Woolworths Group


**Woolworths Limited**
ABN 88 000 014 675

2017 ANNUAL REPORT

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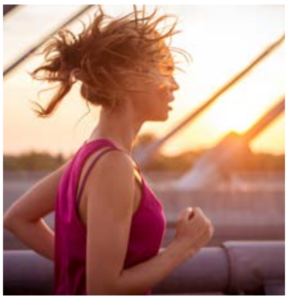











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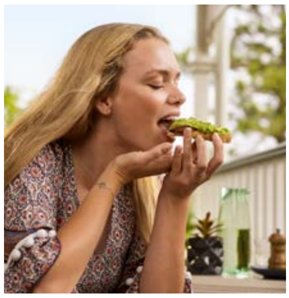

# We care deeply about our customers, our team and our communities.

Our team members reflect our communities. Their diversity brings rich culture, personality and a vibrant energy to our business.

Our report this year features a snapshot of the people who exemplify us. Our team helps us to understand what our customers truly need. We listen and learn, so we can create better experiences together for

## everyone every day.





# 2017 at a glance

## Our Customers

INCREASE IN CUSTOMER TRANSACTIONS – AUSTRALIAN FOOD

**5.2%**

OVERALL CUSTOMER SATISFACTION AS AT JUNE 2017

**78%**

↑ 3 pts from June 2016

STORE-CONTROLLABLE VOICE OF CUSTOMER % AS AT JUNE 2017

**81%**

↑ 4 pts from June 2016

NUMBER OF PRODUCTS IN THE LOW PRICE ALWAYS AND PRICES DROPPED PROGRAMS IN AUSTRALIAN FOOD

**3,500+**

WOOLWORTHS RENEWALS COMPLETED IN FY17

**91**

(including 19 new stores)

## Our Team

EMPLOYEES

**202,000+**

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) SCORE FOR FY17

**12.97**

NUMBER OF INDIGENOUS EMPLOYEES HIRED THROUGH THE PARITY PROGRAM SINCE LAUNCH

**952**[1]

NUMBER OF "RESOURCING THE FUTURE" PROGRAMS COMPLETED SINCE LAUNCH

**150**[1] **+**

YOUNG EMPLOYEES

**77,000+**

## Our Community

WOOLWORTHS OWN BRAND PRODUCTS WITH THE HEALTH STAR RATING

**2,000+**

OWN BRAND PRODUCTS UNDERGONE A NUTRITION RENOVATION

**120+**

SOLAR POWER GENERATION

**1,512Mwh**

FOOD SAVED FOR MEALS (MILLION MEALS)

**8M**

STORES WITH UPGRADED HYBRID OR HFC FREE REFRIGERANT SYSTEMS

**269**

1 Figures stated relate to the period 11 December 2015 to 7 July 2017.

## Our Shareholders

EARNINGS PER SHARE FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

**110.8¢**

↓ 5.1% from 2016

FULL YEAR FULLY FRANKED DIVIDEND PER SHARE

**84¢**

↑ 9.1% from 2016

TOTAL DIVIDEND PAYOUT IN RELATION TO FY17

**$1.1B**

↑ 10.6% from 2016

## Our Financials

TOTAL GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF WOOLWORTHS

**$1,534M**

↑ from 2016 not meaningful

EARNINGS BEFORE INTEREST AND TAX FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

**$2,326M**

↓ 4.9% from 2016

FY17 AUSTRALIAN FOOD COMPARABLE SALES GROWTH

**3.6%**

NET CASH PROVIDED BY OPERATING ACTIVITIES

**$3.1B**

↑ 32.4% from 2016

## Our Sales

SALES FROM CONTINUING OPERATIONS

**$55B**

↑ 3.7% from 2016

AUSTRALIAN FOOD

**$36,371M**

ENDEAVOUR

**$7,913M**

NEW ZEALAND FOOD

**NZ$6,232M**

BIG W

**$3,598M**

HOTELS

**$1,553M**



For endnotes refer to page 24.

# Progress against our FIVE KEY PRIORITIES

## 1 Customer and store-led culture and team

**A major focus for the year was to embed a customer and store-led culture within our team and establish ways of working that deliver on the goal to have customers put us first.**

VOICE OF TEAM ENGAGEMENT SCORE

**82%**

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

**12.97** TRIFR

### SAFETY PERFORMANCE

Our commitment to improving physical safety and mental health has been a key focus throughout the year. We have continued to invest in new programs and systems to improve safety governance, address our critical risks and develop a culture of care across the Woolworths Group. We have seen significant improvements in this safety performance over the year. FY17 saw customer claims reduce by 19%, a Lost Time Injury Frequency Rate (LTIFR) score of 6.76 and a Total Recordable Injury Frequency Rate (TRIFR) of 12.97.

### TEAM ENGAGEMENT

Driving culture change across the Woolworths Group has been assisted BY the establishment of short and long-term incentive plans that are aligned to our customer first focus. Team engagement has also improved across the year, with an increase of five points on last year to 82%, measured by our Voice of Team survey. We have seen an uplift in morale across the team, especially in regard to recommending Woolworths as a place to work. As morale and team engagement increases, we have seen team turnover reduce.

### KEY APPOINTMENTS

An important part of driving the culture change was to also align our senior leadership and operating model so as to leverage the specialised skills and experience from within the team. New appointments in 2017 included Woolworths Supermarkets Managing Director, Claire Peters, and Chief Information Officer, John Hunt. They also join the reinvigorated Woolworths Group Executive Committee that includes key internal appointments that provide an essential balance of representatives between business, service and group functions.

### WOOLIESX

The Woolworths Group is focused on the importance of digital and what we need to do to better serve our increasingly "connected customers" to create shopping experiences that are personalised, seamless and convenient. In response to this, we have combined our Digital and Loyalty businesses under the new banner of WooliesX. Bringing these two agile and specialist teams together will allow us to focus on accelerating growth from digital and provide a compelling offer to our customers.

# 2 Generating sustainable performance in Food

**A key highlight in FY17 was the meaningful improvement in customer scores in Australian Food, which has resulted in positive sales momentum throughout the year.**

AUSTRALIAN FOOD SALES

**$36.4B**

NEW ZEALAND FOOD SALES

**NZ$6.2B**

TOTAL NUMBER OF RENEWAL STORES

**91**[1]

## FOOD SALES MOMENTUM

Australian Food sales returned to growth in FY17. Momentum accelerated over the year, with a fourth quarter comparable sales growth of 6.4% (Easter adjusted). Our customers have responded positively to the investment across our business with growth driven primarily by a higher number of customer transactions, and more recently, an increase in the number of items our customers are putting in their baskets.

We also saw improved New Zealand Food sales in the second half as we fully cycled the bulk sales of gift cards in the first half of the prior year, leading to a growth of 2.1%. Initiatives across the stores, including ranging and price, as well as the new Onecard partnership with AA Smartfuel, have resonated with customers. We are committed to continually improving our offer for our customers with further planned investments in price and service in FY18.

## VOICE OF CUSTOMER

Voice of Customer (VOC) scores are a key indicator for our team to measure our performance from the people who matter the most. In FY17, customers have reacted positively to our initiatives in Australian Food with our store-controllable VOC score improving significantly to finish the year at record levels of 81%. Team Attitude continues to be one of our highest scores with Time in Queue showing the biggest improvement as a result of our investment in team hours and service focus. Our New Zealand Countdown team also achieved new highs in their customer satisfaction scores throughout the year.

## STORE RENEWAL PROGRAM

Our store Renewal program was a key focus for FY17 with a total of 72 Renewal stores (91 including new stores) launched in the year. June was an especially busy month for our team with 23 Renewal stores launched across the country, including three brand new stores in Wodonga VIC, Eatons Hill QLD and Keysborough South VIC. We also opened six Woolworths Metro stores during the year, with the store's convenient offer delivering a comparable sales growth of 17%.

## WOOLWORTHS OWN BRAND

FY17 also saw significant progress of our own brand strategy, including the continued transition to the Essentials and Woolworths range from Homebrand. Earlier this year we also launched our new online community 'The Bunch' which allows our customers to taste Woolworths own brand products for free and provide us, and the community, with unfiltered reviews. Since the pilot launch of the community late last year, we have seen over 7,000 customers provide their honest opinions across a range of own brand products.

1 Including new stores.

# 3 Evolving our Drinks business

**Endeavour Drinks delivered solid sales growth in FY17, retaining its leading position within a competitive market. The Drinks business had a number of highlights in FY17, including record Voice of Customer scores across both our retail brands reflecting the customer first focus.**

MY DAN MURPHY'S MEMBERS

**2.4M**

ENDEAVOUR DRINKS STORE NETWORK

**1,500+**

### BWS CLICK & COLLECT
A key highlight for BWS in FY17 was the launch of one-hour Click & Collect which has since been rolled out to over 1,200 BWS stores across the network. To further improve the convenience offer to our customers, BWS is currently trialling fast delivery in 50 stores.

### DAN MURPHY'S ONLINE
In FY17 Dan Murphy's delivered strong double digit sales growth from its online business. The My Dan Murphy's loyalty program has also reached a record 2.4 million members.

### BWS "STORE CEOs"
BWS' focus on team engagement in FY17 provided an opportunity to empower and engage store managers to drive the direction of their stores. To embed the culture of autonomy, job titles were amended from "store manager" to "store CEO". As an example, store CEOs have been encouraged to engage smaller craft brewers in each region in order to build on community-centric relationships and local ranging preferences.

### STORE NETWORK
Endeavour Drinks opened a number of new stores in FY17 putting the total nationwide network at over 1,500 stores by the end of the financial year. In BWS we opened 19 net new stores and renewed a number of stores across the network, including Bondi and Moonee Ponds. Dan Murphy's opened 12 net new stores including its first Tasmanian store, with Launceston opening in November 2016. It also opened its latest concept store in Mosman NSW in May.

### DAN MURPHY'S CELEBRATES
The Dan Murphy's team also celebrated two key industry award wins within the year. The launch of the high-end concept cellar at Prahran VIC was awarded the Customer Experience Store Design Award at the Inside Retail's 2017 Retailer Awards. Dan Murphy's was also awarded the 2016 Catalogue Retailer of the year title, acknowledging the high standards set by the team.

Dan Murphy's newest concept store in Mosman opened in May of this year.

# 4 Empowering our portfolio businesses

HOTEL SALES
2.7%
increase on 2016

**BIG W's turnaround plan was agreed earlier this year with a number of changes already underway across the business.**

### BIG W LEADERSHIP TEAM

We have put the customer back at the heart of BIG W and leveraged the learnings from our initiatives in the turnaround of Australian Food. The recently appointed BIG W Executive Team includes the combined skills, experience and structure that we believe is best placed to execute the new strategy. Earlier this year David Walker was appointed Managing Director of BIG W after acting in the role from November 2016 and has since built up the core leadership team.

### HOTELS PERFORMANCE CONTINUES TO IMPROVE

Our ALH Hotels business continues to perform with a sales increase of 2.7% on the previous year driven by Bars, Food and Accommodation. We completed a number of key refurbishments in FY17 at venues across the network. Our Hotels also form an important part of our Drinks strategy, with a number of BWS and Dan Murphy's stores attached to Hotel sites.

# 5 Becoming a lean retailer through end-to-end process and systems excellence

TOTAL NUMBER OF CARTONS DELIVERED TO STORE IN FY17
1.2B

**Process improvement and systems excellence was a key focus in FY17 as we continue to deliver greater efficiencies and convenience for both our teams and customers.**

### 1STORE LAUNCHES

Earlier this year we launched our 1Store program to deliver a new suite of systems across our stores. 1Store works to improve current processes for our teams and customers by replacing tools such as our point-of-sale systems, inventory and ticketing systems. The program focusses on greater end-to-end efficiencies and includes time saving features such as easy print functions, streamlined refunds process and greater access and ability to share nutritional information of our products with our customers.

### SUPPLY CHAIN MEASURES

In FY17 our Supply Chain team delivered more than 1.2 billion cartons to our stores across the nation. To ensure the warehouse and transport operations continue to drive a customer first approach, we introduced a new form of measurement, delivery in full, on time, and error free (DIFOTEF). This new measurement aims to ensure our stores receive the perfect order, resulting in the products being in the right place at the right time for our customers.

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**WOOLWORTHS**

# 2020 commitments

Since the launch of our Corporate Responsibility Strategy 2020 earlier this year, we have been focused on a number of initiatives that work towards the targets set under the pillars of People, Planet and Prosperity. FY17 included a number of key achievements within this space and highlights our commitment to create better experiences for our customers, team and communities.

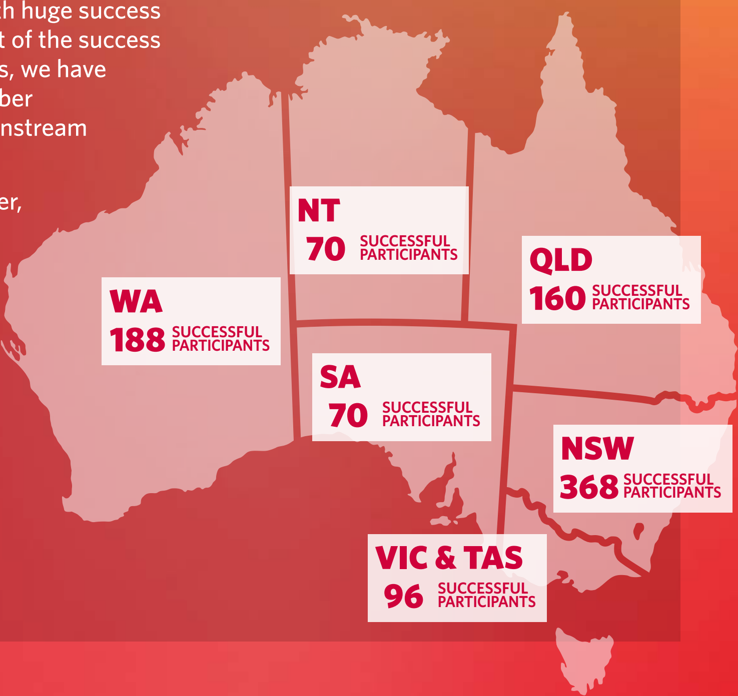
## PEOPLE: encouraging diversity

### Supporting Indigenous Australians

**During the year the Woolworths Group has continued its commitment to its Indigenous Employment program *"Resourcing the Future"* in partnership with Diversity Dimensions. We are pleased with the achievements we have made since launching the program and we are focused on continuing to grow this number ahead of our Woolworths Group 2020 targets.**

Since launching our Indigenous employment program *"Resourcing the Future"* in December 2015, we have held over 150[1] programs in 328[1] stores and placed 952[1] Indigenous Australian jobseekers into permanent part-time employment with huge success in regional Australia. As a direct result of the success of the program over the last 12 months, we have seen a significant increase in the number of direct applications through our mainstream recruitment process.

Diversity Dimensions General Manager, Mimi Kind, said; "Woolworths has embraced this program with a level of commitment that inspires us – that commitment can be seen at all levels of the organisation, from the board and senior leaders right through to store managers and team members. This is why we are seeing such great results in this program, with a retention rate of over 80% of Indigenous employees that we place."




1 Figures stated relate to the period 11 December 2015 to 7 July 2017.

## PLANET: for a healthy Australia

### Working towards Zero Food Waste

**Woolworths Group partners with food rescue organisations, such as OzHarvest, Foodbank and others, to help reduce the amount of edible surplus food going to waste. Food that might once have been wasted, is now feeding Australians in need. The Odd Bunch range of fruits and vegetables was designed to cut waste for Aussie farmers and make healthy food cheaper – you can get lemons, carrots, pears, apples and more deliciously odd-shaped foods every day.**

In a recent visit to Australia in May 2017, world-renowned chef and Woolworths ambassador, Jamie Oliver, hosted a media event at the Food Innovation Centre at the Woolworths Group Support Office to help raise awareness of reducing food waste in Australia. "Food waste is a huge drain on our natural resources, and millions of tonnes of perfectly edible food ends up as landfill every year. Stats suggest that Australian households throw out one in every five bags of their food shopping, which is worth an estimated $1,036 per household each year. That's massive! " ***Jamie Oliver***

Jamie Oliver

## PROSPERITY: founded on trusted relationships

### Country of origin labelling

**When the Federal Government's country of origin labelling initiative came into effect in July 2016, Woolworths was the first Australian supermarket to introduce the new labels on their own brand products in October of the same year.**

At Woolworths, we know our customers love to buy Australian products. The new labelling system makes it easier for our customers to better locate Australian made products and understand what percentage of the ingredients are locally sourced. Earlier this year, Woolworths stores hosted over 350 in-store country of origin labelling display booths. We invited our customers to learn about the new labelling scheme at the booths and also sample Woolworths own brand products.

Senator Arthur Sinodinos AO, Minister for Industry, Innovation and Science, said; "The in-store demonstrations are an extension of the advertising activity and an excellent opportunity for Australian consumers to hear more about the labels. We appreciate Woolworths' support for this initiative."

Food labels are getting clearer.

*Further information on our Corporate Responsibility Strategy 2020 progress will be available in our 2017 Corporate Responsibility Report due to be released 30 September 2017.*

# CHAIRMAN'S REPORT

This year I wanted to call out three areas the Board has focused on in the last 12 months.

The first is strategy. We have focused on fixing Australian Supermarkets as job number one. We have realigned our portfolio by exiting the Masters business, and we have reset our BIG W strategy. We have made good progress but there is much more to do, as we face disruptive threats on three fronts: from traditional competitors, from the discounters, and from the digital entrants.

The second area of focus has been culture. We put the customer first and we are building a culture of achievement, where our staff are committed to living the values of the organisation. We care about the health and welfare of our team, demonstrated by a renewed focus and commitment. We are creating greater transparency both in our business and with our investors. And finally we are regaining the community trust that was once a hallmark of our business.

Finally, we have as a Board, focused appropriately on capital management. We are committed to a strong investment grade credit rating. We have seen, as a result of this focus, significant improvement in working capital and reduction in net debt during the year.

The Woolworths Board has announced a final dividend of 50 cents per share taking the total dividend for the year to 84 cents, a 9.1% increase on the prior year. In determining the final dividend, the Board has considered the improved trading performance in the second half, strong cash generation during the year leading to a significant reduction in net debt and the $134 million net profit after tax for Home Improvement in the second half which is not expected to recur. The Board remains committed to a solid investment grade credit rating.

Whilst overall progress is good, there is much to do and we as a Board, are united with Brad and his management team in our mission to transform Woolworths Group.

**Gordon Cairns**
**CHAIRMAN**

# MANAGING DIRECTOR'S REPORT

In last year's Annual Report, I spoke about our FY17 focus to rebuild trust with our customers and our team and improve the foundations of our business in order to restore shareholder value.

We are pleased with the progress we have made over the last 12 months and have addressed a number of key issues. The customer is firmly at the centre of our business and we have improved our team engagement and underlying business culture and processes. Encouragingly, we still see many opportunities to improve our business and look forward to FY18 with energy and optimism.

Our transformation has been guided by five key priorities that we established at the beginning of FY17.

1 Our first priority was to build a **customer and store-led culture and team**. In FY17 we saw the meaningful improvement in customer scores in Australian Food and Endeavour Drinks as well as our Voice of Team (VOT) scores across the Group. We ended the year with a store-controllable Voice of Customer (VOC) score in Woolworths Supermarkets of 81% and achieved record NPS and VOC scores in both Dan Murphy's and BWS. Over 116,000 employees provided feedback in our recent VOT survey with our sustainable engagement scores improving by five points over the last year to 82%.

Our commitment to improve both the physical safety and mental health of our team members has been a key focus throughout the year. We have invested in new programs and systems to improve safety governance, address critical risks and develop a culture of care across the Woolworths Group. It is pleasing to see the results from these efforts with a reduction in both Total Recordable Injury Frequency Rate (TRIFR) as well as Lost Time Injury Frequency Rate (LTIFR) from FY16.

Earlier this year, we also launched our Corporate Responsibility Strategy 2020. In FY17 we focused on diversity by specifically addressing gender inequality. We completed phase one of the pay parity project with over 17,000 salaries reviewed and the pay gap between male and female team members, carrying out like-for-like roles, was reduced to 0.5%. We have also developed a holistic diversity and inclusion strategy that involves such initiatives as increasing Indigenous participation in our workforce and the creation of an LGBTI support network.

2 Our focus on generating **sustainable performance in Food** saw sales increase by 4.5% over the year with the fourth quarter the strongest of the year at 7.2% (Easter adjusted).

Woolworths Supermarkets sales growth continues to be driven by customer transactions with an increase in the number of items per basket in the second half. We continued our focus on optimising our overall store network with 72 Renewals completed in FY17 as well as opening 19 new stores in our Renewal format. We closed 22 stores during the year following an extensive network review in July 2016.

Our Metro stores are delivering pleasing sales growth with comparable sales increasing by 17% on the prior year. We opened six new Metro stores and are working hard to continue to refine our convenience food offer.

FoodCo had a very busy year, rebranding, repositioning and reformulating approximately 3,000 products into Essentials and the Woolworths food brand. The reformulation of products with improved nutrition also supported our 2020 commitment to inspire our customers to consume all of our products in a healthy, sustainable way.

In the fourth quarter, we brought together our Loyalty and Digital businesses to form WooliesX. The new team will allow Woolworths to maximise the combined wealth of insights and technical expertise currently in the two businesses as we look to accelerate our growth from digital.

3 **Endeavour Drinks delivered strong results in a competitive market**. Dan Murphy's and BWS both delivered positive comparable sales growth. Online remained a key area of focus during the year with Dan Murphy's online achieving growth of approximately 25% a highlight.

4 Our fourth priority was to **empower our portfolio businesses** to pursue strategies to deliver shareholder value. BIG W's financial result was extremely disappointing but also reflects the investment we began to make in the second half as we implement our new turnaround plan. The plan has been approved by the Board and communicated to our stakeholders and its implementation is underway. David Walker was appointed Managing Director, BIG W, after acting in the role since November 2016. FY18 will continue to be a year of investment for BIG W as we invest to improve price trust, range and shopping experience for our customers.

ALH Hotels continues to progress under the newly established Board and governance structure with a 11.7% increase in EBIT for the year with strong second half growth.

We exited EziBuy during the year and in August, Lowe's one third in the Home Improvement joint venture was acquired for $250.8 million, paving the way to complete our exit from the business.

5 We continue to progress on our final priority to become a **lean retailer** through end-to-end process and systems excellence through initiatives such as the 1Store Program roll-out, Customer-Led Rostering and the migration of over 175,000 team members to SuccessFactors Human Capital System. Supply Chain also introduced a new measurement, delivery in full, on time, and error free (DIFOTEF) to ensure that the right stock is in the right place at the right time for our customers.

As we move into FY18, we are focused on embedding our new Group purpose, "We create **better** experiences together" and our new Ways-of-Working and Core Values. With the combined goal to deliver "better together" we will leverage off our strength as a Group to achieve better experiences for our customers, teams and communities.

In summary, we are pleased with the progress we made in FY17 and are excited about our ability to further improve our business and customer and team experiences in FY18 as we move from a turnaround phase, focused on fixing our business foundations, to a transformation phase, focused on leveraging team work, digital and insights to materially improve our business. I would like to thank our entire team for their efforts over the last 12 months and look forward to their support in FY18.

**Brad Banducci**
**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

# GROUP FINANCIAL PERFORMANCE

**SALES ***

**$55.5B**

↑ 3.7% from 2016

Growth of 4.5% and 4.3% in Australian Food and Endeavour Drinks respectively drove the majority of the growth but was somewhat offset by the sales reduction in BIG W.

**GROSS PROFIT AS A % OF SALES ^**

**28.71%**

↑ 35 bps from 2016

Driven primarily by the material improvement in stock loss in Australian and New Zealand Food during the year, somewhat offset by continued price investment.

**COST OF DOING BUSINESS (COBD) AS A % OF SALES ^**

**24.52%**

↑ 74 bps from 2016

Primarily due to increased investment in Australian and New Zealand Food into our customer offers and higher team performance-based bonuses. Excluding the incremental performance-based incentives and $35.3 million BIG W impairment in HY17, CODB before significant items increased by 33 bps for FY17 and decreased by 4 bps in the second half.

## GROUP SALES – FULL YEAR

| | FY17 52 WEEKS $M | FY16 52 WEEKS $M | CHANGE |
|---|---|---|---|
| **Continuing operations** | | | |
| Australian Food [2] | **36,371** | 34,798 | 4.5% |
| Endeavour Drinks | **7,913** | 7,589 | 4.3% |
| New Zealand Food (AUD) | **5,887** | 5,592 | 5.3% |
| *New Zealand Food (NZD)* | ***6,232*** | *6,101* | *2.1%* |
| BIG W | **3,598** | 3,820 | (5.8)% |
| Hotels | **1,553** | 1,512 | 2.7% |
| Unallocated (EziBuy) | **153** | 163 | (6.1)% |
| **Sales from continuing operations** | **55,475** | 53,474 | 3.7% |
| **Discontinued operations** | | | |
| Home Improvement | **903** | 2,100 | (57.0)% |
| Petrol [2] | **4,682** | 4,612 | 1.5% |
| **Sales from discontinued operations** | **5,585** | 6,712 | (16.8)% |
| **Group sales** | **61,060** | 60,186 | 1.5% |

## EARNINGS/(LOSS) BEFORE INTEREST AND TAX (EBIT/LBIT)

| | FY17 (52 WEEKS) $M | FY16 (52 WEEKS) $M | CHANGE |
|---|---|---|---|
| **Continuing operations (before significant items [1])** | | | |
| Australian Food [2] | **1,603.1** | 1,642.0 | (2.4)% |
| Endeavour Drinks | **502.5** | 483.8 | 3.9% |
| New Zealand Food | **292.3** | 284.4 | 2.8% |
| *New Zealand Food (NZD)* | ***309.4*** | *313.9* | *(1.4)%* |
| BIG W | **(150.5)** | (14.9) | n.m. |
| Hotels | **232.9** | 208.5 | 11.7% |
| Central overheads | **(154.3)** | (157.8) | (2.2)% |
| **EBIT continuing operations (before significant items [1])** | **2,326.0** | 2,446.0 | (4.9)% |
| Significant items [1] (before tax) | **–** | (951.1) | n.c. |
| **EBIT continuing operations (after significant items [1])** | **2,326.0** | 1,494.9 | 55.6% |
| **Discontinued operations (before significant items [1])** | | | |
| Home Improvement | **159.0** | (218.8) | n.m. |
| Petrol [2] | **157.9** | 117.8 | 34.0% |
| Significant items [1] (before tax) | **–** | (3,062.6) | n.c. |
| **EBIT/(LBIT) discontinued operations (after significant items [1])** | **316.9** | (3,163.6) | n.m. |
| **Group EBIT/(LBIT) continuing and discontinued operations (after significant items [1])** | **2,642.9** | (1,668.7) | n.m. |

For endnotes refer to page 24.

EBIT ^

$2,326M

↓ 4.9% from 2016

The majority of the reduction is as a result of higher losses in BIG W. In the second half, EBIT from continuing operations (before significant items[1]) increased by 11.0%, driven by Australian Food.

NET FINANCING COST

↓21.2%

From 2016

This is due to lower average debt and effective borrowing rates.

NPAT #

$1,422.1M

↓ 3.6% from 2016

With corresponding EPS[2] down 5.1% to 110.8 cents.

On a statutory basis, the NPAT attributable to equity holders of the parent entity was $1,533.5 million compared to a NLAT of $1,234.8 million in FY16 after significant items[1]. The corresponding EPS was 119.4 compared to a loss per share (LPS) of 97.7 cents in FY16.

* From continuing operations.
^ From continuing operations before significant items.
# Attributable to equity holders of the parent entity from continuing operations, before significant items.

## GROUP PROFIT AND LOSS FOR THE 52 WEEKS ENDED 25 JUNE 2017

| | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Continuing operations – before significant items[1]** | | | | |
| **Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)** | ($m) | **5,397.9** | 5,395.2 | 0.1% |
| Rent | ($m) | **(2,034.3)** | (1,963.9) | 3.6% |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | ($m) | **3,363.6** | 3,431.3 | (2.0)% |
| Depreciation and amortisation | ($m) | **(1,037.6)** | (985.3) | 5.3% |
| **EBIT** | ($m) | **2,326.0** | 2,446.0 | (4.9)% |
| Net financial expenses | ($m) | **(193.6)** | (245.6) | (21.2)% |
| Income tax expense | ($m) | **(650.4)** | (677.2) | (4.0)% |
| **NPAT** | ($m) | **1,482.0** | 1,523.2 | (2.7)% |
| Non-controlling interests | ($m) | **(59.9)** | (47.4) | 26.4% |
| **NPAT from continuing operations attributable to equity holders of the parent entity (before significant items[1])** | ($m) | **1,422.1** | 1,475.8 | (3.6)% |
| NPAT/(NLAT) from discontinued operations attributable to equity holders of the parent entity (before significant items[1]) | ($m) | **111.4** | (82.8) | n.m. |
| Significant items[1] after tax attributable to equity holders of the parent entity from: | | | | |
| Continuing operations | ($m) | **–** | (749.5) | n.c. |
| Discontinued operations | ($m) | **–** | (1,878.3) | n.c. |
| **NPAT/(NLAT) attributable to equity holders of the parent entity** | | **1,533.5** | (1,234.8) | n.m. |
| | | | | |
| **MARGINS – continuing operations before significant items[1]** | | | | |
| Gross profit | (%) | **28.71** | 28.36 | 35 bps |
| Cost of doing business | (%) | **24.52** | 23.78 | 74 bps |
| EBIT | (%) | **4.19** | 4.57 | (38) bps |
| | | | | |
| **EARNINGS PER SHARE (EPS) AND DIVIDENDS** | | | | |
| Weighted average ordinary shares on issue | (million) | **1,283.9** | 1,263.5 | 1.6% |
| Basic EPS (cents) – from continuing operations: | | | | |
| Before significant items[1] | (cents) | **110.8** | 116.8 | (5.1)% |
| After significant items[1] | (cents) | **110.8** | 57.5 | 92.7% |
| Diluted EPS – from continuing operations: | | | | |
| Before significant items[1] | (cents) | **110.5** | 116.8 | (5.4)% |
| After significant items[1] | (cents) | **110.5** | 57.5 | 92.2% |
| Interim dividend per share | (cents) | **34.0** | 44.0 | (22.7)% |
| Final dividend per share ‡ | (cents) | **50.0** | 33.0 | 51.5% |
| **Total dividend per share** | (cents) | **84.0** | 77.0 | 9.1% |

‡ Final 2017 dividend payable on 6 October 2017 will be fully franked.

For endnotes refer to page 24.

# AUSTRALIAN FOOD

**The improvements we delivered in Australian Food during FY17 resonated with customers as our Voice of Customer (VOC) scores improved consistently throughout the year, with store-controllable VOC sitting at 81% in June 2017.**

SALES

**$36,371M**

↑ 4.5% from 2016

EBIT

**$1,603.1M**

↓ 2.4% from 2016

## TRADING PERFORMANCE

Australian Food sales momentum continued into the fourth quarter with Easter adjusted sales growth of 7.8% and comparable sales growth (Easter adjusted) of 6.4%. Comparable customer transaction growth of 5.2% (Easter adjusted) and an improvement in items per basket drove comparable item growth of 5.6% in the fourth quarter.

Sales for the year of $36.4 billion increased 4.5% on the previous year, while comparable sales increased by 3.6%. Online sales grew by 15.8% for the year with 18.7% growth in the second half.

Our VOC scores have continued to improve over the financial year with Overall Customer Satisfaction reaching 78% (FY16: 75%) and store-controllable VOC increasing to 81% (FY16: 77%). Both have improved on Q3'17. We have seen an improvement on the prior financial year across all seven store-controllable VOC metrics. On-shelf availability and Fruit & Vegetables remain our biggest opportunities for further improvement.

Sales per square metre increased by 1.3% to $16,213, compared to FY16, driven largely by the improvement in comparable sales growth. During the year we closed 22 stores and opened 25, including six Metros, ending the year with 995 Woolworths Supermarkets and Metro stores. We closed two Thomas Dux stores with three remaining at year end. Despite the store closures, average space growth for the year was 3.1% compared to FY16 due to timing.

Average prices declined by 2.1% in FY17 as we continued to lower prices for our customers. Deflation eased in the fourth quarter to 1.2%, as we experienced inflation in Fruit & Vegetables, with deflation ex-Tobacco and Fruit & Vegetables in the fourth quarter of 3.3%. Customer price perception is beginning to improve but remains a major opportunity and reflects our focus on improving customers' trust in our prices through lowering shelf prices, with approximately 3,500 products on our Low Price Always or Price Dropped programs at the end of the year.

The increase in gross margin of 70 bps to 28.07% is primarily due to material improvements in stock loss and, to a more limited extent, improved product mix and promotional effectiveness offset somewhat by net investment in price.


For endnotes refer to page 24.

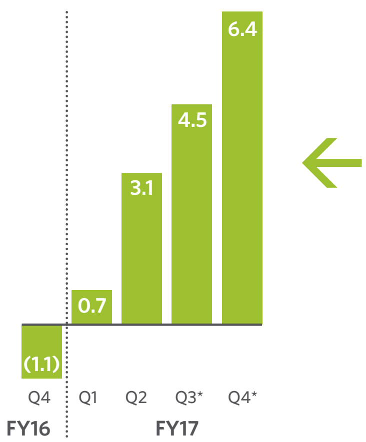

CODB as a percentage of sales increased by 101 bps as we invested in team hours and higher team performance based bonuses compared to the prior year. We have also invested in training and in our IT Foundations and Renewal programs, which contributed to higher depreciation.

EBIT declined by 2.4% to $1,603.1 million for the year resulting in a full year EBIT margin of 4.41%. Second half EBIT increased by 13.2% at a margin of 4.48%. Excluding the impact of incremental team incentive payments during the year, EBIT increased by 8.3%.

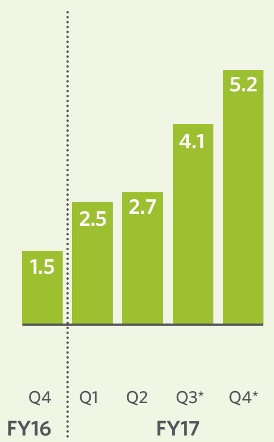
Strong working capital management resulted in a significant reduction in average funds employed, which has more than offset the reduction in underlying earnings and led to an improvement of 32.7 pts in reported ROFE.

| BEFORE SIGNIFICANT ITEMS[1] | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Sales** | ($m) | **36,371** | 34,798 | 4.5% |
| **EBIT** | ($m) | **1,603.1** | 1,642.0 | (2.4)% |
| Gross margin | (%) | **28.07** | 27.37 | 70 bps |
| Cost of doing business | (%) | **23.66** | 22.65 | 101 bps |
| EBIT to sales | (%) | **4.41** | 4.72 | (31) bps |
| **Sales per square metre** | ($) | **16,213** | 16,000 | 1.3% |
| Funds employed | ($m) | **1,071.0** | 1,133.6 | (5.5)% |
| Return on average funds employed (ROFE)[3] | (%) | **166.1** | 133.4 | 32.7 pts |

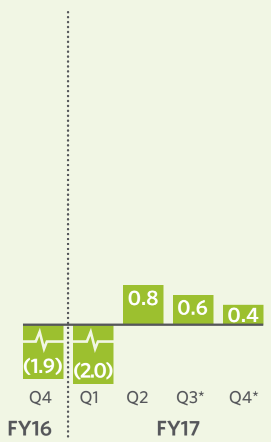
**AUSTRALIAN FOOD COMP SALES**
(% year on year)




**COMP TRANSACTION GROWTH**
(% year on year)




**COMP ITEMS PER BASKET GROWTH**
(% year on year)




* Adjusted for the timing of Easter which fell in Q4'17 (Q3'16 LY).

For endnotes refer to page 24.


