

The expected Company and employee contributions to the WGSP for the 2011 financial year are \$141 million and \$51 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 WGSP for non-salaried employees.

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

(b) Share-based payments

Executive Option Plan (EOP)

The Executive Option Plan was approved by shareholders in November 1999 and was last offered with an effective grant date of 1 July 2004. As at 27 June 2010, there were 29,557,097 options outstanding 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.

The Executive Option Plan has the following features:

- 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;
- for offers made from 2002 the 50% EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%;
- the fifth tranche is comprised of the 50% TSR component which vests progressively where TSR equals or exceeds the 60th percentile of the comparator group up to the full 50% vesting where TSR equals the 75th percentile of the comparator group; and
- no further grants have been made under this plan since 2004.

23 Employee Benefits continued

Woolworths Long-term Incentive Plan (LTIP)

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 allows the Board flexibility to determine which of the Sub-Plan's awards will be granted to deliver the overall LTIP objectives.

From 2005 to 2007 the Option Sub-Plan has been used to satisfy Woolworths LTIP requirements. Offers made in 2008 and 2009 used a combination of the Option Sub-Plan and the Performance Rights Sub-Plan. Irrespective of Sub-Plan, stringent performance measures are set annually and relate to EPS and TSR hurdles. The Performance Shares and Cash Award Sub-Plans have not been used.

Summary of Sub-Plans

| | <i>Delivers a right to acquire...</i> | <i>Subject to performance hurdles being met and...</i> |
|-----------------------------|---------------------------------------|--|
| Option Sub-Plan | A share at a future date | Payment of an exercise price |
| Performance Rights Sub-Plan | A share at a future date | No monetary payment |
| Performance Shares Sub-Plan | A share immediately | No monetary payment |
| Cash Award Sub-Plan | Cash at a future date | No other condition |

In addition the Performance Rights Sub-Plan has been used as a Retention Plan since 2007 to ensure that key employees are retained to protect and deliver on the Company's strategic direction. It has been delivered to senior executives who had either no or relatively small option grants scheduled to vest over the ensuing two years. This plan does not have performance measures attached to it due to the objective of retaining key talent and vests subject to the executive remaining employed by the Company for a two year or more period. It is intended that this plan be used only in special circumstances.

Summary of outstanding Instruments Granted under LTIP (as at 27 June 2010)

| <i>Year</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>Total</i> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Options | 5,273,547 | 6,749,250 | 8,157,500 | 5,314,250 | 4,062,550 | 29,557,097 |
| Performance Rights | – | – | – | 1,013,984 | 943,920 | 1,957,904 |
| Retention Performance Rights | – | – | 40,000 | 65,000 | 95,000 | 200,000 |

The LTIP has the following features:

- A maximum exercise period of five and a half years;
- Upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share;
- For offers from 2005 through to 2007:
 - an exercise period that commences after five years, subject to performance hurdles being met;
 - the 50% EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%; and
 - a fifth tranche comprised of the 50% TSR component which vests progressively where TSR equals or exceeds the 60th percentile of the comparator group, up to 50% vesting where TSR equals the 75th percentile of the comparator group.
- For offers from 2008 to 2009:
 - a four year vesting period that may commence vesting after three years, subject to performance hurdles being met;
 - if the minimum performance hurdles are not met after three years, nothing vests and the measures will be tested at the end of four years;
 - where any performance measures are met after three years, nothing further vests at the end of four years;
 - the 50% EPS component vests progressively upon attaining average annual growth of 10%. At 10% growth, 12.5% EPS will vest with the full 50% vesting at an average annual growth of 15%; and
 - the 50% TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group. At the 51st percentile, 12.5% TSR will vest with the full 50% vesting where TSR equals the 75th percentile of the comparator group.

The following table summarises movements for the financial year ended 27 June 2010 for outstanding options and performance rights:

| <i>Offer date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>No. of options 28 June 2009</i> | <i>Options/ rights granted during year</i> | <i>Options exercised during year</i> | <i>Options/ rights lapsed during year</i> | <i>No. of options/ rights at 27 June 2010</i> | <i>No. of options exercisable 27 June 2010</i> |
|-------------------|--------------------|-----------------------|------------------------------------|--|--------------------------------------|---|---|--|
| Options | | | | | | | | |
| 01/07/2001 | 01/07/2011 | \$10.89 | 192,500 | – | (38,900) | – | 153,600 | 153,600 |
| 01/07/2002 | 31/12/2007 | \$12.94 | – | – | – | – | – | – |
| 01/07/2004 | 31/12/2009 | \$11.54 | 5,926,937 | – | (5,880,689) | (46,248) | – | – |
| 01/07/2005 | 31/12/2010 | \$16.46 | 5,496,725 | – | (42,025) | (181,153) | 5,273,547 | – |
| 01/07/2006 | 31/12/2011 | \$19.47 | 7,315,150 | – | (250,000) | (315,900) | 6,749,250 | – |
| 01/07/2007 | 31/12/2012 | \$25.91 | 8,580,300 | – | – | (422,800) | 8,157,500 | – |
| 01/07/2008 | 31/12/2013 | \$24.90 | 5,541,625 | – | – | (227,375) | 5,314,250 | – |
| 01/07/2009 | 31/12/2014 | \$25.88 | – | 4,124,850 | – | (62,300) | 4,062,550 | – |
| Rights | | | | | | | | |
| 25/07/2007 | 01/07/2009 | Nil | 1,515,000 | – | (1,515,000) | – | – | – |
| 25/07/2007 | 01/07/2009 | Nil | 40,000 | – | – | – | 40,000 | – |
| 01/07/2008 | 01/07/2013 | Nil | 1,064,916 | – | – | (50,932) | 1,013,984 | – |
| 01/09/2008 | 01/09/2010 | Nil | 80,000 | – | – | (15,000) | 65,000 | – |
| 02/02/2009 | 02/02/2012 | Nil | 15,000 | – | – | – | 15,000 | – |
| 01/07/2009 | 31/12/2014 | Nil | – | 958,070 | – | (14,150) | 943,920 | – |
| 01/11/2009 | 01/11/2011 | Nil | – | 60,000 | – | – | 60,000 | – |
| 24/12/2009 | 24/12/2010 | Nil | – | 20,000 | – | – | 20,000 | – |
| | | | 35,768,153 | 5,162,920 | (7,726,614) | (1,335,858) | 31,868,601 | 153,600 |

The weighted average share price during the financial year ended 27 June 2010 was \$27.52.

23 Employee Benefits continued

The following table summarises movements for the financial year ended 28 June 2009 for outstanding options and performance rights:

| <i>Offer date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>No. of options 29 June 2008</i> | <i>Options/ rights granted during year</i> | <i>Options exercised during year</i> | <i>Options/ rights lapsed during year</i> | <i>No. of options/ rights at 28 June 2009</i> | <i>No. of options exercisable 28 June 2009</i> |
|-------------------|--------------------|-----------------------|------------------------------------|--|--------------------------------------|---|---|--|
| Options | | | | | | | | |
| 01/07/1999 | 01/07/2009 | \$5.11 | 205,000 | – | (205,000) | – | – | – |
| 01/07/2000 | 01/07/2010 | \$6.17 | 20,000 | – | (20,000) | – | – | – |
| 01/07/2001 | 01/07/2011 | \$10.89 | 251,000 | – | (58,500) | – | 192,500 | 192,500 |
| 01/07/2002 | 31/12/2007 | \$12.94 | – | – | – | – | – | – |
| 01/07/2003 | 31/12/2008 | \$12.60 | 5,208,850 | – | (5,124,441) | (84,409) | – | – |
| 01/07/2004 | 31/12/2009 | \$11.54 | 6,181,250 | – | (30,313) | (224,000) | 5,926,937 | – |
| 01/07/2005 | 31/12/2010 | \$16.46 | 5,849,700 | – | – | (352,975) | 5,496,725 | – |
| 01/07/2006 | 31/12/2011 | \$19.47 | 7,618,400 | – | – | (303,250) | 7,315,150 | – |
| 01/07/2007 | 31/12/2012 | \$25.91 | 8,903,500 | – | – | (323,200) | 8,580,300 | – |
| 01/07/2008 | 31/12/2013 | \$24.90 | – | 5,598,000 | – | (56,375) | 5,541,625 | – |
| Rights | | | | | | | | |
| 25/07/2007 | 01/07/2009 | Nil | 1,525,000 | – | – | (10,000) | 1,515,000 | – |
| 25/07/2007 | 01/07/2010 | Nil | 40,000 | – | – | – | 40,000 | – |
| 01/07/2008 | 31/12/2013 | Nil | – | 1,077,444 | – | (12,528) | 1,064,916 | – |
| 01/09/2009 | 01/09/2010 | Nil | – | 83,000 | – | (3,000) | 80,000 | – |
| 02/02/2009 | 02/02/2012 | Nil | – | 15,000 | – | – | 15,000 | – |
| | | | 35,802,700 | 6,773,444 | (5,438,254) | (1,369,737) | 35,768,153 | 192,500 |

The weighted average share price during the financial year ended 28 June 2009 was \$26.42.

The fair value of the services received in return for share options and performance rights granted is 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 27 June 2010, an expense of \$43.1 million (2009: \$63.5 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.