# ENDEAVOUR DRINKS

**Endeavour Drinks achieved record Net Promoter Score (NPS) and VOC scores for Dan Murphy's and BWS during the year, continuing the momentum of solid growth in a competitive market.**

SALES

**$7,913M**

↑ 4.3% from 2016

EBIT

**$502.5M**

↑ 3.9% from 2016

## TRADING PERFORMANCE

Endeavour Drinks sales increased by 4.3% to $7,913 million in FY17 with solid growth in comparable sales of 2.8% and a strong contribution from new store openings. Both retail banners, Dan Murphy's and BWS, reported comparable sales growth, with growth in attached BWS stores a particular highlight. In the fourth quarter, Easter adjusted comparable sales increased by 4.6% due to strong execution around seasonal events. The sales improvement was consistent with improvements in NPS and Voice of Customer.

Sales per square metre increased by 0.5% with total sales growth of 4.3% offset by net average space growth of 3.7%.

Dan Murphy's delivered another year of strong sales with 12 net new stores opened and strong double digit sales growth in online. My Dan Murphy's membership has now reached 2.4 million members less than three years after its launch. Dan Murphy's retained its market leading NPS.

BWS reported solid comparable sales growth driven by improved growth in our attached BWS stores and a strong improvement in NPS. We opened 19 net new BWS stores opening in FY17, bringing the network to 1,298 stores at the end of the year. Other key milestones were the launch of BWS Online in October FY17 with one hour Click & Collect available at all stores and we are currently trialling fast delivery in around 50 BWS stores.

Endeavour Drinks gross margin declined by 33 bps to 23.1% due to the negative category mix with beer and spirits outgrowing wine as well as targeted price investments.

CODB as a percentage of sales decreased by 30 bps due to the gain on sale of a business of $8.4 million, strong cost management despite higher fixed costs associated with store openings during the year and minor reallocations between gross margin and CODB for the Summergate business.

EBIT increased 3.9% to $502.5 million in FY17.

ROFE improved by 62 bps driven by the increase in EBIT and reduction in funds employed despite a number of new store openings during the year.

| BEFORE SIGNIFICANT ITEMS [1] | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Sales** | ($m) | **7,913** | 7,589 | 4.3% |
| **EBIT** | ($m) | **502.5** | 483.8 | 3.9% |
| Gross margin | (%) | **23.08** | 23.41 | (33) bps |
| Cost of doing business | (%) | **16.73** | 17.03 | (30) bps |
| EBIT to sales | (%) | **6.35** | 6.38 | (3) bps |
| **Sales per square metre** | ($) | **18,039** | 17,943 | 0.5% |
| Funds employed | ($m) | **3,017.3** | 3,070.0 | (1.7)% |
| ROFE [3] | (%) | **16.9** | 16.3 | 62 bps |

For endnotes refer to page 24.

# NEW ZEALAND FOOD


**EBIT growth was subdued in New Zealand Food during FY17 as we invested in price and service to improve the offer for our customers. We will continue to invest in our customer offer in FY18 in line with our Customer 1st strategy.**

SALES

**NZ$6,232M**

↑ 2.1% from 2016

EBIT

**NZ$309.4M**

↓ 1.4% from 2016

## TRADING PERFORMANCE

New Zealand Food's sales for the year were NZ$6.2 billion, an increase of 2.1% on the previous year (5.3% increase in AUD). Sales in the first half last year were assisted by the bulk sales of gift cards and excluding the sales of these cards, full year sales growth was 2.8%. Easter adjusted sales in Q3'17 and Q4'17 were 2.2% and 3.4% respectively.

Comparable sales increased 1.2% for the year or 1.8% excluding bulk gift card sales. Comparable sales strengthened during the second half (HY17: 0% (1.1% gift card adjusted), H2'17: 2.5%) as customers continued to react positively to our price, service, fresh and local ranging activity, as well as the new partnership between our Onecard loyalty program and AA Smartfuel launched in Q2'17. This was consistent with our improving customer metrics over the course of the year. Sales per square metre was flat for the year, but moved into growth in the second half. Countdown ended the year with customer satisfaction and team engagement at new highs.

The Countdown Supermarkets Food Price Index increased by 0.4% driven by a combination of a return to inflation of dairy products and higher levels of inflation in fresh produce impacted by growing conditions and supply.

Gross margin increased 42 bps on the previous year due to reduced stock loss through store security and ranging initiatives, changes in fuel discount promotions and fewer low-margin bulk gift card sales.

CODB as a percentage of sales increased 60 bps on the previous year driven by investment in the store team to improve the customer experience, logistics costs (impacted by the Kaikoura earthquake), occupancy and team bonuses.

EBIT decreased 1.4% but was up marginally when normalised for team performance-based bonuses compared to the prior year.

ROFE was 21 bps higher than the prior year due to a reduction in average funds employed despite lower EBIT.

| BEFORE SIGNIFICANT ITEMS[1] | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Sales** | (NZ$m) | **6,232** | 6,101 | 2.1% |
| **EBIT** | (NZ$m) | **309.4** | 313.9 | (1.4)% |
| Gross margin | (%) | **24.00** | 23.58 | 42 bps |
| Cost of doing business | (%) | **19.04** | 18.44 | 60 bps |
| EBIT to sales | (%) | **4.96** | 5.14 | (18) bps |
| **Sales per square metre** | (NZ$m) | **15,137** | 15,178* | (0.3)% |
| Funds employed | (NZ$m) | **2,934.5** | 2,906.4 | 1.0% |
| ROFE[3] | (%) | **10.5** | 10.3 | 21 bps |

* Sales per square metre has been restated from prior year to be consistent with current Australian Food definition.

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2 BUSINESS REVIEW
3 DIRECTORS' REPORT
4 FINANCIAL REPORT
5 OTHER INFORMATION

For endnotes refer to page 24.


# PORTFOLIO BUSINESS
# BIG W

**FY18 will continue to be a year of investment for BIG W and we do not expect a reduction in losses as we continue to invest to improve the customer shopping experience, including re-establishing price trust.**

SALES

**$3,598M**

↓ 5.8% from 2016

LBIT

**$150.5M**

## TRADING PERFORMANCE

BIG W reported sales of $3.6 billion, a decrease of 5.8% on the previous year with comparable sales declining 5.7%. The sales decline was primarily a function of a continued multi-year decline in transaction count, and deflation largely driven by clearance and discounting. Sales in the fourth quarter declined by 4.4% on an Easter adjusted basis, however this was impacted by the change in timing of the annual toy sale which was a week later than last year to align with school holidays. Excluding the impact of the change in toy sale timing, Easter adjusted comparable sales declined by 3.0%.

An 87 bps decline in gross margin was driven by an investment in price in the second half as we began to invest to implement our new turnaround plan as well as more aggressive clearance activity in seasonal lines and increased stock loss.

CODB was broadly flat in dollar terms, however, increased by 292 bps as a percentage of sales driven by lower sales limiting the ability to fractionalise costs and the 98 bps impact from first half impairment and provisions for onerous leases of $35.3 million. Detailed impairment testing based on the new BIG W turnaround plan has been undertaken with no further impairments currently required.

Asset impairment and a reduction in property, plant and equipment due to lower capital expenditure resulted in a reduction in funds employed. The increase in losses for the year more than offset the reduction in funds employed.

A significant body of work was undertaken to build out a turnaround plan to stabilise and improve the business. We put the customer back at the heart of BIG W by developing a strategy focused on rebuilding customer trust on price and deliver the right product solutions, while enhancing our customers' shopping experience in-store and online. We have started to make a number of changes across the business to rebuild team morale and capability and create a strong platform to re-establish our price credentials.

The BIG W turnaround will be a multi-year journey and while we hope to stabilise sales in FY18, we do not expect an improvement in trading performance due to the investment required to regain customer trust on price, improve our product offering and enhance the customer shopping experience.

| BEFORE SIGNIFICANT ITEMS [1] | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Sales** | ($m) | **3,598** | 3,820 | (5.8)% |
| **LBIT** | ($m) | **(150.5)** | (14.9) | n.m. |
| Gross margin | (%) | **30.82** | 31.69 | (87) bps |
| Cost of doing business | (%) | **35.00** | 32.08 | 292 bps |
| LBIT to sales | (%) | **(4.18)** | (0.39) | (379) bps |
| **Sales per square metre** | ($) | **3,396** | 3,602 | (5.7)% |
| Funds employed | ($m) | **514.3** | 555.2 | (7.4)% |
| ROFE [3] | (%) | **(31.6)** | (2.3) | (29.4) pts |

For endnotes refer to page 24.

# PORTFOLIO BUSINESS
# HOTELS

**ALH Hotels reported an increase in EBIT for FY17 with strong second half growth as we cycled a period of higher promotional activity in the prior year.**

SALES

**$1,553M**

↑ 2.7% from 2016

EBIT

**$232.9M**

↑ 11.7% from 2016

## TRADING PERFORMANCE

Sales for the year were $1.6 billion, an increase of 2.7% on the previous year with comparable sales increasing by 2.4%. Sales growth was driven by a strong result in Bars, Food and Accommodation.

Hotels gross margin increased by 25 bps largely due to an improvement in Bars margins from better trading terms and more effective promotional activity.

CODB as a percentage of sales decreased 96 bps on the prior year due to strong cost control and as we cycled the increased spending on promotional activities to drive increased hotel patronage in the prior year.

EBIT increased 11.7% on the previous year to $232.9 million.

| BEFORE SIGNIFICANT ITEMS[1] | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Sales** | ($m) | **1,553** | 1,512 | 2.7% |
| **EBIT** | ($m) | **232.9** | 208.5 | 11.7% |
| Gross margin | (%) | **83.10** | 82.85 | 25 bps |
| Cost of doing business | (%) | **68.10** | 69.06 | (96) bps |
| EBIT to sales | (%) | **15.00** | 13.79 | 121 bps |


For endnotes refer to page 24.

# DISCONTINUED OPERATIONS

## TRADING PERFORMANCE

### Home Improvement

Home Improvement sales declined in FY17 compared to the prior year following the closure of Masters stores in December 2016 and the sale of Home Timber & Hardware Group (HTH) to Metcash in October 2016.

Home Improvement EBIT for FY17 reflects the trading losses up until the dates of closure and sale of Masters and Home Timber & Hardware and other operating expenses offset by gains from asset and provision reassessments.

On 4 August, Lowe's one third share in the Home Improvement joint venture was acquired for $250.8 million. We expect to complete the Home Consortium transaction in late September which will finalise the sale of 61 freehold properties and the transfer of 20 leaseholds to Home Consortium.

### Petrol

On 24 December 2016, we entered into a binding agreement to sell 527 Woolworths-owned fuel convenience sites and 16 committed development sites to BP for $1.785 billion. Consequently, the Petrol business has been classified as a discontinued operation. The transaction is subject to certain conditions including, but not limited to, obtaining Australian Competition and Consumer Commission (ACCC) and Foreign Investment Review Board (FIRB) approval. On 10 August, the ACCC released its Statement of Issues on the transaction. This outlined the key areas of focus for the ACCC in considering the transaction. Woolworths and BP will continue to engage with the ACCC to address any issues that may prevent the transactions being approved. Completion is expected to occur no earlier than 2 January 2018.

Petrol sales were $4.7 billion, an increase of 1.5% on the previous year (volumes decreased by 0.6%) driven primarily by rising average fuel sell prices (unleaded FY17: 121.6 cpl; FY16: 120.5 cpl). Comparable Petrol sales (dollars) declined 0.4% with comparable fuel volumes declining by 2.4%. Merchandise sales for the year increased 2.7% and comparable Merchandise sales increased 0.1%. EBIT increased by 34% due to higher gross profit, strong cost control and reduction in depreciation following the reclassification of Petrol to 'net assets held for sale'.

Refer to Note 5.1 of the Financial Report for a reconciliation of EBIT/(LBIT) from discontinued operations to profit/(loss) from discontinued operations.

| BEFORE SIGNIFICANT ITEMS[1] | | FY17 52 WEEKS | FY16 52 WEEKS | CHANGE |
|---|---|---|---|---|
| **Sales** | | | | |
| Home Improvement | ($m) | **903** | 2,100 | (57.0)% |
| Petrol | ($m) | **4,682** | 4,612 | 1.5% |
| **EBIT/(LBIT)** | | | | |
| Home Improvement | ($m) | **159.0** | (218.8) | n.m. |
| Petrol | ($m) | **157.9** | 117.8 | 34.0% |

For endnotes refer to page 24.

# OVERHEADS, BALANCE SHEET & CASH FLOW

## CENTRAL OVERHEADS INCLUDING EZIBUY

Central overheads before significant items[1], including EziBuy, were $154.3 million for the year. Excluding EziBuy, central overheads were $151.8 million and increased $9.2 million on the prior year, partly driven by higher team performance-based bonuses. The loss before interest and tax for EziBuy was $2.5 million compared to LBIT of $15.2 million in the prior year. EziBuy was sold at the end of June 2017.

## BALANCE SHEET

**Closing inventory** of $4,080.4 million decreased $478 million with $490 million of the decrease attributable to the exit from Home Improvement and the reclassification of Petrol inventory to 'net assets held for sale'. Excluding the impact of the above items, inventory increased by only $12 million, despite sales growth from continuing operations of 3.7%, resulting in a one day reduction in closing inventory days (excluding Home Improvement and Petrol) to 37.6 days.

**Net investment in inventory** of $987.8 million declined $737 million on the prior year. Excluding Home Improvement, the reclassification of Petrol to 'net assets held for sale' and sale of EziBuy, net investment in inventory decreased $330 million due to business growth and working capital initiatives.

**Other creditors** of $1,928.4 million increased $177 million driven by an increase in accruals for short-term team performance-based bonuses and other trading accruals.

**Provisions** of $2,481.5 million decreased $796 million driven by utilisation of FY16 significant items[1] provisions. Excluding Home Improvement, significant items[1] previously recognised and the reclassification of Petrol to 'net assets held for sale', provisions increased $29 million primarily due to an increase in provisions for employee entitlements and onerous lease provisions for BIG W recognised in HY17.

**Fixed assets and investments** of $8,555.7 million increased by $184 million. Excluding the transfer of Petrol and other Group properties to 'net assets held for sale', fixed assets and investments increased by $695 million. This was driven by net capital expenditure of $1,754 million relating to new stores, store refurbishments and support assets offset by depreciation charges and asset disposals and retirements in the ordinary course of business.

**Net assets held for sale** of $1,222.9 million represents assets and liabilities primarily relating to Petrol, property, plant and equipment relating to Masters, and other Woolworths Group properties held for sale. The increase on the prior year was largely as a result of the reclassification of Petrol to 'net assets held for sale' offset by the disposal of Home Timber & Hardware, EziBuy and other Group properties held for sale.

**Intangible assets** of $6,532.8 million declined marginally driven by the reclassification of Petrol to 'net assets held for sale'.

**Total funds employed** increased by $301 million, primarily driven by the utilisation of significant items provisions[1] and net investments in stores offset by improvements in working capital.

**Net tax balances** of $291.4 million decreased $167 million primarily due to the revision of net tax benefits associated with Home Improvement business exit costs.

**Net repayable debt** of $1,895.0 million declined by $1,191 million due to the strong free cash flow during the year.

**Other financial liabilities** of $250.8 million increased $231 million, primarily due to the recognition of the Lowe's put option liability of $250.8 million following the acquisition of Lowe's one third share of Home Improvement on 4 August 2017.

**Shareholders' equity** increased $1,055 million to $9,526.0 million primarily reflecting the profits generated from operations attributable to equity holders of the parent entity of $1,533.5 million, offset by dividend payments of $860 million.

**ROFE before significant items[1]** was 25.0%, an increase of 590 bps or excluding Home Improvement and Petrol was 22.3%, a 61 bps increase on the prior year. Lease adjusted ROFE increased 179 bps to 14.0% or declined 16 bps excluding Home Improvement and Petrol.

## CASH FLOW

**Cash flow from operating activities before interest and tax** increased $529 million to $4,024.1 million. Excluding Home Improvement, cash flow from operating activities before interest and tax increased $287 million primarily driven by the improvement in net investment in inventory as well as general business growth offset by utilisation of significant item[1] provisions.

**Cash realisation ratio[5]** was 117.6% impacted by the Home Improvement business. Excluding Home Improvement, our cash realisation ratio was 122.5% (FY16: 103.6%) primarily driven by the improvement in net investment in inventory.

Net interest paid of $234 million decreased $55 million due to a decrease in the net effective interest rate on lower debt.

Tax payments decreased to $668.1 million for the year (FY16: $848.5 million) predominately due to the reduction in the income tax instalment rate reflecting lower FY16 earnings.

For endnotes refer to page 24.

# OVERHEADS, BALANCE SHEET & CASH FLOW (CONTINUED)

## CASH FLOW (CONTINUED)

**Cash used in investing activities** was $1,431.4 million, an increase of $165 million on the prior year. Cash proceeds of $481 million were received from the sale of property, plant and equipment, businesses and investments including proceeds from the sale of HTH.

Payments for the purchase of property, plant and equipment, property development, intangible assets, investments and contingent consideration decreased by $91.5 million, primarily as a result of $220.1 million lower property development expenditure in the current period. This was offset by a $169 million increase in investment in property, plant and equipment of $1,633.6 million which included continued investment in new stores, store renewals and spend associated with supply chain and IT asset initiatives.

Our **fixed charges cover ratio**[6] is 2.5 times. Fixed charges cover ratio from continuing operations is 2.4 times (FY16: 2.4).

# CAPITAL MANAGEMENT

Woolworths Group manages its capital structure with the objective of enhancing long-term shareholder value through optimising its weighted average cost of capital while retaining financial flexibility to invest in its business in a manner consistent with its key priorities. The Group remains committed to a solid investment grade credit rating[7] and a number of actions can be undertaken to support the credit profile, including the sale of non-core assets, further working capital initiatives and adjusting its growth capital expenditure and property leasing profile.

In April 2016, the Company introduced a 1.5% discount on the dividend reinvestment plan ("DRP") and removed the participation limit. This has continued during FY17 and the participation rate for the October 2016 final and April 2017 interim DRPs was approximately 37%. The October 2016 DRP was partially underwritten to 50%, the proceeds of which were used predominantly to replace the Woolworths Notes II and the balance to allow for accelerated investment in the store renewal program. The discount and uncapped participation will remain in place for the October 2017 final dividend.

The Company will seek to return capital to shareholders when that is consistent with its long-term capital structure objectives and where it will enhance shareholder value.

## FINANCING TRANSACTIONS DURING FY17

### Maturities

The five-year non-call period for the A$700 million Woolworths Notes II ended on 24 November 2016. Pursuant to a replacement capital covenant, the Notes were refinanced by a combination of surplus cash, debt and equity. Eligible equity assigned to the redemption was raised via the DRP during the interim and final FY16 dividends.

US$300 million (approximately A$381 million) in US notes matured in April 2017. This was repaid with existing bank facilities previously established for this purpose.

### New transactions

In November 2016, Woolworths Group executed a A$700 million syndicated bank loan facility comprising a three-year and four-year revolving tranche of A$320 million and A$200 million respectively, and a four-year term loan tranche of US$140 million.

In May 2017, the Group pre-financed it's A$400 million bank guarantee facility which matures in November 2017 and upsized it to A$500 million. This facility is for the purpose of Woolworths Group meeting its WorkCover obligations as a 'self-insurer' by issuing bank guarantees in favour of Australian WorkCover authorities and is underpinned by the international surety market. The original facility was finalised in 2014 for a three-year commitment to November 2017 and is currently fully drawn. The new facility may be drawn at any time up to November 2017, and will expire in three years following initial drawing. It is currently undrawn.

## UPCOMING REFINANCING

Woolworths Group has no upcoming refinancings during FY18.

For endnotes refer to page 24.

# OUTLOOK

The focus of the Woolworths Group in FY18 will continue to be on our five key priorities. Our emphasis is moving from fixing the basics to leveraging team work, digital and insights to transform core business processes and improve the customer experience while sustainably reducing CODB. In the first half, we have a particular focus on improved team scheduling (right team member, right hours, right day), on-shelf availability and the roll-out of Store Pick up (for online orders).

In Australian Food, we expect the trading environment to remain competitive in the year ahead but also expect to see continued progress. However, we do not expect sales growth to continue at the same rate as achieved in Q4'17. For the first eights weeks of FY18, Australian Food comparable sales growth has been broadly in line with the FY17 second half growth rate.

FY18 will be a year of investment for New Zealand Food which will impact profit in the short-term.

Currently, we do not expect an improvement in losses at BIG W in FY18 as we continue to invest across the business to restore growth. While we expect to see a positive customer response to lower prices, better product solutions and a better customer shopping experience, it is still too soon to tell when this will translate into sales momentum and improved profitability. Our Q1'18 sales release is currently scheduled for 31 October 2017.

# NEW STORE ROLLOUT PLANS

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

| | WOOLWORTHS SUPERMARKETS | ENDEAVOUR DRINKS | NEW ZEALAND FOOD | BIG W | HOTELS (ALH GROUP) |
|---|---|---|---|---|---|
| FY17 NET STORE OPENINGS (INCLUDING ACQUISITIONS) | 3 | DAN MURPHY'S 12 | COUNTDOWN – | (1) | (2) |
| | | BWS (INCLUDING ATTACHED) 19 | FRANCHISE STORES 1 | | |
| MEDIUM TERM TARGET (NET) | 10–20 New full range supermarkets per annum | DAN MURPHY'S 6–10 New stores per annum<br>BWS (INCLUDING ATTACHED) 6–10 New stores per annum (standalone) | 3–4 New supermarkets per annum | Only where previously committed | Acquire as appropriate opportunities arise |

For endnotes refer to page 24.

# ENDNOTES

n.c. Not comparable
n.m. Not meaningful

1 There were no significant items recognised in FY17.
In FY16, total significant items of $4,013.7 million before tax ($2,627.8 million after tax attributable to equity holders of the parent entity) were recognised. Details of these costs have been provided in Note 1.4 of the Financial Report. Where noted, profit and loss items have been adjusted to reflect these significant items.
2 In line with the classification of Petrol as a discontinued operation, the financial performance and operating metrics previously disclosed under 'Australian Food and Petrol' has been split to disclose Australian Food separately from Petrol in this announcement. Funds employed and ROFE have also been separately presented for Endeavour Drinks.
3 Return on funds employed (ROFE) is calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. This methodology has been adopted for FY17 and FY16. In previous reporting periods, ROFE was calculated as EBIT before significant items for the reporting period as a percentage of average (opening and closing) funds employed. Lease adjusted ROFE adjusts funds employed for the present value of future lease obligations and EBIT for the implied interest on those obligations.
4 Growth for New Zealand Food is quoted in New Zealand dollars.
5 Operating cash flow as a percentage of group net profit after tax before depreciation and amortisation.
6 Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income.
7 The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths Group's debt providers.

# NON-IFRS FINANCIAL INFORMATION

This Annual Report contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards. The measures therefore may not be directly comparable with other companies' measures. Many of the measures used are common practice in the industry in which the Woolworths Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Security and Investments Commission (ASIC) to promote full and clear disclosure for investors and other users of financial information, and minimise the possibility of those users being misled by such information.

These measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the underlying drivers of the business, performance and trends, as well as the position of the Woolworths Group. Non-IFRS financial measures are also used to enhance the comparability of information between reporting periods (such as comparable sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Woolworths Group's performance. Consequently, non-IFRS measures are used by the directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with the prior year.

**The key non-IFRS measures used in describing the business performance include:**

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Cost of doing business
- Fixed charges cover ratio
- Return on funds employed and lease adjusted return on funds employed
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)
- Comparable sales
- Significant items

**Non-IFRS measures used in describing the Balance Sheet (or 'Consolidated Statement of Financial Position') and cash flow statement (or 'Consolidated Statement of Cash Flows') include:**

- Funds employed
- Net assets employed
- Cash flow from operating activities before interest and tax
- Free cash flow
- Fixed assets and investments
- Net repayable debt
- Cash realisation ratio
- Net investment in inventory
- Free cash flow after equity related financing activities
- Net assets held for sale
- Net tax balances
- Other financial assets and liabilities

The above non-IFRS measures have not been subject to audit or review.

# MATERIAL BUSINESS RISKS

**The Woolworths Group consists of complex businesses that are exposed to a range of strategic, financial, operational and compliance related risks that are inherent when operating in retail and online markets. The Group has an enterprise risk management framework which, together with corporate governance, provides a sound framework for managing the material risks.**


The following table sets out material business risks (excluding generic risks in no particular order) that could adversely affect the Group's financial performance. The Group's performance could also be affected by other generic risks that apply to most businesses and Australian households (e.g. unfavourable changes to the macro-economic environment, climate change and emerging risks). Further information in relation to risk management can be found in the Corporate Governance Statement which is available on the Woolworths Group website.

| RISK TYPE | MITIGATION |
|---|---|
| **Strategic** | |
| The retail trading environment will continue to be competitive, driven by new entrants, technology disruption, as well as be affected by changing customer needs and expectations and other external and internal risk drivers. Failure to successfully respond to these factors, our competitors and the changing marketplace may adversely impact on market share and business performance. The Group is committed to delivering on our strategy through ongoing focus on our customers as well as transformation initiatives.<br><br>At the same time, we want to play our part in alleviating environmental pressures and promoting social responsibility. Focus areas include diversity, food waste, own brand packaging, ethical and sustainable sourcing and carbon emissions. | • Woolworths Group has a board approved strategy driving a Customer 1st culture and investment in growth enablers, including our store network, technology and digital channels.<br>• Delivery offices have been established to drive transformation initiatives.<br>• We have combined our Digital, Loyalty and Data businesses into WooliesX, focused on delivering on our connected customer strategy.<br>• Our short and long-term incentive plans are aligned to our Customer 1st strategy.<br>• Our Corporate Responsibility Strategy 2020 identifies our goals to improve sustainability and minimise the environmental impact of our operations. |
| **Financial** | |
| The availability of funding and management of capital and liquidity are important to fund the Group's business operations and growth. In addition, a failure to turnaround our general merchandise business or materially adverse interest rates and foreign exchange rate fluctuations could impact on the business' profitability. | • Woolworths Group has board approved treasury policies to govern the management of the Group's financial risks, including liquidity, interest rate and foreign currency risks.<br>• We have a board approved turnaround plan for our general merchandise business which is monitored regularly and we anticipate the proposed sale of the Petrol business will further improve our capital position. |
| **Operational** | |
| The Woolworths Group is subject to operational risk and could be exposed to events, including but not limited to, failures to meet people or product safety standards, information technology, security, asset, data breaches and business disruptions as a result of cyber attacks, natural disasters, weather conditions, industrial disputes, technology failures or supply chain interruptions. | • Woolworths Group has established policies, standards and training regarding business operations, including people safety, health and wellbeing, food and product safety.<br>• We continue to invest in our operational capability across processes, technology and cyber security.<br>• A Business Resilience Framework is in place to manage our response to major operational incidents and/or business disruptions. |
| **Compliance** | |
| The Woolworths Group is subject to applicable laws, regulations and contractual arrangements and is exposed to adverse regulatory or legislative changes. Breaches or adverse changes could result in negative impacts on the Group's reputation and profitability, significant fines or other adverse consequences. | • Woolworths Group has a Compliance Framework in place and a variety of policies have been established to facilitate legal, regulatory compliance and internal protocols. We liaise with government and regulatory bodies on proposed legal and regulatory changes.<br>• The Woolworths Group Code of Conduct and training programs promote awareness of legal, regulatory and internal policy requirements. |

# GOVERNANCE

**Good corporate governance is central to the Woolworths Group's approach to enhance long-term shareholder value. The Woolworths Group Board and management are committed to policies and practices that meet high levels of disclosure and compliance.**

The Woolworths Group has followed each of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations throughout the reporting period. Further details are set out in the Corporate Governance Statement, which is available on the Woolworths Group website: www.woolworthsgroup.com.au

The members of the board of directors are set out below. Further information about their skills and experience is set out on pages 27 to 29.

**Left to right:** Holly Kramer, Kathee Tesija, Richard Dammery (Chief Legal Officer and Company Secretary), Gordon Cairns (Chairman), Jillian Broadbent, Michael Ullmer, Brad Banducci (CEO), Siobhan McKenna and Scott Perkins.

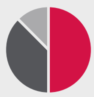
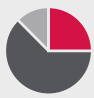
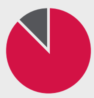
| | MEMBER OF: | | | | |
|---|---|---|---|---|---|
| DIRECTOR | BOARD | AUDIT, RISK, MANAGEMENT & COMPLIANCE COMMITTEE | PEOPLE PERFORMANCE COMMITTEE | SUSTAINABILITY COMMITTEE | NOMINATION COMMITTEE |
| Gordon Cairns | ◉ | ● | ● | ● | ◉ |
| Brad Banducci | ● | – | – | – | – |
| Jillian Broadbent | ● | ● | – | ● | ● |
| Holly Kramer | ● | – | ◉ | ● | ● |
| Siobhan McKenna | ● | ● | ● | – | ● |
| Scott Perkins | ● | ● | ● | ◉ | ● |
| Kathee Tesija | ● | – | – | – | ● |
| Michael Ullmer | ● | ◉ | – | ● | ● |

◉ Chairman of board/committee.
● Member of board/committee.

# BOARD SKILLS AND EXPERIENCE

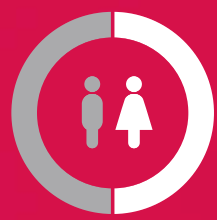
**The board's diverse range of skills, experience and backgrounds supports the effective governance and robust decision-making of the Group. The board has determined that collectively its directors have extensive experience across the key desired areas listed below.**

An assessment of the optimum mix of these skills and experience takes place regularly, taking into account the strategic positioning of the Group. Following its most recent review, the board identified that access to greater specialist operating experience in digital, data and technology, and regulatory and public policy would complement the functioning of the board and the Group's strategic focus in those areas.

| SKILL/ EXPERIENCE | SUMMARY | COMBINED |
|---|---|---|
| Retail Markets | Retail knowledge and experience of customer-led transformation in the food, drinks or general merchandise sectors. |  |
| Governance | Experience and a commitment to exceptional corporate governance standards. |  |
| Strategy | Experience defining strategic objectives, assessing business plans and driving execution in large, complex organisations. |  |
| Corporate Responsibility, Health & Safety | Commitment to social responsibility and sustainability initiatives and experience monitoring programs for proactive management of workplace safety, mental health and physical wellbeing. |  |
| Digital, Data and Technology | Expertise and experience in adopting new technologies or implementing technology projects, digital disruption, leveraging digital technologies or understanding the use of data and data analytics. |  |
| Financial Acumen | Understand financial drivers of the business, and experience implementing or overseeing financial accounting, reporting and internal controls. |  |
| People and Culture | Experience monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks. |  |
| Regulatory and Public Policy | Expertise indentifying and managing legal, regulatory, public policy and corporate affairs issues. |  |
| Risk Management | Experience anticipating and identifying key risks to the organisation and monitoring the effectiveness of risk management frameworks and controls. |  |

**LEGEND** ● Extensive ● Moderate ● Low

## BOARD DIVERSITY

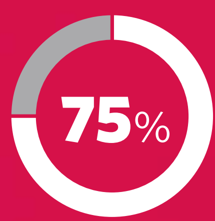


- Female 50%
- Male 50%

## BOARD TENURE

- 0–2 years 62.5%
- 2–4 years 12.5%
- 4–6 years 25.0%

## BOARD GLOBAL EXPERIENCE




**International business experience and exposure to different political, cultural, regulatory and business environments**

# BOARD OF DIRECTORS

## GORDON CAIRNS
MA (Hons)

INDEPENDENT CHAIRMAN

**Appointed:**
1 September 2015

**Background and experience:**
Gordon has extensive Australian and international experience as a Chairman, director and senior executive. He has over 30 years' of food and retail experience, including his time as Chief Executive Officer of Lion Nathan, and as a senior manager in marketing, operations and finance roles with PepsiCo, Cadbury and Nestle.

**Other roles:**
Chairman of Origin Energy (Chairman since October 2013, director since 2007) and a director of Macquarie Group and Macquarie Bank (since November 2014).

Previously Chairman of David Jones (March 2014 to August 2014) and Rebel Group, and a director of Westpac Banking Corporation (July 2004 to December 2013).

## BRAD BANDUCCI
MBA, LLB, BComm (Acc)

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

**Appointed:**
26 February 2016

**Background and experience:**
Brad was appointed Managing Director of Woolworths Food Group in March 2015 and Managing Director and Chief Executive Officer of the Group in February 2016.

Prior to this appointment, he was Director of the Group's Drinks business between 2012 and March 2015. Brad joined the Group in 2011 after the acquisition of the Cellarmasters Group, a direct wine retail and production company. He was Chief Executive Officer of Cellarmasters from 2007 to 2011. Prior to this, he was the Chief Financial Officer and Director at Tyro Payments and a Vice President and Director with The Boston Consulting Group, where he was a core member of their retail practice for 15 years.

## JILLIAN BROADBENT, AO
BA (Maths & Economics)

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:**
28 January 2011

**Background and experience:**
Jillian has extensive experience in corporate banking and finance in both Australia and internationally, primarily with Bankers Trust Australia.

**Other roles:**
Chair of the Board of Swiss Re Life & Health Australia and the Clean Energy Finance Corporation, and Chancellor of the University of Wollongong.

Previously, a member of the Board of the Reserve Bank of Australia (1998 to 2013) and a director of ASX, Coca-Cola Amatil, Special Broadcasting Service Corporation (SBS), Qantas Airways, Westfield Property Trusts and Woodside Petroleum.

## HOLLY KRAMER
BA (Hons), MBA

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:**
8 February 2016

**Background and experience:**
Holly has over 20 years' experience in general management, marketing and sales, including roles at the Ford Motor Company (in the US and Australia), Pacific Brands and Telstra.

She was Chief Executive Officer of Best & Less, a subsidiary of South African retail group Pepkor.

**Other roles:**
Director of AMP (since October 2015) and Deputy Chair of Australia Post.

Previously director of Nine Entertainment Corporation (May 2015 to February 2017).

## SIOBHAN MCKENNA
B.Ec (Hons), MPhil

INDEPENDENT
NON-EXECUTIVE DIRECTOR

**Appointed:**

8 February 2016

**Background and experience:**

Siobhan has a background in strategy and public policy within the digital and media sectors.

She was a Commissioner of the Australian Productivity Commission, a Chairman and Board Member of NBN Co Limited and a partner of McKinsey & Company.

**Other roles:**

Director of Amcil (since March 2016) and Group Director, Broadcasting, News Corp Australia.

Previously, a director of Ten Network Holdings (2012 to March 2017).

## SCOTT PERKINS
BCom, LLB (Hons)

INDEPENDENT
NON-EXECUTIVE DIRECTOR

**Appointed:**

1 September 2014

**Background and experience:**

Scott has extensive Australian and international experience as a leading corporate adviser on strategy, mergers and acquisitions and capital markets matters.

He held senior executive leadership positions at Deutsche Bank from 1999 to 2013. These included Managing Director and Head of Corporate Finance for Australia and New Zealand, membership of the Asia Pacific Corporate and Investment Bank Management Committee and Chief Executive Officer of Deutsche Bank New Zealand.

**Other roles:**

Director of Origin Energy (since 1 September 2015), and Brambles (since 1 June 2015).

## KATHRYN (KATHEE) TESIJA BSRMM
(Fashion Merchandising)

INDEPENDENT
NON-EXECUTIVE DIRECTOR

**Appointed:**

9 May 2016

**Background and experience:**

Kathee has extensive retail experience in the US market, particularly in merchandising and supply chain management.

She concluded her 30-year executive career with Target Corporation in the US in 2015. During this time she was Chief Merchandising and Supply Chain Officer and Executive Vice President, where she led the merchandising and supply chain functions, a role she held since 2008. She continued her involvement in Target as a Strategic Advisor until 2016.

Kathee is a US resident.

**Other roles:**

Director of Verizon Communications, Inc. (since 2012), and a senior advisor and consultant for Simpactful, a retail consulting agency in the US.

## MICHAEL ULLMER
BSc (Maths) (Hons), FCA, SF Fin

INDEPENDENT
NON-EXECUTIVE DIRECTOR

**Appointed:**

30 January 2012

**Background and experience:**

Michael has extensive experience in the accounting and banking sectors.

He was the Deputy Group Chief Executive at National Australia Bank (NAB) from October 2007 until he stepped down from the Bank in August 2011. He joined NAB in 2004 as Finance Director.

Prior to NAB, Michael was Chief Financial Officer and then Group Executive for Institutional and Business Banking at Commonwealth Bank of Australia. Before that he was a Partner at Accounting Firms KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997).

**Other roles:**

Director of Lendlease (since December 2011).

# GROUP EXECUTIVE COMMITTEE

Establishing the right team culture within the Woolworths Group is a key element of the Customer 1st strategy. Under the new Group purpose of "we create better experiences together", the Group Executive team is working together to create better experiences for our customers, team and communities every day.

BRAD BANDUCCI

"Improving VOC scores across all our businesses."

AMANDA BARDWELL

"Reaching 10 million Rewards customers."

DAVE CHAMBERS

"Supporting our local communities during the Kaikoura Earthquake."

RICHARD DAMMERY

"Supporting the Equitable Briefing Policy for diversity in the legal community."

NATALIE DAVIS

"Calling 20,000 customers from our VOC program to listen and improve."

JAMES GOTH

"Working towards phasing out plastic bags across our businesses."

PAUL GRAHAM

"Achieving a step-change in team safety across the Group."

STEVE GREENTREE

"Delivering health star ratings to over 80% of our own brand products."

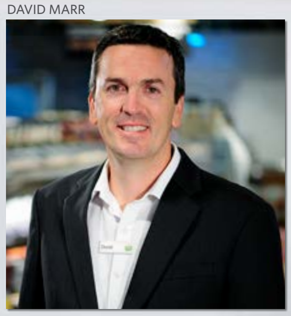
JOHN HUNT

"Upgrading over 1,100 legacy self-service checkouts in supermarkets."

CARYN KATSIKOGIANIS

"Training and empowering 27,000 service team members."

DAVID MARR



"Improving working capital outcomes across our businesses."

CLAIRE PETERS

"Embracing the Woolies culture to better serve our customers every day."

MARTIN SMITH

"Creating more convenience for our customers with BWS Click & Collect."

COLIN STORRIE

"Creating value for our shareholders with strategic business transactions."

## BRAD BANDUCCI

**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Biography available in Board of Directors, refer to page 28.

## AMANDA BARDWELL

**MANAGING DIRECTOR WOOLIESX**

WooliesX includes Woolworths Digital, E-Commerce, Customer Loyalty and Customer Services. Amanda joined the Woolworths Group in 2001 and during her time has worked across both the Supermarket and Drinks businesses. Amanda has held positions in both general management and specialist senior executive roles across omni-channel retailing, e-commerce, marketing, buying, private label, and business development. Amanda has an MBA from University of New South Wales and a Bachelor of Business from the University of Technology Queensland and was awarded a Chief Executive Women Scholarship to INSEAD.

## DAVE CHAMBERS

**MANAGING DIRECTOR PEL**

Dave is an experienced retailer and has been with the Woolworths Group for over 30 years. During this time Dave has held a number of senior roles stretched across store, area and divisional management. Prior to taking up the role of Managing Director in 2011, he was General Manager of New Zealand Supermarket Operations from 2008. Dave is also on the Trustee Board of the New Zealand Business and Parliament Trust.

## RICHARD DAMMERY

**CHIEF LEGAL OFFICER AND COMPANY SECRETARY**

Richard joined Woolworths Group in 2014 from Minter Ellison where he was a senior corporate partner. He has over 20 years' experience practising law, and has held a number of general counsel and commercial general management roles. Richard holds a BA (Hons) and LLB from Monash University, an MBA from the University of Melbourne, a PhD from University of Cambridge, and he is a Fellow of the Australian Institute of Company Directors.

## NATALIE DAVIS

**CHIEF CUSTOMER TRANSFORMATION OFFICER**

Natalie joined the Woolworths Group in 2015 as Director Customer Transformation for Food Group. Prior to that Natalie was a Partner at McKinsey & Co, where she worked in the UK and Australia for 15 years advising on strategy and commercial transformation. Natalie led the McKinsey Women's Initiative in Asia and was a member of the global McKinsey Women leadership team. Natalie holds an MBA from INSEAD France, and Bachelor of Commerce and Law degrees with Honours, from the University of Sydney.

## JAMES GOTH

**DIRECTOR OF CORPORATE DEVELOPMENT**

Prior to joining Woolworths Group in 2014, James was a partner at management consultancy The Boston Consulting Group (BCG). At BCG, James managed the firm's Sydney office and was leader of the Australian retail practice and the Asian strategy practice. Prior to this James was an economic policy advisor in the Department of Prime Minister and Cabinet during the Hawke and Keating governments. James completed a bachelor's degree with Honours in Economics and Law from the University of Sydney, as well as a Masters of Business Administration from INSEAD.

## PAUL GRAHAM

**CHIEF SUPPLY CHAIN OFFICER**

Paul has spent a significant part of his career living and working in the Asia Pacific region as well as the United Kingdom, Australia and North America. Before joining the Woolworths Group in 2016, Paul was Global COO and CEO for Europe, Middle East and Africa for DHL Supply Chain covering 65 countries, some 170,000 people and $32 billion in revenue. Paul has also been a board member of one of Australia's largest wholesale and grower produce companies, Executive Chairman of a large multi billion dollar global marketing services business headquartered in the UK and has served on various government and university advisory boards. He was awarded the Public Service Medal by the government of Singapore for services to the logistics industry in 2014.

## STEVE GREENTREE

**MANAGING DIRECTOR FOODCO, FUEL AND METRO**

Steve has had an extensive retail career of over 35 years with the Woolworths Group. During his time Steve has held a number of senior roles within Woolworths Group including Director of Business Development, Chief Operations Officer of Australian Supermarkets and Petrol, Director Woolworths Liquor Group, General Manager of Marketing and State Management roles for Australian Supermarkets.

## JOHN HUNT

**CHIEF INFORMATION OFFICER**

Originally from Cape Town, John spent over 25 years at Woolworths (Pty) Ltd in South Africa where he held a range of senior IT and core retail leadership roles, including CIO and Senior Executive for Food Planning and Value chain. A retailer through and through, John is passionate about how information technology is used in enabling the business to support both the front line team members as well as ensuring our customers have the best shopping experience. John joined the Woolworths Group in February 2017.

## CARYN KATSIKOGIANIS

**CHIEF PEOPLE OFFICER**

Caryn has over 20 years' experience within HR roles and began her career in the Woolworths Group in 2004. Since joining the Group, she has held a number of senior HR roles across our business, including BIG W, Supply Chain, Supermarkets, Corporate Support and Food Group. Caryn also held the role of General Manager Business Transformation during this time. Originally from South Africa, Caryn holds a Bachelor of Commerce degree from the University of South Africa.

## DAVID MARR

**CHIEF FINANCIAL OFFICER**

David joined Woolworths Group in 2011 as General Manager of Finance for Woolworths Supermarkets followed by Deputy CFO from November 2013. Prior to joining the Group, David was Supply Chain Director – Non Food at Tesco plc, UK, and previously UK Commercial Finance Director for almost three years. David has held a number of senior roles within leading Australian companies including Finance Director then Sales Director at Southcorp Limited, Sales Director – Destination at Foster's and Chief Financial Officer Australian Pharmaceutical Industries.

## CLAIRE PETERS

**MANAGING DIRECTOR WOOLWORTHS SUPERMARKETS**

Claire is an experienced retailer with over 22 years' experience. Claire started her retail career in the UK working for grocery retailer, Tesco. During this time she held a variety of senior roles including Regional Retail Director; Managing Director, Large Stores; and Commercial Director, Healthcare & Baby, Beauty and Toiletries. In March 2014 Claire moved to Thailand to take up COO responsibilities for Tesco Thailand. Claire holds a BSC Hons in Economics & Sociology from the University of Loughborough UK. Claire joined the Woolworths Group in June 2017.

## MARTIN SMITH

**MANAGING DIRECTOR OF ENDEAVOUR DRINKS**

Martin Smith has had an extensive career in Retail spanning more than 45 years. Martin came to Australia in 1970 where he joined the Woolworths Group in an operational capacity, leaving in 1987. Martin rejoined Woolworths Group in 1999 working with AIW and later Dan Murphy's as General Manager from 2008 to 2015. Martin brings significant knowledge, experience and operational excellence to the role of Managing Director, having held senior roles with FAL, Wesfarmers as well as an Independent Supermarket Chain.

## COLIN STORRIE

**GROUP PORTFOLIO DIRECTOR**

Colin Storrie has over 20 years' experience in senior finance roles in listed companies, investment banking and government. Prior to Colin's most recent appointment, he joined the Woolworths Group as Deputy Chief Financial Officer in 2015. Colin has also held Group Treasurer, Deputy Chief Financial Officer and Chief Financial Officer positions at both Qantas Airways Ltd and AMP Ltd. He has held a number of listed and non-listed director roles and is currently an independent non-executive director of UNICEF Australia Ltd, AIG Australia Ltd and North Queensland Airports.

# Directors' Statutory Report

This report is given by the directors in respect of Woolworths Limited (the 'Company') and the entities it controlled at the end of, or during the financial period ended 25 June 2017 (together referred to as the 'Group').

## PRINCIPAL ACTIVITIES

The Group operates primarily in Australia and New Zealand, with 3,746 stores and approximately 202,000 employees at year end. The principal activities of the Group during the year were retail operations across:

- **Australian Food**: operating 995 Woolworths Supermarkets and three Thomas Dux stores
- **Endeavour Drinks**: operating 1,517 under Dan Murphy's and BWS brands and two Summergate stores. Woolworths Group also operates Cellarmasters, Langtons and winemarket.com.au online platforms
- **New Zealand Food**: operating 184 Countdown Supermarkets as well as a wholesale operation which supplies a further 65 stores
- **BIG W**: operating 185 BIG W stores
- **Hotels**: operating 329 hotels, including bars, dining, gaming, accommodation and venue hire operations
- **Petrol**: operating 531 canopies. Petrol is reported as a discontinued operation

Woolworths Group also has online operations for its primary trading divisions.

## THE DIRECTORS AND MEETINGS OF DIRECTORS

The table below sets out the directors of the Company, and the number of board and committee meetings held and attended by directors, during the financial period ended 25 June 2017.

| | BOARD MEETINGS | | AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE | | PEOPLE PERFORMANCE COMMITTEE | | SUSTAINABILITY COMMITTEE | | NOMINATION COMMITTEE | |
|---|---|---|---|---|---|---|---|---|---|---|
| DIRECTOR | (A) | (B) | (A) | (B) | (A) | (B) | (A) | (B) | (A) | (B) |
| **Non-executive Directors** | | | | | | | | | | |
| G M Cairns | 11 | 11 | 5 | 5 | 5 | 5 | 5 | 5 | 1 | 1 |
| J R Broadbent | 11 | 11 | 5 | 5 | – | – | 5 | 5 | 1 | 1 |
| H S Kramer | 11 | 11 | – | – | 5 | 5 | 5 | 5 | 1 | 1 |
| S L McKenna | 11 | 11 | 5 | 5 | 5 | 5 | – | – | 1 | 1 |
| S R Perkins | 11 | 11 | 5 | 5 | 5 | 5 | 5 | 5 | 1 | 1 |
| K A Tesija | 11 | 11 | – | – | – | – | – | – | 1 | 1 |
| M J Ullmer | 11 | 11 | 5 | 5 | – | – | 5 | 5 | 1 | 1 |
| **Executive Director** | | | | | | | | | | |
| Brad Banducci | 11 | 11 | – | – | – | – | – | – | – | – |

(A) Number of meetings eligible to attend (excludes circular resolutions and sub-committee meetings).
(B) Number of meetings attended.

Directors also attend meetings of committees of which they are not a member. This is not reflected in the table above. Details of the experience, qualifications and other listed company directorships of each of the directors are set out on pages 28 to 29.

## COMPANY SECRETARIES

### RICHARD DAMMERY

Richard Dammery was appointed Chief Legal Officer and Company Secretary in September 2014. His full biography is available on page 31 of this report.

### MARCIN FIREK

Marcin Firek was appointed Company Secretary in January 2017. Prior to this, he was Company Secretary and a corporate lawyer in a number of large listed companies. Marcin holds a BEc LLB from Macquarie University, and he is a Fellow of the Governance Institute of Australia.

## ENVIRONMENTAL REGULATION

The Group operations are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories. The Group is also subject to various state and local government food licensing requirements, and may be subject to environmental and town planning regulations incidental to the development of shopping centre sites. 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 will indemnify to the maximum extent permitted by law, any current or former director, secretary or other officer of the Company or a wholly owned subsidiary of the Company against: (a) any liability incurred by the person in that capacity; (b) legal costs incurred in defending, or otherwise in connection with proceedings, whether civil, criminal or of an administrative or investigatory nature in which the person becomes involved because of that capacity; and (c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties.

(ii) Each director has entered into a Deed of Indemnity, Access and Insurance 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 to receive directors' and officers' insurance cover paid for by the Company.

(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 and 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.

## 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 by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) or as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks or rewards. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 6.4 to the financial statements.

## OTHER INFORMATION

The following information, contained in other sections of this Annual Report, forms part of this Directors' Report:

- Operating and Financial Review Details on pages 2 to 25 inclusive in the Annual Report;
- Details of dividends, including the Dividend Reinvestment Plan (DRP) and shares issued as a result of DRP, as outlined in Note 4.2 and Note 4.3 to the financial statements;
- Significant changes in the state of affairs as outlined in Note 5.1 and Note 6.5 to the financial statements;
- Matters subsequent to the end of the financial period as outlined in Note 6.5 to the financial statements;
- Directors' interests in shares and performance rights as set out in Table 5.2 and 5.3 of the Remuneration Report. These remain unchanged as at 1 August 2017;
- Performance rights granted during the year and subsequent to year end as outlined in Note 6.2 to the financial statements;
- Remuneration Report from page 34 to 51; and
- Auditor's independence declaration on page 52.

This Report is made in accordance with a Resolution of the Directors of the Company on 23 August 2017.

**Gordon Cairns**
Chairman

**Brad Banducci**
Managing Director and Chief Executive Officer

# Introduction from the Chair of the People Performance Committee

Dear Shareholder,

On behalf of my Board colleagues, I'm pleased to share with you our Financial Year 2017 remuneration outcomes, which we believe reflect management's performance for the year and are also aligned to shareholder returns.

During the year, we changed the name of this committee from People Policy to People Performance in order to reflect the Board and management's significant shift in thinking regarding the centricity of people, performance and culture in driving long-term success at Woolworths Group.

FY17 has been an important year for Woolworths Group team members, as it marked the first full year of our transformation journey. This required significant investment in resources to stabilise and turnaround the trajectory of our business performance. Part of this investment was in our people. We made substantial changes to the remuneration structure to incentivise and reward all team members and to create alignment around both leading indicators and financial outcomes.

One key change was to the Short Term Incentive (STI) plan. We removed the Group performance gateway and set five key performance measures with targets at each level of the business. This ensured that all team members, from top executives to store managers, were aligned to a common effort but were rewarded for their achievement of business results largely within their own control. The result was that leaders throughout our business had greater motivation and engagement in the transformation journey.

This report shares with you the remuneration outcomes for the year, which the Board believes were in line with business performance. STI outcomes across the five measures for Executive Key Management Personnel (KMP) were just above target. The FY12 Long Term Incentive (LTI) plan did not vest, as it did not meet the required performance hurdles.

As we are still early in our journey, there are no significant remuneration changes planned for FY18. For the FY18 grant of the Transformation Incentive Plan (TIP), the performance measures will remain the same, and we have set challenging three year targets which reflect our continued focus on turning Woolworths Group into a world class, customer driven business.

**Holly Kramer**
Chair – People Performance Committee

### The main objective of the People Performance Committee is:

to provide advice and assistance to the Board in relation to people management, remuneration policies and remuneration decisions for Executive KMP and the direct reports of the Chief Executive Officer (CEO).

### During FY17 the Committee:

- Oversaw the rollout of the new transformation-aligned remuneration framework.
- Regularly reviewed business performance and projected remuneration outcomes to ensure that the new framework was driving the appropriate business outcomes and behaviours.
- Oversaw the development of refreshed core values and ways of working reinforcing the move towards being a purpose-driven organisation.

### The Committee's priorities and actions for FY18 are:

To undertake a review of the remuneration strategy for implementation in FY19 as the business transitions to the next phase of our transformation journey.

The report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Cth).

# TABLE OF CONTENTS
## Remuneration Report 2017



### MANAGEMENT DEFINITIONS

The Remuneration Report outlines Woolworths Group's remuneration framework and the outcomes for the year ended 25 June 2017 for the Executive Key Management Personnel (KMP). Executive KMP have the authority and responsibility for planning, directing and controlling the activities of Woolworths Group.

# 1 KEY QUESTIONS

## What is our remuneration objective and guiding principles?

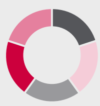
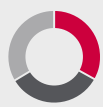
**OBJECTIVE:** SUPPORT BUSINESS TRANSFORMATION

**PRINCIPLES**

- Align team member and shareholder interests
- Reflect the desired Woolworths Group culture and values
- Deliver competitive advantage in attracting, motivating and retaining talent
- Support achievement of a diverse workforce
- Be simple and easily understood, in order to drive optimal behaviours and deliver return on remuneration investment

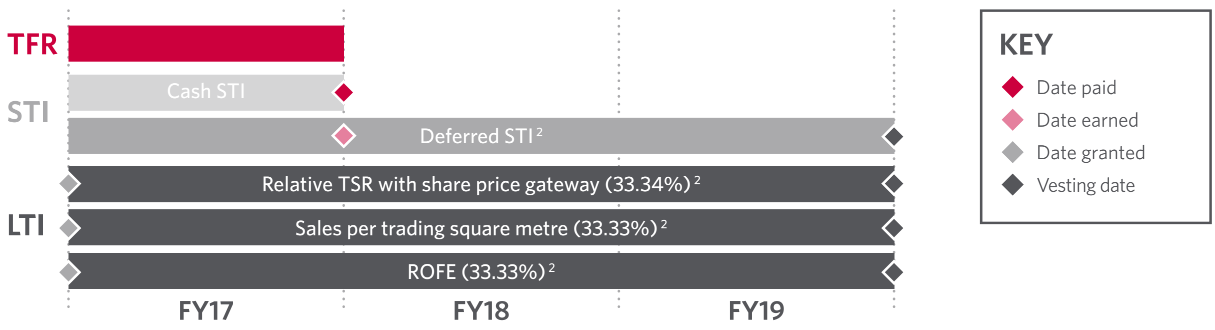
## How is remuneration structured?

Woolworths Group's FY17 remuneration strategy focuses on delivery of the transformation of the business. The diagram below provides an overview of the different remuneration components within the framework.

| | | | | |
|---|---|---|---|---|
| **OBJECTIVE** | Attract and retain the best talent | More skewed to performance related remuneration ("at risk") during transformation<br>Reward current year performance | | More skewed to performance related remuneration ("at risk") during transformation<br>Reward long term sustainable performance |
| **REMUNERATION COMPONENT** | Total Fixed Remuneration (TFR) | Short Term Incentive (STI) | | Long Term Incentive (LTI) |
| **PURPOSE** | TFR is set in relation to the external market and takes into account:<br>• size and complexity of the role<br>• individual responsibilities<br>• experience and skills | STI ensures appropriate differentiation of pay for performance and is based on business and individual performance outcomes | | LTI ensures alignment to long-term overall company performance and is consistent with:<br>• strategic business drivers<br>• long-term shareholder return |
| **DELIVERY** | Base salary, superannuation and car allowance | Annual cash payment | Deferred into share rights for two years (50% for CEO, 0-25% for other Executive KMP) | Performance rights (vesting after three years, subject to performance) |
| **FY17 APPROACH** | Target TFR positioning is **Median** of Comparator Group<br>**Comparators:** ASX25 plus additional reference as required to major national and international retailers | **STI Performance Measures**[1]<br><br>Sales (20%)<br>EBIT (20%)<br>Working Capital (20%)<br>Customer Satisfaction (20%)<br>Safety (20%) | | **LTI Performance Measures**<br><br>Relative TSR with a share price gateway (33.34%)<br>Sales per trading square metre (33.33%)<br>Return on Funds Employed (ROFE) (33.33%) |

## When is remuneration earned and received?

The remuneration components are structured to reward executives progressively across different timeframes. The diagram below shows the period over which FY17 remuneration is delivered and when the awards vest.




1 With the exception of Mr Storrie who had specific performance measures relating to the Portfolio businesses for FY17.
2 Deferred STI is not subject to any further performance conditions other than continued employment. LTI is subject to performance conditions.

## What is the remuneration mix for Executive KMP?

The remuneration mix for Executive KMP is weighted towards variable remuneration to ensure a significant focus on achieving our transformation objectives.

**CEO:** 75% of the CEO's remuneration is performance-based pay and 62.5% of his remuneration is delivered as share rights.

**Other Executive KMP:** 75% of their remuneration is performance-based pay and 56.25% of their remuneration is delivered as share rights.

LTI is granted at face value[1] and Executive KMP have minimum shareholding requirements.

CEO

| | Performance Dependent | | | | |
|---|---|---|---|---|---|
| Total Fixed Remuneration (25%) | Target STI (25%) | | Maximum LTI (50%) | | |
| | Cash (12.5%) | Deferred (12.5%) | Relative TSR with share price gateway (16.68%) | Sales per trading square metre (16.66%) | ROFE (16.66%) |

Other Executive KMP[2]

| | Performance Dependent | | | | |
|---|---|---|---|---|---|
| Total Fixed Remuneration (25%) | Target STI (25%) | | Maximum LTI (50%) | | |
| | Cash (18.75%) | Deferred (6.25%) | Relative TSR with share price gateway (16.68%) | Sales per trading square metre (16.66%) | ROFE (16.66%) |

1 Face value represents the volume weighted average price (VWAP) of Woolworths Limited shares traded in the five days up to and including the grant date.
2 With the exception of Mr Storrie.

## How much did you pay your Executive KMP in FY17?

The table below presents the remuneration paid to, or vested for, Executive KMP in FY17.

| | EARNED, PAID TO, OR VESTED IN FY17 | | | | | |
|---|---|---|---|---|---|---|
| EXECUTIVE KMP | TOTAL FIXED REMUNERATION[1] $ | RELOCATION AND OTHER BENEFITS $ | CASH STI[2] $ | VESTED FY12 LTI $ | OTHER SHARE RIGHTS VESTED $ | TOTAL $ |
| **Brad Banducci**<br>Group CEO, Managing Director, Woolworths Food Group | 2,500,804 | 0 | 1,509,750 | n/a | 461,181 | 4,471,735 |
| **Richard Dammery**<br>Chief Legal Officer and Company Secretary | 849,054 | 25,490[3] | 698,534 | n/a | 202,516 | 1,775,594 |
| **David Marr**<br>Chief Financial Officer | 1,210,304 | 0 | 1,095,626 | 0 | 336,187 | 2,642,117 |
| **Claire Peters**[4]<br>Managing Director, Woolworths Supermarkets | 70,804 | 80,766 | 531,975 | n/a | 51,792 | 735,337 |
| **Martin Smith**<br>Managing Director, Endeavour Drinks | 788,637 | 0 | 656,330 | 0 | n/a | 1,444,967 |
| **Colin Storrie**[5]<br>Group Portfolio Director | 823,785 | 0 | 825,000 | n/a | 243,878 | 1,892,663 |

1 Total Fixed Remuneration includes the deemed premium for Directors' and Officers' Indemnity insurance.
2 Cash STI is the portion of FY17 STI paid as cash. This represents 50% of the FY17 STI for the CEO, and 75-100% of the FY17 STI for other Executive KMP.
3 Non-recurring relocation benefits and associated fringe benefits tax concluded in July 2016.
4 Ms Peters commenced employment on 13 June 2017. She received relocation benefits of $80,766 and a cash sign on payment of $531,975 being compensation for the cash STI she forfeited in FY17 from her previous employer. As part of her LTI arrangements, 1,997 of the share rights awarded to her vested on 19 June 2017. Refer to section 2.5 for further detail.
5 Mr Storrie became an Executive KMP effective 1 July 2016. For FY17 his STI was calculated on base salary (not TFR), his STI performance measures were specific to the portfolio businesses and his STI was not subject to deferral. For FY18, Mr Storrie's remuneration arrangements will align with other Executive KMP.

## What equity was granted for FY17?

The table below presents the equity granted to Executive KMP for FY17.

| | EQUITY GRANTED FOR FY17 AT FACE VALUE | | | |
|---|---|---|---|---|
| EXECUTIVE KMP | FY17 LTI[1] $ | FY17 DEFERRED STI[2] $ | SHARE RIGHTS REPLACING FORFEITED AWARDS $ | TOTAL $ |
| **Brad Banducci** | 5,000,000 | 1,509,750 | n/a | **6,509,750** |
| **Richard Dammery** | 1,696,500 | 232,845 | n/a | **1,929,345** |
| **David Marr** | 2,419,000 | 365,209 | n/a | **2,784,209** |
| **Claire Peters**[3] | 1,300,000 | n/a | 2,153,095 | **3,453,095** |
| **Martin Smith** | 1,484,000 | 218,777 | n/a | **1,702,777** |
| **Colin Storrie** | 1,696,500 | n/a | n/a | **1,696,500** |

1 Subject to performance conditions and due to vest 1 July 2019.
2 Not subject to any further performance conditions except continued employment and will be granted in FY18.
3 Equity granted to Ms Peters represent an agreed proportion of her STI and unvested equity that was forfeited following her resignation from her previous employer. Refer to section 2.5 for further detail.

1 PERFORMANCE HIGHLIGHTS
2 BUSINESS REVIEW
3 DIRECTORS' REPORT
4 FINANCIAL REPORT
5 OTHER INFORMATION

# 2 EXECUTIVE KMP REMUNERATION

## 2.1 Overview of FY17 remuneration framework

As communicated in the FY16 Remuneration Report, the Board undertook a comprehensive review of the company-wide remuneration framework. As a result, changes for FY17 were made to:

- Ensure alignment with the transformation strategy
- Reinforce a culture of accountability
- Ensure Executive KMP (and other senior executives) are appropriately motivated
- Incorporate best practice where appropriate.

The following table outlines the FY17 Executive KMP remuneration framework and highlights any changes for FY18.

| COMPONENT | FY17 APPROACH |
|---|---|
| **REMUNERATION POSITIONING** | |
| **Market position** | Median for TFR and 75th percentile for total remuneration where outstanding performance is delivered. |
| **Comparators** | ASX25 plus additional reference as required to major national and international retailers. |
| **SHORT TERM INCENTIVE** | |
| **Opportunity** | • All other Executive KMP: Target – 100% of TFR; Colin Storrie: Target – 100% of Base Salary<br>• All other Executive KMP : Maximum – 125% of TFR; Colin Storrie: Maximum – 200% of Target |
| **Performance[1] measures** | The performance measures are aligned for all Executive KMP with the exception of Colin Storrie.<br>Sales (20%), EBIT (20%), Working Capital (20%), Customer Satisfaction (20%), Safety (20%).<br>Individuals, with the exception of Colin Storrie, can receive between 0% and 125% of the Group STI outcome based on their individual performance. This is subject to the Maximum STI Opportunity set out above. |
| **Deferred STI** | **CEO:** 50% deferral of STI into share rights for two years.<br>**Other Executive KMP:** 25% deferral of STI into share rights for two years (with the exception of Colin Storrie). |
| **Change for FY18** | **Move from the use of Total Recordable Injury Frequency Rate (TRIFR) as the Safety measure to a more holistic safety measure including customer safety.** |
| **TRANSFORMATION LONG TERM INCENTIVE** | |
| **Opportunity (grant value)** | The LTI % opportunity is aligned for all Executive KMP:<br>• Grant value is 200% of TFR. |
| **Performance measures and targets** | 1. **Relative TSR** with a share price gateway (33.34%).<br>• The comparator group is the ASX30 excluding metals and mining companies.<br>• The performance targets are:<br>**Gateway:** Share price equal to or greater than $20.8482 (10 day VWAP up to and including 1 July 2016).<br>**Minimum: 50th** percentile, **Target: 60th** percentile, **Stretch: 90th** percentile.<br>2. **Sales per trading square metre (SQM)** (Food Group and Endeavour Drinks) (33.33%).<br>3. **Return on Funds Employed (ROFE)** (33.33%). |
| **Vesting schedule** | See table below |
| **Term, allocation method and award vehicle** | Three year performance/vesting period awarded at face value based on the five-day VWAP up to and including 1 July 2016, as share rights. |
| **Disclosure of performance targets** | Due to commercial sensitivity, the sales per trading sqm and ROFE LTI targets will be published following the end of the performance period. |
| **Change of control** | The Board has discretion to determine whether some or all of the unvested performance share rights held by Executive KMP (and/or any other LTI Plan participant) will vest, remain "on foot" or lapse, having regard to all relevant circumstances. |
| **Change for FY18** | **FY18 TSR Gateway: Share price equal to or greater than $25.3865 (10 day VWAP up to and including the effective date of grant of 1 July 2017).** |

Vesting schedule:

| | % OF PERFORMANCE SHARE RIGHTS TO VEST[2] | | |
|---|---|---|---|
| FY17 LTI PERFORMANCE | RELATIVE TSR % | SALES PER TRADING SQM % | ROFE % |
| Below minimum | 0 | 0 | 0 |
| At minimum | 11.68 | 11.66 | 11.66 |
| At target | 16.68 | 16.66 | 16.66 |
| At or above the stretch | 33.34 | 33.33 | 33.33 |

1 For FY17 Mr Storrie's STI performance measures were specific to the portfolio businesses. For FY18, Mr Storrie's remuneration structure will align with other Executive KMP.

2 Straight-line vesting between each performance level (above minimum performance). Each performance measure operates independently and will be tested separately.

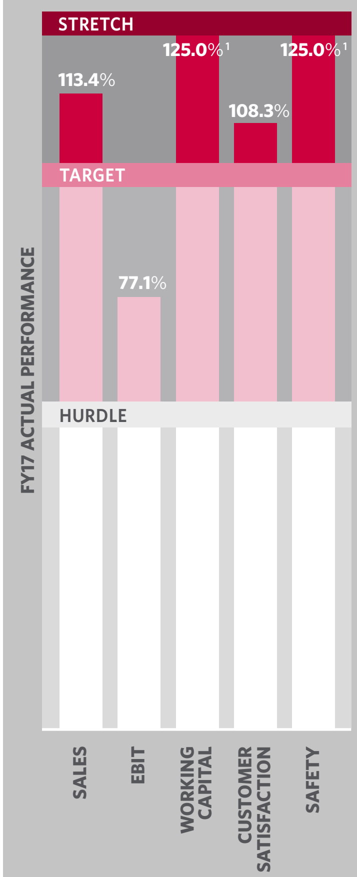
## 2.1 Overview of FY17 remuneration framework (continued)

| COMPONENT | FY17 APPROACH |
|---|---|
| **OTHER** | |
| **Hedging policy** | Individuals cannot hedge Woolworths Limited equity that is unvested or subject to restrictions. |
| **Clawback** | The Board may determine that any unvested share rights will lapse or be forfeited in certain circumstances such as in the case of fraud, wilful misconduct or dishonesty. |
| **Minimum shareholding requirements** | **Group CEO**: Equal to 100% base salary over a three-year period.<br>**Executive KMP**: Equal to 50% base salary over a five-year period (effective from their appointment or the introduction of the policy, whichever is the later). |
| **Dividends** | Shares equivalent to the value of dividends foregone during the period between grant and vesting are provided at the time of vesting. No dividend equivalents are provided on awards (or portion thereof) which do not vest. |

## 2.2 How performance is linked to STI outcomes

**Reflective of Group performance, the FY17 STI outcome is just above target for the Executive KMP:**

**109.8% of target**




### SALES

We delivered strong sales in FY17 across Australian Food and Endeavour Drinks. The sales momentum in Australian Food was driven by investment in price and service over the past 18 months as well as the ramp-up of our supermarket renewals program. Sales performance for the Group was between target and stretch for FY17.

| HURDLE: $53.8B | TARGET: $54.9B | STRETCH: $56.0B | ACTUAL RESULT FY17: $55.5B |
|---|---|---|---|

### EARNINGS BEFORE INTEREST AND TAX (EBIT)

EBIT performance was above hurdle but below target for FY17. EBIT in Australian Food was driven by a turnaround in sales and an improvement in stock loss, offset somewhat by competitive pricing in the market and higher team incentives. Our Petrol and Hotels businesses delivered strong EBIT growth and Endeavour Drinks grew broadly in line with sales. Offsetting these results were substantial trading challenges in BIG W.

| HURDLE: $2.44B | TARGET: $2.53B | STRETCH: $2.66B | ACTUAL RESULT FY17: $2.48B |
|---|---|---|---|

### WORKING CAPITAL

The performance of working capital was above stretch for FY17 and was predominantly the result of a significant improvement in inventory management across the Group with good improvement in average inventory days achieved in most businesses.

| HURDLE: -1.4 DAYS[1] | TARGET: -1.8 DAYS[1] | STRETCH: -2.6 DAYS[1] | ACTUAL RESULT FY17: -5.1 DAYS[1] |
|---|---|---|---|

1 Improvement in working capital days.

### CUSTOMER SATISFACTION

We measure customer satisfaction through our Voice of Customer (VOC) program. This program is run by an external provider and surveys thousands of our customers each month on seven key store-controllable measures. Stores are able to see immediate customer feedback on their stores through a VOC portal. In FY17 we have achieved significant improvements in our VOC score as a result of our continued focus on the customer, achieving results between target and stretch.

| HURDLE: 75% | TARGET: 77% | STRETCH: 80% | ACTUAL RESULT FY17: 78% |
|---|---|---|---|

### SAFETY

The inclusion of safety in our incentive program for FY17 has refocused our safety efforts and led to a step change improvement in safety outcomes across the Group. During FY17 we focused on both physical safety and the physiological safety of our teams. Safety across the Group has improved significantly in FY17 resulting in performance at stretch. We have seen a 20% improvement in our Total Recordable Injury Frequency Rate (TRIFR) and a 29% improvement in our Lost Time Injury Frequency Rate (LTIFR).

| HURDLE: 14.7 TRIFR | TARGET: 14.1 TRIFR | STRETCH: 13.0 TRIFR | ACTUAL RESULT FY17: 12.9 TRIFR |
|---|---|---|---|

1 STI outcome capped at stretch for each measure.

## 2.3 What we paid Executive KMP in FY17 – further detail

The following pages compare the target and actual remuneration earned during FY17 and FY16 for the current Executive KMP. Amounts include:

- Total fixed remuneration received
- Relocation and other benefits received
- Cash STI received as a result of business and individual performance (versus the cash target STI value)
- Share rights that vested during the year at face value (versus the maximum initial award face value) for each plan.

This information differs to the statutory remuneration disclosures presented in Section 5.1 (the main differences are outlined in footnotes [1,2] associated with the following tables).