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

| Grant date | Effective 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⁾ | Weighted average fair value of options | | |
|------------|----------------|---------------------------|----------------|------------------------------------|----------------|-------------------------|---|--|---------|-----------|
| | | | | | | | | EPS | TSR | Retention |
| 3-Oct-03 | 1-Jul-03 | \$11.18 | \$12.60 | 18% | 4.00% | 5.15% | \$1.16 | \$1.32 | \$0.99 | – |
| 22-Apr-05 | 1-Jul-04 | \$15.32 | \$11.54 | 17% | 3.20% | 5.50% | \$3.88 | \$4.25 | \$3.50 | – |
| 2-Dec-05 | 1-Jul-05 | \$17.05 | \$16.46 | 16% | 3.40% | 5.40% | \$2.22 | \$2.50 | \$1.93 | – |
| 24-Nov-06 | 1-Jul-06 | \$21.64 | \$19.47 | 16% | 3.20% | 6.10% | \$3.50 | \$0.00 | \$0.00 | – |
| 30-Jan-07 | 1-Jul-06 | \$23.64 | \$19.47 | 16% | 3.20% | 6.10% | \$4.80 | \$5.73 | \$3.86 | – |
| 3-Dec-07 | 1-Jul-07 | \$33.39 | \$25.91 | 18% | 3.10% | 6.30% | \$8.90 | \$9.48 | \$8.32 | – |
| 3-Aug-07 | 25-Jul-07 | \$27.45 | – | – | 3.20% | – | \$24.34 | – | – | \$24.34 |
| 9-Dec-08 | 1-Jul-08 | \$26.63 | \$24.90 | 24% | 3.50% | 4.00% | \$4.96 | \$5.15 | \$4.76 | – |
| 9-Dec-08 | 1-Jul-08 | \$26.63 | – | 26% | 3.50% | 3.50% | \$21.25 | \$23.66 | \$18.83 | – |
| 9-Dec-08 | 1-Sep-08 | \$26.63 | – | 27% | 3.50% | 3.30% | \$24.89 | – | – | \$24.89 |
| 9-Dec-08 | 2-Feb-09 | \$26.63 | – | 27% | 3.50% | 3.30% | \$24.89 | – | – | \$24.89 |
| 27-Nov-09 | 1-Jul-09 | \$27.89 | \$25.88 | 19% | 3.50% | 5.00% | \$4.02 | \$4.77 | \$3.27 | – |
| 27-Nov-09 | 1-Jul-09 | \$27.89 | – | 19% | 3.50% | 4.60% | \$18.96 | \$24.74 | \$13.17 | – |
| 11-Dec-09 | 11-Dec-09 | \$26.83 | – | 19% | 3.50% | 4.50% | \$24.49 | – | – | \$24.49 |

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.

Grant date represents the offer acceptance date.

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 Limited) as Trustee of the Share Plan. At any time after three years from the date of acquisition a participant may request the Trustee to transfer the shares, but only if the loan made to acquire those shares is repaid in full. Shares may be transferred earlier at the discretion of the Directors on the employee's death or retirement but only if the loan made to acquire the shares is repaid in full. The Trustee may exercise the voting rights attached to the shares in the manner directed by the Directors until they are transferred to the participant.

As at 27 June 2010, there were 8,240 (2009: 11,606) participating employees who held a total of 3,788,998 (2009: 5,407,738) shares. The total amount receivable by the Company in relation to these shares is \$25,676,903 as at 27 June 2010 (2009: \$33,102,817). During the 52 week period ended 28 June 2010, no shares were issued.

23 Employee Benefits continued

Due to the non-recourse nature of the loan, the loan is considered to be an option for accounting purposes as the employee is exposed to equity appreciation of the Company shares over the loan period with the option whether to repay the loan. The vesting period is three years from the offer date conditional on the employee remaining employed over this period. Any shares forfeited are sold on-market and the proceeds of this sale are contributed to the Woolworths' Group Superannuation Plan. The number and weighted average exercise prices (being the loan value) of these options is as follows.

| | <i>Weighted average exercise price</i> | <i>Number of options</i> | <i>Weighted average exercise price</i> | <i>Number of options</i> |
|--|--|------------------------------|--|------------------------------|
| | 2010 | 2010 | 2009 | 2009 |
| Balance at the beginning of the period | \$6.12 | 5,407,738 | \$6.39 | 6,640,644 |
| Forfeited during the period | \$5.47 | (12,360) | \$6.10 | (16,420) |
| Exercised during the period | \$2.15 | (1,606,390) | \$3.90 | (1,216,486) |
| Balance at the end of the period | \$6.77 | 3,788,988 | \$6.12 | 5,407,738 |
| Exercisable at the end of the period | \$6.77 | 3,788,988 | \$6.12 | 5,407,738 |

The weighted average share price during the period was \$27.52 (2009: \$26.42).

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 Australian Securities Exchange (ASX). During the 52 week period ended 27 June 2010, 3,088 shares (2009: 4,274) were purchased under the EMSP. No additional expense is recognised in relation to these shares as they are acquired out of salary sacrificed remuneration.

Employee Share Purchase Plan (SPP)

The SPP was launched in June 2008 and provides permanent full-time and part-time employees who are Australian tax residents and are aged 18 years or over, with the opportunity to purchase shares from pre-tax income via salary sacrifice. Woolworths Limited pays the associated brokerage costs.

During the 52 week period ended 27 June 2010, 543,220 shares were purchased on behalf of 16,310 participating employees.

24 Key Management Personnel

Total remuneration for Non-Executive Directors and other key management personnel for the group and the Company during the financial year are set out below.

Remuneration by category

| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|------------------------------|------------------------|------------------------|---------------------------|------------------------|
| | 2010 52 weeks \$ | 2009 52 weeks \$ | 2010 52 weeks \$ | 2009 52 weeks \$ |
| Short-term employee benefits | 15,317,605 | 15,764,655 | 15,317,605 | 15,055,137 |
| Post-employment benefits | 1,182,710 | 1,403,122 | 1,182,710 | 1,289,122 |
| Other long-term benefits | 164,387 | 341,098 | 164,387 | 316,953 |
| Share-based payments | 6,313,268 | 6,414,970 | 6,313,268 | 6,148,459 |
| | 22,977,970 | 23,923,845 | 22,977,970 | 22,809,671 |

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 7.6 of the Remuneration Report on pages 42 to 47.

Shareholdings

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 28 June 2009 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 27 June 2010 No. |
|--------------------------|--|---|--|---|--|--|
| J Strong | 70,479 | – | – | – | – | 70,479 |
| M Luscombe | 433,290 | – | 400,000 | – | (310,000) | 523,290 |
| J Astbury | 12,797 | – | – | – | – | 12,797 |
| R Deane | 40,000 | – | – | – | – | 40,000 |
| D Grady | 36,259 | – | – | – | – | 36,259 |
| L L'Huillier | 60,000 | – | – | – | (30,000) | 30,000 |
| I Macfarlane | 4,000 | – | – | – | 4,000 | 8,000 |
| A Watkins | 11,859 | – | – | – | – | 11,859 |
| T Pockett | 93,000 | – | 150,000 | – | (110,000) | 133,000 |
| J Coates | 66,250 | – | 100,000 | – | (146,250) | 20,000 |
| G Foran | 50,380 | 763 | 120,000 | – | (100,000) | 71,143 |
| A Hall | – | – | – | – | – | – |
| P Horton | 1,212 | 52 | – | – | – | 1,264 |
| G O'Brien | 20,000 | – | 32,000 | – | (32,000) | 20,000 |
| K Schmidt | – | – | 12,000 | – | (12,000) | – |
| M Hamnett ⁽⁴⁾ | 5,000 | – | 150,000 | – | (150,000) | 5,000 |
| R Umbers ⁽⁴⁾ | – | – | 30,000 | – | – | 30,000 |

Notes

(1)

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

(2)

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

(3)

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

(4)

Included as key management personnel to comply with the Corporations Act.

| | Shareholding at 29 June 2008 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 28 June 2009 No. |
|--------------|--|---|--|---|--|--|
| J Strong | 70,479 | – | – | – | – | 70,479 |
| M Luscombe | 333,290 | – | 100,000 | – | – | 433,290 |
| J Astbury | 12,295 | 82 | – | 420 | – | 12,797 |
| R Deane | 40,000 | – | – | – | – | 40,000 |
| D Grady | 35,914 | 345 | – | – | – | 36,259 |
| L L'Huillier | 60,000 | – | – | – | – | 60,000 |
| I Macfarlane | 3,000 | – | – | – | 1,000 | 4,000 |
| A Watkins | 10,279 | 177 | – | 1,403 | – | 11,859 |
| T Pockett | 54,000 | – | 150,000 | – | (111,000) | 93,000 |
| N Onikul | 158,769 | 412 | 60,000 | – | (117,267) | 101,914 |
| P Smith | 841 | 369 | 100,000 | – | (100,000) | 1,210 |
| J Coates | 12,250 | – | 100,000 | – | (46,000) | 66,250 |
| G Foran | – | 380 | 100,000 | – | (50,000) | 50,380 |
| 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 Directors' Share Plan (NEDSP).

(3)

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

24 Key Management Personnel continued

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.

| | Opening balance No. | Options and performance rights granted as remuneration ⁽¹⁾ No. \$ | | Options exercised ⁽²⁾ No. \$ | | Options and performance rights holding at 27 June 2010 ⁽³⁾ No. | Options vested at 27 June 2010 | | | Vested during the year No. |
|--------------------------|---------------------------|---|------------------|--|-------------------|---|--------------------------------|-------------|---------------|-------------------------------------|
| | | | | | | | Total | Exercisable | Unexercisable | |
| | | | | | | | No. | No. | No. | |
| M Luscombe | 1,730,000 | 311,175 | 2,164,572 | (400,000) | 4,805,500 | 1,641,175 | 20,000 | – | 20,000 | 382,500 |
| T Pockett | 980,000 | 155,588 | 1,082,296 | (150,000) | 2,545,500 | 985,588 | 20,000 | – | 20,000 | 132,500 |
| J Coates | 272,500 | 55,000 | 370,450 | (100,000) | 1,875,200 | 227,500 | 12,500 | – | 12,500 | 72,500 |
| G Foran | 292,500 | 55,000 | 370,450 | (120,000) | 2,048,600 | 227,500 | 12,500 | – | 12,500 | 87,500 |
| A Hall | 54,445 | 42,778 | 288,132 | – | – | 97,223 | – | – | – | – |
| P Horton | 124,445 | 42,778 | 288,132 | – | – | 167,223 | 12,500 | – | 12,500 | 12,500 |
| G O'Brien | 202,000 | 55,000 | 370,450 | (32,000) | 721,240 | 225,000 | 5,000 | – | 5,000 | 14,000 |
| K Schmidt | 112,778 | 42,778 | 288,132 | (12,000) | 203,640 | 143,556 | 3,250 | – | 3,250 | 12,250 |
| Total | 3,768,668 | 760,097 | 5,222,614 | (814,000) | 12,199,680 | 3,714,765 | 85,750 | – | 85,750 | 713,750 |
| M Hamnett ⁽⁴⁾ | 286,389 | 42,778 | 288,132 | (150,000) | 2,545,500 | 179,167 | 10,000 | – | 10,000 | 122,500 |
| R Umbers ⁽⁴⁾ | 176,389 | 42,778 | 288,132 | (30,000) | 776,400 | 189,167 | – | – | – | 30,000 |
| Total | 462,778 | 85,556 | 576,264 | (180,000) | 3,321,900 | 368,334 | 10,000 | – | 10,000 | 152,500 |
| Grand total | 4,231,446 | 845,653 | 5,798,878 | (994,000) | 15,521,580 | 4,083,099 | 95,750 | – | 95,750 | 866,250 |

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.

(3)

The number of ordinary shares under option/performance rights as at 27 June 2010 is equivalent to the option/performance rights holding at that date.

(4)

Included as key management personnel to comply with the Corporations Act.

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 with an effective date of 1 July 2009.

The exercise value of the options granted was \$25.88 per option while the performance rights issued to certain KMP had a nil exercise price. They also had an effective date of 1 July 2009.

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.

| | Opening balance No. | Options | | Options exercised ⁽²⁾ | | Options and performance rights holding at 28 June 2009 ⁽³⁾ No. | Options vested at 28 June 2009 | | | Vested during the year No. |
|--------------|---------------------------|--|------------------|----------------------------------|--------------------|---|--------------------------------|-------------|----------------|-------------------------------------|
| | | and performance rights granted as remuneration ⁽¹⁾ | | | | | Total | Exercisable | Unexercisable | |
| | | No. | \$ | No. | \$ | | No. | No. | No. | |
| M Luscombe | 1,330,000 | 500,000 | 2,477,500 | (100,000) | (1,501,000) | 1,730,000 | 37,500 | – | 37,500 | 112,500 |
| T Pockett | 880,000 | 250,000 | 1,238,750 | (150,000) | (2,251,500) | 980,000 | 37,500 | – | 37,500 | 150,000 |
| N Onikul | 380,000 | 27,500 | 217,713 | (60,000) | (900,600) | 347,500 | 25,000 | – | 25,000 | 70,000 |
| P Smith | 325,000 | 21,389 | 169,335 | (100,000) | (1,501,000) | 246,389 | 20,000 | – | 20,000 | 95,000 |
| J Coates | 345,000 | 27,500 | 217,713 | (100,000) | (1,489,000) | 272,500 | 20,000 | – | 20,000 | 95,000 |
| G Foran | 365,000 | 27,500 | 217,713 | (100,000) | (1,359,000) | 292,500 | 25,000 | – | 25,000 | 100,000 |
| R Umbers | 155,000 | 21,389 | 169,335 | – | – | 176,389 | – | – | – | – |
| Total | 3,780,000 | 875,278 | 4,708,059 | (610,000) | (9,002,100) | 4,045,278 | 165,000 | – | 165,000 | 622,500 |

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.

(3)

The number of ordinary shares under option/performance rights as at 28 June 2009 is equivalent to the option/performance rights holding at that date.

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:

| | <i>Consolidated</i> | | <i>Woolworths Limited</i> | |
|--------------------------------|---------------------|-------------|---------------------------|-------------|
| | <i>2010</i> | <i>2009</i> | <i>2010</i> | <i>2009</i> |
| | \$ | \$ | \$ | \$ |
| Revenue from the sale of goods | – | – | – | – |
| Dividend income | – | – | 50,526,000 | 65,074,200 |
| Interest income | – | – | 211,972,858 | 230,569,212 |

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 \$96.2 million (2009: \$79.4 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 \$96.2 million (2009: \$79.4 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.

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 exchange contracts and foreign currency options, stated in Australian dollar equivalents for the consolidated group and Company, are:

| | Average exchange rate | | Foreign currency | | Contract value | | Mark-to-market | | Market value | |
|-----------------------------------|-----------------------|------|------------------|-------------|----------------|------------|----------------|------------|--------------|------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| <i>Outstanding contracts</i> | | | <i>FC/M</i> | <i>FC/M</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> | <i>\$m</i> |
| Hedging imports: | | | | | | | | | | |
| Forward contracts | | | | | | | | | | |
| Maturing: | | | | | | | | | | |
| Within 12 months | | | | | | | | | | |
| Buy US dollars | 0.87 | 0.73 | 218.4 | 251.6 | 250.9 | 346.9 | 3.9 | (32.1) | 254.8 | 314.9 |
| Buy US dollars against NZ dollars | 0.71 | 0.59 | 6.3 | 2.3 | 7.3 | 3.2 | – | (0.2) | 7.3 | 3.0 |
| Buy euro | 0.65 | 0.52 | 11.5 | 14.8 | 17.6 | 28.5 | (0.9) | (2.6) | 16.7 | 25.9 |
| Buy British pounds | – | 0.49 | – | 0.2 | – | 0.4 | – | – | – | 0.4 |
| Sell New Zealand dollars | 1.24 | – | 0.5 | – | 0.4 | – | – | – | 0.4 | – |
| Hedging balance sheet: | | | | | | | | | | |
| Forward contracts | | | | | | | | | | |
| Maturing: | | | | | | | | | | |
| Within 12 months | | | | | | | | | | |
| Buy New Zealand dollars | – | – | – | – | – | – | – | – | – | – |
| Sell New Zealand dollars | 1.14 | 1.15 | 153.0 | 153.0 | 133.8 | 132.5 | 8.8 | 10.3 | 125.0 | 122.3 |

As at reporting date, the net amount of unrealised gain under forward foreign exchange contracts relating to anticipated future transactions is \$11.8 million (2009: \$24.6 million unrealised loss). A portion of this amount qualifying as effective hedges has been recognised in the Hedge Reserve in the current year, with the remainder being recognised through the Income Statement.

Only NZ\$153.0 million (2009: NZ\$153.0 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.

26 Financial Instruments continued**Cross currency swap agreements**

To hedge the risk of adverse movements in foreign exchange rates in relation to borrowings denominated in foreign currency by the consolidated entity, it enters into cross currency swap agreements under which it agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate.

The following table details the cross currency swaps outstanding for the consolidated group and Company at reporting date:

| Outstanding contracts | Average interest rate | | Average exchange rate | | Contract value | | Mark-to-market | |
|-----------------------------------|--------------------------------|------------------|-----------------------|-------|----------------|---------|----------------|--------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | % | % | | | \$m | \$m | \$m | \$m |
| Maturing: | | | | | | | | |
| Floating rates | | | | | | | | |
| United States dollars | | | | | | | | |
| Within 12 months | - | - | - | - | - | - | - | - |
| 1 to 2 years ⁽¹⁾⁽²⁾⁽³⁾ | BBSW +145.0bp | - | 0.751 | - | 750.9 | - | (84.0) | - |
| 2 to 3 years ⁽¹⁾⁽²⁾⁽³⁾ | - | BBSW +145.0bp | - | 0.751 | - | 750.9 | - | (26.6) |
| 3 to 4 years | - | - | - | - | - | - | - | - |
| 4 to 5 years ⁽¹⁾⁽²⁾⁽³⁾ | BBSW +54.0bp | - | 0.787 | - | 127.1 | - | 2.9 | - |
| 5 years + ⁽¹⁾⁽²⁾⁽³⁾ | BBSW +67.6bp | BBSW +66.2bp | 0.757 | 0.760 | 1,089.6 | 1,216.7 | (0.3) | 30.3 |
| | | | | | 1,967.6 | 1,967.6 | (81.4) | 3.7 |
| Japanese yen | | | | | | | | |
| Within 12 months | - | - | - | - | - | - | - | - |
| 1 to 2 years ⁽¹⁾⁽²⁾⁽³⁾ | BBSW +306bp | - | 74.4 | - | 26.8 | - | (1.3) | - |
| 2 to 3 years ⁽¹⁾⁽²⁾⁽³⁾ | - | BBSW +306bp | - | 74.4 | - | 26.8 | - | (1.2) |
| 3 to 4 years | - | - | - | - | - | - | - | - |
| 4 to 5 years | - | - | - | - | - | - | - | - |
| 5 years + | - | - | - | - | - | - | - | - |
| | | | | | 26.8 | 26.8 | (1.3) | (1.2) |
| | | | | | 1,994.4 | 1,994.4 | (82.7) | 2.5 |

Notes**(1)**

These swap instruments include an interest rate swap component which has been disclosed in the interest rate swap contract section below and have therefore been designated as cash flow hedges due to the currency exposure being hedged in combination with the interest rate exposure via domestic interest rate swaps.

(2)

These swap contracts have cash flow hedge designation.

(3)

These fair value calculations include interest accruals as recorded in trade and other payables of \$14.4 million (2009: \$11.0 million) payable.

(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 adverse movements in interest rates on the debt held. Interest in relation to the swaps is settled on a monthly or 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:

Interest rate swaps

| Outstanding floating for fixed contracts | Average contracted fixed interest rate | | Notional principal amount | | Mark-to-market | |
|---|--|-------|---------------------------|---------|----------------|--------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | % | % | \$m | \$m | \$m | \$m |
| Interest rate swaps | | | | | | |
| Less than 1 year | 5.86% | – | 250.0 | – | (2.0) | – |
| 1 to 2 years | 5.50% | 5.86% | 1,456.2 | 250.0 | (7.4) | (7.8) |
| 2 to 3 years | – | 5.50% | – | 1,456.2 | – | (29.6) |
| 3 to 4 years | – | – | – | – | – | – |
| 4 to 5 years | 5.80% | – | 127.1 | – | (2.2) | – |
| 5 years + | 5.85% | 5.85% | 1,089.6 | 1,216.7 | (20.2) | (9.6) |
| | | | 2,922.9 | 2,922.9 | (31.8) | (47.0) |

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. These fair value calculations include interest accruals as recorded in trade and other payables of \$2.7 million (2009: \$7.5 million) payable.