**LEGEND**

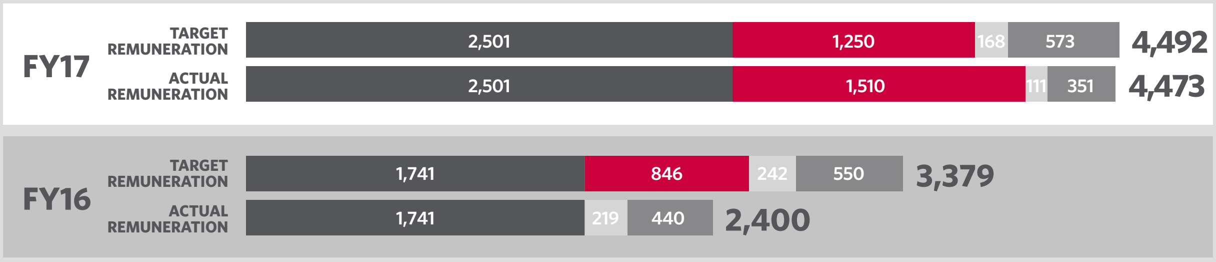
- Total Fixed Remuneration
- Relocation and other benefits
- STI cash
- Deferred STI share rights
- Retention share rights
- Share rights
- LTI share rights

FY16 remuneration outcomes have been restated to exclude share rights that vested on 1 July 2016 and to include share rights that vested on 1 July 2015 in line with the respective financial reporting period as presented in Section 5.2.

The only Executive KMP with LTI due to vest in FY17 were David Marr and Martin Smith. This LTI plan lapsed in full.

### Brad Banducci MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

($000s)

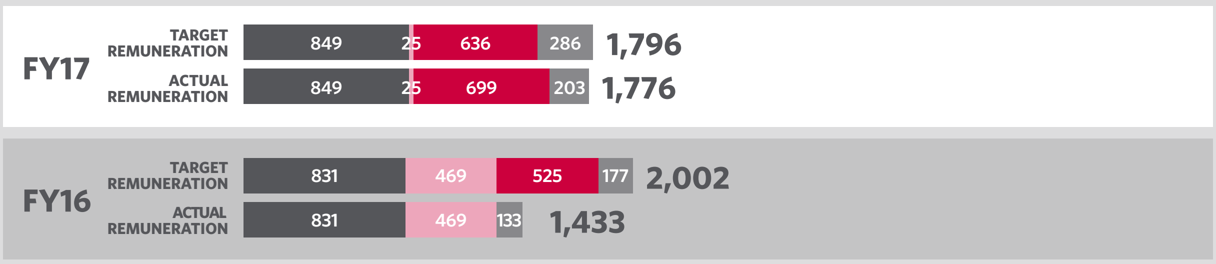



The 'FY16 Target remuneration' and 'FY16 Actual remuneration' amounts for Mr Banducci include his remuneration for his role as MD Woolworths Food Group up to 25 February 2016, and as Group CEO thereafter.

Mr Banducci had 16,912 retention share rights that vested in FY17. The share rights were awarded as part of a retention strategy during the early stages of the transformation of the business. The share rights were subject to continued employment and effective individual performance.

### Richard Dammery CHIEF LEGAL OFFICER & COMPANY SECRETARY

($000s)




Mr Dammery had 8,908 retention share rights that vested in FY17. The share rights were awarded as part of a retention strategy during the early stages of the transformation of the business. The share rights were subject to continued employment and effective individual performance.

Mr Dammery's FY17 STI target and maximum were increased to align with other Executive KMP.

Mr Dammery's relocation benefits concluded in July 2016. The amounts shown above for FY16 and FY17 comprise the relocation benefits provided and the associated fringe benefits tax.

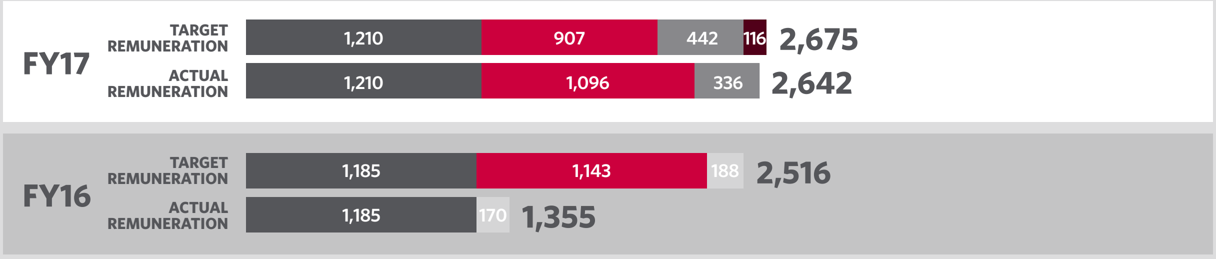
1 In relation to both FY17 and FY16 total fixed remuneration data, no adjustment has been made for the movement in the Executive KMP's annual leave liability balance for the relevant financial year, or salary sacrifice superannuation cash contributions.

2 All share rights granted and vested are valued using a face value methodology, whereas the statutory disclosures in section 5.1 use a fair value methodology.

## 2.3 What we paid Executive KMP in FY17 – further detail (continued)

### David Marr CHIEF FINANCIAL OFFICER

($000s)




Mr Marr had 16,219 retention share rights that vested in FY17. The share rights were awarded as part of a retention strategy during the early stages of the transformation of the business. The share rights were subject to continued employment and effective individual performance.

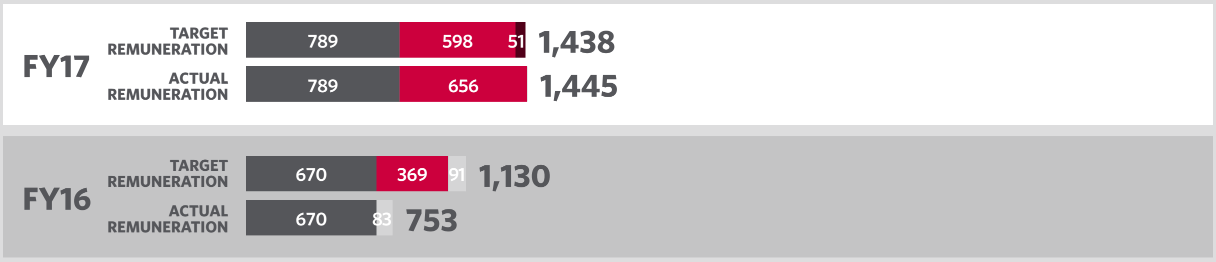
### Claire Peters MANAGING DIRECTOR, WOOLWORTHS SUPERMARKETS

($000s)


Ms Peters received relocation benefits of $80,766 and a cash sign on payment of $531,975 in FY17. The relocation benefits will continue until June 2018. She received a cash sign on payment as compensation for the FY17 cash STI she forfeited from her previous employer. She also received share rights as compensation for equity forfeited. Consistent with the vesting schedule for this forfeited equity, 1,997 of these share rights vested in FY17. Refer to section 2.5 for further details.

### Martin Smith MANAGING DIRECTOR, ENDEAVOUR DRINKS

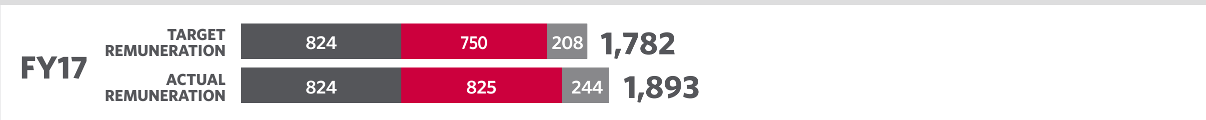
($000s)




Mr Smith received TFR increases for FY17 and FY18 in the annual remuneration review to better align with the market.

### Colin Storrie GROUP PORTFOLIO DIRECTOR

($000s)




Mr Storrie had 9,325 retention share rights that vested in FY17. The share rights were awarded as part of a retention strategy during the early stages of the transformation of the business. The share rights were subject to continued employment and effective individual performance.

## 2.3 What we paid Executive KMP in FY17 – further detail (continued)

**LTI Outcomes:**

The FY12 LTI plan did not vest on 1 July 2016 as it did not meet the performance hurdles required. This is in line with the Relative TSR and EPS performance over the relevant performance period.

| | | Vesting outcome |
|---|---|---|
| **FY12 LTI** | Granted 1 July 2011 and lapsed 1 July 2016: | |
| | • The LTI performance hurdle was not met and therefore no performance share rights vested under the FY12 LTI Plan | |
| | • Relative TSR performance over the plan period (against a 51st percentile hurdle) was at the 27.5th percentile | Nil |
| | • Cumulative EPS[1] performance over the plan period (against an 8% hurdle) was negative 8.8%. | Nil |

1 Before significant items.

## 2.4 FY18 outlook

The PPC and the Board have reviewed the reward framework for the Executive KMP and determined that it will continue to operate in FY18 with no significant changes other than the two changes described in Section 2.1 on page 38. There will be:

- No changes to the Total Fixed Remuneration for Executive KMP, with the exception of Mr Smith
- No change to LTI and STI targets and maximums for Executive KMP with the exception of Mr Storrie's remuneration which will align to the current Executive KMP structure.

## 2.5 Other share right awards

### Retention share rights

No retention share rights were granted in FY17 to any Executive KMP. At this time, the Board does not intend to grant any further retention share rights. The only remaining retention awards were awarded in prior years and will vest in FY18 for David Marr (16,912 share rights) and Colin Storrie (9,855 share rights).

Retention awards have only been made in the past where the Board determined there was a significant retention risk. These targeted retention incentives were intended to ensure stable leadership and continuity during times of difficult business performance. These share rights vest at the end of a specified period, provided that the executive remains employed by the Woolworths Group at the vesting date.

### Share rights for Claire Peters, Managing Director, Woolworths Supermarkets

Claire Peters was appointed following a global search. She was a senior executive with Tesco with considerable STI and unvested equity that was forfeited following her resignation. To secure her relocation to Australia, the PPC approved arrangements to compensate her for an approved portion of these forfeited incentives.

Woolworths Group assessed the STI and each individual tranche of equity below for the likelihood of vesting. Target performance was assumed for the FY17 STI (the performance was above target), FY14 performance shares and non-performance related shares. These incentives were replaced with share rights to the same value and with the same vesting dates.

A discount was applied to the value of the FY15 and FY16 performance shares, which were replaced with the grant of the FY17 Transformation Incentive.

Vesting of each tranche of share rights is subject to Claire's continued employment with Woolworths Group over the vesting period, and, for the Transformation Incentive, achievement of performance hurdles.

| CLAIRE PETERS – SHARE RIGHTS IN RESPECT OF FORFEITED EQUITY AND CASH | TOTAL FACE VALUE ($) |
|---|---|
| Non-performance related shares[1] | 1,377,248 |
| FY14 performance shares[1] | 243,872 |
| STI FY17 deferred[1] | 531,975 |
| FY15 & FY16 performance shares[2] | 1,300,000 |
| **Total share rights** | **3,453,095** |
| STI FY17 forfeited (paid in cash) | 531,975 |
| **TOTAL** | **3,985,070** |

1 Delivered in share rights, matching the original vesting schedule and not subject to any further performance conditions other than continued employment.
2 Delivered as participation in FY17 Transformation Incentive Plan and subject to performance conditions.

## 2.6 Five year performance perspective

The following table represents the business performance outcomes over a five-year period which is aligned to the STI and LTI outcomes for Executive KMP.

| FINANCIAL YEAR | | FY13 | FY14 | FY15 | FY16 | FY17 |
|---|---|---|---|---|---|---|
| Basic EPS[1] – Total Group | (cents per share) | 190.4 | 196.5 | 195.2 | 110.2 | 119.4 |
| Total dividend | (cents per share) | 133 | 137 | 139 | 77 | 84 |
| Share price (closing) | ($) | 32.81 | 35.66 | 27.39 | 20.56 | 25.36 |
| TSR[2] | (%) | 30.9 | 12.9 | (18.5) | (22.6) | 26.8 |
| STI outcome (average) | (% of maximum) | 85.5 | 91.3 | 0 | 0 | 114.2[3] |
| LTI (average) | (% vested) | 87.5 | 46.25 | No LTI | No LTI | 0 |

1 Before significant items.
2 TSR represents the total shareholder return over the year, which includes changes in the share price as well as dividends and other capital returns that are assumed to be reinvested into Woolworths Limited shares.
3 Based on the average STI outcome for Executive KMP, including individual performance modifiers. FY17 outcomes are a percentage of target, including individual performance modifiers, consistent with the approach for FY17. For comparative purposes the FY17 STI outcome as a percentage of maximum is 84.8%.

## 2.7 Terms of Executive KMP service agreements

All Executive KMP are employed on service agreements that detail the components of remuneration paid but do not prescribe how remuneration levels are to be modified from year to year. The agreements do not provide for a fixed term, although the service agreements may be terminated on specified notice. The notice period is 12 months for the CEO and six months for all other Executive KMP. Below is a summary of the termination provisions for Executive KMP.

### TERMINATION BY COMPANY

Where the notice period is worked:
- Total fixed remuneration is paid in respect of and for the duration of the notice period.

Where the notice period is paid in lieu:
- Total fixed remuneration in respect of the notice period (and, if appropriate, a reasonable estimate of STI) is paid as a lump sum.

In both circumstances:
- The extent to which STI and LTI arrangements remain in place will be treated in accordance with the relevant rules for the award.

If termination is for cause:
- Only accrued leave and unpaid total fixed remuneration for days worked is paid.
- STI and LTI are forfeited.

### TERMINATION BY EXECUTIVE KMP

Where the notice period is worked:
- Total fixed remuneration is paid in respect of and for the duration of the notice period.

Where the notice period is paid in lieu:
- Total fixed remuneration in respect of the notice period is paid as a lump sum.

In both circumstances, where the Executive KMP has resigned:
- For the CEO, cash STI will not be payable; for Other Executive KMP, STI is treated in accordance with the relevant rules for the award.
- Unvested deferred STI and LTI are treated in accordance with the relevant rules for the award, and will typically be forfeited unless the Board determines otherwise.

In addition, and upon further payment (where required), the Company may invoke a restraint period of up to 12 months following separation, preventing Executive KMP from engaging in any business activity with competitors.

# 3 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

## 3.1 Non-executive Directors' remuneration policy and structure

Non-executive Director fees are paid from an aggregate annual fee pool of $4,000,000, as approved by shareholders at the AGM on 18 November 2010. Total Board and committee fees paid during FY17 were $2,655,001 (see Section 5.1).

Non-executive Directors do not receive variable pay and no Directors' fees are paid to Executive Directors. The table below provides a summary of Board and committee fees for FY17:

| | FY17 | |
|---|---|---|
| WOOLWORTHS LIMITED BOARD AND COMMITTEE FEES | CHAIR ($) | MEMBER ($) |
| Woolworths Limited Board | 703,371 | 234,459 |
| Audit, Risk Management and Compliance Committee (ARMCC) | 54,525 | 27,265 |
| People Performance Committee (PPC) | 54,525 | 27,265 |
| Sustainability Committee (SC) | 36,349 | 18,176 |
| Nomination Committee | Nil | Nil |

There has been no increase in Non-executive Directors' base fees since September 2013. Following a review against the market, the Woolworths Limited Board (in the absence of Mr Cairns) determined to increase the Woolworths Limited Board Chair fee to $770,000, effective 1 September 2017.

No changes are proposed to other Non-executive Directors' base or committee fees in FY18.

## 3.2 Non-executive Directors' minimum shareholding requirement

Non-executive Directors are required to hold a minimum number of shares with a value equal to or greater than one year's base fee within three years of their appointment. The shares or share instruments may be held personally or by a close family member either directly, within a self-managed superannuation fund or by a family trust or private company.

As of the financial year end, all Non-executive Directors hold, or are on track to hold, the required minimum number of shares within three years of their appointment. Details of the current shareholdings for Non-executive Directors as at 25 June 2017 are provided in section 5.3.

# 4 GOVERNANCE

## 4.1 Role of the People Performance Committee (PPC)

The PPC, which operates under its own Charter and reports to the Board, is chaired by Holly Kramer. The Charter, which the Board reviews annually, was updated in May 2017 resulting in a change in the name of the committee from People Policy to People Performance. This change reflects the Board and management's significant shift in thinking regarding the centricity of people, performance and culture in driving long term success at the Woolworths Group.

A copy of the PPC Charter is available on the company's website: www.woolworthsgroup.com.au

## 4.2 Use of remuneration advisors

Where appropriate, the Board and the PPC consult external remuneration advisors. When such external remuneration advisors are selected, the Board considers potential conflicts of interest. Advisors' terms of engagement regulate their access to, and (where required) set out their independence from, members of Woolworths Group management.

The requirement for external remuneration advisors' services is assessed annually in the context of matters the PPC needs to address. External advisors' advice is used as a guide, but do not serve as a substitute for directors' thorough consideration of the relevant matters.

The Board and PPC engaged remuneration advisors Ernst & Young during the year, and received remuneration and market practice advice and information in relation to STIs, LTIs, remuneration of Executive KMP and remuneration of Non-executive Directors.

No remuneration recommendations, as defined by the *Corporations Act 2001* (Cth), were made by remuneration advisors.

## 4.3 Securities Trading Policy

The Securities Trading Policy was reviewed in 2015 and the revised version was released to the ASX in August 2015.

Under the policy, senior executives may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are subject to a disposal restriction, issued as part of the LTI plan. Compliance with the policy is a condition of participation in the LTI plan.

# 5 KMP STATUTORY DISCLOSURES

## 5.1 KMP remuneration table

The table below sets out the remuneration of the KMP of Woolworths Group and its subsidiaries during the financial periods ended 25 June 2017 and 26 June 2016.

| | | | SHORT-TERM BENEFITS | | | |
|---|---|---|---|---|---|---|
| KMP | TENURE AS KMP (FROM-TO) | FINANCIAL YEAR | SALARY AND FEES $ | CASH INCENTIVE[1] $ | NON-MONETARY AND OTHER BENEFITS[2] $ | SUB TOTAL $ |
| **Non-executive Directors (NED)** | | | | | | |
| G M Cairns – Board Chair | 01/09/15 | **FY17** | **703,371** | **–** | **804** | **704,175** |
| | | FY16 | 586,143 | – | 856 | 586,999 |
| J R Broadbent | 28/01/11 | **FY17** | **279,900** | **–** | **804** | **280,704** |
| | | FY16 | 267,783 | – | 856 | 268,639 |
| H S Kramer | 08/02/16 | **FY17** | **307,160** | **–** | **804** | **307,964** |
| | | FY16 | 116,815 | – | 856 | 117,671 |
| S L McKenna | 08/02/16 | **FY17** | **288,989** | **–** | **804** | **289,793** |
| | | FY16 | 110,758 | – | 856 | 111,614 |
| S R Perkins[6] | 01/09/14 | **FY17** | **325,338** | **–** | **804** | **326,142** |
| | | FY16 | 302,163 | – | 856 | 303,019 |
| K A Tesija[7] | 09/05/16 | **FY17** | **304,459** | **–** | **804** | **305,263** |
| | | FY16 | 37,654 | – | 856 | 38,510 |
| M J Ullmer | 30/01/12 | **FY17** | **307,160** | **–** | **804** | **307,964** |
| | | FY16 | 306,452 | – | 856 | 307,308 |
| **Executive Director/KMP** | | | | | | |
| B L Banducci | 01/05/12 | **FY17** | **2,514,456** | **1,509,750** | **804** | **4,025,010** |
| | | FY16 | 1,731,191 | – | 856 | 1,732,047 |
| **Executive KMP** | | | | | | |
| R J E Dammery | 01/09/14 | **FY17** | **865,927** | **698,534** | **26,294** | **1,590,755** |
| | | FY16 | 818,874 | – | 469,967 | 1,288,841 |
| D P Marr | 26/11/13 | **FY17** | **1,159,129** | **1,095,626** | **804** | **2,255,559** |
| | | FY16 | 1,169,161 | – | 856 | 1,170,017 |
| C E Peters[8, 9] | 13/06/17 | **FY17** | **74,410** | **531,975** | **81,570** | **687,955** |
| M R Smith | 29/06/15 | **FY17** | **811,255** | **656,330** | **804** | **1,468,389** |
| | | FY16 | 654,415 | – | 856 | 655,271 |
| C G Storrie[11] | 01/07/16 | **FY17** | **800,939** | **825,000** | **804** | **1,626,743** |
| **Former Non-executive Directors and Executive KMP** | | | | | | |
| R G Waters[8] – Board Chair | 28/01/11–01/09/15 | FY16 | 117,229 | – | 856 | 118,085 |
| C Cross[8] | 30/01/12–23/11/15 | FY16 | 125,596 | – | 856 | 126,452 |
| C J Hrdlicka[8] | 10/08/10–08/02/16 | FY16 | 158,712 | – | 856 | 159,568 |
| A D D Mackay[8] | 30/01/12–23/10/15 | FY16 | 97,448 | – | 856 | 98,304 |
| G O'Brien – Executive KMP[8] | 04/04/11–26/02/16 | FY16 | 1,652,054 | – | 856 | 1,652,910 |
| **Total** | | **FY17** | **8,742,493** | **5,317,215** | **116,708** | **14,176,416** |
| | | FY16 | 8,252,448 | – | 482,807 | 8,735,255 |

1 Represents the cash component of the FY17 STI, of which Mr Banducci received 50% and other Executive KMP received 75%–100% in cash.

2 Non-monetary and other benefits include the deemed premium in respect of the Directors' and Officers' Indemnity insurance and where applicable, non-recurring relocation benefits and associated fringe benefits tax.

3 The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using a Monte Carlo simulation model, taking into account the impact of the TSR condition whilst the fair value of other share rights are calculated using a Black-Scholes option pricing model. Prior to FY17, the right holders were not entitled to dividends during the vesting period. The value disclosed is the portion of the fair value of the share rights recognised as an expense in each reporting period.

4 For FY16 a portion of the share-based payment expense was credited back to profit or loss due to a failure to satisfy the relevant non-market vesting conditions.

| POST EMPLOYMENT BENEFITS | OTHER LONG-TERM BENEFITS | SHARE-BASED PAYMENTS[3,4] | | |
|---|---|---|---|---|
| SUPERANNUATION $ | LONG SERVICE LEAVE $ | VALUE OF EQUITY $ | TOTAL $ | % OF REMUNERATION RELATED TO PERFORMANCE 'AT RISK'[5] |
| **19,616** | **–** | **–** | **723,791** | **–** |
| 19,308 | – | – | 606,307 | – |
| **19,616** | **–** | **–** | **300,320** | **–** |
| 19,308 | – | – | 287,947 | – |
| **19,616** | **–** | **–** | **327,580** | **–** |
| 8,629 | – | – | 126,300 | – |
| **19,616** | **–** | **–** | **309,409** | **–** |
| 8,485 | – | – | 120,099 | – |
| **19,616** | **–** | **–** | **345,758** | **–** |
| 19,308 | – | – | 322,327 | – |
| **15,300** | **–** | **–** | **320,563** | **–** |
| 2,739 | – | – | 41,249 | – |
| **19,616** | **–** | **–** | **327,580** | **–** |
| 19,308 | – | – | 326,616 | – |
| **34,167** | **37,352** | **1,778,296** | **5,874,825** | **56%** |
| 114,623 | 179,458 | 322,277 | 2,348,405 | 14% |
| **34,167** | **12,404** | **670,304** | **2,307,630** | **59%** |
| 35,000 | 13,913 | 220,172 | 1,557,926 | 14% |
| **29,583** | **17,986** | **1,251,857** | **3,554,985** | **66%** |
| 30,000 | 26,306 | 438,882 | 1,665,205 | 26% |
| **–** | **894** | **1,187,777** | **1,876,626** | **N/A[10]** |
| **34,167** | **26,197** | **533,658** | **2,062,411** | **58%** |
| 35,000 | 51,743 | (3,538) | 738,476 | N/A[10] |
| **69,058** | **21,202** | **784,299** | **2,501,302** | **64%** |
| 4,827 | – | – | 122,912 | – |
| 9,204 | – | – | 135,656 | – |
| 12,300 | – | – | 171,868 | – |
| 6,746 | – | – | 105,050 | – |
| 446,000 | – | – | 2,098,910 | – |
| **334,138** | **116,035** | **6,206,191** | **20,832,780** | **–** |
| 790,785 | 271,420 | 977,793 | 10,775,253 | – |

5 Represents the sum of the cash incentive and share-based payments divided by the total remuneration reflecting the percentage of remuneration 'at risk' for the respective financial year.

6 Mr Perkins was a Director of Hydrox Holdings Pty Ltd in FY16 and received additional fees of $16,114.

7 Ms Tesija received an Overseas Directors' allowance of $10,000 per eligible flight during the current and prior financial year.

8 Amounts represent the payments relating to the period during which the individuals were KMP, unless otherwise stated.

9 Refer to section 2.5 for further details on Ms Peters' remuneration.

10 Percentage not applicable given the time in the role or the share-based payment expense was negative for the relevant period.

11 Mr Storrie became an Executive KMP on 1 July 2016 and his remuneration package has been disclosed for the entire financial year. He is not subject to STI Deferral in FY17.

## 5.2 Executive KMP share right movements

The table below summarises the movements during the year in holdings of share right interests in Woolworths Limited for current Executive KMP. A share right entitles the holder to one ordinary fully paid Woolworths Limited share.

| | | OPENING BALANCE | SHARE RIGHTS GRANTED AS REMUNERATION | | SHARE RIGHTS VESTED [2] | | SHARE RIGHTS LAPSED [3] | CLOSING BALANCE |
|---|---|---|---|---|---|---|---|---|
| | | NO. | NO. | $ [1] | NO. | $ | NO. | NO. |
| B L Banducci | **FY17** | **122,680** | **241,220** | **4,769,723** | **(21,330)** | **461,181** | **–** | **342,570** |
| | FY16 | **93,895** | 53,233 | 686,351 | (24,448) | 658,661 | – | 122,680 |
| R J E Dammery | **FY17** | **55,888** | **81,845** | **1,666,091** | **(8,908)** | **202,516** | **–** | **128,825** |
| | FY16 | 28,866 | 32,022 | 466,905 | (5,000) | 132,778 | – | 55,888 |
| D P Marr | **FY17** | **170,020** | **116,702** | **2,375,664** | **(16,219)** | **336,187** | **(4,550)** | **265,953** |
| | FY16 | 101,567 | 74,844 | 1,369,650 | (6,391) | 170,126 | – | 170,020 |
| C E Peters [4] | **FY17** | **–** | **145,587** | **3,140,868** | **(1,997)** | **51,792** | **–** | **143,590** |
| M R Smith | **FY17** | **28,741** | **71,593** | **1,457,395** | **–** | **–** | **(2,000)** | **98,334** |
| | FY16 | 20,862 | 10,979 | 141,556 | (3,100) | 82,521 | – | 28,741 |
| C G Storrie | **FY17** | **19,180** | **81,845** | **1,666,091** | **(9,325)** | **243,878** | **–** | **91,700** |
| **Total** | **FY17** | **396,509** | **738,792** | **15,075,832** | **(57,779)** | **1,295,554** | **(6,550)** | **1,070,972** |
| | FY16 | 245,190 | 171,078 | 2,664,462 | (38,939) | 1,044,086 | – | 377,329 |

In addition to the share rights that vested and lapsed in FY17, no share rights held by Executive KMP were forfeited during the year.

1 Share rights granted as remuneration is the total fair value of share rights granted during the year determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the share right, in accordance with Australian Accounting Standards.

2 The value of share rights vested during the year is calculated based on the VWAP of Woolworths Limited shares traded in the five days prior to and including the date of vesting. All share rights that could have vested during the financial year, vested at 100% with the exception of Mr Banducci, where his Deferred STI for FY14 vested at 77.5%.

3 The number of share rights which lapsed as a result of failure to meet performance hurdles relates to the FY12 LTIP.

4 Ms Peters was granted 145,587 share rights to replace the awards she forfeited from her previous employer. As at balance date, 1,997 of these share rights had vested consistent with the vesting schedule for her forfeited equity. Refer to section 2.5 for further detail.

## 5.3 KMP share movements

The table below summarises the movements during the year of interests in shares of Woolworths Limited held by current Executive KMP.

| | SHAREHOLDING AT 26 JUNE 2016 NO. | SHARES ISSUED UNDER DRP NO. | SHARES RECEIVED ON VESTING OF SHARE RIGHTS NO. | SHARES PURCHASED NO. | SHAREHOLDING AT 25 JUNE 2017 NO. |
|---|---|---|---|---|---|
| **Non-executive Directors** | | | | | |
| G M Cairns | 8,700 | 383 | – | 11,640 | 20,723 |
| J R Broadbent | 65,138 | – | – | – | 65,138 |
| H S Kramer | 3,249 | – | – | 3,193 | 6,442 |
| S L McKenna | 4,750 | 78 | – | 5,600 | 10,428 |
| S R Perkins | 7,000 | 197 | – | 7,000 | 14,197 |
| K A Tesija | 2,660 | – | – | 2,320 | 4,980 |
| M J Ullmer | 20,000 | – | – | – | 20,000 |
| **Executive Director/KMP** | | | | | |
| B L Banducci | 32,308 | – | 21,330 | – | 53,638 |
| **Executive KMP** | | | | | |
| R J E Dammery | 6,694 | 439 | 8,908 | – | 16,041 |
| D P Marr | 19,687 | 1,012 | 16,219 | 28 | 36,946 |
| C E Peters [1] | – | – | 1,997 | – | 1,997 |
| M R Smith | 29,614 | – | – | – | 29,614 |
| C G Storrie [2] | 611 | – | 9,325 | – | 9,936 |

1 Ms Peters was granted 145,587 share rights to replace the awards she forfeited from her previous employer. As at balance date, 1,997 of these share rights had vested consistent with the vesting schedule for her forfeited equity. Refer to section 2.5 for further detail.

2 Mr Storrie held shares prior to his appointment effective 1 July 2016.

## 5.4 Share rights outstanding for Executive KMP at 25 June 2017

The table below sets out the grants and outstanding number of share rights for current Executive KMP.
No amounts were paid or are payable by the recipient on receipt of the share rights and there are no outstanding vested share rights as at 25 June 2017.

| EXECUTIVE KMP | GRANT DATE[1] | PERFORMANCE PERIOD START DATE | NO. OF RIGHTS AT 25 JUNE 2017 | EXERCISE DATE[2] |
|---|---|---|---|---|
| B L Banducci | 07/12/12 | 01/07/12 | 11,588 | 31/08/17 |
| | 13/12/13 | 01/07/13 | 24,386 | 31/08/18 |
| | 17/10/14 | 01/07/14 | 12,143 | 31/08/17 |
| | 20/11/15 | 01/07/15 | 53,233 | 31/08/18 |
| | 24/11/16 | 01/07/16 | 241,220 | 31/08/19 |
| | | | **342,570** | |
| R J E Dammery | 17/10/14 | 01/07/14 | 18,866 | 31/08/17 |
| | 20/11/15 | 01/07/15 | 28,114 | 31/08/18 |
| | 28/10/16 | 01/07/16 | 81,845 | 31/08/19 |
| | | | **128,825** | |
| D P Marr | 07/12/12 | 01/07/12 | 9,000 | 31/08/17 |
| | 13/12/13 | 01/07/13 | 18,024 | 31/08/18 |
| | 29/04/14 | 01/07/13 | 35,964[5] | 31/08/18 |
| | 17/10/14 | 01/07/14 | 27,638 | 31/08/17 |
| | 14/07/15 | 01/07/15 | 16,912 | 01/07/17 |
| | 20/11/15 | 01/07/15 | 41,713 | 31/08/18 |
| | 28/10/16 | 01/07/16 | 116,702 | 31/08/19 |
| | | | **265,953** | |
| C E Peters[6] | 29/09/16 | 29/09/16 | 12,515 | 17/07/17 |
| | 29/09/16 | 29/09/16 | 6,618 | 27/05/18 |
| | 29/09/16 | 29/09/16 | 20,425 | 20/07/18 |
| | 29/09/16 | 29/09/16 | 20,839 | 12/05/19 |
| | 29/09/16 | 29/09/16 | 62,717 | 31/08/19 |
| | 29/09/16 | 29/09/16 | 20,476 | 27/05/20 |
| | | | **143,590** | |
| M R Smith | 07/12/12 | 01/07/12 | 5,119 | 31/08/17 |
| | 29/04/14 | 01/07/13 | 6,989[5] | 31/08/18 |
| | 17/10/14 | 01/07/14 | 3,654 | 31/08/17 |
| | 20/11/15 | 01/07/15 | 10,979 | 31/08/18 |
| | 28/10/16 | 01/07/16 | 71,593 | 31/08/19 |
| | | | **98,334** | |
| C G Storrie | 01/03/16 | 01/03/16 | 9,855 | 01/03/18 |
| | 28/10/16 | 01/07/16 | 81,845 | 31/08/19 |
| | | | **91,700** | |

The minimum value of share rights is assessed as nil and has not been specifically detailed in the table above on the basis that no share rights will vest if the performance criteria are not satisfied.

1 Grant date is the offer acceptance date.
2 With the exception of retention and buyout share rights, exercise of all other share rights will occur the day after the full year results are announced to the market. This may occur before 31 August in each respective year if the performance hurdles are met as outlined in section 2.
3 The maximum value of award to vest represents the total maximum value of employee benefits expense, as based on the value at grant date that would be recorded if all share rights which remain outstanding at 25 June 2017 satisfied all relevant vesting conditions.
4 The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using a Monte Carlo simulation model, taking into account the impact of the TSR condition whilst the fair value of other share rights are calculated using a Black-Scholes option pricing model. Prior to FY17, the right holders were not entitled to dividends during the vesting period. The value disclosed is the portion of the fair value of the share rights recognised as an expense in each reporting period.

| MAXIMUM VALUE OF AWARD TO VEST ($)[3] | FAIR VALUE PER PERFORMANCE RIGHT[4] | | | | |
|---|---|---|---|---|---|
| | TSR | SALES PER TRADING SQM | ROFE | EPS | RETENTION |
| 212,292 | $14.04 | – | – | $22.60 | – |
| 475,771 | $13.46 | – | – | $25.56 | – |
| 261,196 | $13.24 | – | – | $29.78 | – |
| 686,351 | $9.51 | – | – | $19.66 | – |
| 4,769,723 | $11.48 | $23.92 | $23.92 | – | – |
| **6,405,333** | | | | | |
| 405,808 | $13.24 | – | – | $29.78 | – |
| 362,483 | $9.51 | – | – | $19.66 | – |
| 1,666,091 | $11.75 | $24.66 | $24.66 | – | – |
| **2,434,382** | | | | | |
| 164,880 | $14.04 | – | – | $22.60 | – |
| 351,648 | $13.46 | – | – | $25.56 | – |
| 889,570 | $19.08 | – | – | $30.39 | – |
| 594,493 | $13.24 | – | – | $29.78 | – |
| 410,623 | – | – | – | – | $24.28 |
| 537,820 | $9.51 | – | – | $19.66 | – |
| 2,375,664 | $11.75 | $24.66 | $24.66 | – | – |
| **5,324,698** | | | | | |
| 291,975 | – | – | – | – | $23.33 |
| 154,398 | – | – | – | – | $23.33 |
| 476,515 | – | – | – | – | $23.33 |
| 486,174 | – | – | – | – | $23.33 |
| 1,207,511 | $10.28 | $23.74 | $23.74 | – | – |
| 477,705 | – | – | – | – | $23.33 |
| **3,094,278** | | | | | |
| 93,780 | $14.04 | – | – | $22.60 | – |
| 172,873 | $19.08 | – | – | $30.39 | – |
| 78,598 | $13.24 | – | – | $29.78 | – |
| 141,556 | $9.51 | – | – | $19.66 | – |
| 1,457,395 | $11.75 | $24.66 | $24.66 | – | – |
| **1,944,202** | | | | | |
| 200,549 | – | – | – | – | $20.35 |
| 1,666,091 | $11.75 | $24.66 | $24.66 | – | – |
| **1,866,640** | | | | | |

5 This represents a subsequent grant of Deferred STI and LTIP and was made under the same terms and conditions of the main grant during the same year. This was done to align actual remuneration mix with targeted remuneration mix.

6 Ms Peters commenced her position 13 June 2017. Grant date is the offer acceptance date of 29 September 2016.

# Auditor's Independence Declaration

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

23 August 2017

Dear Board Members

**Woolworths Limited**

In accordance with seaction 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 financial year ended 25 June 2017, 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

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

# Financial Report 2017
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### Consolidated Financial Statements



### Notes to the Consolidated Financial Statements

# Consolidated Statement of Profit or Loss

| | NOTE | 2017 $M | 2016[1] $M |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue from the sale of goods and services | | **55,475.0** | 53,473.9 |
| Other operating revenue | | **193.6** | 189.8 |
| **Total operating revenue** | | **55,668.6** | 53,663.7 |
| Cost of sales | | **(39,739.7)** | (38,538.6) |
| **Gross profit** | | **15,928.9** | 15,125.1 |
| Other revenue | | **244.2** | 275.5 |
| Branch expenses | | **(10,671.4)** | (10,683.9) |
| Administration expenses | | **(3,175.7)** | (3,221.8) |
| **Earnings before interest and tax** | | **2,326.0** | 1,494.9 |
| Financing costs | 2.2 | **(193.6)** | (245.6) |
| **Profit before income tax** | | **2,132.4** | 1,249.3 |
| Income tax expense | 3.6 | **(650.4)** | (486.4) |
| **Profit for the period from continuing operations** | | **1,482.0** | 762.9 |
| **Discontinued Operations** | | | |
| Profit/(Loss) from discontinued operations, after tax | 5.1 | **111.4** | (3,110.8) |
| **Profit/(Loss) for the period** | | **1,593.4** | (2,347.9) |
| | | | |
| **Profit/(Loss) attributable to:** | | | |
| Equity holders of the parent entity | | **1,533.5** | (1,234.8) |
| Non-controlling interests | | **59.9** | (1,113.1) |
| | | **1,593.4** | (2,347.9) |
| **Profit/(Loss) attributable to equity holders of the parent entity relates to:** | | | |
| Profit from continuing operations | | **1,422.1** | 726.3 |
| Profit/(Loss) from discontinued operations | | **111.4** | (1,961.1) |
| | | **1,533.5** | (1,234.8) |

| | | CENTS | CENTS |
|---|---|---|---|
| **Earnings Per Share (EPS) attributable to equity holders of the parent entity** | | | |
| Basic EPS | 4.1 | **119.4** | (97.7) |
| Diluted EPS | 4.1 | **119.1** | (97.7) |
| **EPS attributable to equity holders of the parent entity from continuing operations** | | | |
| Basic EPS | 4.1 | **110.8** | 57.5 |
| Diluted EPS | 4.1 | **110.5** | 57.5 |

1 In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the comparatives have been restated for discontinued operations that have arisen during the year (refer to Note 5.1).

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# Consolidated Statement of Other Comprehensive Income

| | NOTE | 2017 $M | 2016 $M |
|---|---|---|---|
| **Profit/(Loss) for the period** | | **1,593.4** | (2,347.9) |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified to profit or loss*** | | | |
| *Hedging reserve* | | | |
| Movement in the fair value of cash flow hedges | 4.4 | **3.8** | (2.7) |
| Income tax effect | 4.4 | **1.0** | (1.7) |
| *Foreign currency translation reserve (FCTR)* | | | |
| Movement in translation of foreign operations taken to equity | | **(3.9)** | 207.9 |
| Income tax effect | | **(3.0)** | (24.5) |
| ***Items that will not be reclassified to profit or loss*** | | | |
| *Equity instrument reserve* | | | |
| Movement in the fair value of investments in equity securities | 4.4 | **2.2** | 13.5 |
| *Retained earnings* | | | |
| Actuarial gain/(loss) on defined benefit superannuation plans | | **3.2** | (5.6) |
| Income tax effect | | **(1.0)** | 1.7 |
| **Other comprehensive income (net of tax)** | | **2.3** | 188.6 |
| Total comprehensive income from continuing operations | | **1,480.0** | 955.4 |
| Total comprehensive income/(loss) from discontinued operations | | **115.7** | (3,114.7) |
| **Total comprehensive income/(loss) for the period** | | **1,595.7** | (2,159.3) |
| | | | |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the parent entity | | **1,535.8** | (1,046.2) |
| Non-controlling interests | | **59.9** | (1,113.1) |
| | | **1,595.7** | (2,159.3) |
| **Total comprehensive income from continuing operations attributable to:** | | | |
| Equity holders of the parent entity | | **1,420.1** | 918.9 |
| Non-controlling interests | | **59.9** | 36.5 |
| | | **1,480.0** | 955.4 |

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# Consolidated Statement of Financial Position

| | NOTE | 2017 $M | 2016 $M |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 4.5 | **909.4** | 948.1 |
| Trade and other receivables | 3.1 | **744.7** | 763.9 |
| Inventories | | **4,080.4** | 4,558.5 |
| Other financial assets | 3.2 | **16.1** | 56.0 |
| | | **5,750.6** | 6,326.5 |
| Assets held for sale | 5.2 | **1,243.6** | 1,100.5 |
| **Total current assets** | | **6,994.2** | 7,427.0 |
| **Non-current assets** | | | |
| Trade and other receivables | 3.1 | **72.1** | 85.9 |
| Other financial assets | 3.2 | **506.9** | 638.2 |
| Property, plant and equipment | 3.3 | **8,437.5** | 8,262.8 |
| Intangible assets | 3.4 | **6,532.8** | 6,590.6 |
| Deferred tax assets | 3.6.3 | **372.3** | 497.7 |
| **Total non-current assets** | | **15,921.6** | 16,075.2 |
| **Total assets** | | **22,915.8** | 23,502.2 |
| **Current liabilities** | | | |
| Trade and other payables | 3.7 | **6,684.7** | 6,266.1 |
| Borrowings | 4.6 | **253.5** | 490.7 |
| Current tax payable | | **80.9** | 39.5 |
| Other financial liabilities | 3.8 | **313.8** | 120.3 |
| Provisions | 3.9 | **1,470.6** | 1,873.5 |
| | | **8,803.5** | 8,790.1 |
| Liabilities directly associated with assets held for sale | 5.2 | **20.7** | 202.6 |
| **Total current liabilities** | | **8,824.2** | 8,992.7 |
| **Non-current liabilities** | | | |
| Borrowings | 4.6 | **2,777.0** | 3,870.9 |
| Other financial liabilities | 3.8 | **115.7** | 179.8 |
| Provisions | 3.9 | **1,010.9** | 1,382.4 |
| Other non-current liabilities | 3.10 | **311.9** | 294.5 |
| **Total non-current liabilities** | | **4,215.5** | 5,727.6 |
| **Total liabilities** | | **13,039.7** | 14,720.3 |
| **Net assets** | | **9,876.1** | 8,781.9 |
| **Equity** | | | |
| Contributed equity | 4.3 | **5,615.0** | 5,252.2 |
| Reserves | 4.4 | **113.8** | 93.9 |
| Retained earnings | | **3,797.2** | 3,124.5 |
| **Equity attributable to equity holders of the parent entity** | | **9,526.0** | 8,470.6 |
| Non-controlling interests | | **350.1** | 311.3 |
| **Total equity** | | **9,876.1** | 8,781.9 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

| 2017 | ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY | | | | | | |
|---|---|---|---|---|---|---|---|
| | SHARE CAPITAL $M | SHARES HELD IN TRUST $M | RESERVES $M | RETAINED EARNINGS $M | TOTAL $M | NON-CONTROLLING INTERESTS $M | TOTAL EQUITY $M |
| **Balance at 26 June 2016** | **5,347.0** | **(94.8)** | **93.9** | **3,124.5** | **8,470.6** | **311.3** | **8,781.9** |
| Profit after income tax expense | **–** | **–** | **–** | **1,533.5** | **1,533.5** | **59.9** | **1,593.4** |
| Other comprehensive income (net of tax) | **–** | **–** | **0.1** | **2.2** | **2.3** | **–** | **2.3** |
| **Total comprehensive income (net of tax)** | **–** | **–** | **0.1** | **1,535.7** | **1,535.8** | **59.9** | **1,595.7** |
| Dividends paid | **–** | **–** | **–** | **(859.6)** | **(859.6)** | **(21.5)** | **(881.1)** |
| Dividends received – Treasury shares | **–** | **–** | **–** | **2.2** | **2.2** | **–** | **2.2** |
| Issue of shares under employee long-term incentive plans | **–** | **37.1** | **(37.1)** | **–** | **–** | **–** | **–** |
| Issue of shares under the dividend reinvestment plan (DRP) | **316.5** | **–** | **–** | **–** | **316.5** | **–** | **316.5** |
| Issue of shares from underwrite of DRP | **55.5** | **–** | **–** | **–** | **55.5** | **–** | **55.5** |
| Purchase of shares by the Woolworths Employee Share Trust | **–** | **(46.3)** | **–** | **–** | **(46.3)** | **–** | **(46.3)** |
| Share-based payments expense | **–** | **–** | **51.6** | **–** | **51.6** | **–** | **51.6** |
| Other | **–** | **–** | **5.3** | **(5.6)** | **(0.3)** | **0.4** | **0.1** |
| **Balance at 25 June 2017** | **5,719.0** | **(104.0)** | **113.8** | **3,797.2** | **9,526.0** | **350.1** | **9,876.1** |

| 2016 | ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY | | | | | | |
|---|---|---|---|---|---|---|---|
| | SHARE CAPITAL $M | SHARES HELD IN TRUST $M | RESERVES $M | RETAINED EARNINGS $M | TOTAL $M | NON-CONTROLLING INTERESTS $M | TOTAL EQUITY $M |
| **Balance at 28 June 2015** | 5,064.9 | (155.9) | 95.1 | 5,830.1 | 10,834.2 | 297.8 | 11,132.0 |
| Loss after income tax expense | – | – | – | (1,234.8) | (1,234.8) | (1,113.1) | (2,347.9) |
| Other comprehensive income/(loss) (net of tax) | – | – | 192.5 | (3.9) | 188.6 | – | 188.6 |
| **Total comprehensive income/(loss) (net of tax)** | – | – | 192.5 | (1,238.7) | (1,046.2) | (1,113.1) | (2,159.3) |
| Dividends paid | – | – | – | (1,471.2) | (1,471.2) | (32.4) | (1,503.6) |
| Dividends received – Treasury shares | – | – | – | 4.3 | 4.3 | – | 4.3 |
| Issue of shares under employee long-term incentive plans | – | 61.1 | (61.1) | – | – | – | – |
| Issue of shares under the DRP | 282.1 | – | – | – | 282.1 | – | 282.1 |
| Issue of shares to non-controlling interests | – | – | – | – | – | 120.0 | 120.0 |
| Share-based payments expense | – | – | 20.8 | – | 20.8 | – | 20.8 |
| Reclassification of non-controlling interests for recognition of financial liability | – | – | – | – | – | 886.5 | 886.5 |
| Transactions with non-controlling interests | – | – | (153.4) | – | (153.4) | 153.4 | – |
| Other | – | – | – | – | – | (0.9) | (0.9) |
| **Balance at 26 June 2016** | 5,347.0 | (94.8) | 93.9 | 3,124.5 | 8,470.6 | 311.3 | 8,781.9 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

| | NOTE | 2017[1] $M | 2016[1] $M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **65,498.9** | 65,329.8 |
| Payments to suppliers and employees | | **(61,474.8)** | (61,834.5) |
| Net interest paid | | **(234.0)** | (289.3) |
| Income tax paid | | **(668.1)** | (848.5) |
| **Net cash provided by operating activities** | 4.5 | **3,122.0** | 2,357.5 |
| **Cash flows from investing activities** | | | |
| Proceeds from the sale of property, plant and equipment and assets held for sale | | **279.8** | 722.0 |
| Payments for property, plant and equipment – property development | | **(253.2)** | (473.3) |
| Payments for property, plant and equipment (excluding property development) | | **(1,633.6)** | (1,465.0) |
| Payments for intangible assets | | **(23.0)** | (44.6) |
| Proceeds from the sale of subsidiaries and investments, net of cash disposed | | **200.7** | 15.0 |
| Payments for the purchase of businesses, net of cash acquired | | **(5.6)** | (22.7) |
| Payments for the purchase of investments | | **–** | (1.3) |
| Dividends received | | **3.5** | 3.2 |
| **Net cash used in investing activities** | | **(1,431.4)** | (1,266.7) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares – underwrite of DRP | | **55.5** | – |
| Proceeds from the issue of equity securities in subsidiary to non-controlling interest | | **–** | 120.0 |
| Transactions with non-controlling interests | | **–** | (12.1) |
| Proceeds from borrowings | | **184.1** | 628.5 |
| Repayment of borrowings | | **(1,406.5)** | (994.1) |
| Dividends paid | 4.2 | **(540.9)** | (1,184.8) |
| Dividends paid to non-controlling interests | | **(21.5)** | (32.4) |
| **Net cash used in financing activities** | | **(1,729.3)** | (1,474.9) |
| **Net decrease in cash and cash equivalents** | | **(38.7)** | (384.1) |
| Effects of exchange rate changes on foreign currency | | **(0.6)** | 6.7 |
| Cash and cash equivalents at start of period | | **956.0** | 1,333.4 |
| **Cash and cash equivalents at end of period** | 4.5 | **916.7** | 956.0 |

1 The above Consolidated Statement of Cash Flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 5.1.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements
for the year ended 25 June 2017

## 1 BASIS OF PREPARATION

### 1.1 Basis of preparation

Woolworths Limited (the 'Company') is a for-profit company which is incorporated and domiciled in Australia. The Financial Report of the Company is for the 52-week period ended 25 June 2017 and comprises the Company and its subsidiaries (together referred to as the 'Group'). The comparative period is for the 52-week period ended 26 June 2016.

The Financial Report was authorised for issue by the directors on 23 August 2017.

The Consolidated Financial Statements are presented in Australian dollars and amounts have been rounded to the nearest tenth of a million dollars unless otherwise stated, in accordance with ASIC Corporations Legislative Instrument 2016/191.

The Consolidated Financial Statements have been prepared on the historical cost basis except for financial assets at fair value through other comprehensive income, derivative assets and liabilities, and certain financial liabilities which have been measured at fair value, as explained in the accounting policies.

The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated. Changes in accounting policies in the current year are included in the following Notes:

- Note 3.6 – Deferred taxes on indefinite life intangible assets; and
- Note 3.8 – Put options over non-controlling interests.

Certain comparative amounts have been reclassified to conform with the current period's presentation to better reflect the nature of the financial position and performance of the Group. The comparative financial information in the Consolidated Statement of Profit or Loss and associated Notes and the Consolidated Statement of Other Comprehensive Income have been restated for discontinued operations that have arisen during the year (refer to Note 5.1).

#### STATEMENT OF COMPLIANCE

The Consolidated Financial Statements of the Group are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* (Cth), and Australian Accounting Standards and Interpretations.

Compliance with Australian Accounting Standards ensures that the Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this Financial Report has been prepared in accordance with and complies with IFRS as issued by IASB.

### 1.2 Significant accounting policies

This section sets out the significant accounting policies upon which the Group's Consolidated Financial Statements are prepared as a whole and significant accounting policies not otherwise described in the Notes to the Consolidated Financial Statements. Specific accounting policies are described in their respective Notes to the Consolidated Financial Statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in 2017 or later years.

#### 1.2.1 Basis of consolidation

The Consolidated Financial Statements of the Company incorporate the assets, liabilities and results of all subsidiaries as at 25 June 2017. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

#### 1.2.2 Revenue

Revenue is measured as the fair value of consideration received or receivable on the basis that it meets the recognition criteria set out as follows:

Sale of goods and services

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, when it is probable the revenue will be received and the amount of revenue can be reliably measured. Service revenue is recognised based on the stage of completion of the contract with the customer.

## 1.2 Significant accounting policies (continued)

### 1.2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

### 1.2.4 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined on a weighted average basis and includes supplier rebates, settlement discounts and other costs incurred to bring inventory to its present condition and location for sale.

For continuing operations, net realisable value of inventory has been determined as the estimated selling price in the ordinary course of business, less estimated selling expenses. For discontinued operations, net realisable value of inventory has been determined using judgement based on the likely recovery rates in an orderly exit scenario.

As at the reporting date, all inventories are valued at cost (2016: $447.8 million held at net realisable value).

#### Supplier rebates

Supplier rebates represent discounts provided by suppliers. Rebates include standard discounts on the purchase of goods, discounts based on purchase or sales volumes and contributions towards promotional activity for a supplier's product.

### 1.2.5 Foreign currency

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Australian dollars (AUD), which is the Company's functional currency.

#### (ii) Transactions and balances (entities with a functional currency of AUD)

Foreign currency transactions are translated into Australian dollars using the exchange rates at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Australian dollars at reporting date at the following exchange rates:

| FOREIGN CURRENCY AMOUNT | APPLICABLE EXCHANGE RATE |
|---|---|
| Monetary assets and liabilities | Reporting date |
| Non-monetary assets and liabilities measured at historical cost | Date of transaction |

Foreign exchange differences arising on translation are recognised in profit or loss in the period in which they arise except:

- Exchange differences on transactions entered to hedge certain foreign currency risks (refer to Note 4.8); and
- Items noted within paragraph (iii) below.

#### (iii) Financial statements of foreign operations (entities with a functional currency other than AUD)

The results and financial position of foreign operations are translated to Australian dollars at the following exchange rates:

| FOREIGN CURRENCY AMOUNT | APPLICABLE EXCHANGE RATE |
|---|---|
| Revenues and expenses of foreign operations | Average for the period |
| Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation | Reporting date |
| Equity items | Historical rates |

The following foreign exchange differences are recognised in other comprehensive income:

- Foreign currency differences arising on translation of foreign operations; and
- Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future. These monetary items and related hedges are considered to form part of the net investment in a foreign operation and are reclassified into profit or loss upon disposal of the net investment.

## 1.2 Significant accounting policies (continued)

### 1.2.6 Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST, except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense or cost of the asset.

Receivables and payables are stated with the amount of GST included. The net amounts of GST recoverable from or payable to the taxation authorities are included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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 taxation authorities are classified as operating cash flows.

### 1.2.7 New and amended standards adopted by the Group

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) which are effective for annual reporting periods beginning on or after 27 June 2016.

None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period and are not likely to significantly affect future periods.

### 1.2.8 Issued standards and interpretations not early adopted

The table below lists the standards and amendments to standards on issue but not yet effective that were available for early adoption and were applicable to the Group. The reported results and financial position of the Group are not expected to change on adoption of any of the amendments to current standards listed below, unless stated otherwise, as they do not result in any changes to the Group's existing accounting policies. However, amendments to AASB 107 will introduce additional disclosures in respect of changes in liabilities from financing activities.

| EFFECTIVE DATE | NEW STANDARDS OR AMENDMENTS | REFERENCE | NOTE |
|---|---|---|---|
| 1 January 2017 | *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to AASB 112)* | AASB 2016-1 | |
| | *Disclosure Initiative (Amendments to AASB 107)* | AASB 2016-2 | |
| 1 January 2018 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)* | AASB 2014-10 & 2015-10 | |
| | *Revenue from Contracts with Customers* and the relevant amending standards | AASB 15 | 1.2.8 (i) |
| | *Financial Instruments* and the relevant amending standards | AASB 9 (2014) | 1.2.8 (ii) |
| | *Classification and Measurement of Share-based Payment Transactions (Amendments to AASB 2)* | AASB 2016-5 | |
| 1 January 2019 | *Leases* | AASB 16 | 1.2.8 (iii) |
| 1 January 2021 | *Insurance Contracts* | AASB 17 | |

#### (i) AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* establishes a principle-based approach for goods, services and construction contracts which requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised only when the performance obligation is satisfied and the control of goods or services is transferred, typically at the point of sale.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The group will apply AASB 15 in the financial year beginning 25 June 2018. An initial assessment has been performed on existing revenue streams. Based upon this assessment, it is not expected that AASB 15 will have a material impact to the Group's Consolidated Statement of Profit or Loss. The Group is yet to conclude which transition method will be applied.

#### (ii) AASB 9 *Financial Instruments (2014)*

AASB 9 *Financial Instruments* is a new standard which replaces AASB 139 *Financial Instruments: Recognition and Measurement*. In previous years, the Group early adopted AASB 9 *Financial Instruments* (2009), AASB 9 (2010), and related amendments. The Group is yet to adopt AASB 9 (2014) which supersedes AASB 9 (2009) and AASB 9 (2010) and introduces a new impairment model for financial assets and a new measurement category 'fair value through other comprehensive income' for certain debt instruments.

AASB 9 (2014) is effective for annual reporting periods beginning on or after 1 January 2018. The Group will apply AASB 9 (2014) in the financial year beginning 25 June 2018. An assessment has been performed and the impact of the credit loss model will not be material to the Group. The Group does not hold any investments in debt securities at the end of the reporting period and, as a result, does not expect to be impacted by the introduction of the new measurement category.

## 1.2 Significant accounting policies (continued)

### 1.2.8 Issued standards and interpretations not early adopted continued

(iii) AASB 16 *Leases*

AASB 16 *Leases* will replace existing accounting requirements for leases under AASB 117 *Leases*. Under current requirements, leases are classified based on their nature as either finance leases, which are recognised on the Consolidated Statement of Financial Position, or operating leases, which are not recognised on the Consolidated Statement of Financial Position. The Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard. The Group's accounting for leases as a lessor remains unchanged under AASB 16.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply AASB 16 in the financial year beginning 1 July 2019. A project has been established to ensure a high quality implementation in compliance with the accounting standard. The project has members from finance, treasury and property functions with oversight from the Chief Financial Officer. Key responsibilities of the project include setting accounting policy, finalising an impact assessment, budgeting and costing of implementation, identifying data and system requirements, and finalising the implementation plan.

As at the end of the reporting period, the Group has non-cancellable undiscounted operating lease commitments of $24,438.8 million as disclosed in Note 4.9.1. These commitments predominantly relate to its retail premises, warehousing facilities, distribution centres, and support offices which will require recognition of ROU assets and associated lease liabilities. The Group is currently assessing the impact of the new requirements on the Group's Consolidated Financial Statements; however the impact is expected to materially 'gross-up' the Group's Consolidated Statement of Financial Position impacting key financial ratios. As the project develops further, quantitative and qualitative disclosure will be provided.

## 1.3 Critical accounting estimates and judgements

In applying the Group's accounting policies, the directors are required to make estimates, judgements and assumptions that affect amounts reported in this Financial Report. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions and other factors that are believed to be reasonable under the circumstances and are reviewed on a regular basis. Actual results may differ from these estimates.

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following Notes:

- Notes 3.3 and 3.4 – Estimation of useful life of assets, and carrying value of properties;
- Note 3.5 – Impairment of non-financial assets;
- Note 3.9 – Provisions including onerous leases; and
- Note 5.1 – Discontinued operations including impairments, exit liabilities and associated tax balances.

Revisions to accounting estimates 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.

## 1.4 Individually significant items from continuing operations

### 2017

There are no individually significant items from continuing operations in 2017.

### 2016

Included in 2016 Consolidated Statement of Profit or Loss were significant expenses before tax of $958.6 million incurred outside the ordinary course of trading operations resulting from a Group-wide review of all aspects of the business. In particular, these items related to operating model and strategic changes of $154.9 million, store network optimisation and property rationalisation of $344.2 million, and General Merchandise impairment of $459.5 million. The total income tax benefit recognised from the significant expenses was $193.1 million, resulting in a $765.5 million impact on profit for the period[1].

Individually significant items relating to the impairment of Home Improvement assets and store exit costs are separately presented in Note 5.1 as the Home Improvement business has been classified as a discontinued operation.

1 Comprised of $754.7 million attributable to equity holders of the parent entity and $10.8 million attributable to non-controlling interests.

# 2 GROUP PERFORMANCE

## 2.1 Segment disclosures from continuing operations

### 2.1.1 Operating segment reporting

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Chief Executive Officer in order to allocate resources to the segment and assess its performance. These business units offer different products and services and are managed separately.

The Group's reportable segments are as follows:

- **Australian Food** – procurement of food products for resale to customers in Australia;
- **New Zealand Food** – procurement of food and drinks for resale to customers in New Zealand;
- **Endeavour Drinks** – procurement of drinks for resale to customers in Australia;
- **BIG W** – procurement of discount general merchandise products for resale to customers in Australia; and
- **Hotels** – provision of leisure and hospitality services including food and drinks, accommodation, entertainment and gaming in Australia.

On 18 January 2016, the Company announced that it intended to pursue an orderly prospective exit of the Home Improvement business. Consequently, the Home Improvement business has been classified as a discontinued operation (refer to Note 5.1) and this segment is not presented in the segment disclosures for 2017 and 2016.

On 24 December 2016, the Company entered into a binding agreement to sell the Petrol business to BP for $1.785 billion. Consequently, the Petrol business has been classified as a discontinued operation (refer to Note 5.1). The Petrol business was previously presented together with Australian Food and is no longer included in the segment disclosures for 2017 and 2016.

The Unallocated group consists of the Group's other operating segments that are not separately reportable as well as various support functions including property and other central overhead costs. The revenue from the sale of goods and services included in the Unallocated group relates to EziBuy and is derived from the procurement of general merchandise products for predominately online resale to customers. The sale of EziBuy Holdings Limited and its subsidiaries was completed on 25 June 2017.

There are varying levels of integration between the Australian Food, Endeavour Drinks and Hotels reportable segments. This includes the common usage of property and services and administration functions. Inter-segment pricing is determined on an arm's length basis.

Performance is measured based on segment earnings before interest and tax (EBIT) before individually significant items (refer to Note 1.4) which is consistent with the way management monitor and report the performance of these segments.

## 2.1 Segment disclosures from continuing operations (continued)

### 2.1.1 Operating segment reporting continued

| 2017 | AUSTRALIAN FOOD[1] $M | NEW ZEALAND FOOD $M | ENDEAVOUR DRINKS $M | BIG W $M | HOTELS $M | UNALLOCATED[2] $M | CONSOLIDATED CONTINUING OPERATIONS $M |
|---|---|---|---|---|---|---|---|
| Revenue from the sale of goods and services | 36,370.9 | 5,887.1 | 7,912.9 | 3,598.0 | 1,553.2 | 152.9 | 55,475.0 |
| Other operating revenue | 188.4 | 4.9 | – | 0.3 | – | – | 193.6 |
| Inter-segment revenue | – | – | – | – | – | 1,009.2 | 1,009.2 |
| **Segment revenue** | 36,559.3 | 5,892.0 | 7,912.9 | 3,598.3 | 1,553.2 | 1,162.1 | 56,677.8 |
| Eliminations | | | | | | (1,009.2) | (1,009.2) |
| Unallocated revenue – other[3] | | | | | | 244.2 | 244.2 |
| **Total revenue** | 36,559.3 | 5,892.0 | 7,912.9 | 3,598.3 | 1,553.2 | 397.1 | 55,912.8 |
| **Earnings before interest and tax**[4] | 1,603.1 | 292.3 | 502.5 | (150.5) | 232.9 | (154.3) | 2,326.0 |
| Financing costs | | | | | | | (193.6) |
| **Profit before income tax** | | | | | | | 2,132.4 |
| Income tax expense | | | | | | | (650.4) |
| **Profit for the period from continuing operations** | | | | | | | 1,482.0 |
| **Depreciation and amortisation**[4] | 561.6 | 110.9 | 75.7 | 76.4 | 105.1 | 107.9 | 1,037.6 |
| **Impairment of non-financial assets**[5] | – | – | 17.0 | 21.1 | – | – | 38.1 |
| **Capital expenditure**[6] | 917.7 | 182.4 | 116.0 | 31.3 | 112.0 | 481.1 | 1,840.5 |

| 2016 | AUSTRALIAN FOOD[1] $M | NEW ZEALAND FOOD $M | ENDEAVOUR DRINKS $M | BIG W $M | HOTELS $M | UNALLOCATED[2] $M | CONSOLIDATED CONTINUING OPERATIONS $M |
|---|---|---|---|---|---|---|---|
| Revenue from the sale of goods and services | 34,798.0 | 5,592.2 | 7,589.3 | 3,819.7 | 1,512.2 | 162.5 | 53,473.9 |
| Other operating revenue | 179.0 | 10.2 | – | 0.6 | – | – | 189.8 |
| Inter-segment revenue | – | – | – | – | – | 979.9 | 979.9 |
| **Segment revenue** | 34,977.0 | 5,602.4 | 7,589.3 | 3,820.3 | 1,512.2 | 1,142.4 | 54,643.6 |
| Eliminations | | | | | | (979.9) | (979.9) |
| Unallocated revenue – other[3] | | | | | | 275.5 | 275.5 |
| **Total revenue** | 34,977.0 | 5,602.4 | 7,589.3 | 3,820.3 | 1,512.2 | 438.0 | 53,939.2 |
| **Segment earnings/(loss) before interest, tax and significant items**[4] | 1,642.0 | 284.4 | 483.8 | (14.9) | 208.5 | (157.8) | 2,446.0 |
| Significant items | | | | | | | (951.1) |
| **Earnings before interest and tax** | | | | | | | 1,494.9 |
| Financing costs | | | | | | | (245.6) |
| **Profit before income tax** | | | | | | | 1,249.3 |
| Income tax expense | | | | | | | (486.4) |
| **Profit for the period from continuing operations** | | | | | | | 762.9 |
| **Depreciation and amortisation**[4] | 523.6 | 106.3 | 74.8 | 83.1 | 99.3 | 98.2 | 985.3 |
| **Impairment of non-financial assets**[5] | 66.8 | 19.3 | – | 32.5 | 23.3 | 373.9 | 515.8 |
| **Capital expenditure**[6] | 646.1 | 195.9 | 94.1 | 46.7 | 141.2 | 673.5 | 1,797.5 |

1 Previously reported as Australian Food and Petrol; prior period has been restated to exclude Petrol which is now a discontinued operation.
2 Revenue from the sale of goods in Unallocated group relates to EziBuy.
3 Unallocated revenue is comprised of rent and other revenue from non-operating activities across the Group.
4 Depreciation and amortisation in Unallocated group is in relation to central assets (e.g. Enterprise Resource Planning system) for which a service charge is made to the reportable operating segments and reflected in the segment earnings/loss results.
5 Refer to Note 3.5 for further detail on the impairment of non-financial assets.
6 Capital expenditure is comprised of property, plant and equipment additions and intangible asset acquisitions.

## 2.1 Segment disclosures from continuing operations (continued)

### 2.1.2 Geographical information

The table below provides information on the geographical location of revenue from continuing operations and non-current assets (excluding financial instruments, deferred tax assets and intercompany receivables). Revenue from external customers is allocated to a geography based on the location in which the sales originated. Non-current assets are allocated based on the location of the operation to which they relate.

| | AUSTRALIA | | NEW ZEALAND | | CONSOLIDATED CONTINUING OPERATIONS | |
|---|---|---|---|---|---|---|
| | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M |
| Revenue from the sale of goods and services | **49,400.9** | 47,674.8 | **6,074.1** | 5,799.1 | **55,475.0** | 53,473.9 |
| Other operating revenue | **188.7** | 179.6 | **4.9** | 10.2 | **193.6** | 189.8 |
| Other revenue | **200.9** | 238.5 | **43.3** | 37.0 | **244.2** | 275.5 |
| **Revenue from external customers** | **49,790.5** | 48,092.9 | **6,122.3** | 5,846.3 | **55,912.8** | 53,939.2 |
| Non-current assets | **11,873.3** | 11,847.1 | **3,287.3** | 3,200.7 | **15,160.6** | 15,047.8 |

## 2.2 Financing costs from continuing operations

| | 2017 $M | 2016 $M |
|---|---|---|
| Interest expense | **(231.5)** | (298.2) |
| Less: interest capitalised[1] | **29.9** | 42.3 |
| Other[2] | **8.0** | 10.3 |
| **Total** | **(193.6)** | (245.6) |

1 Weighted average capitalisation rate on funds borrowed for continuing operations was 6.77% (2016: 6.75%).
2 Includes interest income and dividend income.

### SIGNIFICANT ACCOUNTING POLICIES

**FINANCING COSTS**
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for its intended use or sale) are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# 3 ASSETS AND LIABILITIES

## 3.1 Trade and other receivables

| | 2017 $M | 2016 $M |
|---|---|---|
| **Current** | | |
| Trade receivables | **120.9** | 135.4 |
| Provision for impairment | **(14.8)** | (10.6) |
| | **106.1** | 124.8 |
| Other receivables | **323.7** | 330.3 |
| Provision for impairment | **(19.3)** | (21.6) |
| | **304.4** | 308.7 |
| Prepayments | **334.2** | 330.4 |
| **Total current trade and other receivables** | **744.7** | 763.9 |
| **Non-current** | | |
| Prepayments | **1.5** | 5.2 |
| Other receivables | **70.6** | 80.7 |
| **Total non-current trade and other receivables** | **72.1** | 85.9 |
| **Total** | **816.8** | 849.8 |

### SIGNIFICANT ACCOUNTING POLICIES

**TRADE AND OTHER RECEIVABLES**
Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. They generally have terms of up to 30 days.

**IMPAIRMENT OF TRADE AND OTHER RECEIVABLES**
The Group assesses at the end of each reporting period whether there is objective evidence that the Group's receivables are impaired.

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. A provision for impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

## 3.2 Other financial assets

| | 2017 $M | 2016 $M |
|---|---|---|
| **Current** | | |
| Derivatives | **16.1** | 56.0 |
| | **16.1** | 56.0 |
| **Non-current** | | |
| Derivatives | **388.7** | 529.7 |
| Listed equity securities | **79.8** | 77.3 |
| Investments in associates | **37.8** | 30.3 |
| Other | **0.6** | 0.9 |
| | **506.9** | 638.2 |
| **Total** | **523.0** | 694.2 |

### SIGNIFICANT ACCOUNTING POLICIES

**DERIVATIVES**
Refer to Note 4.8 for details of derivatives.

**LISTED EQUITY SECURITIES**
The Group's investments in listed equity securities are designated as financial assets at 'fair value through other comprehensive income'. Investments are initially measured at fair value net of transaction costs and in subsequent periods, are measured at fair value with any change recognised in other comprehensive income. Upon disposal, the cumulative gain or loss recognised in other comprehensive income is transferred within equity.

## 3.3 Property, plant and equipment

| 2017 | DEVELOPMENT PROPERTIES $M | FREEHOLD LAND, WAREHOUSE, RETAIL AND OTHER PROPERTIES $M | LEASEHOLD IMPROVEMENTS $M | PLANT AND EQUIPMENT $M | TOTAL[4] $M |
|---|---|---|---|---|---|
| Cost | 519.0 | 1,435.4 | 3,135.1 | 14,015.4 | 19,104.9 |
| Less: accumulated depreciation/amortisation | (1.3) | (117.8) | (1,438.9) | (9,109.4) | (10,667.4) |
| **Carrying amount at end of period** | 517.7 | 1,317.6 | 1,696.2 | 4,906.0 | 8,437.5 |
| *Movement:* | | | | | |
| Carrying amount at start of period | 356.7 | 1,319.5 | 1,795.5 | 4,791.1 | 8,262.8 |
| Additions | 198.3 | 113.5 | 228.5 | 1,322.2 | 1,862.5 |
| Acquisition of businesses | – | 2.6 | – | 0.1 | 2.7 |
| Disposals[1] | (6.3) | (39.0) | (18.7) | (47.1) | (111.1) |
| Transfer from/(to) assets held for sale[2] | 51.5 | (146.2) | (139.5) | (276.9) | (511.1) |
| Disposal of business | – | – | 0.3 | – | 0.3 |
| Depreciation expense[3] | (0.1) | (24.8) | – | (845.9) | (870.8) |
| Amortisation expense[3] | – | – | (172.1) | – | (172.1) |
| Impairment expense | – | – | 2.0 | (23.1) | (21.1) |
| Transfers and other | (83.1) | 89.0 | (0.9) | (18.7) | (13.7) |
| Effect of movements in foreign exchange rates | 0.7 | 3.0 | 1.1 | 4.3 | 9.1 |
| **Carrying amount at end of period** | 517.7 | 1,317.6 | 1,696.2 | 4,906.0 | 8,437.5 |

1 Net loss on disposal and write off of property, plant and equipment during the year from continuing operations was $46.6 million.
2 Includes transfer of Home Improvement properties from assets held for sale.
3 Includes $23.3 million relating to discontinued operations.
4 Includes an accumulated provision for impairment of $258.8 million (2016: $193.3 million).