26 Financial Instruments continued**Maturity profile of financial instruments**

The following tables detail the consolidated and parent entity's exposure to interest rate risk at 27 June 2010 and 28 June 2009:

| Consolidated 2010 | Floating interest rate \$m | Fixed interest maturing in: | | | | | | Non- interest bearing \$m | Total \$m | Effective interest rate % |
|---|-------------------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|------------------|------------------------------------|
| | | 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 | | | |
| Financial assets | | | | | | | | | | |
| Cash and deposits | 415.4 | – | – | – | – | – | – | 298.0 | 713.4 | 3.56 |
| Receivables | – | 17.9 | 10.9 | – | – | – | – | 673.4 | 702.2 | 7.27 |
| Foreign currency forward contracts | – | – | – | – | – | – | – | 15.5 | 15.5 | – |
| Interest rate swaps | – | – | – | – | – | – | – | 6.5 | 6.5 | – |
| Currency swaps | – | – | – | – | – | – | – | 76.5 | 76.5 | – |
| Equity instruments | – | – | – | – | – | – | – | 123.7 | 123.7 | – |
| Other financial assets | – | – | – | – | – | – | – | 2.8 | 2.8 | – |
| | 415.4 | 17.9 | 10.9 | – | – | – | – | 1,196.4 | 1,640.6 | – |
| Financial liabilities | | | | | | | | | | |
| Accounts payable | – | – | – | – | – | – | – | 4,211.3 | 4,211.3 | – |
| Accruals | – | – | – | – | – | – | – | 984.5 | 984.5 | – |
| Unearned income | – | – | – | – | – | – | – | 83.1 | 83.1 | – |
| Provisions | – | – | – | – | – | – | – | 1,195.4 | 1,195.4 | – |
| Short-term securities | 205.0 | – | – | – | – | – | – | – | 205.0 | 5.21 |
| Other bank loans: | | | | | | | | | | |
| Fixed | – | – | – | – | – | – | – | – | – | – |
| Variable | 965.5 | – | – | – | – | – | – | – | 965.5 | 4.79 |
| Other loans | – | 0.9 | – | – | – | – | – | 1.5 | 2.4 | 6.85 |
| Finance leases | – | 2.0 | 2.4 | 1.8 | 0.9 | 0.1 | – | – | 7.2 | 4.94 |
| Variable rate domestic notes | 150.0 | – | – | – | – | – | – | – | 150.0 | 5.70 |
| Fixed rate domestic notes | – | 199.8 | – | – | – | – | – | – | 199.8 | 6.00 |
| Foreign currency forward contracts | – | – | – | – | – | – | – | 3.7 | 3.7 | – |
| Interest rate swaps | (2,922.9) | 250.0 | 1,456.2 | – | – | 127.1 | 1,089.6 | 35.6 | 35.6 | – |
| Other financial liability ⁽¹⁾ | – | – | – | – | – | – | – | 77.3 | 77.3 | – |
| USD notes | – | – | 346.6 | – | – | 115.3 | 951.9 | – | 1,413.8 | 5.84 |
| Woolworths Notes | 598.4 | – | – | – | – | – | – | – | 598.4 | 6.43 |
| Currency swaps | 1,627.1 | – | (410.4) | – | – | (127.1) | (1,089.6) | 144.8 | 144.8 | – |
| | 623.1 | 452.7 | 1,394.8 | 1.8 | 0.9 | 115.4 | 951.9 | 6,737.2 | 10,277.8 | – |
| Net financial assets/(liabilities) | (207.7) | (434.8) | (1,383.9) | (1.8) | (0.9) | (115.4) | (951.9) | (5,540.8) | (8,637.2) | – |

Note

(1)

Other financial liability includes a put option over a non-controlling interest. Significant assumptions were used in determining the fair value of the put option over the Home Improvement non-controlling interest. Woolworths Limited owns 66.7% of the joint venture entity Hydrox Holdings Pty Ltd (Hydrox). The terms of the Agreement include exit provisions that may be exercised after the fourth anniversary of the Agreement. As a result, the put option over the non-controlling interest has been recorded as a non-current other financial liability as required by Australian Accounting Standards. This other financial liability has been recorded at fair value, determined using internal parameters including the cumulative cash contributions to date and the results of Hydrox.

| Woolworths Limited 2010 | Floating interest rate \$m | Fixed interest maturing in: | | | | | | Non- interest bearing \$m | Total \$m | Effective interest rate % |
|---|-------------------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|------------------|------------------------------------|
| | | 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 | | | |
| Financial assets | | | | | | | | | | |
| Cash and deposits | 306.4 | - | - | - | - | - | - | 152.7 | 459.1 | 4.09 |
| Receivables | - | - | - | - | - | - | - | 296.9 | 296.9 | - |
| Loans to controlled entities | 2,004.0 | - | 1,905.8 | - | - | - | - | 2,931.4 | 6,841.2 | 5.88 |
| Foreign currency forward contracts | - | - | - | - | - | - | - | 15.5 | 15.5 | - |
| Interest rate swaps | - | - | - | - | - | - | - | 6.5 | 6.5 | - |
| Currency swaps | - | - | - | - | - | - | - | 76.5 | 76.5 | - |
| Unlisted shares at cost | - | - | - | - | - | - | - | 3,366.0 | 3,366.0 | - |
| Equity instruments | - | - | - | - | - | - | - | 36.4 | 36.4 | - |
| Other financial assets | - | - | - | - | - | - | - | 2.5 | 2.5 | - |
| | 2,310.4 | - | 1,905.8 | - | - | - | - | 6,884.4 | 11,100.6 | - |
| Financial liabilities | | | | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - | 3,229.5 | 3,229.5 | - |
| Accruals | - | - | - | - | - | - | - | 668.5 | 668.5 | - |
| Unearned income | - | - | - | - | - | - | - | 45.8 | 45.8 | - |
| Loans from controlled entities | - | - | - | - | - | - | - | 3,713.0 | 3,713.0 | - |
| Provisions | - | - | - | - | - | - | - | 988.5 | 988.5 | - |
| Short-term securities | 205.0 | - | - | - | - | - | - | - | 205.0 | 5.21 |
| Other bank loans: | | | | | | | | | | |
| Fixed | - | - | - | - | - | - | - | - | - | - |
| Variable | 887.6 | - | - | - | - | - | - | - | 887.6 | 4.83 |
| Other loans | - | - | - | - | - | - | - | - | - | - |
| Finance leases | - | 2.0 | 2.4 | 1.8 | 0.9 | 0.1 | - | - | 7.2 | 4.94 |
| Variable rate domestic notes | 150.0 | - | - | - | - | - | - | - | 150.0 | 5.70 |
| Fixed rate domestic notes | - | 199.8 | - | - | - | - | - | - | 199.8 | 6.00 |
| Foreign currency forward contracts | - | - | - | - | - | - | - | 3.7 | 3.7 | - |
| Interest rate swaps | (2,922.9) | 250.0 | 1,456.2 | - | - | 127.1 | 1,089.6 | 35.6 | 35.6 | - |
| Other financial liability | - | - | - | - | - | - | - | - | - | - |
| USD notes | - | - | 346.6 | - | - | 115.3 | 951.9 | - | 1,413.8 | 5.84 |
| Woolworths Notes | 598.4 | - | - | - | - | - | - | - | 598.4 | 6.43 |
| Currency swaps | 1,627.1 | - | (410.4) | - | - | (127.1) | (1,089.6) | 144.8 | 144.8 | - |
| | 545.2 | 451.8 | 1,394.8 | 1.8 | 0.9 | 115.4 | 951.9 | 8,829.4 | 12,291.2 | - |
| Net financial assets/(liabilities) | 1,765.2 | (451.8) | 511.0 | (1.8) | (0.9) | (115.4) | (951.9) | (1,945.0) | (1,190.6) | - |

26 Financial Instruments continued

| Consolidated 2009 | Floating interest rate \$m | Fixed interest maturing in: | | | | | | Non- interest bearing \$m | Total \$m | Effective interest rate % |
|---|-------------------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|------------------|------------------------------------|
| | | 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 | | | |
| Financial assets | | | | | | | | | | |
| Cash and deposits | 454.9 | – | – | – | – | – | – | 307.7 | 762.6 | 2.53 |
| Receivables | – | – | – | – | – | – | – | 466.5 | 466.5 | – |
| Foreign currency forward contracts | – | – | – | – | – | – | – | 11.0 | 11.0 | – |
| Interest rate swaps | – | – | – | – | – | – | – | 24.0 | 24.0 | – |
| Currency swaps | – | – | – | – | – | – | – | 91.9 | 91.9 | – |
| Equity instruments | – | – | – | – | – | – | – | 130.7 | 130.7 | – |
| Other financial assets | – | – | – | – | – | – | – | 0.7 | 0.7 | – |
| | 454.9 | – | – | – | – | – | – | 1,032.5 | 1,487.4 | – |
| Financial liabilities | | | | | | | | | | |
| Accounts payable | – | – | – | – | – | – | – | 4,055.1 | 4,055.1 | – |
| Accruals | – | – | – | – | – | – | – | 975.0 | 975.0 | – |
| Unearned income | – | – | – | – | – | – | – | 79.9 | 79.9 | – |
| Provisions | – | – | – | – | – | – | – | 1,099.5 | 1,099.5 | – |
| Short-term securities | 141.4 | – | – | – | – | – | – | – | 141.4 | 4.07 |
| Other bank loans: | | | | | | | | | | |
| Fixed | – | – | – | – | – | – | – | – | – | – |
| Variable | 565.0 | – | – | – | – | – | – | – | 565.0 | 4.39 |
| Other loans | – | – | – | – | 3.8 | – | – | 1.5 | 5.3 | 6.50 |
| Variable rate domestic notes | 150.0 | – | – | – | – | – | – | – | 150.0 | 5.70 |
| Fixed rate domestic notes | – | – | 199.7 | – | – | – | – | – | 199.7 | 6.00 |
| Foreign currency forward contracts | – | – | – | – | – | – | – | 35.8 | 35.8 | – |
| Interest rate swaps | (2,922.9) | – | 250.0 | 1,456.2 | – | – | 1,216.7 | 63.5 | 63.5 | – |
| USD notes | – | – | – | 371.9 | – | – | 1,144.8 | – | 1,516.7 | 5.84 |
| Woolworths Notes | 596.8 | – | – | – | – | – | – | – | 596.8 | 6.43 |
| Currency swaps | 1,627.1 | – | – | (410.4) | – | – | (1,216.7) | 78.4 | 78.4 | – |
| | 157.4 | – | 449.7 | 1,417.7 | 3.8 | – | 1,144.8 | 6,388.7 | 9,562.1 | – |
| Net financial assets/(liabilities) | 297.5 | – | (449.7) | (1,417.7) | (3.8) | – | (1,144.8) | (5,356.2) | (8,074.7) | – |