## 3.3 Property, plant and equipment (continued)

| 2016 | DEVELOPMENT PROPERTIES $M | FREEHOLD LAND, WAREHOUSE, RETAIL AND OTHER PROPERTIES $M | LEASEHOLD IMPROVEMENTS $M | PLANT AND EQUIPMENT $M | TOTAL $M |
|---|---|---|---|---|---|
| Cost | 358.3 | 1,435.5 | 3,269.6 | 13,937.0 | 19,000.4 |
| Less: accumulated depreciation/amortisation | (1.6) | (116.0) | (1,474.1) | (9,145.9) | (10,737.6) |
| **Carrying amount at end of period** | 356.7 | 1,319.5 | 1,795.5 | 4,791.1 | 8,262.8 |
| *Movement:* | | | | | |
| Carrying amount at start of period | 927.9 | 2,345.7 | 1,798.0 | 4,990.5 | 10,062.1 |
| Additions | 343.9 | 69.5 | 241.6 | 1,187.4 | 1,842.4 |
| Acquisition of businesses | – | 1.3 | – | 1.9 | 3.2 |
| Disposals [1] | (47.3) | (44.7) | (21.7) | (19.0) | (132.7) |
| Transfer to assets held for sale | (268.6) | (501.0) | (7.6) | (65.5) | (842.7) |
| Depreciation expense [2] | (0.5) | (48.1) | – | (836.7) | (885.3) |
| Amortisation expense [2] | – | – | (167.5) | – | (167.5) |
| Impairment expense | (183.2) | (900.6) | (55.2) | (494.1) | (1,633.1) |
| Transfers and other | (419.1) | 386.9 | – | (5.3) | (37.5) |
| Effect of movements in foreign exchange rates | 3.6 | 10.5 | 7.9 | 31.9 | 53.9 |
| **Carrying amount at end of period** | 356.7 | 1,319.5 | 1,795.5 | 4,791.1 | 8,262.8 |

1 Net loss on disposal and write off of property, plant and equipment during the year from continuing operations was $24.0 million.
2 Includes $89.3 million relating to discontinued operations.

### SIGNIFICANT ACCOUNTING POLICIES

**CARRYING VALUE**
The Group's property, plant and equipment are measured at cost less accumulated depreciation/amortisation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and a proportion of overheads. The cost of development properties (those being constructed or developed for future use) includes borrowing, holding and development costs until the asset is complete.

**DEPRECIATION**
Assets are depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortised over the shorter of the remaining period of the individual leases or the estimated useful life of the improvement to the Group. Useful lives are reassessed each period. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

The expected useful lives are as follows:

| | |
|---|---|
| Buildings | 25 – 40 years |
| Plant and equipment | 2.5 – 10 years |
| Leasehold improvements | Up to a maximum of 25 years (retail properties) or 40 years (hotels) |

**PROCEEDS FROM SALE OF ASSETS**
The gross proceeds from asset sales are recognised at the date that an unconditional contract of sale is exchanged with the purchaser. The net gain/(net loss) is recognised in the Consolidated Statement of Profit or Loss.

**IMPAIRMENT**
Property, plant and equipment are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 3.5.

In 2016, Home Improvement assets were transferred to assets held for sale after impairment recognised in that year.

## 3.3 Property, plant and equipment (continued)

**CRITICAL ACCOUNTING ESTIMATES**

**ESTIMATION OF USEFUL LIFE OF ASSETS**
Estimates of remaining useful lives require significant management judgement and are reviewed at least annually. Where useful lives are changed, the net written-down value of the asset is depreciated or amortised from the date of the change in accordance with the revised useful life. Depreciation recognised in prior financial years is not changed.

**CARRYING VALUE OF PROPERTIES**
An assessment of the carrying amount of the Group's freehold properties as at 25 June 2017 was performed. The basis of the assessment was a combination of external market assessments and/or valuations and internal value in use (VIU) assessments. External valuations are obtained every three years.

## 3.4 Intangible assets

### 3.4.1 Carrying amounts of and movements in intangible assets

| 2017 | GOODWILL $M | BRAND NAMES $M | LIQUOR, GAMING LICENCES AND OTHER $M | TOTAL $M |
|---|---|---|---|---|
| Cost | **4,319.9** | **256.5** | **2,263.0** | **6,839.4** |
| Less: accumulated amortisation | **(103.5)** | **(0.8)** | **(202.3)** | **(306.6)** |
| **Carrying amount at end of period** | **4,216.4** | **255.7** | **2,060.7** | **6,532.8** |
| *Movement:* | | | | |
| Carrying amount at start of period | **4,249.6** | **253.9** | **2,087.1** | **6,590.6** |
| Acquisition of businesses | **–** | **–** | **2.4** | **2.4** |
| Other acquisitions | **–** | **–** | **7.5** | **7.5** |
| Disposals, transfers and other | **(43.4)** | **0.1** | **(11.7)** | **(55.0)** |
| Amortisation | **–** | **0.1** | **(18.1)** | **(18.0)** |
| Impairment | **(9.5)** | **–** | **(7.5)** | **(17.0)** |
| Effect of movements in foreign exchange rates | **19.7** | **1.6** | **1.0** | **22.3** |
| **Carrying amount at end of period** | **4,216.4** | **255.7** | **2,060.7** | **6,532.8** |

| 2016 | GOODWILL $M | BRAND NAMES $M | LIQUOR, GAMING LICENCES AND OTHER $M | TOTAL $M |
|---|---|---|---|---|
| Cost | 4,343.6 | 285.4 | 2,319.5 | 6,948.5 |
| Less: accumulated amortisation | (94.0) | (31.5) | (232.4) | (357.9) |
| **Carrying amount at end of period** | 4,249.6 | 253.9 | 2,087.1 | 6,590.6 |
| *Movement:* | | | | |
| Carrying amount at start of period | 4,438.5 | 272.5 | 2,145.8 | 6,856.8 |
| Acquisition of businesses | 5.7 | – | 13.6 | 19.3 |
| Other acquisitions | – | – | 8.7 | 8.7 |
| Disposals, transfers and other | 4.3 | – | (0.6) | 3.7 |
| Amortisation[1] | – | – | (23.1) | (23.1) |
| Impairment | (350.9) | (30.6) | (57.9) | (439.4) |
| Effect of movements in foreign exchange rates | 152.0 | 12.0 | 0.6 | 164.6 |
| **Carrying amount at end of period** | 4,249.6 | 253.9 | 2,087.1 | 6,590.6 |

1 Includes $1.3 million relating to discontinued operations (refer to Note 5.1).

## 3.4 Intangible assets (continued)

### 3.4.2 Allocation of indefinite life intangible assets to groups of cash-generating units

| | GOODWILL | | BRAND NAMES | | LIQUOR, GAMING LICENCES AND OTHER | |
|---|---|---|---|---|---|---|
| | 2017 $M | 2016 $M | 2017 $M | 2016 $M | 2017 $M | 2016 $M |
| Australian Food[1] | **360.2** | 360.2 | **0.1** | 0.1 | **–** | – |
| New Zealand Food | **2,180.8** | 2,159.3 | **248.6** | 246.8 | **–** | – |
| Endeavour Drinks[2] | **510.2** | 530.6 | **7.0** | 7.0 | **271.9** | 269.0 |
| ALH Group | **1,164.9** | 1,164.9 | **–** | – | **1,697.3** | 1,702.0 |
| Petrol[1] | **–** | 34.3 | **–** | – | **–** | 0.2 |
| Unallocated | **0.3** | 0.3 | **–** | – | **–** | – |
| | **4,216.4** | 4,249.6 | **255.7** | 253.9 | **1,969.2** | 1,971.2 |

1 The goodwill attributable to Petrol was previously included within Australian Food and Petrol. In 2017, the goodwill balance is held for sale (refer to Note 5.2).
2 Excludes ALH owned retail sites, which are included in ALH Group.

**SIGNIFICANT ACCOUNTING POLICIES**

**GOODWILL**
Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

**OTHER INTANGIBLE ASSETS**
Other intangible assets are measured at cost less accumulated amortisation and impairment losses (if any). Where acquired in a business combination, cost represents the fair value at the date of acquisition.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives. Useful lives are reassessed each period. The useful lives of intangible assets have been assessed as follows:

| | |
|---|---|
| Brand names | Generally indefinite useful life |
| Liquor and gaming licences | Indefinite useful life |
| Victorian gaming entitlements | Life of the gaming entitlement (10 years) |
| Other (primarily customer relationships and property development rights) | Indefinite and finite up to 20 years |

**IMPAIRMENT**
Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 3.5.

**CRITICAL ACCOUNTING ESTIMATES**

**ESTIMATION OF USEFUL LIFE OF ASSETS**
Assessments of useful lives and estimates of remaining useful lives require significant management judgement. Brand names are generally assessed as having an indefinite useful life on the basis of brand strength, ongoing expected profitability and continuing support. Brand names incorporate complementary assets such as store formats, networks and product offerings. Liquor and gaming licences (excluding Victorian gaming entitlements) have been assessed to have an indefinite useful life on the basis that the licences are expected to be renewed in line with ongoing regulatory requirements.

## 3.5 Impairment of non-financial assets

The following impairments/(reversals of impairments) were recognised during 2017:

| 2017 | CONTINUING OPERATIONS $M | DISCONTINUED OPERATIONS $M | TOTAL $M |
|---|---|---|---|
| Property, plant and equipment | 21.1 | – | 21.1 |
| Assets held for sale | – | (23.7) | (23.7) |
| Intangible assets | 17.0 | – | 17.0 |
| **Total impairment/(reversal of impairment)** | 38.1 | (23.7) | 14.4 |

The following impairments were recognised during 2016:

| 2016 | CONTINUING OPERATIONS $M | DISCONTINUED OPERATIONS $M | TOTAL $M |
|---|---|---|---|
| Property, plant and equipment | 195.8 | 1,437.3 | 1,633.1 |
| Assets held for sale | – | 46.4 | 46.4 |
| Intangible assets | 320.0 | 119.4 | 439.4 |
| **Total impairment** | 515.8 | 1,603.1 | 2,118.9 |

### Continuing operations

During the year ended 25 June 2017, a charge of $35.3 million has been recorded in branch expenses, $21.1 million of which relates to impairment of store property, plant and equipment, and $14.2 million relating to provisions for onerous leases in respect of BIG W's undiscounted lease commitments of approximately $3.0 billion. Refer to the 'critical accounting estimates' for further detail on the impairment assessment for BIG W.

During the year an impairment of $20.7 million was recorded in relation to Summergate, $17.0 million of which relates to impairment of intangibles, and $3.7 million relates to impairment of trade and other receivables.

### Discontinued operations

On 18 January 2016, the Company announced its planned exit from the Home Improvement market. The recoverable amounts of the assets in the Home Improvement business have been re-assessed at 25 June 2017. Valuations of property assets included in the Home Consortium transaction were determined with regard to the financial impact of the transaction. Valuations of property assets excluded from the transaction were determined with regard to the Group's asset disposal strategy and investment yields reflective of the characteristics and location of the individual properties based on management's best estimate of the expected net proceeds. The resulting reversal of impairment of assets held for sale of $23.7 million has been included within 'Loss from discontinued operations' during the financial year ended 25 June 2017. Refer to Note 5.1, Note 5.2 and Note 6.5 for further details.

**SIGNIFICANT ACCOUNTING POLICIES**

**IMPAIRMENT OF NON-FINANCIAL ASSETS**
The carrying amounts of the Group's property, plant and equipment (refer to Note 3.3), goodwill and intangible assets (refer to Note 3.4) are reviewed for impairment as follows:

| | |
|---|---|
| Property, plant and equipment and finite life intangibles | When there is an indication that the asset may be impaired (assessed at least each reporting date) or when there is an indication that a previously recognised impairment may have changed |
| Goodwill and indefinite life intangibles | At least annually and when there is an indication that the asset may be impaired |

## 3.5 Impairment of non-financial assets (continued)

### SIGNIFICANT ACCOUNTING POLICIES CONTINUED

**CALCULATION OF RECOVERABLE AMOUNT**
In assessing impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of an asset is the greater of its value in use (VIU) and its fair value less costs to dispose (FVLCTD). For an asset that does not generate largely independent cash inflows, recoverable amount is assessed at the cash generating unit (CGU) level, which is the smallest group of assets generating cash inflows independent of other CGUs that benefit from the use of the respective asset. Goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments and grouped at the lowest levels for which goodwill is monitored for internal management purposes.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss.

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 other assets in the CGU on a pro-rata basis to their carrying amounts.

**REVERSAL OF IMPAIRMENT**
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.

### CRITICAL ACCOUNTING ESTIMATES

Key assumptions used in determining the recoverable amount of assets include expected future cash flows, long-term growth rates (terminal value assumptions) and discount rates.

In assessing VIU, estimated future cash flows are based on the Group's most recent board approved business plan covering a period not exceeding five years. Cash flows beyond the approved business plan period are extrapolated using estimated long-term growth rates.

Long-term growth rates are based on past experience, expectations of external market operating conditions, and other assumptions which take account of the specific features of each business unit. Long-term growth rates do not exceed industry growth rates for the business in which the CGU operates.

The recoverable amount has been determined using a VIU discounted cash flow model. In assessing VIU, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. Pre-tax discount rates used vary depending on the nature of the business and the country of operation.

The ranges of rates used in determining recoverable amounts are set out below:

| | 2017 % | 2016 % |
|---|---|---|
| Long-term growth rate | 2.5 | 0.5 – 2.5 |
| Pre-tax discount rate | 13 – 17.3 | 13 – 16.5 |

The Group believes that any reasonably possible change in the key assumptions applied would not cause the carrying value of assets to exceed their recoverable amount and result in a material impairment based on current economic conditions and CGU performance.

## 3.5 Impairment of non-financial assets (continued)

### CRITICAL ACCOUNTING ESTIMATES CONTINUED

**BIG W**

As disclosed in the half year ended 1 January 2017, the BIG W business was assessed for impairment using the assumptions included in the business turnaround strategy at that time. As a result, an impairment charge of $35.3 million was recognised for store asset impairments and onerous lease provisions on certain underperforming stores.

During the second half of the fiscal year, the board formally approved the revised BIG W turnaround plan. This has been used as the basis for the value in use (VIU) discounted cash model used for determining the recoverable amount of BIG W. The turnaround plan assumes improvements in BIG W's operating and financial performance as well as working capital improvements over a five-year period. At 25 June 2017, the recoverable amount of the business is higher than its carrying amount of $514.3 million (2016: $555.2 million). Consistent with the half year ended 1 January 2017, management has applied a long-term terminal growth rate of 2.5% and a pre-tax discount rate of 14.3% (post-tax of 10%).

The impairment assessment incorporates the planned outcomes of the key initiatives underpinning the turnaround plan and is expected to be implemented over a number of years. A key element of the turnaround plan includes investing across future periods to improve BIG W's market position and to deliver an improved customer value proposition. As a result, the business is expected to initially remain loss making before returning to profitability and achieving sustained growth in the later years of the turnaround plan.

There are a number of risks and uncertainties associated with the execution of the BIG W turnaround plan, including adverse changes in trading conditions, the competitive landscape, and the inability of BIG W to execute the multi-year plan in line with the assumptions made. The assessment of the recoverable amount represents management's best estimate of the recovery of BIG W over the next five years, taking into account risks, uncertainties and opportunities for improvement in the business. Management will continue to reassess the progress of the BIG W business against these estimates and it is possible that the Company may require further asset impairments and onerous lease provisions in relation to the BIG W store and support network in future periods.

Sensitivity analysis was performed to determine the impact on the recoverable amount of reasonably possible changes in key assumptions. Consequently, with all other assumptions remaining the same, a 125 basis point increase in the post-tax discount rate or a 20% reduction in the forecast EBIT that drives the terminal value would result in a 45% reduction to the available headroom.

## 3.6 Income taxes

### 3.6.1 Income tax recognised in the Consolidated Statement of Profit or Loss

| | 2017 $M | 2016 $M |
|---|---|---|
| **Income tax expense** | | |
| Current tax expense | **729.9** | 796.6 |
| Adjustments recognised in the current year in relation to the current tax of prior years | **(11.6)** | 1.2 |
| Deferred tax relating to the origination and reversal of temporary differences | **119.4** | (383.4) |
| | **837.7** | 414.4 |
| *Income tax expense is attributable to:* | | |
| Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss) | **650.4** | 486.4 |
| Profit/(Loss) from discontinued operations (refer to Note 5.1) | **187.3** | (72.0) |
| | **837.7** | 414.4 |

### 3.6.2 Reconciliation between tax expense and profit before income tax

| | 2017 $M | 2016 $M |
|---|---|---|
| Profit before income tax expense – continuing operations | **2,132.4** | 1,249.3 |
| Profit/(Loss) before income tax expense – discontinued operations (refer to Note 5.1) | **298.7** | (3,182.8) |
| **Profit/(Loss) before income tax expense** | **2,431.1** | (1,933.5) |
| Income tax expense/(benefit) using the Australian corporate tax rate of 30% | **729.3** | (580.0) |
| *Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:* | | |
| Non-deductible expenses | **96.2** | 27.6 |
| Non-deductible impairment expense | **5.1** | 723.6 |
| Tax losses no longer able to be carried forward as a deferred tax asset | **–** | 182.5 |
| Unrecognised tax losses from the current year | **24.4** | 74.6 |
| Impact of differences in offshore tax rates | **(5.0)** | (4.7) |
| Other | **(0.7)** | (10.4) |
| | **849.3** | 413.2 |
| Adjustments relating to prior years | **(11.6)** | 1.2 |
| **Income tax expense** | **837.7** | 414.4 |

## 3.6 Income taxes (continued)

### 3.6.3 Deferred tax balances recognised in the Consolidated Statement of Financial Position

| 2017 | OPENING BALANCE $M | CREDITED/ (CHARGED) TO INCOME $M | CREDITED/ (CHARGED) TO OCI $M | TRANSFERS TO ASSETS HELD FOR SALE $M | CLOSING BALANCE $M |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Property, plant and equipment | **123.8** | **(15.3)** | **–** | **0.6** | **109.1** |
| Provisions and accruals | **1,004.2** | **(104.2)** | **(1.0)** | **(2.0)** | **897.0** |
| Cash flow hedges | **27.6** | **–** | **1.0** | **–** | **28.6** |
| Unrealised foreign exchange differences | **(38.3)** | **(0.5)** | **(3.0)** | **–** | **(41.8)** |
| Other | **6.8** | **(2.2)** | **0.5** | **–** | **5.1** |
| | **1,124.1** | **(122.2)** | **(2.5)** | **(1.4)** | **998.0** |
| **Deferred tax liabilities** | | | | | |
| Intangible assets | **(626.3)** | **–** | **–** | **–** | **(626.3)** |
| Prepayments | **(3.6)** | **(0.5)** | **–** | **–** | **(4.1)** |
| Other | **3.5** | **3.3** | **–** | **(2.1)** | **4.7** |
| | **(626.4)** | **2.8** | **–** | **(2.1)** | **(625.7)** |
| **Net deferred tax asset/(liability)** | **497.7** | **(119.4)** | **(2.5)** | **(3.5)** | **372.3** |

| 2016 | OPENING BALANCE $M | CREDITED/ (CHARGED) TO INCOME $M | CREDITED/ (CHARGED) TO OCI $M | TRANSFERS TO ASSETS HELD FOR SALE $M | CLOSING BALANCE $M |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Property, plant and equipment | 51.5 | 72.7 | – | (0.4) | 123.8 |
| Provisions and accruals | 556.4 | 455.7 | 1.7 | (9.6) | 1,004.2 |
| Cash flow hedges | 29.3 | – | (1.7) | – | 27.6 |
| Unrealised foreign exchange differences | (14.1) | 0.3 | (24.5) | – | (38.3) |
| Tax losses (revenue) | 182.5 | (182.5) | – | – | – |
| Other | 3.7 | 3.1 | – | – | 6.8 |
| | 809.3 | 349.3 | (24.5) | (10.0) | 1,124.1 |
| **Deferred tax liabilities** | | | | | |
| Intangible assets | (626.3) | – | – | – | (626.3) |
| Prepayments | (3.8) | (0.1) | – | 0.3 | (3.6) |
| Other | (36.5) | 34.2 | 2.0 | 3.8 | 3.5 |
| | (666.6) | 34.1 | 2.0 | 4.1 | (626.4) |
| **Net deferred tax asset/(liability)** | 142.7 | 383.4 | (22.5) | (5.9) | 497.7 |

## 3.6 Income taxes (continued)

### SIGNIFICANT ACCOUNTING POLICIES

Income tax in the Consolidated Statement of Profit or Loss for the period presented comprises current and deferred tax.

**CURRENT TAX**
Income tax payable represents the amount expected to be paid to taxation authorities on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

**DEFERRED TAX**
Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

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.

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

Income tax is recognised in the Consolidated Statement of Profit or Loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Deferred taxes on indefinite life intangible assets*
In November 2016, the IFRS Interpretations Committee (IC) published a summary of its discussions following a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purpose of measuring deferred taxes in accordance with IAS 12 – Income Taxes. The IC noted that the fact that an entity does not amortise an intangible asset with an indefinite useful life does not mean that it has an infinite life and that the entity will recover the carrying amount of that asset only through sale and not through use.

The benefit of intangible assets with an indefinite useful life will flow to the Company on an annual basis, therefore the carrying amount will be recovered through use. In response to this clarification, the Company retrospectively changed its accounting policy for the deferred tax liabilities recorded in relation to these intangibles assets.

The following table summarises the impact of this change in accounting policy on the Consolidated Statement of Financial Position. This change did not have an impact on the 2016 comparative figures reported in the Consolidated Statement of Profit or Loss or Consolidated Statement of Other Comprehensive Income and Consolidated Statements of Cash Flows.

| INCREASE/(DECREASE) OF PREVIOUSLY REPORTED BALANCES | NOTE | 2016 $M |
|---|---|---|
| Goodwill | 3.4 | 612.3 |
| Deferred tax liabilities | 3.6.3 | 612.3 |

**TAX CONSOLIDATION**
The Company and its wholly-owned Australian resident entities formed a tax consolidated group with effect from 1 July 2002. Woolworths Limited is the head entity of the tax consolidated group and has assumed the current tax liabilities of the members in the tax consolidated group.

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 subsidiary where the subsidiary would have been able to recognise the deferred tax asset or deferred tax liability on a standalone basis.

## 3.6 Income taxes (continued)

### SIGNIFICANT ACCOUNTING POLICIES CONTINUED

**TAX CONSOLIDATION CONTINUED**

The members of the tax consolidated group have entered into a tax funding agreement with the Company which sets out the funding obligations in respect of income tax amounts. The agreement requires payments by the subsidiary to the Company equal to the income tax liability assumed by the Company. The Company is required to make payment to the subsidiary equal to the current tax asset assumed by the Company.

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

Income tax expense of $68.0 million (2016: $89.6 million) was charged by the Company to subsidiaries during the period through at-call intercompany accounts.

## 3.7 Trade and other payables

| | 2017 $M | 2016 $M |
|---|---|---|
| Trade payables | **5,068.2** | 4,809.1 |
| Accruals | **1,418.7** | 1,278.7 |
| Unearned income | **197.8** | 178.3 |
| | **6,684.7** | 6,266.1 |

## 3.8 Other financial liabilities

| | 2017 $M | 2016 $M |
|---|---|---|
| **Current** | | |
| Gaming entitlement liability | – | 9.0 |
| Derivatives | **63.0** | 109.4 |
| Put option held over non-controlling interest in Hydrox Holdings Pty Ltd | **250.8** | – |
| Other | – | 1.9 |
| | **313.8** | 120.3 |
| **Non-current** | | |
| Derivatives | **115.7** | 148.9 |
| Other | – | 30.9 |
| | **115.7** | 179.8 |
| **Total** | **429.5** | 300.1 |

### Put option over non-controlling interest in Hydrox Holdings Pty Ltd (Hydrox)

As at 25 June 2017, the Company owned 66.7% of Hydrox with the remaining 33.3% held by a subsidiary of Lowe's Companies, Inc. (Lowe's). As part of the terms of the Joint Venture Agreement (JVA) between the parties, Lowe's held a put option, which became exercisable after 20 October 2015. On 16 January 2016, Lowe's issued a notice setting an exercise date for the option triggering a 13-month notice period after which the option could be exercised. On 18 January 2016, Woolworths announced that it intended to exercise its call option over Lowe's 33.3% interest in Hydrox. On 16 February 2016, the Company provided Lowe's with a notice of exercise of its call option.

The Group has valued the put option liability as at 25 June 2017 at $250.8 million as a result of the payment to Lowe's on 4 August 2017 for the acquisition of their 33.3% shareholding (refer to Note 6.5 for further details).

## 3.8 Other financial liabilities (continued)

### SIGNIFICANT ACCOUNTING POLICIES

**DERIVATIVES**
Refer to Note 4.8 for details on derivatives.

**PUT OPTIONS OVER NON-CONTROLLING INTERESTS**
Put options held by non-controlling interests are measured at fair value.

In 2016 the fair value of the put option in Hydrox of $nil was determined with reference to the valuation provided to the Company by the independent expert it appointed in accordance with the process outlined in the JVA. The Group's accounting policy was to recognise changes in the fair value of put options over non-controlling interests directly in equity within general reserves, as these related to a transaction with a non-controlling interest.

In 2017 the change in valuation of the put option liability during the period has been charged to the Consolidated Statement of Profit or Loss. This change results in the Group's accounting policy being more consistent with the substance of the Home Improvement exit.

The change in accounting policy has been applied in the current year as the impact to the prior year is not considered material to the Group. If the change in accounting policy had been applied retrospectively, the prior year charge to General Reserve of $153.4 million would have been reflected in the 2016 Consolidated Statement of Profit or Loss increasing the total loss for the period from $2,347.9 million to $2,501.3 million.

## 3.9 Provisions

| | 2017 $M | 2016 $M |
|---|---|---|
| **Current** | | |
| Employee benefits | **915.0** | 902.4 |
| Self-insured risks | **178.6** | 170.3 |
| Restructuring, onerous contracts, store exit costs and other | **377.0** | 800.8 |
| | **1,470.6** | 1,873.5 |
| **Non-current** | | |
| Employee benefits | **172.4** | 165.4 |
| Self-insured risks | **415.3** | 439.5 |
| Restructuring, onerous contracts, store exit costs and other | **423.2** | 777.5 |
| | **1,010.9** | 1,382.4 |
| **Total** | **2,481.5** | 3,255.9 |

### Movements in total self-insured risks, restructuring, onerous contracts, store exit costs, and other provisions

| | SELF-INSURED RISKS | | RESTRUCTURING, ONEROUS CONTRACTS, STORE EXIT COSTS, AND OTHER | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| *Movement:* | | | | |
| Balance at start of period | **609.8** | 597.7 | **1,578.3** | 69.7 |
| Additional provisions recognised/(reversed) | **141.1** | 160.4 | **(571.9)** | 1,705.3 |
| Reductions arising from payments | **(151.3)** | (141.6) | **(309.1)** | (173.9) |
| Other | **(5.7)** | (7.0) | **61.7** | (24.5) |
| Arising from the disposal of controlled entities | **–** | – | **41.0** | – |
| Effect of movements in foreign exchange rates | **–** | 0.3 | **0.2** | 1.7 |
| **Balance at end of period** | **593.9** | 609.8 | **800.2** | 1,578.3 |
| **Current** | **178.6** | 170.3 | **377.0** | 800.8 |
| **Non-current** | **415.3** | 439.5 | **423.2** | 777.5 |

## 3.9 Provisions (continued)

### SIGNIFICANT ACCOUNTING POLICIES

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made as to the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

**EMPLOYEE BENEFITS**
A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave.

Liabilities expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

**SELF-INSURANCE**
The provision for self-insured risks primarily represents the estimated liability for workers' compensation and public liability claims.

**RESTRUCTURING**
Provision for restructuring is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected by the restructuring that the restructuring will occur.

**ONEROUS CONTRACTS AND STORE EXIT COSTS**
An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

### CRITICAL ACCOUNTING ESTIMATES

**DISCOUNT RATES**
Where a provision is measured using the cash flows estimated to settle the obligation, the cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Rates are reviewed periodically and given the nature of the estimate, reasonably possible changes are not considered likely to have a material impact.

**EMPLOYEE BENEFITS ASSUMPTIONS**
In estimating the value of employee benefits, consideration is given to expected future salary and wage levels (including on-cost rates), experience of employee departures and periods of service. The assumptions are reviewed periodically and given the nature of the estimate, reasonably possible changes in assumptions are not considered likely to have a material impact.

**ACTUARIAL ASSUMPTIONS**
Self-insurance provisions are determined 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 assumptions are reviewed periodically and given the nature of the estimate, reasonably possible changes in assumptions are not considered likely to have a material impact

## 3.9 Provisions (continued)

**CRITICAL ACCOUNTING ESTIMATES CONTINUED**

**RESTRUCTURING, ONEROUS CONTRACTS, AND STORE EXIT COSTS**

The Group has recognised a provision for store closures and onerous leases based on the lower of the estimated unavoidable net costs of meeting all leases and other obligations under the stores and associated contracts, and management's best estimate of the compensation expected to be payable to landlords and other third parties as a result of early termination of contracts. Estimates differ depending on the rent, location, the respective lease exit terms, and management's assessment of the timing and likely termination costs.

The estimates and judgements applied with respect to the recognition of onerous leases in relation to the Home Improvement business involve a high degree of complexity and have a risk of causing a material adjustment within subsequent periods. Any changes to carrying values in subsequent periods due to revisions to estimates or assumptions or as a result of the final realisation of the Home Improvement assets and liabilities upon exit of the business will be recognised in the Group's profit or loss as part of discontinued operations up to the sale of the Home Improvement business and continuing operations subsequent to the sale.

The decrease in onerous contract and store exit costs is primarily attributable to the re-assessment of provisions associated with the Group's planned exit from the Home Improvement business (refer to Note 5.1).

## 3.10 Other non-current liabilities

| | 2017 $M | 2016 $M |
|---|---|---|
| Straight-line lease, and incentive liability | **249.2** | 232.9 |
| Net defined benefit liability | **62.7** | 61.6 |
| | **311.9** | 294.5 |

# 4 CAPITAL STRUCTURE, FINANCING, AND RISK MANAGEMENT

## 4.1 Earnings per share

| | 2017 | 2016 |
|---|---|---|
| **Profit/(loss) for the period attributable to equity holders of the parent entity used in earnings per share ($m)** | | |
| Continuing operations | **1,422.1** | 726.3 |
| Discontinued operations | **111.4** | (1,961.1) |
| | **1,533.5** | (1,234.8) |
| **Weighted average number of shares used in earnings per share (shares, millions)** | | |
| Basic earnings per share [1] | **1,283.9** | 1,263.5 |
| Diluted earnings per share [1, 2] | **1,287.3** | 1,263.9 |
| **Basic earnings per share (cents per share)** [1] | | |
| Continuing operations | **110.8** | 57.5 |
| Discontinued operations | **8.6** | (155.2) |
| | **119.4** | (97.7) |
| **Diluted earnings per share (cents per share)** [1, 2] | | |
| Continuing operations | **110.5** | 57.5 |
| Discontinued operations | **8.6** | (155.2) |
| | **119.1** | (97.7) |

1 Weighted average number of shares has been adjusted to remove Treasury shares held by Woolworths Custodian Pty Ltd (as trustee of various employee share trusts).
2 Includes 3.4 million (2016: 0.4 million) shares deemed to be issued for no consideration in respect of employee options and performance rights.

## 4.2 Dividends

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | CENTS PER SHARE | TOTAL AMOUNT $M | DATE OF PAYMENT | CENTS PER SHARE | TOTAL AMOUNT $M | DATE OF PAYMENT |
| Current year interim | **34** | **437.6** | **07/04/17** | 44 | 559.2 | 08/04/16 |
| Prior year final | **33** | **422.0** | **07/10/16** | 72 | 912.0 | 09/10/15 |
| **Dividends paid during the year** | **67** | **859.6** | | 116 | 1,471.2 | |
| Issue of shares under the DRP | | **(316.5)** | | | (282.1) | |
| Dividends received on Treasury shares | | **(2.2)** | | | (4.3) | |
| **Net cash outflow** | | **540.9** | | | 1,184.8 | |

All dividends are fully franked at a 30% tax rate.

On 23 August 2017, the board of directors declared a final dividend in respect of the 2017 year of 50 cents (2016: 33 cents) per share fully franked at a 30% tax rate. The amount will be paid on 6 October 2017 (2016: 7 October 2016) and is expected to be $647.2 million (2016: $422.0 million). As the dividend was declared subsequent to 25 June 2017, no provision has been made as at 25 June 2017.

### Dividend Reinvestment Plan (DRP)

The Dividend Reinvestment Plan remains active. Eligible shareholders may participate in the DRP in respect of all or part of their shareholding. There is currently no limit on the number of shares that can participate in the DRP.

The directors have determined that a 1.5% discount will apply to the 2017 final dividend. Shares allocated to shareholders under the DRP for the 2017 final dividend will be allocated at an amount equal to 98.5% of the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 12 September 2017. The last date for receipt of election notices for the Dividend Reinvestment Plan is 11 September 2017.

During the year, 37% (2016: 19%) of the dividend paid, excluding the impact of underwriting, was reinvested in the shares of the Company.

## 4.2 Dividends (continued)

### Franking credit balance

| | 2017 $M | 2016 $M |
|---|---|---|
| Franking credits available for future financial years (tax paid basis, 30% tax rate) | **2,577.2** | 2,344.3 |

The above amount represents the balance of the franking accounts as at the end of the period, adjusted for:

- Franking credits that will arise from the payment of income tax payable at the end of the period; and
- Franking debits that will arise from the payment of dividends provided at the end of the period.

The above franking credit balance excludes $134.2 million (2016: $114.1 million) attributable to non-controlling interests.

## 4.3 Contributed equity

| | 2017 | | 2016 | |
|---|---|---|---|---|
| SHARE CAPITAL | NUMBER (M) | $M | NUMBER (M) | $M |
| 1,294,416,480 fully paid ordinary shares (2016: 1,278,758,725) | | | | |
| *Movement:* | | | | |
| Balance at start of period | **1,278.8** | **5,347.0** | 1,266.6 | 5,064.9 |
| Issue of shares as a result of the Dividend Reinvestment Plan[1] | **15.6** | **372.0** | 12.2 | 282.1 |
| **Balance at end of period** | **1,294.4** | **5,719.0** | 1,278.8 | 5,347.0 |
| SHARES HELD IN TRUST | | | | |
| *Movement:* | | | | |
| Balance at start of period | **(4.1)** | **(94.8)** | (5.8) | (155.9) |
| Issue of shares under employee long-term incentive plans | **1.0** | **37.1** | 1.7 | 61.1 |
| Shares acquired by share trust | **(1.8)** | **(46.3)** | – | – |
| **Balance at end of period** | **(4.9)** | **(104.0)** | (4.1) | (94.8) |
| **Contributed equity at end of period** | **1,289.5** | **5,615.0** | 1,274.7 | 5,252.2 |

1 A net increase in the issued share capital of the Company of 15,657,755 fully paid ordinary shares (2016: 12,143,526) occurred as a result of the dividend issue on 7 October 2016 of 9,404,383 fully paid ordinary shares and the dividend issue on 7 April 2017 of 6,253,372 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan (DRP).

### Share capital

Holders of ordinary shares are entitled to receive dividends as declared 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.

### Share options and performance rights

Refer to Note 6.2 for further details of outstanding options and performance rights. Options and performance rights carry no rights to dividends and no voting rights.