| Woolworths Limited 2009 | Floating interest rate \$m | Fixed interest maturing in: | | | | | | Non- interest bearing \$m | Total \$m | Effective interest rate % |
|---|-------------------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|------------------|------------------------------------|
| | | 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 | | | |
| Financial assets | | | | | | | | | | |
| Cash and deposits | 462.3 | - | - | - | - | - | - | 112.1 | 574.4 | 2.53 |
| Receivables | - | - | - | - | - | - | - | 257.0 | 257.0 | - |
| Loans to controlled entities | 1,923.7 | - | 1,932.6 | - | - | - | - | 2,570.7 | 6,427.0 | 5.10 |
| Foreign currency forward contracts | - | - | - | - | - | - | - | 11.0 | 11.0 | - |
| Interest rate swaps | - | - | - | - | - | - | - | 24.0 | 24.0 | - |
| Currency swaps | - | - | - | - | - | - | - | 91.9 | 91.9 | - |
| Unlisted shares at cost | - | - | - | - | - | - | - | 3,207.0 | 3,207.0 | - |
| Assets available for sale | - | - | - | - | - | - | - | 39.4 | 39.4 | - |
| Other financial assets | - | - | - | - | - | - | - | 0.4 | 0.4 | - |
| | 2,386.0 | - | 1,932.6 | - | - | - | - | 6,313.5 | 10,632.1 | - |
| Financial liabilities | | | | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - | 3,247.1 | 3,247.1 | - |
| Accruals | - | - | - | - | - | - | - | 669.5 | 669.5 | - |
| Unearned income | - | - | - | - | - | - | - | 42.3 | 42.3 | - |
| Loans from controlled entities | - | - | - | - | - | - | - | 3,509.2 | 3,509.2 | - |
| Provisions | - | - | - | - | - | - | - | 915.5 | 915.5 | - |
| Short-term securities | 141.4 | - | - | - | - | - | - | - | 141.4 | 4.07 |
| Other bank loans: | | | | | | | | | | |
| Fixed | - | - | - | - | - | - | - | - | - | - |
| Variable | 518.8 | - | - | - | - | - | - | - | 518.8 | 4.39 |
| Other loans | - | - | - | - | 3.8 | - | - | - | 3.8 | 6.50 |
| Variable rate domestic notes | 150.0 | - | - | - | - | - | - | - | 150.0 | 5.70 |
| Fixed rate domestic notes | - | - | 199.7 | - | - | - | - | - | 199.7 | 6.00 |
| Foreign currency forward contracts | - | - | - | - | - | - | - | 35.8 | 35.8 | - |
| Interest rate swaps | (2,922.9) | - | 250.0 | 1,456.2 | - | - | 1,216.7 | 63.5 | 63.5 | - |
| USD notes | - | - | - | 371.9 | - | - | 1,144.8 | - | 1,516.7 | 5.84 |
| Woolworths Notes | 596.8 | - | - | - | - | - | - | - | 596.8 | 6.43 |
| Currency swaps | 1,627.1 | - | - | (410.4) | - | - | (1,216.7) | 78.4 | 78.4 | - |
| | 111.2 | - | 449.7 | 1,417.7 | 3.8 | - | 1,144.8 | 8,561.3 | 11,688.5 | - |
| Net financial assets/(liabilities) | 2,274.8 | - | 1,482.9 | (1,417.7) | (3.8) | - | (1,144.8) | (2,247.8) | (1,056.4) | - |

26 Financial Instruments continued**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 27 June 2010 | | As at 28 June 2009 | |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
| | Carrying amount \$m | Net fair value \$m | Carrying amount \$m | Net fair value \$m |
| Financial assets/(liabilities): | | | | |
| Bank loans ⁽¹⁾ | (977.7) | (969.5) | (566.9) | (554.4) |
| Short-term securities ⁽¹⁾⁽²⁾ | (558.7) | (558.5) | (141.4) | (141.4) |
| Other loans ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ | (2,038.3) | (2,034.9) | (2,487.9) | (2,481.9) |
| Total | (3,574.7) | (3,562.9) | (3,196.2) | (3,177.7) |
| Financial assets/(liabilities): | | | | |
| Forward foreign currency contracts | 11.8 | 11.8 | (24.8) | (24.8) |
| Interest rate swaps | (31.9) | (31.9) | (47.0) | (47.0) |
| Cross currency swaps | (82.7) | (82.7) | 2.5 | 2.5 |
| Total | (102.8) | (102.8) | (69.3) | (69.3) |

For FY10, the carrying amount for financial assets/liabilities is based on the principal outstanding adjusted for:

| | | |
|--------------|---|--|
| Notes | (1) Interest accruals on outstanding debt (Total of \$20.8 million). | (3) Effect of revaluation of USD borrowings (Total of \$248.4 million). |
| | (2) Unamortised borrowing costs (Total of \$11.8 million). | (4) Unamortised discount on issue of Medium-term Notes (Total of \$1.1 million). |

Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted price included within Level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | As at 27 June 2010 | | | |
|--|--------------------|----------------|----------|----------------|
| | \$m | \$m | \$m | \$m |
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial assets: | | | | |
| Forward foreign currency contracts | – | 15.5 | – | 15.5 |
| Interest rate swaps | – | 6.5 | – | 6.5 |
| Cross currency swaps | – | 76.5 | – | 76.5 |
| Other financial assets: | | | | |
| Listed equity securities | 123.7 | – | – | 123.7 |
| Total | 123.7 | 98.5 | – | 222.2 |
| Derivative financial liabilities: | | | | |
| Forward foreign currency contracts | – | (3.7) | – | (3.7) |
| Interest rate swaps | – | (35.6) | – | (35.6) |
| Cross currency swaps | – | (144.8) | – | (144.8) |
| Total | – | (184.1) | – | (184.1) |

There were no transfers between Level 1 and Level 2 in the period.

27 Financial Risk Management

The Group's Treasury function provides services to the business, co-ordinates 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.

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 are 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 unauthorised breaches of credit limits during the reporting period.

27 Financial Risk Management continued

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:

| <i>Consolidated and Woolworths Limited 2010</i> | | | | | | |
|---|--|---|-----------------------------------|--------------------------------------|---------------------------------------|-----------------------|
| <i>Exposure by financial instrument</i> | | | | | | |
| <i>\$m</i> | | | | | | |
| <i>Counterparty</i> <i>S&P credit rating</i> | <i>Money market</i> <i>deposits</i> | <i>Forward exchange</i> <i>contracts</i> | <i>Currency</i> <i>options</i> | <i>Interest rate</i> <i>swaps</i> | <i>Cross currency</i> <i>swaps</i> | <i>Total exposure</i> |
| AA– or above | – | 33.3 | – | 110.9 | 105.8 | 250.0 |
| A | – | 6.6 | – | 63.3 | 93.6 | 163.5 |

| <i>Consolidated and Woolworths Limited 2009</i> | | | | | | |
|---|--|---|-----------------------------------|--------------------------------------|---------------------------------------|-----------------------|
| <i>Exposure by financial instrument</i> | | | | | | |
| <i>\$m</i> | | | | | | |
| <i>Counterparty</i> <i>S&P credit rating</i> | <i>Money market</i> <i>deposits</i> | <i>Forward exchange</i> <i>contracts</i> | <i>Currency</i> <i>options</i> | <i>Interest rate</i> <i>swaps</i> | <i>Cross currency</i> <i>swaps</i> | <i>Total exposure</i> |
| AA– or above | 13.0 | 43.6 | – | 132.2 | 105.8 | 294.6 |
| A | – | 6.8 | – | 79.4 | 93.6 | 179.8 |

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 27 June 2010, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2009: 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 | Woolworths Limited Group as at 27 June 2010 (\$m) | | | | | Woolworths Limited Parent Entity as at 27 June 2010 (\$m) | | | | |
|--|---|------------------|-----------------|------------------|-------------------|---|------------------|-----------------|------------------|-------------------|
| | Less than 1 Year | 1 to 2 Years | 2 to 5 Years | Over 5 Years | Total | Less than 1 Year | 1 to 2 Years | 2 to 5 Years | Over 5 Years | Total |
| Non derivative liabilities | | | | | | | | | | |
| Bank loans | (487.8) | (564.5) | – | (1.5) | (1,053.8) | (409.7) | (564.5) | – | – | (974.2) |
| Short-term securities | (206.0) | – | – | – | (206.0) | (206.0) | – | – | – | (206.0) |
| Finance leases | (2.0) | (2.4) | (2.8) | – | (7.2) | (2.0) | (2.4) | (2.8) | – | (7.2) |
| Domestic notes | (367.8) | – | – | – | (367.8) | (367.8) | – | – | – | (367.8) |
| USD notes | (75.5) | (476.7) | (298.8) | (1,170.3) | (2,021.3) | (75.5) | (476.7) | (298.8) | (1,170.3) | (2,021.3) |
| Woolworths Notes | (36.0) | (36.0) | (108.1) | (1,019.9) | (1,200.0) | (36.0) | (36.0) | (108.1) | (1,019.9) | (1,200.0) |
| Other financial liabilities | (4,211.2) | – | – | – | (4,211.2) | (3,229.5) | – | – | – | (3,229.5) |
| Loans from controlled entities | – | – | – | – | – | (3,713.0) | – | – | – | (3,713.0) |
| Accruals | (984.5) | – | – | – | (984.5) | (668.5) | – | – | – | (668.5) |
| Total non derivative liabilities | (6,370.8) | (1,079.6) | (409.7) | (2,191.7) | (10,051.8) | (8,708.0) | (1,079.6) | (409.7) | (2,190.2) | (12,387.5) |
| Derivative liabilities | | | | | | | | | | |
| Foreign exchange Contracts payable | (401.2) | – | – | – | (401.2) | (401.2) | – | – | – | (401.2) |
| Foreign exchange Contracts receivable | 410.2 | – | – | – | 410.2 | 410.2 | – | – | – | 410.2 |
| Net foreign exchange contracts | 9.0 | – | – | – | 9.0 | 9.0 | – | – | – | 9.0 |
| Interest rate Swaps pay fixed | (163.4) | (114.0) | (213.6) | (99.4) | (590.4) | (163.4) | (114.0) | (213.6) | (99.4) | (590.4) |
| Interest rate swaps Receivable floating | 138.8 | 99.7 | 176.5 | 81.7 | 496.7 | 138.8 | 99.7 | 176.5 | 81.7 | 496.7 |
| Net pay interest rate swaps⁽¹⁾ | (24.6) | (14.3) | (37.1) | (17.7) | (93.7) | (24.6) | (14.3) | (37.1) | (17.7) | (93.7) |
| Cross currency Swaps payable floating | (115.2) | (882.1) | (327.8) | (1,182.1) | (2,507.2) | (115.2) | (882.1) | (327.8) | (1,182.1) | (2,507.2) |
| Cross currency swaps Receivable fixed | 83.9 | 851.6 | 298.8 | 1,170.3 | 2,404.6 | 83.9 | 851.6 | 298.8 | 1,170.3 | 2,404.6 |
| Net pay cross currency swaps | (31.3) | (30.5) | (29.0) | (11.8) | (102.6) | (31.3) | (30.5) | (29.0) | (11.8) | (102.6) |
| Total derivative liabilities | (46.9) | (44.8) | (66.1) | (29.5) | (187.3) | (46.9) | (44.8) | (66.1) | (29.5) | (187.3) |
| Total financial liabilities | (6,417.7) | (1,124.4) | (475.8) | (2,221.2) | (10,239.1) | (8,754.9) | (1,124.4) | (475.8) | (2,219.7) | (12,574.8) |

Notes

Including interest accruals and excluding unamortised borrowing costs.