## 4.4 Reserves

Movements in reserves and reserve balances are detailed in the following table:

| | 2017 $M | 2016 $M |
|---|---|---|
| **Hedging reserve** | | |
| Balance at start of period | **(70.5)** | (66.1) |
| Movement in the fair value of cash flow hedges | **3.8** | (2.7) |
| Deferred tax arising on cash flow hedges | **1.0** | (1.7) |
| Transfers | **0.2** | – |
| Balance at end of period | **(65.5)** | (70.5) |
| **Foreign currency translation reserve** | | |
| Balance at start of period | **146.2** | (37.2) |
| Transfer to the Consolidated Statement of Profit or Loss | **(30.7)** | – |
| Movement in translation of foreign operations taken to equity, net of tax | **23.8** | 183.4 |
| Balance at end of period | **139.3** | 146.2 |
| **Remuneration reserve** | | |
| Balance at start of period | **226.5** | 266.8 |
| Shares issued by the Woolworths Employee Share Trust | **(37.1)** | (61.1) |
| Equity settled share-based payments expense, net of tax | **51.6** | 20.8 |
| Balance at end of period | **241.0** | 226.5 |
| **Asset revaluation reserve** | | |
| Balance at start and end of period | **16.5** | 16.5 |
| **Equity instrument reserve** | | |
| Balance at start of period | **22.8** | 9.3 |
| Movement in the fair value of investments in equity securities | **2.2** | 13.5 |
| Balance at end of period | **25.0** | 22.8 |
| **General reserve** | | |
| Balance at start of period | **(247.6)** | (94.2) |
| Transactions with non-controlling interests | **–** | (153.4) |
| Disposals of investments | **5.4** | – |
| Other | **(0.3)** | – |
| Balance at end of period | **(242.5)** | (247.6) |
| **Total reserves** | **113.8** | 93.9 |

## 4.4 Reserves (continued)

### SIGNIFICANT ACCOUNTING POLICIES

The nature and purpose of each reserve account is outlined as follows:

**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 the Consolidated Statement of Profit or Loss when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy. Refer to Note 4.8 for details of hedging.

**FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)**

FCTR comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are also included in the FCTR. Refer to Note 4.8 for details of hedging.

**REMUNERATION RESERVE**

The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in the Consolidated Statement of Profit or Loss. Refer to Note 6.2 for details of share-based payments. Shares issued by the Woolworths Employee Share Trust are charged against the reserve.

**ASSET REVALUATION RESERVE**

The asset revaluation reserve arose on acquisition of the previously equity accounted investment in MGW Hotels Pty Ltd and relates to the change in fair value of the Group'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 recognised in other comprehensive income. Upon disposal, the cumulative gain or loss recognised in other comprehensive income is transferred within equity. Refer to Note 3.2 for details of listed equity securities.

**GENERAL RESERVE**

The general reserve is used to record the cumulative gain or loss recognised in other comprehensive income which is transferred within equity upon disposal of listed equity securities (refer to Note 3.2). The reserve is also used to record differences which may arise as a result of transactions with non-controlling interests that do not result in loss of control.

## 4.5 Net cash provided by operating activities

### Cash and cash equivalents as presented in the Consolidated Statement of Cash Flows

| | 2017 $M | 2016 $M |
|---|---|---|
| Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position) | **909.4** | 948.1 |
| Cash and cash equivalents (included within assets held for sale) | **7.3** | 7.9 |
| | **916.7** | 956.0 |

### Reconciliation of profit for the period to net cash provided by operating activities

| | 2017 $M | 2016 $M |
|---|---|---|
| **Profit/(Loss) after income tax expense** | **1,593.4** | (2,347.9) |
| *Adjustments for:* | | |
| Depreciation and amortisation | **1,060.9** | 1,075.9 |
| Put option liability | **250.8** | – |
| Impairment of non-financial assets | **14.4** | 2,118.9 |
| Share-based payments expense | **51.6** | 20.8 |
| Loss/(Profit) on disposal of business | **46.6** | (11.5) |
| Interest capitalised | **(29.9)** | (42.3) |
| Net (profit)/loss on disposal and write-off of property, plant and equipment | **(3.8)** | 17.2 |
| Dividends received | **(3.5)** | (3.2) |
| Other | **31.9** | 8.2 |
| *Changes in:* | | |
| Decrease in inventories | **367.6** | 204.1 |
| Increase/(decrease) in trade payables | **260.2** | (171.8) |
| (Decrease)/increase in provisions [1] | **(821.6)** | 1,655.9 |
| Decrease in trade and other receivables | **2.4** | 29.1 |
| Increase in sundry payables | **134.1** | 225.9 |
| Decrease/(increase) in deferred tax assets | **122.3** | (362.3) |
| Increase/(decrease) in income tax payable | **44.6** | (59.5) |
| **Net cash provided by operating activities** | **3,122.0** | 2,357.5 |

1 Includes restructuring, onerous contracts and store exit costs.

## 4.6 Borrowings

| | 2017 $M | 2016 $M |
|---|---|---|
| **Current, unsecured** | | |
| Short-term money market loans | **170.3** | 45.6 |
| Bank loans | **83.1** | 37.4 |
| Short-term securities | **–** | 407.3 |
| Finance leases | **0.1** | 0.4 |
| | **253.5** | 490.7 |
| **Non-current, unsecured** | | |
| Bank loans | **528.5** | 853.2 |
| Long-term securities | **2,261.7** | 2,331.4 |
| Woolworths Notes II | **–** | 699.1 |
| Unamortised borrowing costs | **(15.5)** | (15.7) |
| Finance leases | **2.3** | 2.9 |
| | **2,777.0** | 3,870.9 |
| **Total** | **3,030.5** | 4,361.6 |

## 4.6 Borrowings (continued)

### Composition of borrowings

| | 2017 | | 2016 | | |
|---|---|---|---|---|---|
| | CARRYING VALUE (NET OF UNAMORTISED BORROWING COSTS) A$M | INSTRUMENT CURRENCY (IF NOT AUD) M | CARRYING VALUE (NET OF UNAMORTISED BORROWING COSTS) A$M | INSTRUMENT CURRENCY (IF NOT AUD) M | MATURITY |
| **Short-term money market loans** | | | | | |
| Short-term loan, on call [1] | **30.4** | **NZ$31.6** | 45.6 | NZ$47.8 | At call |
| Short-term loan, on call | **128.0** | **–** | – | – | At call |
| Short-term loan, on call [1] | **11.9** | **US$9.0** | – | – | At call |
| | **170.3** | | 45.6 | | |
| **Bank loans (current)** | | | | | |
| Committed Revolving Credit Facility [1] | **44.6** | **CNY230.7** | 34.7 | CNY168.8 | At call |
| Committed Revolving Credit Facility [1] | **38.5** | **NZ$40.0** | – | – | Nov 2017 |
| Other | **–** | **–** | 2.7 | – | At call |
| | **83.1** | | 37.4 | | |
| **Short term securities** | | | | | |
| US Senior Notes (private placement) | **–** | **–** | 407.3 | US$300.0 | Apr 2017 |
| | **–** | | 407.3 | | |
| **Bank loans (non-current)** | | | | | |
| Syndicated Bank Loan | **–** | **–** | 300.0 | – | Oct 2019 |
| Syndicated Bank Loan | **–** | **–** | 100.0 | – | Apr 2019 |
| Syndicated Bank Loan | **–** | **–** | 100.0 | – | Oct 2021 |
| Syndicated Bank Loan | **343.5** | **US$260.0** | 353.2 | US$260.0 | Oct 2021 |
| Syndicated Bank Loan | **185.0** | **US$140.0** | – | – | Nov 2020 |
| | **528.5** | | 853.2 | | |
| **Long-term securities** | | | | | |
| US Senior Notes (US 144A market) | **815.2** | **US$617.0** | 837.9 | US$617.0 | Sep 2020 |
| US Senior Notes (US 144A market) | **578.8** | **US$438.0** | 594.9 | US$438.0 | Apr 2021 |
| US Senior Notes (private placement) | **132.1** | **US$100.0** | 135.8 | US$100.0 | Apr 2020 |
| Medium Term Notes | **498.1** | **–** | 497.1 | – | – |
| European Medium Term Notes | **237.1** | **JPY20,000** | 265.3 | JPY20,000 | Nov 2020 |
| Other | **0.4** | **–** | 0.4 | – | – |
| | **2,261.7** | | 2,331.4 | | |
| **Woolworths Notes II** | | | | | |
| Woolworths Notes II | **–** | **–** | 699.1 | – | |

1 Drawn by a subsidiary outside the Woolworths Limited Deed of Cross Guarantee.

**SIGNIFICANT ACCOUNTING POLICIES**

**BORROWINGS**

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the Consolidated Statement of Profit or Loss over the period of the borrowings.

## 4.7 Financing arrangements

Unrestricted access was available to the Group at the reporting date to the following unused lines of credit:

| | 2017 $M | 2016 $M |
|---|---|---|
| Bank overdrafts | **37.5** | 39.7 |
| Bank loan facilities | **4,320.2** | 3,500.1 |
| | **4,357.7** | 3,539.8 |

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, Chinese yuan and US dollars. The bank overdraft facilities may be drawn at any time.

The above facilities are subject to certain financial covenants and undertakings. No covenants have been breached during the period.

## 4.8 Financial risk management

The Group's Treasury function is responsible for managing the liquidity requirements of the Group and mitigating any financial risks relating to the operations of the Group through continuous monitoring and evaluation. These financial risks include:

- Market risk (refer to Note 4.8.1);
- Liquidity risk (refer to Note 4.8.2); and
- Credit risk (refer to Note 4.8.3).

These risks affect the fair value measurements applied by the Group, which is discussed in Note 4.8.4.

The Group adheres to a set of 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 financial instruments for hedging purposes.
The Treasury function reports on its compliance with the policy on a monthly basis to the board of directors and such compliance is reviewed periodically by its internal auditors.

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

The Group holds various types of derivative financial instruments to hedge its exposures to variability in interest rates and foreign exchange rates.

## 4.8 Financial risk management (continued)

### SIGNIFICANT ACCOUNTING POLICIES

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. Subsequently, at each reporting date, the gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Statement of Profit or Loss, unless they qualify for hedge accounting. The Group has cash flow hedge relationships as follows.

**CASH FLOW HEDGE**
A cash flow hedge is a hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The Group's cash flow hedges include:

- Interest rate swap contracts;
- Cross currency interest rate swaps; and
- Forward foreign exchange contracts and options.

Where a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in a separate cash flow hedge reserve within equity.

When the forecast 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 the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were accumulated in equity will be reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. The ineffective part of any derivative designated as a hedge is recognised immediately in the Consolidated Statement of Profit or Loss.

When a hedging instrument expires or is sold, terminated or exercised, but the hedged forecast transaction is still 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, the cumulative unrealised gain or loss accumulated in equity is reclassified immediately into the Consolidated Statement of Profit or Loss.

Gains or losses removed from equity during the period in relation to interest rate hedge instruments are recognised within 'financing costs' in the Consolidated Statement of Profit or Loss.

### 4.8.1 Market risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates (refer to (i) below), interest rates (refer to Note 4.8.1 (ii)) and equity prices (refer to Note 4.8.1 (iii)).

#### (i) Foreign currency risk

The Group has exposure to movements in foreign currency exchange rates through:

- Term borrowings denominated in foreign currency (transaction risk);
- Anticipated purchases of inventory and equipment (transaction risk); and
- Translation of net investments in foreign subsidiaries denominated in foreign currencies (translation risk).

To hedge against the majority of the transaction risk exposure, the Group enters into forward exchange contracts and cross currency interest rate swap agreements. All foreign currency term borrowings are 100% hedged by cross currency interest rate swap agreements.

*Forward exchange contracts and foreign currency options*
It is the policy of the Group to enter into forward exchange contracts (FEC) and foreign currency options (FCO) to cover foreign currency payments and receipts of up to 100% of the exposure generated. These have been designated as cash flow hedges, hedging foreign currency risk and the Group has established a 100% hedge relationship against the identified exposure.

## 4.8 Financial risk management (continued)

### 4.8.1 Market risk continued

*Foreign exchange contracts and options*

At the reporting date, details of significant outstanding FEC and FCO stated in Australian dollar equivalents for the Group are:

| | AVERAGE EXCHANGE RATE | | FOREIGN CURRENCY | | CONTRACT VALUE | | MARK TO MARKET ASSETS | | MARK TO MARKET LIABILITIES | |
|---|---|---|---|---|---|---|---|---|---|---|
| MATURING | 2017 | 2016 | 2017 M | 2016 M | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M |
| **FEC Hedging imports:** | | | | | | | | | | |
| *Within 12 months* | | | | | | | | | | |
| Buy US dollars | **0.75** | 0.72 | **401.4** | 741.8 | **532.5** | 1,035.1 | **1.2** | 0.1 | **(2.5)** | (24.2) |
| Buy US dollars against NZ dollars | **0.72** | 0.67 | **13.8** | 58.1 | **18.6** | 83.2 | **–** | – | **(0.3)** | (3.8) |
| Buy US dollars against Chinese yuan | **7.00** | 7.30 | **4.3** | 0.9 | **5.8** | 1.3 | **–** | – | **(0.1)** | – |
| Buy Euro | **0.66** | 0.66 | **32.6** | 130.6 | **49.2** | 197.9 | **0.4** | 0.6 | **(1.4)** | (0.9) |
| Buy Euro against NZ dollars | **0.64** | 0.60 | **4.3** | 1.6 | **6.4** | 2.5 | **–** | – | **(0.1)** | (0.1) |
| Buy Euro against Chinese yuan | **7.52** | 6.54 | **0.3** | 1.4 | **0.5** | 1.9 | **–** | – | **–** | – |
| Buy/(sell) NZ dollars | **1.07** | 1.09 | **(9.5)** | 2.2 | **(8.9)** | 1.8 | **–** | 0.4 | **(0.2)** | (0.2) |
| Buy HK dollars against US dollars | **7.80** | – | **54.6** | – | **9.2** | – | **–** | – | **–** | – |
| Buy AU dollars against Chinese yuan | **5.15** | – | **0.8** | – | **0.8** | – | **–** | – | **–** | – |
| Buy British pounds | **–** | 0.46 | **–** | 2.6 | **–** | 5.6 | **–** | – | **–** | (0.8) |
| *Within one to three years* | | | | | | | | | | |
| Buy Euro | **0.65** | 0.65 | **0.1** | 6.1 | **0.2** | 9.3 | **–** | 0.1 | **–** | – |
| Buy British pounds | **0.75** | – | **7.0** | – | **9.3** | – | **–** | – | **–** | – |
| **Total** | | | | | **623.6** | 1,338.6 | **1.6** | 1.2 | **(4.6)** | (30.0) |
| **FCO Hedging imports:** | | | | | | | | | | |
| *Within 12 months* | | | | | | | | | | |
| Buy Euro | **0.68** | – | **8.0** | – | **11.8** | – | **0.1** | – | **–** | – |
| Buy US dollars | **0.74** | – | **50.0** | – | **67.6** | – | **0.5** | – | **–** | – |
| **Total** | | | | | **79.4** | – | **0.6** | – | **–** | – |

At the reporting date, the net amount of unrealised losses under forward foreign exchange contracts and options hedging anticipated purchases of inventory and equipment is $2.4 million (2016: $28.8 million unrealised losses). The hedge relationships are all assessed as highly effective with insignificant hedge ineffectiveness and the balance of $2.4 million has been recognised in the hedging reserve (2016: $28.8 million).

Foreign currency exposures arising on translation of net investments in foreign subsidiaries are predominantly unhedged.

## 4.8 Financial risk management (continued)

### 4.8.1 Market risk continued

*Cross currency swap agreements*

To hedge the risk of adverse movements in foreign exchange rates in relation to borrowings denominated in foreign currency, the Group 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.

As at the reporting date, cross currency swaps have a net unrealised gain of $381.1 million (2016: $573.7 million unrealised gain).

These cross currency swaps (combined with interest rate swaps hedging the related interest rate exposure – refer to part (ii)) are designated as cash flow hedges, in a 100% hedge relationship with the underlying debt. The unrealised gain of $61.6 million attributable to the interest rate component of the cross currency swaps has been recognised in the hedging reserve (2016: $147.7 million gain), with insignificant hedge ineffectiveness.

The following table details the cross currency swaps outstanding for the Group at the reporting date:

| | AVERAGE INTEREST RATE | | AVERAGE EXCHANGE RATE | | CONTRACT VALUE | | FAIR VALUE ASSET | | FAIR VALUE LIABILITY | |
|---|---|---|---|---|---|---|---|---|---|---|
| MATURING | 2017 % | 2016 % | 2017 | 2016 | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M |
| **Floating rates – AUD** | | | | | | | | | | |
| Within 12 months[1] | **–** | BBSW +54.6bp | **–** | 0.787 | **–** | 381.2 | **–** | 41.6 | **–** | – |
| One to two years[1] | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| Two to five years[1] | **BBSW +184.0bp** | BBSW +175.2bp | **0.892** | 0.959 | **1,744.1** | 1,204.2 | **401.3** | 509.4 | **(15.8)** | – |
| Five years +[1] | **–** | BBSW +210.3bp | **–** | 0.732 | **–** | 355.4 | **–** | 0.3 | **–** | (5.6) |
| **Floating rates – AUD/JPY** | | | | | | | | | | |
| Two to five years[1] | **BBSW +201.5bp** | BBSW +201.5bp | **87.51** | 87.51 | **228.5** | 228.5 | **11.6** | 45.2 | **(6.7)** | (6.7) |
| | | | | | **1,972.6** | 2,169.3 | **412.9** | 596.5 | **(22.5)** | (12.3) |

1 These fair value calculations include interest accruals of $9.3 million (2016: $10.5 million).

*Sensitivity*

As at the reporting date, the Group's exposure to foreign currency risk after taking into consideration hedges of foreign currency borrowings, foreign currency payables and forecast foreign currency transactions is not considered material.

#### (ii) Interest rate risk

The Group has exposure 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 through the use of interest rate swap contracts.

Hedging activities are evaluated regularly with regard to board approved policy, which provides a level of cost certainty in the near term by fixing a certain level of interest rate exposure, whilst providing flexibility in the longer term by lower hedge levels. The current hedge portfolio is reflective of a previous risk management policy, which was based on a cash flow at risk approach, taking into account the sensitivity to earnings from a 1% change in interest rates.

*Interest rate swap contracts*

Interest rate swap contracts enable the Group to mitigate the risk of adverse movements in interest rates on the debt held. The following table details the floating for fixed interest rate swap contracts outstanding for the Group as at the reporting date:

| | AVERAGE CONTRACTED FIXED INTEREST RATE | | NOTIONAL PRINCIPAL AMOUNT | | FAIR VALUE ASSET | | FAIR VALUE LIABILITY | |
|---|---|---|---|---|---|---|---|---|
| MATURING | 2017 % | 2016 % | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M | 2017 A$M | 2016 A$M |
| Less than one year[1] | **–** | 4.90 | **–** | 1,081.2 | **–** | – | **–** | (23.3) |
| One to two years[1] | **–** | – | **–** | – | **–** | – | **–** | – |
| Two to five years[1] | **5.24** | 5.24 | **1,431.9** | 1,431.9 | **–** | – | **(157.5)** | (202.6) |
| Five years +[1] | **–** | – | **–** | – | **–** | – | **–** | – |
| | | | **1,431.9** | 2,513.1 | **–** | – | **(157.5)** | (225.9) |

1 These fair value calculations include interest accruals as recorded in trade and other payables of $4.9 million (2016: $8.4 million).

## 4.8 Financial risk management (continued)

### 4.8.1 Market risk continued

As at the reporting date, interest rate swaps have an unrealised loss of $157.5 million (2016: $225.9 million unrealised loss). These fair value calculations include interest accruals as recorded in trade and other payables of $4.9 million (2016: $8.4 million). All interest rate swaps have been designated as cash flow hedges based on a 100% hedge relationship against the identified exposure, with insignificant hedge ineffectiveness and the balance of $152.6 million has been recognised in the hedging reserve (2016: $217.5 million).

*Sensitivity analysis*
As at the reporting date, the Group's exposure to interest rate risk after excluding debts that have been hedged is not considered material.

*Cash Flow Hedge Reserve*
The table below details the movements in the cash flow hedge reserve during the year:

| | 2017 $M | 2016 $M |
|---|---|---|
| **Balance at beginning of year** | **(70.5)** | (66.1) |
| *Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges:* | | |
| Cross currency | **(86.0)** | 25.3 |
| Interest rate swaps | **64.9** | 18.6 |
| Forward currency contracts | **(3.7)** | (28.8) |
| Income tax related to gains/losses recognised in other comprehensive income | **9.6** | (7.1) |
| | **(15.2)** | 8.0 |
| *Transferred to initial carrying amount of hedged item:* | | |
| Forward currency contracts | **28.8** | (17.8) |
| Income tax related to amounts transferred to initial carrying amount of hedged item | **(8.6)** | 5.4 |
| | **20.2** | (12.4) |
| **Balance at end of year** | **(65.5)** | (70.5) |

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## 4.8 Financial risk management (continued)

### 4.8.1 Market risk continued

*Maturity profile of financial instruments*

The following tables detail the Group's exposure to interest rate risk at 25 June 2017 and 26 June 2016:

| 2017 | FLOATING INTEREST RATE $M | FIXED INTEREST MATURING IN: 1 YEAR OR LESS $M | 1 TO 2 YEARS $M | 2 TO 5 YEARS $M | OVER 5 YEARS $M | NON-INTEREST BEARING $M | TOTAL $M | AVERAGE EFFECTIVE INTEREST RATE % |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | **553.6** | **–** | **–** | **–** | **–** | **363.1** | **916.7** | **1.17** |
| Trade and other receivables[1] | **–** | **95.0** | **0.7** | **3.4** | **5.8** | **376.2** | **481.1** | **5.11** |
| Other financial assets | **–** | **–** | **–** | **–** | **–** | **523.0** | **523.0** | **–** |
| | **553.6** | **95.0** | **0.7** | **3.4** | **5.8** | **1,262.3** | **1,920.8** | **–** |
| **Financial liabilities** | | | | | | | | |
| Trade and other payables[2,3] | **–** | **–** | **–** | **–** | **–** | **(6,486.9)** | **(6,486.9)** | **–** |
| Provisions | **–** | **–** | **–** | **–** | **–** | **(2,481.5)** | **(2,481.5)** | **–** |
| Borrowings | **(766.6)** | **–** | **(500.4)** | **(1,763.1)** | **–** | **(0.4)** | **(3,030.5)** | **6.01** |
| Other financial liabilities | **(0.8)** | **–** | **–** | **0.8** | **–** | **(429.5)** | **(429.5)** | **–** |
| | **(767.4)** | **–** | **(500.4)** | **(1,762.3)** | **-** | **(9,398.3)** | **(12,428.4)** | **–** |
| **Net financial assets/(liabilities)** | **(213.8)** | **95.0** | **(499.7)** | **(1,758.9)** | **5.8** | **(8,136.0)** | **(10,507.6)** | **–** |

1 Excludes prepayments.
2 Offset against the accounts payable balance are amounts owing from vendors of $ 1,069.3 million. Gross accounts payable prior to offsetting this balance is $6,137.5 million.
3 Excludes unearned income.

| 2016 | FLOATING INTEREST RATE $M | FIXED INTEREST MATURING IN: 1 YEAR OR LESS $M | 1 TO 2 YEARS $M | 2 TO 5 YEARS $M | OVER 5 YEARS $M | NON-INTEREST BEARING $M | TOTAL $M | AVERAGE EFFECTIVE INTEREST RATE % |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 595.1 | – | – | – | – | 360.9 | 956.0 | 1.44 |
| Trade and other receivables | – | 1.2 | 0.7 | 2.1 | 7.2 | 503.0 | 514.2 | 6.04 |
| Other financial assets | – | – | – | – | – | 694.2 | 694.2 | – |
| | 595.1 | 1.2 | 0.7 | 2.1 | 7.2 | 1,558.1 | 2,164.4 | – |
| **Financial liabilities** | | | | | | | | |
| Trade and other payables[1] | – | – | – | – | – | (6,087.8) | (6,087.8) | – |
| Provisions | – | – | – | – | – | (3,255.9) | (3,255.9) | – |
| Borrowings | (1,619.4) | (407.8) | (500.0) | (1,834.0) | – | (0.4) | (4,361.6) | 6.26 |
| Other financial liabilities | 343.7 | (710.8) | (30.9) | 0.8 | 355.4 | (258.3) | (300.1) | – |
| | (1,275.7) | (1,118.6) | (530.9) | (1,833.2) | 355.4 | (9,602.4) | (14,005.4) | – |
| **Net financial assets/(liabilities)** | (680.6) | (1,117.4) | (530.2) | (1,831.1) | 362.6 | (8,044.3) | (11,841.0) | – |

1 Offset against the accounts payable balance are amounts owing from vendors of $1,009.6 million. Gross accounts payable prior to offsetting this balance is $5,818.7 million.

### (iii) Equity price risk

The Group is exposed to changes in the market price of certain equity investments, being the interests held in the ALE Group and SCA Property Group. Subsequent to initial recognition they are measured at fair value with any change recognised in other comprehensive income.

As at the reporting date, the Group's exposure to equity price risk in respect of its investments in the ALE Group and SCA Property Group is not considered material and as such, no hedging of this risk is undertaken.

## 4.8 Financial risk management (continued)

### 4.8.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk arises through the possibility that sales 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 Group has established an appropriate liquidity risk management framework for short, medium and long-term funding requirements, which has been approved by the board of directors.

The Group maintains a liquidity reserve in the form of undrawn bilateral standby facilities of at least $500 million with unexpired tenures of at least 12 months at all times. To minimise refinancing and re-pricing risk, there are limitations placed upon amounts which may expire in a 12-month period and amounts which may be from a single funding source. Additionally, financing facilities are refinanced at least 6 months prior to maturity. Included in Note 4.7 is a summary of undrawn facilities that the Group has at its disposal to draw upon if required.

The following table details the Group's undiscounted financial liabilities and their contractual maturities:

| 2017 | MATURITY ANALYSIS OF FINANCIAL LIABILITIES | | | | |
|---|---|---|---|---|---|
| | 1 YEAR OR LESS $M | 1 TO 2 YEARS $M | 2 TO 5 YEARS $M | OVER 5 YEARS $M | TOTAL $M |
| **Non-derivative liabilities** | | | | | |
| Borrowings | (367.0) | (615.4) | (2,116.5) | (0.4) | (3,099.3) |
| Other financial liabilities | (250.8) | – | – | – | (250.8) |
| Trade and other payables [1] | (6,486.9) | – | – | – | (6,486.9) |
| | (7,104.7) | (615.4) | (2,116.5) | (0.4) | (9,837.0) |
| **Derivative liabilities** | | | | | |
| Foreign exchange contracts pay | (614.0) | (9.5) | – | – | (623.5) |
| Foreign exchange contracts receive | 610.1 | 9.5 | – | – | 619.6 |
| Net foreign exchange contracts | (3.9) | – | – | – | (3.9) |
| Cross currency swaps pay floating | (70.8) | (70.7) | (2,090.7) | – | (2,232.2) |
| Cross currency swaps receive fixed/floating | 83.2 | 83.2 | 2,116.4 | – | 2,282.8 |
| Net receive cross currency swaps | 12.4 | 12.5 | 25.7 | – | 50.6 |
| Net pay interest rate swaps [2] | (50.4) | (50.6) | (75.9) | – | (176.9) |
| | (41.9) | (38.1) | (50.2) | – | (130.2) |
| **Total financial liabilities** | (7,146.6) | (653.5) | (2,166.7) | (0.4) | (9,967.2) |

1 Includes liabilities held for sale (refer to Note 5.2).
2 Interest rate swaps are net settled.

## 4.8 Financial risk management (continued)

### 4.8.2 Liquidity risk continued

| 2016 | MATURITY ANALYSIS OF FINANCIAL LIABILITIES 1 YEAR OR LESS $M | 1 TO 2 YEARS $M | 2 TO 5 YEARS $M | OVER 5 YEARS $M | TOTAL $M |
|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | |
| Borrowings [1] | (1,109.6) | (147.9) | (2,282.9) | (1,626.3) | (5,166.7) |
| Other financial liabilities | (11.0) | (30.8) | – | – | (41.8) |
| Trade and other payables [2] | (6,087.8) | – | – | – | (6,087.8) |
| | (7,208.4) | (178.7) | (2,282.9) | (1,626.3) | (11,296.3) |
| **Derivative liabilities** | | | | | |
| Foreign exchange contracts pay | (1,345.2) | (9.1) | (0.2) | – | (1,354.5) |
| Foreign exchange contracts receive | 1,310.6 | 8.9 | 0.2 | – | 1,319.7 |
| Net foreign exchange contracts | (34.6) | (0.2) | – | – | (34.8) |
| Cross currency swaps pay floating | (461.4) | (69.1) | (1,611.9) | (361.9) | (2,504.3) |
| Cross currency swaps receive fixed | 480.6 | 78.4 | 1,642.5 | 359.1 | 2,560.6 |
| Net receive cross currency swaps | 19.2 | 9.3 | 30.6 | (2.8) | 56.3 |
| Net pay interest rate swaps [3] | (68.1) | (46.2) | (116.2) | – | (230.5) |
| | (83.5) | (37.1) | (85.6) | (2.8) | (209.0) |
| **Total financial liabilities** | (7,291.9) | (215.8) | (2,368.5) | (1,629.1) | (11,505.3) |

1 Borrowings with a maturity of one year or less includes $500 million of syndicated borrowings which are expected to be repaid in advance of the contractual maturity (refer to Note 4.6).
2 Includes liabilities held for sale (refer to Note 5.2).
3 Interest rate swaps are net settled.

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last re-pricing date. Cash flows represented are contractual and calculated on an undiscounted basis, based on current rates at the reporting date.

### 4.8.3 Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In line with board approved policy, the Group can only invest short-term surplus funds or execute derivative financial instruments with approved counterparty banks and financial institutions that are rated A or higher by Standard & Poor's. This is to mitigate the risk of financial loss due to a default by the counterparty.

Each counterparty is assigned a maximum exposure value, based on their credit rating, to limit concentration of credit risk. The Group's exposure to counterparties and their credit ratings is continuously monitored and compared against the board approved counterparty credit limits. The Group measures credit risk using methodologies customarily used by financial institutions. There were no breaches of credit limits during the reporting period.

The recognised financial assets of the Group 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 the reporting date, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2016: Nil). Other than amounts provided for impairment of receivables in Note 3.1, no financial assets were impaired or past due.

## 4.8 Financial risk management (continued)

### 4.8.4 Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined. They are grouped into levels 1 to 3 based on the degree to which the fair value measurement inputs are 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 prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **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).

| FINANCIAL ASSETS/ FINANCIAL LIABILITIES | NOTE | FAIR VALUE AS AT 2017 $M | FAIR VALUE AS AT 2016 $M | FAIR VALUE HIERARCHY | VALUATION TECHNIQUE(S) AND KEY INPUT(S) | SIGNIFICANT UNOBSERVABLE INPUT(S) | RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE |
|---|---|---|---|---|---|---|---|
| Listed equity securities | 3.2 | **Assets 79.8** | Assets 77.3 | Level 1 | Quoted last sale prices in an active market. | n/a | n/a |
| Forward exchange contracts and foreign currency options | 4.8.1<br>4.8.1 | **Assets 2.2**<br>**Liabilities 4.6** | Assets 1.2<br>Liabilities 30.0 | Level 2 | Discounted cash flow – Future cash flows are estimated based on market forward exchange rates as at the end of the reporting period and the contract forward rate, discounted by the observable yield curves of the respective currency. Options were valued using the Black Scholes model. | n/a | n/a |
| Interest rate and cross currency swaps | 4.8.1<br>4.8.1 | **Assets 412.9**<br>**Liabilities 180.0** | Assets 584.5<br>Liabilities 228.3 | Level 2 | Discounted cash flow – Future cash flows are estimated based on market forward rates[1] as at the end of the reporting period and the contract rates, discounted at a rate that reflects the credit risk of the various respective counterparties. | n/a | n/a |
| Put options over non-controlling interests | 3.8 | **Liabilities 250.8** | Liabilities – | Level 2 | Contractual obligation paid post balance date – Refer to Note 3.8 for further details. | n/a | n/a |
| Contingent consideration payable | | **Liabilities –** | Liabilities 21.8 | Level 3 | Discounted cash flow – Future cash flows are estimated based on the adjusted cash flows of the acquired business. | Probability-adjusted cash flows of the acquired business | The higher the probability-adjusted cash flows, the higher the contingent consideration payable. |
| | | | | | | Discount rate | The higher the discount rate, the lower the contingent consideration payable. |

1 Refers to interest rates for interest rate swaps and foreign exchange rates and interest rates for cross currency swaps.

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

## 4.8 Financial risk management (continued)

### 4.8.4 Fair value measurement of financial instruments continued

Reconciliation of Level 3 fair value measurements

| | 2017 $M | 2016 $M |
|---|---|---|
| *Movement:* | | |
| Balance at start of period | **(21.8)** | (918.6) |
| Release of contingent consideration | **20.7** | – |
| Change in fair value of put options over non-controlling interests | **–** | 886.1 |
| Acquisition of non-controlling interest | **–** | 12.1 |
| Foreign exchange gain/(losses) recognised in other comprehensive income | **1.1** | (1.4) |
| **Balance at end of period** | **–** | (21.8) |

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying value of cash and cash equivalents, financial assets, bank and other loans and non-interest bearing monetary financial liabilities of the Group approximates their fair value.

### 4.8.5 Capital management

The Company manages its capital structure with the objective of enhancing long-term shareholder value through optimising its weighted average cost of capital while retaining financial flexibility to invest in its business in a manner consistent with its key priorities. The Company remains committed to a solid investment grade credit rating and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, accelerating working capital initiatives and adjusting its growth capital expenditure and property leasing profile.

In April 2016, the Company introduced a 1.5% discount on the dividend reinvestment plan (DRP) and removed the participation limit. This has continued during 2017 and the participation rate for the October 2016 final and April 2017 interim DRP's were approximately 37%. The October 2016 DRP was partially underwritten to 50%, the proceeds of which were used predominantly to replace the Woolworths Notes II and the balance to allow for accelerated investment in its store renewal program. The discount and uncapped participation will remain in place for the October 2017 final dividend.

The Company will seek to return capital to shareholders when that is consistent with its long-term capital structure objectives and where it will enhance shareholder value.

#### (i) Financing transactions during 2017

*Maturities*

The five-year non-call period for the A$700 million Woolworths Notes II ended on 24 November 2016. Pursuant to a replacement capital covenant, the Notes were refinanced by a combination of surplus cash, debt and equity. Eligible equity assigned to the redemption was raised via the DRP during the interim and final 2016 dividends.

US$300 million (approximately A$381 million) in US notes matured in April 2017. This was repaid with existing bank facilities previously established for this purpose.

*New transactions*

In November 2016, Woolworths Group executed an A$700 million syndicated bank loan facility comprising a three-year and four-year revolving tranche of A$320 million and A$200 million respectively, and a four-year term loan tranche of US$140 million.

#### (ii) Upcoming refinancing

The Company has no debt maturing during 2018.

#### (iii) Guarantee facility

In May 2017, the Company pre-financed its A$400 million bank guarantee facility which matures in November 2017 and increased it to A$500 million. This facility is for the purpose of the Group meeting its WorkCover obligations as a 'self-insurer' by issuing bank guarantees in favour of Australian WorkCover authorities and is underpinned by the international surety market. The original facility was finalised in 2014 for a three-year commitment to November 2017 and is currently fully drawn. The new facility may be drawn at any time up to November 2017, and will expire in three years following initial drawing. It is currently undrawn.