(1) Interest rate swaps are net settled.

27 Financial Risk Management continued

| Maturity analysis of financial liabilities | Consolidated as at 28 June 2009 (\$m) | | | | | Woolworths Limited as at 28 June 2009 (\$m) | | | | |
|--|---|-----------------|------------------|------------------|------------------|---|-----------------|------------------|------------------|-------------------|
| | Less than 1 Year | 1 to 2 Years | 2 to 5 Years | Over 5 Years | Total | Less than 1 Year | 1 to 2 Years | 2 to 5 Years | Over 5 Years | Total |
| Non derivative liabilities | | | | | | | | | | |
| Bank loans | (64.7) | (18.4) | (562.3) | (1.5) | (646.9) | (18.5) | (18.4) | (562.3) | – | (599.2) |
| Short-term securities | (142.5) | – | – | – | (142.5) | (142.5) | – | – | – | (142.5) |
| Finance leases | (1.0) | (1.0) | (1.8) | – | (3.8) | (1.0) | (1.0) | (1.8) | – | (3.8) |
| Domestic notes | (17.4) | (366.0) | – | – | (383.4) | (17.4) | (366.0) | – | – | (383.4) |
| USD notes | (81.0) | (81.0) | (604.5) | (1,364.7) | (2,131.2) | (81.0) | (81.0) | (604.5) | (1,364.7) | (2,131.2) |
| Woolworths Notes | (26.4) | (26.4) | (79.1) | (1,068.1) | (1,200.0) | (26.4) | (26.4) | (79.1) | (1,068.1) | (1,200.0) |
| Other financial liabilities | (4,055.1) | – | – | – | (4,055.1) | (3,247.1) | – | – | – | (3,247.1) |
| Loans from controlled entities | – | – | – | – | – | (3,509.2) | – | – | – | (3,509.2) |
| Accruals | (975.0) | – | – | – | (975.0) | (669.5) | – | – | – | (669.5) |
| Total non derivative liabilities | (5,363.1) | (492.8) | (1,247.7) | (2,434.3) | (9,537.9) | (7,712.6) | (492.8) | (1,247.7) | (2,432.8) | (11,885.9) |
| Derivative liabilities | | | | | | | | | | |
| Foreign exchange Contracts payable | (543.0) | – | – | – | (543.0) | (543.0) | – | – | – | (543.0) |
| Foreign exchange Contracts receivable | 514.4 | – | – | – | 514.4 | 514.4 | – | – | – | 514.4 |
| Net foreign exchange contracts | (28.6) | – | – | – | (28.6) | (28.6) | – | – | – | (28.6) |
| Interest rate Swaps pay fixed | (166.2) | (163.4) | (256.5) | (170.4) | (756.5) | (166.2) | (163.4) | (256.5) | (170.4) | (756.5) |
| Interest rate swaps Receivable floating | 93.1 | 91.5 | 141.5 | 90.9 | 417.0 | 93.1 | 91.5 | 141.5 | 90.9 | 417.0 |
| Net pay interest rate swaps⁽¹⁾ | (73.1) | (71.9) | (115.0) | (79.5) | (339.5) | (73.1) | (71.9) | (115.0) | (79.5) | (339.5) |
| Cross currency Swaps payable floating | (82.7) | (82.2) | (944.6) | (1,326.4) | (2,435.9) | (82.7) | (82.2) | (944.6) | (1,326.4) | (2,435.9) |
| Cross currency swaps Receivable fixed | 89.9 | 89.9 | 979.7 | 1,364.7 | 2,524.2 | 89.9 | 89.9 | 979.7 | 1,364.7 | 2,524.2 |
| Net pay cross currency swaps | 7.2 | 7.7 | 35.1 | 38.3 | 88.3 | 7.2 | 7.7 | 35.1 | 38.3 | 88.3 |
| Total derivative liabilities | (94.5) | (64.2) | (79.9) | (41.2) | (279.8) | (94.5) | (64.2) | (79.9) | (41.2) | (279.8) |
| Total financial liabilities | (5,457.6) | (557.0) | (1,327.6) | (2,475.5) | (9,817.7) | (7,807.1) | (557.0) | (1,327.6) | (2,474.0) | (12,165.7) |

Notes

(1)

Interest rate swaps are net settled.

Including interest accruals and excluding unamortised borrowing costs.

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

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 2010 | | Woolworths Limited 2010 | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | Profit \$m ⁽¹⁾ | Equity \$m ⁽²⁾ | Profit \$m ⁽¹⁾ | Equity \$m ⁽²⁾ |
| After tax impact of 1% increase in yield curve | (4.8) | 8.5 | 9.8 | 8.5 |
| After tax impact of 1% decrease in yield curve | 4.8 | (8.3) | (9.8) | (8.3) |

Notes

(1)

Impact due to unhedged year end net debt position.

(2)

Impact due to derivative instruments being cash flow hedge accounted.

| | Consolidated 2009 | | Woolworths Limited 2009 | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | Profit \$m ⁽¹⁾ | Equity \$m ⁽²⁾ | Profit \$m ⁽¹⁾ | Equity \$m ⁽²⁾ |
| After tax impact of 1% increase in yield curve | (1.3) | 14.4 | 26.1 | 14.4 |
| After tax impact of 1% decrease in yield curve | 1.3 | (14.3) | (26.1) | (14.3) |

Notes

(1)

Impact due to unhedged year end net debt position.

(2)

Impact due to derivative instruments being cash flow hedge accounted.

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 purchases are fully hedged and inventory purchases are 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 is hedged for movements in foreign exchange rates via the use of foreign exchange derivatives. There were no such derivatives outstanding as at reporting date (2009: Nil).

27 Financial Risk Management continued

The following table illustrates the effect on profit and equity as at 27 June 2010 and 28 June 2009 if the currency prices were to move by the changes identified below:

| Currency Pair | Sensitivity assumptions ⁽¹⁾ | | After tax impact on profit | | | | | | | | Impact on equity | | | | | | | | | |
|------------------|--|--------|----------------------------|------|----------|------|--------------------|------|----------|------|------------------|--------|----------|--------|--------------------|--------|----------|--------|----------|--|
| | | | Consolidated | | | | Woolworths Limited | | | | Consolidated | | | | Woolworths Limited | | | | | |
| | | | 2010 | 2009 | 2010 \$m | | 2009 \$m | | 2010 \$m | | 2009 \$m | | 2010 \$m | | 2009 \$m | | 2010 \$m | | 2009 \$m | |
| | | + | - | + | - | + | - | + | - | + | - | + | - | + | - | + | - | + | - | |
| AUD/USD | 16.30% | 18.50% | (2.17) | 3.02 | (0.09) | 0.14 | (2.17) | 3.02 | (0.09) | 0.14 | (17.81) | 24.75 | (27.94) | 40.63 | (17.81) | 24.75 | (27.94) | 40.63 | | |
| AUD/EUR | 14.24% | 13.47% | (0.96) | 1.28 | (1.78) | 2.33 | (0.96) | 1.28 | (1.78) | 2.33 | 0.09 | (0.12) | 0.26 | (0.34) | 0.09 | (0.12) | 0.26 | (0.34) | | |
| AUD/NZD | 8.74% | 9.92% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (0.13) | 0.16 | (0.25) | 0.31 | 0.11 | (0.13) | 0.06 | (0.07) | | |
| NZD/USD | 16.70% | 20.00% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (0.49) | 0.68 | (0.04) | 0.06 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| NZD/EUR | 14.46% | 14.68% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.13 | (0.17) | 0.18 | (0.24) | 0.00 | 0.00 | 0.00 | 0.00 | | |

Note

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

Sensitivity to foreign exchange exposure are calculated on significant amounts payable in foreign currency less hedges of both foreign currency payables and forecast foreign currency payables. This analysis is based on our position as at reporting date and it is not considered representative of our position during the year.

(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 objective of enhancing shareholder value through optimising its weighted average cost of capital while retaining flexibility to pursue growth and undertake capital management initiatives. Consistent with this objective, Woolworths has targeted, achieved and maintained its strong credit ratings of A- from Standard and Poor's and A3 from Moody's Investor Services, which underpin our debt profile.

Capital returns

Woolworths will seek to return capital to shareholders when that is consistent with its capital structuring objectives and where it will enhance shareholder value. Between July 2001 and June 2010, over \$7 billion has been returned to shareholders through dividends, and on-market and off-market buy-backs. The final dividend payable 15 October 2010 and proposed off-market share buy-back are expected to increase that amount by a further \$1.4 billion.

The combination of the on-market share buy-back conducted by Woolworths in the first half of Calendar 2010 and the off-market share buy-back announced 26 August 2010, means that Woolworths will be returning over \$1 billion of capital (excluding dividends) to shareholders in the 2010 calendar year. Our ability to return such a large sum and still retain our strong credit rating and flexibility to pursue growth highlights the strength of our core business and our focus on shareholder value.

Following completion of the off-market share buy-back and payment of the October 2010 dividend, Woolworths expects to have \$1 billion of franking credits available for distribution.

The off-market buy-back announced is the next step in Woolworths' ongoing capital management program. Capital management initiatives will continue to be assessed in light of investment and growth opportunities available to the Company, the Company's focus on maintaining a strong credit rating, the capital markets environment from time to time and the overriding objective of enhancing shareholder value.

Financing transactions

It is intended that the off-market buy-back will be ultimately financed via long-term debt issued into both domestic and international (in particular the US) debt capital markets within the coming months, subject to financial market conditions, however Woolworths has access to sufficient undrawn bank facilities to fund the buy-back should the need arise.

The maturity profile of our debt facilities is such that the only immediate need to refinance any long-term debt in the current financial year is an A\$350 million medium-term note maturing in March 2011. Refinancing requirements immediately following this include a A\$600 million hybrid note (a perpetual instrument whose non-call period ends in September 2011), followed by USD300 million in US 144A notes (hedged at A\$410 million) maturing in November 2011. Pre-funding these maturities is under consideration.

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 Electronics Franchising Pty Ltd

Dick Smith Electronics Pty Limited

Dick Smith Electronics Staff Superannuation Fund Pty Limited

Dick Smith Management Pty Ltd

Dick Smith (Wholesale) Pty Ltd

Drumstar Pty Ltd

DSE Holdings Pty Limited

Fabcot Pty Ltd

Gembond Pty. Limited

GreenGrocer.com.au Pty Ltd

Grocery Wholesalers Pty Ltd

Highlands No. 1 Nominees Pty Limited

Hydrogen Nominees Pty Limited

InterTAN Australia Pty Ltd

Jack Butler & Staff Pty. Ltd.

Josona Pty Ltd

Kiaora Lands Pty Limited

Langtons Pty Limited

Leasehold Investments Pty Ltd

Mac's Liquor Stores Pty Limited

Nalos Pty Ltd

Oxygen Nominees Pty Limited

PEH (NZ IP) Pty Ltd

Philip Leong Stores Pty Limited

Progressive Enterprises Holdings Limited

QFD Pty. Limited

Queensland Property Investments Pty Ltd

Universal Wholesalers Pty Limited

Vincentia Nominees Pty Limited

Votrait No. 1622 Pty Limited

Weetah Pty. Limited

Woolies Liquor Stores Pty. Ltd

Woolstar Pty. Limited

Woolworths Australian Communities Foundation 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

28 Deed of Cross Guarantee continued

A consolidated income statement and consolidated balance sheet for the closed group representing the Company and the subsidiaries noted on pages 155 to 158, which are party to the Deed as at 27 June 2010 is set out below. The following controlled entities (see Note 29) are excluded from this consolidation:

ALH Group Pty Ltd

- Albion Charles Hotel (BMG) Pty Ltd
- ALH Group Property Holdings Pty Limited
- 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
- Club Management (BMG) Pty Ltd
- Courthouse Brunswick Hotel (BMG) Pty Ltd
- Courthouse Hotel Footscray (BMG) Pty Ltd
- Croxtton Park Hotel (BMG) Pty Ltd
- Daisey's Club Hotel (BMG) Pty Ltd
- Excelsior Hotel (BMG) Pty Ltd
- First and Last Hotel (BMG) Pty Ltd
- Glengala Hotel (BMG) Pty Ltd
- Lyndhurst Club Hotel (BMG) Pty Ltd
- Management (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
 - E. G. Functions Pty. Ltd.
 - Elizabeth Tavern Pty. Ltd.
 - FG Joint Venture Pty Ltd
 - Fountain Jade Pty. Ltd.
 - Hadwick Pty Ltd

- Kilrand Hotels (Hallam) Pty. Ltd.
 - Ashwick (Vic.) No.88 Pty. Ltd.
- Markessa Pty. Ltd.
- Playford Tavern Pty Ltd
- Seaford Hotel Pty. Limited
- The Common Link Pty Ltd
- The Second P Pty Ltd
- Warm Autumn Pty. Ltd.
- Werribee Plaza Tavern Pty. Ltd.
- Waltzing Matilda Hotel (BMG) Pty Ltd
- Whealers Hill Hotel (BMG) Pty Ltd
- Australian Independent Retailers Pty Ltd
- Bergam Pty Limited
- DSE (NZ) Limited
 - David Reid Electronics (1992) Limited⁽¹⁾
- Dick Smith Electronics Limited
- Hydrox Holdings Pty Ltd
 - Shellbelt Pty Ltd
 - Hydrox Nominees Pty Ltd
- Carboxy Pty Ltd
 - Danks Holdings Pty Limited
 - Danks Events Pty Ltd
 - Home Hardware Australasia Pty Ltd
 - Homestead Hardware Australasia Pty Ltd
 - Thrifty-Link Hardware Pty Ltd
 - John Danks and Son Proprietary Limited
 - Australian Hardware Distributors Pty Ltd
 - Blue Mountains Hardware Pty Ltd
 - Hammer Hardware Stores Pty Ltd
- Woolstar Investments Limited
- Woolworths (HK) Sales Limited
- Woolworths (HK) Procurement Limited
- Woolworths Wholesale (India) Private Limited
- Woolworths New Zealand Group Limited
 - BWS (2008) Limited
 - Progressive Enterprises Limited
 - Caledonian Leasing Limited
 - Countdown Foodmarkets Limited
 - Foodtown Supermarkets Limited
 - Fresh Zone Limited
 - General Distributors Limited
 - S R Brands Limited
 - Supervalu/Freshchoice Limited
 - The Supplychain Limited
 - Wholesale Services Limited
 - Wholesale Distributors Limited
 - Woolworths (New Zealand) Limited
 - Statewide Independent Wholesalers Limited
 - Woolworths Insurance Pte Limited

Note

(1)

David Reid Electronics (1992) Limited was deregistered on 18 December 2009.

Income Statement

| | 2010 52 weeks \$m | 2009 52 weeks \$m |
|---|-------------------------|-------------------------|
| Revenue from the sale of goods | 42,405.0 | 40,860.9 |
| Other operating revenue | 81.8 | 84.4 |
| Total revenue from operations | 42,486.8 | 40,945.3 |
| Cost of sales | (31,441.5) | (30,473.1) |
| Gross profit | 11,045.3 | 10,472.2 |
| Other revenue | 154.7 | 131.6 |
| Branch expenses | (6,554.9) | (6,268.3) |
| Administration expenses | (2,042.9) | (2,007.9) |
| Earnings before interest and tax | 2,602.2 | 2,327.6 |
| Financial expense | (239.6) | (249.5) |
| Financial income | 336.8 | 389.5 |
| Net financing cost | 97.2 | 140.0 |
| Net profit before income tax expense | 2,699.4 | 2,467.6 |
| Income tax expense | (774.6) | (699.9) |
| Profit after income tax expense | 1,924.8 | 1,767.7 |
| Retained earnings | | |
| Balance at start of period | 2,730.7 | 2,179.7 |
| Profit attributable to members | 1,924.8 | 1,767.7 |
| Dividends paid or provided (Note 6) | (1,349.2) | (1,174.3) |
| Actuarial gain/(loss) recognised direct to equity | 1.7 | (66.8) |
| Other | 3.4 | 24.4 |
| Balance at end of period | 3,311.4 | 2,730.7 |

28 Deed of Cross Guarantee continued

Balance Sheet

| | 2010 \$m | As at 2009 \$m |
|---|-----------------|----------------------|
| Current assets | | |
| Cash | 487.3 | 571.0 |
| Trade and other receivables | 1,557.6 | 1,340.1 |
| Inventories | 2,911.5 | 2,827.7 |
| Assets held for sale | 14.1 | 33.4 |
| Other financial assets | 92.6 | 102.9 |
| Total current assets | 5,063.1 | 4,875.1 |
| Non-current assets | | |
| Trade and other receivables | 3,367.1 | 3,269.1 |
| Other financial assets | 2,063.8 | 1,923.9 |
| Property, plant and equipment | 5,403.0 | 4,705.8 |
| Intangibles | 756.7 | 740.2 |
| Deferred tax assets | 369.0 | 420.1 |
| Total non-current assets | 11,959.6 | 11,059.1 |
| Total assets | 17,022.7 | 15,934.2 |
| Current liabilities | | |
| Trade and other payables | 4,575.3 | 4,499.4 |
| Borrowings | 860.4 | 162.7 |
| Other financial liabilities | 24.7 | 99.3 |
| Current tax liabilities | 162.8 | 241.1 |
| Provisions | 673.5 | 651.0 |
| Total current liabilities | 6,296.7 | 5,653.5 |
| Non-current liabilities | | |
| Borrowings | 2,668.0 | 2,984.8 |
| Other financial liabilities | 159.3 | 78.4 |
| Provisions | 389.4 | 338.9 |
| Other | 163.7 | 157.4 |
| Total non-current liabilities | 3,380.4 | 3,559.5 |
| Total liabilities | 9,677.1 | 9,213.0 |
| Net assets | 7,345.6 | 6,721.2 |
| Equity | | |
| Issued capital | 3,784.4 | 3,858.6 |
| Shares held in trust | (41.2) | (51.2) |
| Reserves | 291.0 | 183.1 |
| Retained earnings | 3,311.4 | 2,730.7 |
| Equity attributable to the members | 7,345.6 | 6,721.2 |
| Non-controlling interest | – | – |
| Total equity | 7,345.6 | 6,721.2 |

29 Subsidiaries

| Name of entity | Beneficial holding | |
|--|--------------------|-----------|
| | 2010 % | 2009 % |
| 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 |
| Club Management (BMG) Pty Ltd | 100 | – |
| Courthouse Brunswick Hotel (BMG) Pty Ltd | 100 | 100 |
| Courthouse Hotel Footscray (BMG) Pty Ltd | 100 | 100 |
| Croxtton Park Hotel (BMG) Pty Ltd | 100 | 100 |
| Daisey's Club Hotel (BMG) Pty Ltd | 100 | 100 |
| Excelsior Hotel (BMG) Pty Ltd | 100 | 100 |
| First and Last Hotel (BMG) Pty Ltd | 100 | 100 |
| Glengala Hotel (BMG) Pty Ltd | 100 | 100 |
| Lyndhurst Club Hotel (BMG) Pty Ltd | 100 | 100 |
| Management (BMG) Pty Ltd | 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 |

29 Subsidiaries continued

| Name of entity | Beneficial holding | |
|--|--------------------|-----------|
| | 2010 % | 2009 % |
| Fountain Jade Pty. Ltd. | 100 | 100 |
| Hadwick Pty Ltd | 100 | 100 |
| Markessa Pty. Ltd. | 100 | 100 |
| Playford Tavern Pty Ltd | 100 | 100 |
| Seaford Hotel Pty. Limited | 100 | 100 |
| The Second P Pty Ltd | 100 | 100 |
| 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 |
| Whealers 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 ⁽¹⁾ | 100 | 100 |
| Dick Smith Electronics Limited | 100 | 100 |
| InterTAN Australia Pty Ltd | 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 |
| Highlands No.1 Nominees Pty Ltd | 100 | 100 |
| Hydrogen Nominees Pty Ltd | 100 | 100 |
| Hydrox Holdings Pty Ltd | 67 | – |
| Shellbelt Pty. Limited | 100 | 100 |
| Hydrox Nominees Pty Ltd | 100 | – |
| Carboxy Pty Ltd | 100 | – |
| Danks Holdings Pty Limited | 100 | – |
| Danks Events Pty Ltd | 100 | – |
| Home Hardware Australasia Pty. Ltd. | 100 | – |
| Homestead Hardware Australasia Pty Ltd | 100 | – |
| Thrifty-Link Hardware Pty. Ltd. | 100 | – |
| John Danks and Son Proprietary Limited | 100 | – |
| Australian Hardware Distributors Pty. Limited | 100 | – |

Note (1)
David Reid Electronics (1992) Limited was deregistered on 18 December 2009.

| Name of entity | Beneficial holding | |
|--|--------------------|-----------|
| | 2010 % | 2009 % |
| Blue Mountains Hardware Pty Ltd | 100 | – |
| Hammer Hardware Stores Pty Ltd | 100 | – |
| Jack Butler & Staff Pty. Ltd. | 100 | 100 |
| Josona Pty Ltd | 100 | 100 |
| Langtons Pty Ltd | 100 | 100 |
| Leasehold Investments Pty Ltd | 100 | 100 |
| Mac's Liquor Stores Pty Limited | 100 | 100 |
| Nalos Pty Ltd | 100 | 100 |
| Oxygen Nominees 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 |
| Universal Wholesalers Pty Limited | 100 | 100 |
| Vincentia Nominees Pty Ltd | 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 |
| Woolworths New Zealand Group Limited | 100 | 100 |
| BWS (2008) Limited | 100 | 100 |
| Progressive Enterprises Limited | 100 | 100 |
| Caledonian Leasing Limited | 100 | 100 |
| Countdown Foodmarkets Limited | 100 | 100 |
| Foodtown Supermarkets Limited | 100 | 100 |
| Fresh Zone Limited | 100 | 100 |
| General Distributors Limited | 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 |
| 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 |

29 Subsidiaries continued

| Name of entity | Beneficial holding | |
|---|--------------------|-----------|
| | 2010 % | 2009 % |
| 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 |

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 \$203.4 million comprising plant and equipment (\$77.6 million); liquor and gaming licences (\$23.4 million) and other working capital balances (\$54.7 million), with goodwill on acquisition of \$47.7 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future. Acquisition costs totalling \$9.9 million were recognised in the income statement.

| 2010 Entity/business acquired | Principal activity | Date of acquisition | Proportion of ownership acquired | Cost of acquisition \$m | |
|---------------------------------------|---|------------------------|-------------------------------------|----------------------------|--------------------|
| | | | | Consolidated | Woolworths Limited |
| Danks Holdings Limited ⁽¹⁾ | Hardware wholesale | 11 November 2009 | 100% | 87.6 | – |
| Miscellaneous businesses | Supermarkets, hotels and liquor retail (incl Langtons) | various | 100% | 115.8 | – |
| Miscellaneous businesses | Supermarkets and retail liquor | various | 100% | – | 23.6 |
| Total | | | | 203.4 | 23.6 |

Note**(1)**

Danks Holdings Limited was 100% acquired by Hydrox Holdings Pty Limited. Woolworths Limited has a 66.7% ownership in Hydrox Holdings Pty Limited.

In 2009, the Group acquired various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was \$165.8 million comprising plant and equipment (\$75.6 million); liquor and gaming licences (\$52.5 million) and other working capital balances (\$9.5 million), with goodwill on acquisition of \$28.2 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.

| 2009 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 (Incl Langtons) | various | 100% | 165.8 | – |
| Miscellaneous businesses | Supermarkets and retail liquor | various | 100% | – | 28.5 |
| Total | | | | 165.8 | 28.5 |

31 Subsequent Events

Woolworths Limited announced on 26 August its intention to return \$700 million to shareholders through an off-market share buy-back. The proposed \$700 million buy-back will be conducted as an off-market tender, with the proceeds received by participating shareholders treated in part as a capital component and in part as a fully-franked dividend subject to confirmation in a ruling that is being sought from the Australian Taxation Office. Participation in the buy-back is optional, with the tender period expected to close on Friday, 8 October 2010.

Directors' Declaration

The Directors declare that:

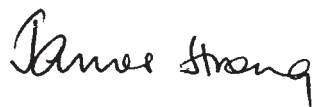
- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including 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 s.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 s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



James Strong
Chairman

7 September 2010



Michael Luscombe
Managing Director and Chief Executive Officer



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 27 June 2010, and the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the 52 weeks ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the financial period as set out on pages 78 to 160.

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 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 consolidated entity's financial position as at 27 June 2010 and of their performance for the 52 weeks 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 statements also complies with International Financial Reporting Standards *as disclosed in Note 1*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 55 of the directors' report for the 52 weeks ended 27 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Accounting Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Woolworths Limited for the 52 weeks ended 27 June 2010, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Andrew Griffiths".

A V Griffiths
Partner

Chartered Accountants

Sydney, 7 September 2010

Shareholder Information

The shareholder information set out below was applicable as at 27 August 2010.

Number of shareholders

There were 419,304 shareholders, holding 1,231,218,031 fully paid ordinary shares.

Distribution of equity securities

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

| <i>Range of fully paid ordinary shares/options</i> | <i>Number of (FPO) holders</i> | <i>Number of FPO shares</i> | <i>Number of FPO option holders</i> |
|--|--------------------------------|-----------------------------|-------------------------------------|
| 1–1,000 | 263,668 | 103,198,123 | 1 |
| 1,001–5,000 | 136,699 | 275,155,504 | 774 |
| 5,001–10,000 | 12,851 | 90,773,044 | 864 |
| 10,001–100,000 | 5,903 | 117,544,924 | 1,087 |
| 100,001 and over | 183 | 644,546,436 | 14 |
| Total | 419,304 | 1,231,218,031 | 2,740 |

(b) There were 9,782 holders of less than a marketable parcel of ordinary shares.

20 largest shareholders

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

| <i>Name</i> | <i>Number of fully paid ordinary shares</i> | <i>Percentage of issued capital (%)</i> |
|---|---|---|
| 1 HSBC Custody Nominees (Australia) Limited | 202,742,797 | 16.47 |
| 2 JP Morgan Nominees Australia Limited | 139,042,029 | 11.29 |
| 3 National Nominees Limited | 113,912,715 | 9.25 |
| 4 Citicorp Nominees Pty Limited | 37,271,741 | 3.03 |
| 5 Cogent Nominees Pty Limited | 15,055,927 | 1.22 |
| 6 ANZ Nominees Limited <Cash Income A/C> | 12,147,621 | 0.99 |
| 7 AMP Life Limited | 10,126,980 | 0.82 |
| 8 Citicorp Nominees Pty Limited <Cfs Wsle Imputation Fnd A/C> | 7,462,023 | 0.61 |
| 9 RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C> | 6,563,884 | 0.53 |
| 10 Australian Foundation Investment Company Limited | 6,203,729 | 0.50 |
| 11 UBS Wealth Management Australia Nominees Pty Ltd | 5,247,018 | 0.43 |
| 12 Perpetual Trustee Company Limited | 4,795,563 | 0.39 |
| 13 Australian Reward Investment Alliance | 4,759,257 | 0.39 |
| 14 Argo Investments Limited | 3,985,985 | 0.32 |
| 15 RBC Dexia Investor Services Australia Nominees Pty Limited <Mlci A/C> | 3,928,200 | 0.32 |
| 16 Woolworths Custodian Pty Ltd | 3,671,691 | 0.30 |
| 17 Queensland Investment Corporation | 3,662,977 | 0.30 |
| 18 UBS Nominees Pty Ltd | 3,390,565 | 0.28 |
| 19 RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C> | 3,323,941 | 0.27 |
| 20 Citicorp Nominees Pty Limited <Cfsil Cfs ws Aust Share A/C> | 2,126,244 | 0.17 |

Substantial shareholders

As at 27 August 2010, there were no substantial shareholders in the Company that had provided substantial shareholding notices.

Unquoted equity securities

As at 27 August 2010 there were 29,248,097 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, 18 November 2009 at 11am (Brisbane time) at the State Library of Queensland, Cultural Centre, Stanley Place, South Bank, South Brisbane Queensland. 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 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, (02) 8885 1068 or (02) 8885 3081

Facsimile: (02) 8888 1066, (02) 8888 1068 or (02) 8888 3081

Final dividend

The final dividend of 62 cents per share will be paid on 15 October 2010 to shareholders entitled to receive dividends and registered on 17 September 2010 (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 received electronically by shareholders or will be mailed on the payment date.

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

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. There is no DRP discount and there is a limit on DRP participation of 20,000 shares. There is currently no minimum number of shares required for participation.

Stock exchange listings

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

American depository receipts

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

History of dividends paid

| <i>Date of dividend</i> | <i>Type</i> | <i>Cents per share</i> | <i>Franking rate</i> | <i>DRP price</i> |
|-------------------------|-------------|------------------------|----------------------|------------------|
| 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 |
| 24 April 2009 | Interim | 48 cents | 30% | \$25.21 |
| 9 October 2009 | Final | 56 cents | 30% | \$29.00 |
| 23 April 2010 | Interim | 53 cents | 30% | \$28.17 |

2010

October

15 Payment date for final dividend

20 Announcement of first quarter sales results

November

18 Annual General Meeting Brisbane

December

15 Interest Payment on Woolworths Notes

2011

January/February

Announcement of second quarter sales results

Half Year Results announcement

March

15 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.



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Woolworths Limited

Principal registered office in Australia

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Web: www.woolworthslimited.com.au

BIG W

Web: www.bigw.com.au

National Supermarkets

Web: www.woolworths.com.au

Woolworths Petrol

Tel: 1300 655 055
Web: www.woolworthspetrol.com.au

BWS

Web: www.beerwinespirits.com.au

Dan Murphy's

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Fax: (03) 9497 2782
Web: www.danmurphys.com.au

Dick Smith/Tandy

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Tel: (02) 9642 9100
Fax: (02) 9642 9111
Web: www.dicksmith.com.au

Progressive Enterprises Limited

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Fax: +64 (9) 275 3074
Web: www.progressive.co.nz

ALH Group Pty Ltd

– Registered Office

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– Victorian Office

Ground Floor
16–20 Claremont Street
South Yarra VIC 3141
Tel: (03) 9829 1000

– Queensland Office

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

Company Secretary

Peter Horton

Share Registrar

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Tel: 1300 368 664
Fax: (02) 8234 5050
Web: www.computershare.com.au

Auditor

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