## 4.9 Commitments for expenditure and operating lease expense

### 4.9.1 Commitments for expenditure

Capital expenditure and operating lease commitments of the Group at the reporting date are as follows:

| | 2017 $M | 2016 $M |
|---|---|---|
| **Capital expenditure commitments** | | |
| *Estimated capital expenditure under firm contracts, payable:* | | |
| Not later than one year | **360.7** | 497.4 |
| Later than one year, not later than two years | **6.6** | 43.1 |
| Later than two years, not later than five years | **0.1** | 7.1 |
| | **367.4** | 547.6 |
| **Operating lease commitments** | | |
| *Future minimum rentals under non-cancellable operating leases, payable:* | | |
| Not later than one year | **2,090.7** | 2,073.1 |
| Later than one year, not later than five years | **7,678.7** | 7,468.0 |
| Later than five years | **14,669.4** | 15,188.5 |
| | **24,438.8** | 24,729.6 |
| **Total commitments for expenditure** | **24,806.2** | 25,277.2 |

Operating lease commitments for onerous lease contracts recognised in the Consolidated Statement of Financial Position (refer to Note 3.9) are also disclosed in the table above.

The commitments set out above do not include contingent turnover rentals, which are charged on many retail premises leased by the Group. 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 Group leases retail premises and warehousing facilities which are generally for periods 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 five and 25 years and most include multiple renewal options for additional five to 10 year terms. Under most leases, the Group is responsible for property taxes, insurance, maintenance and expenses related to the leased properties. However, many of the more recent lease agreements have been negotiated on a gross or semi-gross basis, which eliminates or significantly reduces the lessee's exposure to operational charges associated with the properties.

### 4.9.2 Operating lease expense from continuing operations

Operating lease expense recognised in the year is as follows:

| | 2017 $M | 2016 $M |
|---|---|---|
| Minimum lease payments | **2,006.1** | 1,935.5 |
| Contingent rentals | **28.2** | 28.4 |
| | **2,034.3** | 1,963.9 |

#### SIGNIFICANT ACCOUNTING POLICIES

**LEASES**

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Fixed rate increases to lease rental payments, excluding contingent or index-based rental 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.

Operating lease incentives received are initially recognised as a liability and are then recognised as part of the lease expense on a straight-line basis over the lease term.

# 5 GROUP STRUCTURE

## 5.1 Discontinued operations

### Home Improvement

On 18 January 2016, the Company announced that it intended to pursue an orderly prospective exit of the Home Improvement business. Consequently, the Home Improvement business has been classified as a discontinued operation. During the period, the following events have occurred:

- On 24 August 2016, Masters Home Improvement Australia Pty Limited (Masters) appointed GA Australia Pty Ltd (GA Australia) as exclusive agent to manage the sell-down of Masters inventory. Under the terms of the appointment, GA Australia provided a guarantee for the recovery of a guaranteed percentage of the cost value of Masters inventory, subject to certain adjustments. The net proceeds received were approximately $492 million. All Masters stores ceased trading on or before 11 December 2016;
- On 24 August 2016, the Company granted an exclusive call option over its 66.7% shareholding in Hydrox Holdings Pty Ltd (Hydrox) to Home Investment Consortium Company Pty Ltd as trustee for the Home Investment Consortium Trust (Home Consortium). Additionally, Home Consortium proposed to purchase Masters properties through the acquisition of 100% of the shares in Hydrox, subject to Lowe's consent. Subsequent to year end, a Share Sale Agreement (SSA) was entered into for a headline sale price of $525 million subject to the sale of Lowe's shares. The SSA includes a number of freehold trading sites, freehold development sites and leasehold sites. The remaining sites will be acquired by Woolworths prior to completion of the transaction. Refer to Note 6.5 for further details; and
- On 2 October 2016, Hydrox Brands Pty Ltd completed the sale of 100% of the shares in Danks Holdings Pty Limited, the holding company for the Home Timber and Hardware Group (HTH) to Metcash for a headline sale price of $165 million (subject to completion adjustments in accordance with the sale agreement). The sale also resulted in the Group taking assignment of three residual leases of HTH.

The final outcome of the sale of HTH to Metcash and Masters inventory to GA Australia did not have a material impact on the results of the Group for the period.

In addition, on 24 August 2016, the Company purported to terminate the Joint Venture Agreement (JVA) with Lowe's and Hydrox, and the associated option contracts arising under the JVA. As a result, in the Half-Year Financial Report, Lowe's non-controlling 33.3% interest in Hydrox was reinstated as of 24 August 2016. In the Half-Year Financial Report, Lowe's was attributed its 33.3% share of the profit and losses of Hydrox from 24 August 2016 to balance date.

Lowe's challenged the Company's termination of the JVA, and on 21 April 2017, an award was made in the confidential arbitration between the Company and Lowe's. As a consequence of the award, the JVA was determined to remain in place, and therefore from 16 January 2016 Lowe's was no longer entitled to any profits or responsible for any losses of Hydrox. As a result there is no non-controlling interest associated with Lowe's shares and the fair value of the put option in Hydrox as at the end of the reporting period is $250.8 million (refer to Note 3.8 for further details). Subsequent to balance date, on 4 August 2017 Lowe's shares were acquired for the $250.8 million. Refer to Note 6.5 for further information.

The recoverable amount of assets, including a deferred tax asset relating to future deductions expected to be obtained from payments made for provisions for onerous leases and other exit costs, and recognition and measurement of liabilities of the Home Improvement business were re-assessed as at the end of the year end reporting period. The re-assessment for properties included in the Home Consortium transaction reflects the financial impact of that transaction on the basis that the sale of Lowe's shares is the last substantive condition precedent for completion of the SSA. The re-assessment for properties and provisions excluded from the Home Consortium transaction is based on management's best estimate of the expected net proceeds to be realised or payments to be incurred.

The estimates and judgements applied with respect to the recognition of impairment of the Home Improvement assets and associated provisions involve complexity. Any changes to carrying values in future periods due to revisions to estimates or assumptions as a result of the final realisation of the Home Improvement assets and liabilities upon exit of the business will be recognised in the Group's profit or loss as part of discontinued operations up to the sale of Hydrox and continuing operations subsequent to the sale.

## 5.1 Discontinued operations (continued)

### Petrol

On 24 December 2016, the Company entered into a binding agreement to sell its 527 Woolworths-owned fuel convenience sites and 16 committed development sites to BP for $1.785 billion. Consequently, the Petrol business has been classified as a discontinued operation. The transaction is subject to certain conditions including, but not limited to, obtaining Australian Competition and Consumer Commission (ACCC) approval. Completion is expected to occur no earlier than 2 January 2018.

### Analysis of profit/(loss) for the period from discontinued operations

The results of the Home Improvement and Petrol businesses have been separately disclosed and the comparative financial information in the Consolidated Statement of Profit or Loss and associated Notes and Consolidated Statement of Other Comprehensive Income have been restated to present these businesses as discontinued operations separately from continuing operations.

The profit/(loss) for the Home Improvement and Petrol businesses for the reporting period are set out below, including comparative information:

| HOME IMPROVEMENT | 2017 $M | 2016 $M |
|---|---|---|
| Revenue from the sale of goods | **903.3** | 2,100.2 |
| Expenses | **(1,066.1)** | (2,319.0) |
| Impairment of Home Improvement assets and store exit costs [1] | **572.6** | (3,055.1) |
| Put option liability | **(250.8)** | – |
| **Earnings/(Loss) before interest and income tax** | **159.0** | (3,273.9) |
| Net financing costs | **(18.2)** | (19.2) |
| **Profit/(Loss) before income tax** | **140.8** | (3,293.1) |
| Income tax (expense)/benefit | **(139.9)** | 105.1 |
| **Profit/(Loss) for the period from Home Improvement discontinued operations** | **0.9** | (3,188.0) |
| | | |
| PETROL | | |
| Revenue from the sale of goods | **4,682.1** | 4,611.8 |
| Expenses | **(4,524.2)** | (4,501.5) |
| **Earnings before interest and income tax** [2, 3] | **157.9** | 110.3 |
| Net financing costs | **–** | – |
| **Profit before income tax** | **157.9** | 110.3 |
| Income tax expense | **(47.4)** | (33.1) |
| **Profit for the period from Petrol discontinued operations** | **110.5** | 77.2 |
| | | |
| **Total profit/(loss) for the period from discontinued operations** | **111.4** | (3,110.8) |
| | | |
| **Total profit/(loss) from discontinued operations attributable to:** | | |
| Equity holders of the parent entity | **111.4** | (1,961.1) |
| Non-controlling interests [4] | **–** | (1,149.7) |
| | **111.4** | (3,110.8) |

1 2017 relates to the reassessment of the impairment in the recoverable amount of assets and liabilities that was previously recognised as a significant item in 2016 in connection with the Group's decision to exit the Home Improvement business. The reassessment was predominately a result of the reflection of the financial impact of the transaction with Home Consortium on the basis that the sale of Lowe's shares enables completion of the SSA with Home Consortium.

2 Included in the Petrol EBIT for the reporting period ended 25 June 2017 are overhead and other costs of $18 million to $24 million that will remain with the Company following the completion of the transaction. A portion of these costs will be recovered in the short term following the sale as a result of a Transition Services Arrangement. The Company plans to minimise the impact of these costs going forward.

3 Included in the Petrol EBIT for the reporting period ended 25 June 2017 is the cost of funding the full 4cpl fuel discount offer of $68.6 million (2016: $71.5 million). Upon sale completion, the Company and BP will equally fund the 4cpl fuel discount offer based on redemption volumes.

4 As part of the terms of the Joint Venture Agreement between the Company, Lowe's and Hydrox, Lowe's held a put option, which became exercisable after 20 October 2015. On 16 January 2016, Lowe's issued a notice setting an exercise date for the option triggering a 13-month notice period after which the option could have been exercised. From this date, in line with the arbitration award on 21 April 2017, Lowe's was no longer entitled to any profits or responsible for any losses of Hydrox. Subsequent to balance date, on 4 August 2017 Lowe's sold its shares to Home Consortium for the value determined by the third party independent expert. Refer to Note 6.5 Subsequent Events for further information.

## 5.1 Discontinued operations (continued)

### Cash flows from/(used in) discontinued operations

The results of cash flows from/(used in) the Home Improvement and Petrol businesses during the period are set out below, including comparative information:

| HOME IMPROVEMENT | 2017 $M | 2016 $M |
|---|---|---|
| Net cash outflow from operating activities | **(122.7)** | (364.5) |
| Net cash inflow/(outflow) from investing activities | **149.2** | (98.1) |
| Net cash (outflow)/inflow from financing activities | **(4.2)** | 172.1 |
| | **22.3** | (290.5) |
| **PETROL** | | |
| Net cash inflow from operating activities | **115.0** | 118.0 |
| Net cash outflow from investing activities | **(31.4)** | (61.5) |
| Net cash inflow/(outflow) from financing activities | **–** | – |
| | **83.6** | 56.5 |

#### SIGNIFICANT ACCOUNTING POLICIES

**DISCONTINUED OPERATIONS**
A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan. The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss.

#### CRITICAL ACCOUNTING ESTIMATES

The estimates and judgements of impairment of Home Improvement assets and associated costs, that involve a high degree of complexity and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent periods, are described above. Any changes to carrying values in subsequent periods due to revisions to estimates or assumptions or as a result of the final realisation of the Home Improvement assets and liabilities upon exit of the business will be recognised in the Group's profit or loss as part of discontinued operations up to the sale of the Home Improvement business and continuing operations subsequent to the sale.

## 5.2 Assets held for sale

Following the announcement of the exit from the Home Improvement business (refer to Note 5.1), management is finalising the exit from the Home Improvement business. Management has also entered into a binding agreement to sell its 527 Woolworths-owned fuel convenience sites and 16 committed development sites to BP (refer to Note 5.1). In addition, the Group has a number of property assets that it plans to sell.

The sale of Home Timber and Hardware Group was completed during the period (refer to Note 5.1). The associated assets and liabilities were previously classified as held for sale at 26 June 2016.

Assets and liabilities relating to the Petrol business, property, plant and equipment relating to Masters and other Group properties held for sale are included in the following table:

| | 2017 $M | 2016 $M |
|---|---|---|
| Property, plant and equipment | **1,111.0** | 769.5 |
| Other assets | **132.6** | 331.0 |
| **Total assets classified as held for sale** | **1,243.6** | 1,100.5 |

| | 2017 $M | 2016 $M |
|---|---|---|
| **Total liabilities directly associated with assets held for sale** | **20.7** | 202.6 |

### SIGNIFICANT ACCOUNTING POLICIES

**NON-CURRENT ASSETS HELD FOR SALE**
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities classified as held for sale continue to be recognised.

## 5.3 Subsidiaries

### 5.3.1 Deed of cross guarantee

Woolworths Limited and each of the wholly-owned subsidiaries set out below (together referred to as the 'Closed Group'), have entered into a Deed of Cross Guarantee (Deed), as defined in ASIC Corporations Legislative Instrument (Instrument) 2016/785. The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare, audit and lodge separate financial reports.

| COMPANY | |
|---|---|
| ACN 001 259 301 Pty Limited | Pinnacle Liquor Group Pty Limited |
| Advantage Supermarkets Pty Ltd | Pinnacle Wines Pty Limited |
| Advantage Supermarkets WA Pty Ltd | Progressive Enterprises Holdings Limited |
| Andmist Pty. Limited | QFD Pty. Limited |
| Australian Independent Retailers Pty Ltd | Queensland Property Investments Pty Ltd |
| Australian Liquor & Grocery Wholesalers Pty Ltd | Retail FM Pty Ltd |
| Australian Safeway Stores Pty. Ltd. | Universal Wholesalers Pty Limited |
| Barjok Pty Ltd | V I Packaging Pty Ltd |
| Calvartan Pty. Limited | Vincentia Nominees Pty Ltd |
| Cellar Force Pty Ltd | Vinpac International Pty. Limited |
| Cellarmaster Wines Pty Limited | Weetah Pty. Limited |
| Cenijade Pty. Limited | Wine Ark Cellar Club Pty Ltd |
| Charmtex Pty Ltd | Wine IQ Holdings Pty Ltd |
| Dentra Pty. Limited | Winemarket Pty Ltd |
| Dorrien Estate Winery Pty Ltd | Woolies Liquor Stores Pty. Ltd. |
| Drumstar Pty Ltd | Woolstar Pty. Limited |
| Fabcot Pty Ltd | Woolworths (International) Pty Limited |
| Gembond Pty. Limited | Woolworths (Project Finance) Pty. Limited |
| GreenGrocer.com.au Pty Ltd | Woolworths (Publishing) Pty Ltd |
| Grocery Wholesalers Pty Ltd | Woolworths (Q'land) Pty Limited |
| Hydrogen Nominees Pty. Ltd | Woolworths (R & D) Pty Limited |
| Jack Butler & Staff Pty. Ltd. | Woolworths (South Australia) Pty Limited |
| Josona Pty Ltd | Woolworths (Victoria) Pty Limited |
| Kennedy Corporation Holdings Pty Limited | Woolworths (W.A.) Pty Limited |
| Kennedy Corporation Pty Limited | Woolworths Australian Communities Foundation Pty Limited |
| Kiaora Lands Pty Limited | Woolworths Custodian Pty Ltd |
| Langton's Brokerage Pty Ltd | Woolworths Executive Superannuation Scheme Pty Limited |
| Langtons Pty. Ltd. | Woolworths Group Superannuation Scheme Pty Ltd |
| Leasehold Investments Pty Ltd | Woolworths Management Pty Ltd |
| Mac's Liquor Stores Pty Limited | Woolworths Properties Pty Limited |
| Nalos Pty Ltd | Woolworths Property Double Bay Pty Limited |
| Nexday Pty. Limited | Woolworths Townsville Nominee Pty Ltd |
| Oxygen Nominees Pty. Ltd. | Woolworths Trust Management Pty Limited |
| PEH (NZ IP) Pty Ltd | Woolworths Trustee No. 2 Pty Limited |
| Philip Leong Stores Pty Limited | Zimi Wines Pty Ltd |

Woolworths Limited has further subsidiaries not listed above which are not party to the Deed of Cross Guarantee. All material subsidiaries with the exception of those disclosed in Note 5.3.2 (non-wholly owned subsidiaries that have material non-controlling interests) are listed above.

## 5.3 Subsidiaries (continued)

### 5.3.1 Deed of cross guarantee continued

A Statement of Profit or Loss and retained earnings, and statement of financial position for the entities which are party to the Deed at the reporting date are as follows:

Statement of Profit or Loss and retained earnings

| | 2017 $M | 2016 $M |
|---|---|---|
| Revenue from the sale of goods and services | **49,554.3** | 47,939.9 |
| Other operating revenue | **188.7** | 180.0 |
| **Total revenue** | **49,743.0** | 48,119.9 |
| Cost of sales | **(36,830.7)** | (35,902.6) |
| **Gross profit** | **12,912.3** | 12,217.3 |
| Other revenue | **173.5** | 207.4 |
| Branch expenses | **(8,671.9)** | (8,608.5) |
| Administration expenses | **(2,541.4)** | (5,513.3) |
| **Earnings/(Loss) before interest and tax** | **1,872.5** | (1,697.1) |
| Financing income | **92.3** | 292.7 |
| **Profit/(Loss) before income tax** | **1,964.8** | (1,404.4) |
| Income tax expense | **(655.1)** | (128.9) |
| **Profit/(Loss) for the period** | **1,309.7** | (1,533.3) |
| **Retained earnings** | | |
| Balance at start of period | **1,892.9** | 4,897.0 |
| Profit/(Loss) attributable to members | **1,309.7** | (1,533.3) |
| Dividends paid (refer to Note 4.2) | **(859.6)** | (1,471.2) |
| Dividends paid on Treasury shares | **2.2** | 4.3 |
| Actuarial gains/(losses) on defined benefit superannuation plans | **3.2** | (5.6) |
| Tax effect of actuarial (gains)/losses | **(1.0)** | 1.7 |
| **Balance at end of period** | **2,347.4** | 1,892.9 |

## 5.3 Subsidiaries (continued)

### 5.3.1 Deed of cross guarantee continued

Statement of Financial Position

| | 2017 $M | 2016 $M |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **595.1** | 703.8 |
| Trade and other receivables | **1,337.4** | 1,460.1 |
| Inventories | **3,386.0** | 3,423.5 |
| Current tax assets | **–** | 13.8 |
| Other financial assets | **16.1** | 56.0 |
| | **5,334.6** | 5,657.2 |
| Assets held for sale | **646.2** | 169.1 |
| **Total current assets** | **5,980.8** | 5,826.3 |
| **Non-current assets** | | |
| Trade and other receivables | **2,837.6** | 3,040.2 |
| Other financial assets | **2,627.9** | 2,806.0 |
| Property, plant and equipment | **6,363.0** | 6,240.7 |
| Intangible assets | **994.8** | 988.6 |
| Deferred tax assets | **745.0** | 933.3 |
| **Total non-current assets** | **13,568.3** | 14,008.8 |
| **Total assets** | **19,549.1** | 19,835.1 |
| **Current liabilities** | | |
| Trade and other payables | **5,573.6** | 5,042.2 |
| Borrowings | **197.0** | 456.0 |
| Other financial liabilities | **468.7** | 979.7 |
| Current tax payable | **32.2** | – |
| Provisions | **1,042.8** | 1,141.5 |
| Liabilities held for sale | **20.7** | – |
| **Total current liabilities** | **7,335.0** | 7,619.4 |
| **Non-current liabilities** | | |
| Borrowings | **2,776.6** | 3,870.5 |
| Other financial liabilities | **313.8** | 157.9 |
| Provisions | **748.1** | 656.0 |
| Other non-current liabilities | **214.2** | 201.3 |
| **Total non-current liabilities** | **4,052.7** | 4,885.7 |
| **Total liabilities** | **11,387.7** | 12,505.1 |
| **Net assets** | **8,161.4** | 7,330.0 |
| **Equity** | | |
| Contributed equity | **5,615.0** | 5,252.2 |
| Retained earnings | **2,347.4** | 1,892.9 |
| Reserves | **199.0** | 184.9 |
| **Total equity** | **8,161.4** | 7,330.0 |

## 5.3 Subsidiaries (continued)

### 5.3.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

| NAME OF SUBSIDIARY | PRINCIPAL PLACE OF BUSINESS | PROPORTION OF VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS 2017 % | 2016 % | PROFIT/(LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS 2017 $M | 2016 $M | NON-CONTROLLING INTERESTS 2017 $M | 2016 $M | DIVIDENDS PAID TO NON-CONTROLLING INTERESTS 2017 $M | 2016 $M |
|---|---|---|---|---|---|---|---|---|---|
| ALH Group Pty Ltd | Australia | **25** | 25 | **51.7** | 30.7 | **321.7** | 288.1 | **18.1** | 28.8 |
| Hydrox Holdings Pty Ltd [1] | Australia | **33** | 33 | **–** | (1,149.7) | **–** | – | **–** | – |
| Individually immaterial subsidiaries | | | | **8.2** | 5.9 | **28.4** | 23.2 | **3.4** | 3.6 |
| | | | | **59.9** | (1,113.1) | **350.1** | 311.3 | **21.5** | 32.4 |

Summarised financial information in respect of each of the Group's subsidiaries that has a material non-controlling interest were as follows:

| | ALH GROUP PTY LTD 2017 $M | 2016 $M |
|---|---|---|
| Current assets | **433.3** | 414.0 |
| Non-current assets | **4,175.6** | 4,210.0 |
| Current liabilities | **(1,754.3)** | (1,890.5) |
| Non-current liabilities | **(1,570.8)** | (1,574.0) |
| Revenue | **4,256.1** | 4,105.9 |
| Profit after tax | **206.8** | 122.8 |
| Total comprehensive income | **206.8** | 122.8 |
| Net cash inflow | **4.2** | 2.7 |

1 The non-controlling interest in Hydrox is not material to the Group (refer to Note 5.1 for further details). Summarised financial information has therefore not been provided. At 25 June 2017 Lowe's retained their legal ownership of 33.3% of Hydrox however subsequent to balance date, on 4 August 2017, Lowe's sold its shares to Home Consortium. Refer to Note 6.5 for further details.

## 5.4 Parent entity information

Financial information for the parent entity is as follows:

| | 2017 $M | 2016 $M |
|---|---|---|
| **Assets** | | |
| Current assets | **5,261.5** | 5,096.2 |
| Non-current assets | **13,230.9** | 13,666.3 |
| **Total assets** | **18,492.4** | 18,762.5 |
| **Liabilities** | | |
| Current liabilities | **7,726.6** | 9,991.8 |
| Non-current liabilities | **4,034.4** | 4,872.0 |
| **Total liabilities** | **11,761.0** | 14,863.8 |
| **Equity** | | |
| Contributed equity | **5,615.0** | 5,252.2 |
| Reserves | | |
| Hedging reserve | **(65.4)** | (63.1) |
| Remuneration reserve | **241.0** | 226.5 |
| Equity instrument reserve | **25.4** | 23.9 |
| General reserve | **–** | – |
| Retained Earnings | | |
| Profit reserve | **2,919.7** | 463.5 |
| Loss reserve | **(2,004.3)** | (2,004.3) |
| **Total equity** | **6,731.4** | 3,898.7 |

| | 2017 $M | 2016 $M |
|---|---|---|
| Profit/(Loss) for the period | **3,311.4** | (2,004.3) |
| Other comprehensive income | **2.0** | 15.7 |
| **Total comprehensive income/(loss) for the period** | **3,313.4** | (1,988.6) |

### Guarantees

Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned Group (refer to Note 5.3) and agreements held by other subsidiaries are $1,173.7 million (2016: $1,517.1 million).

Other guarantees held by the parent entity are the same as those held by the Group as disclosed in Note 6.1.

### Capital commitments for the acquisition of property, plant and equipment

| | 2017 $M | 2016 $M |
|---|---|---|
| Payable not later than one year | **236.0** | 293.2 |
| Later than one year, not later than two years | **3.6** | 43.0 |
| Later than two years, not later than five years | **0.1** | 7.0 |
| | **239.7** | 343.2 |

**SIGNIFICANT ACCOUNTING POLICIES**

Financial information for the parent entity, Woolworths Limited, has been prepared on the same basis as the Consolidated Financial Statements with the exception of investments in subsidiaries which are accounted for at cost.

## 5.5 Related parties

### Transactions within the Group

During the financial period and previous financial periods, Woolworths Limited advanced loans to, received and repaid 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. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

### Directors and Key Management Personnel

All transactions with directors and Key Management Personnel (including their related parties) were conducted on an arm's length basis in the ordinary course of business and under normal terms and conditions for customers and employees. These transactions are considered trivial or domestic in nature. Related parties of Key Management Personnel who are employees received normal employee benefits on standard terms and conditions.

Disclosures relating to directors and Key Management Personnel are set out in Note 6.3 and in the Remuneration Report.

# 6 OTHER

## 6.1 Contingent liabilities

The Group has entered into guarantees in the normal course of business relating to conditions set out in development applications and for the sale of properties.

State WorkCover authorities also require guarantees against workers' compensation self insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability. Workers' compensation guarantees held at each reporting date do not equal the liability at these dates due to the timing of issuing the guarantees.

The probability of having to make a payment under these guarantees is considered remote.

No provision has been made in the financial statements in respect of these contingencies, however there is a provision of $593.9 million for self-insured risks (2016: $609.8 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

## 6.2 Employee benefits

### 6.2.1 Employee benefits expense from continuing operations

| | 2017 $M | 2016 $M |
|---|---|---|
| Remuneration and on-costs | **7,336.9** | 6,937.3 |
| Superannuation expense | **535.6** | 550.8 |
| Share-based payments expense | **51.6** | 20.8 |
| | **7,924.1** | 7,508.9 |

### 6.2.2 Share-based payments – Woolworths Long-Term Incentive plan

Equity settled share-based payments form part of the remuneration of certain employees of the Group. The Group continues to operate the Woolworths Long-Term Incentive plan (LTI plan). Sub-plans within the LTI plan are as follows:

| | DELIVERS A RIGHT TO ACQUIRE: | SUBJECT TO PERFORMANCE HURDLES BEING MET, CONTINUED EMPLOYMENT AND: |
|---|---|---|
| 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 monetary payment |

No grants have been made under the performance shares or cash award sub-plans.

## 6.2 Employee benefits (continued)

### 6.2.2 Share-based payments – Woolworths Long-Term Incentive plan continued

#### LTI plan

The performance rights sub-plan has been used to make offers of LTI plan which have the following features:

- Upon exercise, each performance right entitles the holder to one ordinary fully paid Woolworths Limited share; and
- Prior to FY17, participants did not receive dividends on unvested equity.

A summary of the LTI plan performance hurdles for all outstanding grants is as follows:

| | | EPS | | RELATIVE TOTAL SHAREHOLDER RETURN (TSR) | | SALES PER TRADING SQUARE METRE (SQM)[3] | RETURN ON FUNDS EMPLOYED (ROFE)[3] |
|---|---|---|---|---|---|---|---|
| GRANT YEAR | VESTING PERIOD (YEARS) | WEIGHTING (%) | HURDLE/ RANGE (%) | WEIGHTING (%) | HURDLE/ RANGE (PERCENTILE) | WEIGHTING (%) | WEIGHTING (%) |
| FY13 – FY14[1] | 5 | 50 | 6 – 8 | 50 | 51st – 75th | n/a | n/a |
| FY15[1] | 3 | 50 | 6 – 8 | 50 | 51st – 75th | n/a | n/a |
| FY16[2] | 3 | 33.33 | np[3] | 66.67 | 51st – 75th | n/a | n/a |
| FY17[4] | 3 | n/a | n/a | 33.34 | 50th – 90th | 33.33 | 33.33 |

1 EPS component vests progressively upon attaining average annual growth of 6% with the full 50% vesting at an average annual growth of 8%. The TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group up to the full 50% vesting where TSR equals the 75th percentile of the comparator group.

2 EPS component vests progressively, upon attaining certain hurdles, to a maximum weighting of 33.33%. The TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group up to the full 66.67% vesting where TSR equals the 75th percentile of the comparator group.

3 Hurdle/range not published (np) as the Company no longer provides market guidance and the targets are commercially sensitive. The LTI targets and performance will be published following the end of the performance period.

4 The TSR component vests progressively upon attaining the gateway share price and where TSR equals or exceeds the 50th percentile of the comparator group up to the full 33.34% vesting where TSR equals the 90th percentile of the comparator group. Sales per trading sqm and ROFE components vest progressively, upon attaining certain hurdles, to a maximum weighting of 66.66%.

#### Deferred Short-Term Incentive (Deferred STI)

The performance rights sub-plan has been used from FY12 to make offers of Deferred STI which has the following features:

- For the FY12 to FY15 Deferred STI plans, a one-year performance measure linked to net profit after tax (NPAT) market guidance and for the FY16 Deferred STI plan, a one-year performance measure linked to Group EBIT;
- For the FY17 Deferred STI plan, a one-year performance measure linked to sales, EBIT, working capital, customer satisfaction and safety; and
- If the performance hurdles are met, participants are required to remain employed for a further two years to gain access to the performance rights, or otherwise forfeit the performance rights unless the board exercises its discretion in accordance with the LTI plan rules.

#### Attraction and retention rights

The performance rights sub-plan has also been used to compensate new hires for foregone equity, and ensure that key employees are retained to protect and deliver on the Company's strategic direction. It has been offered to:

- Executives of newly acquired businesses in order to retain intellectual property during transition periods; or
- Attract new executives, generally from overseas; or
- Middle management or executives deemed to be top talent who had either no or relatively small grants scheduled to vest over the ensuing two years.

Attraction and retention rights generally do not have performance measures attached to them due to the objective of retaining key talent and vest subject to the executive remaining employed by the Company, generally for two or more years.

## 6.2 Employee benefits (continued)

### 6.2.2 Share-based payments – Woolworths Long-Term Incentive plan continued

Performance rights by grant date

The following table summarises movements in outstanding rights for the financial period ended 25 June 2017:

| FINANCIAL YEAR | PERFORMANCE PERIOD START DATE | EXERCISE DATE | NO. OF RIGHTS AT 26 JUNE 2016 | RIGHTS GRANTED DURING YEAR | RIGHTS VESTED DURING YEAR | RIGHTS LAPSED DURING YEAR | NO. OF RIGHTS AT 25 JUNE 2017 |
|---|---|---|---|---|---|---|---|
| **Performance rights (LTI plan and Deferred STI)** | | | | | | | |
| FY12 | 01/07/11 | 01/07/16 | **137,089** | – | – | **(137,089)** | – |
| FY13 | 01/07/12 | 01/07/17 | **191,513** | – | – | **(25,410)** | **166,103** |
| FY14 | 01/07/13 | 01/07/18 | **1,107,669** | – | **(768,440)** | **(51,466)** | **287,763** |
| FY15 | 01/07/14 | 01/07/17 | **684,339** | – | – | **(472,222)** | **212,117** |
| FY16 | 01/07/15 | 01/07/18 | **1,954,304** | – | – | **(1,358,490)** | **595,814** |
| FY17 | 01/07/16 | 01/07/19 | – | **4,774,661** | – | **(128,342)** | **4,646,319** |
| **Performance rights (attraction and retention)** | | | | | | | |
| FY14 | 01/07/13 to 20/06/14 | 01/07/14 to 02/10/18 | **40,050** | – | **(36,050)** | – | **4,000** |
| FY15 | 01/07/14 to 01/06/15 | 02/09/14 to 07/04/18 | **77,353** | – | **(58,243)** | **(5,232)** | **13,878** |
| FY16 | 01/07/15 to 20/06/16 | 01/07/16 to 01/10/18 | **793,241** | – | **(180,699)** | **(58,590)** | **553,952** |
| FY17 | 01/07/16 to 14/06/17 | 31/12/16 to 27/05/20 | – | **166,625** | **(22,145)** | – | **144,480** |
| | | | **4,985,558** | **4,941,286** | **(1,065,577)** | **(2,236,841)** | **6,624,426** |

The weighted average share price during the financial period ended 25 June 2017 was $24.42.

The following table summarises movements in outstanding rights for the financial period ended 26 June 2016:

| FINANCIAL YEAR | PERFORMANCE PERIOD START DATE | EXERCISE DATE | NO. OF RIGHTS AT 28 JUNE 2015 | RIGHTS GRANTED DURING YEAR | RIGHTS VESTED DURING YEAR | RIGHTS LAPSED DURING YEAR | NO. OF RIGHTS AT 26 JUNE 2016 |
|---|---|---|---|---|---|---|---|
| **Performance rights (LTI plan and Deferred STI)** | | | | | | | |
| FY12 | 01/07/11 | 01/07/16 | 149,389 | – | – | (12,300) | 137,089 |
| FY13 | 01/07/12 | 01/07/17 | 1,916,295 | – | (1,631,419) | (93,363) | 191,513 |
| FY14 | 01/07/13 | 01/07/18 | 1,401,834 | – | (36,389) | (257,776) | 1,107,669 |
| FY15 | 01/07/14 | 01/07/17 | 2,337,550 | – | – | (1,653,211) | 684,339 |
| FY16 | 01/07/15 | 01/07/18 | – | 2,114,280 | – | (159,976) | 1,954,304 |
| **Performance rights (attraction and retention)** | | | | | | | |
| FY13 | 01/07/12 to 03/04/13 | 01/07/14 to 11/03/16 | 35,890 | – | (35,890) | – | – |
| FY14 | 01/07/13 to 20/06/14 | 01/07/14 to 02/10/18 | 166,850 | – | (105,400) | (21,400) | 40,050 |
| FY15 | 01/07/14 to 01/06/15 | 02/09/14 to 07/04/18 | 179,490 | – | (87,936) | (14,201) | 77,353 |
| FY16 | 01/07/15 to 20/06/16 | 01/07/16 to 01/10/18 | – | 811,052 | (2,016) | (15,795) | 793,241 |
| | | | 6,187,298 | 2,925,332 | (1,899,050) | (2,228,022) | 4,985,558 |

The weighted average share price during the financial period ended 26 June 2016 was $24.10.

## 6.2 Employee benefits (continued)

### 6.2.2 Share-based payments – Woolworths Long-Term Incentive plan continued

The contractual performance period of the rights set out in the previous tables is used as an input into the model to determine the fair value of options and performance rights. Other inputs in relation to these rights are:

| | | | | | | FAIR VALUE ($) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| GRANT DATE[1] | PERFORMANCE PERIOD START DATE | EXPECTED VOLATILITY[2] (%) | DIVIDEND YIELD (%) | RISK FREE INTEREST RATE (%) | WEIGHTED AVERAGE FV ($) | EPS | TSR | NPAT/EBIT | SALES PER TRADING SQM | ROFE |
| 12/12/11 | 01/07/11 | – | 4.20 | – | 22.39 | – | – | 22.39 | – | – |
| 12/12/11 | 01/07/11 | 17 | 4.20 | 3.40 | 16.19 | 20.05 | 12.33 | – | – | – |
| 07/12/12 | 01/07/12 | 16 | 4.50 | 2.70 | 18.32 | 22.60 | 14.04 | – | – | – |
| 07/12/12 | 01/07/12 | – | 4.50 | – | 25.45 | – | – | 25.45 | – | – |
| 22/03/13 | 01/07/12 | 16 | 4.50 | 3.10 | 21.20 | 26.41 | 15.99 | – | – | – |
| 22/03/13 | 01/07/12 | – | 4.50 | – | 29.74 | – | – | 29.74 | – | – |
| 13/12/13 | 01/07/13 | 16 | 4.10 | 3.40 | 19.51 | 25.56 | 13.46 | – | – | – |
| 13/12/13 | 01/07/13 | – | 4.10 | – | 28.46 | – | – | 28.46 | – | – |
| 29/04/14 | 01/07/13 | 16 | 4.10 | 3.20 | 24.74 | 30.39 | 19.08 | – | – | – |
| 29/04/14 | 01/07/13 | – | 4.10 | – | 33.84 | – | – | 33.84 | – | – |
| 17/10/14 | 01/07/14 | 16 | 4.10 | 2.50 | 21.51 | 29.78 | 13.24 | – | – | – |
| 17/10/14 | 01/07/14 | – | 4.10 | – | 29.78 | – | – | 29.78 | – | – |
| 27/11/14 | 01/07/14 | 16 | 4.10 | 2.50 | 18.66 | 27.37 | 9.94 | – | – | – |
| 19/06/15 | 01/07/14 | 20 | 5.10 | 1.90 | 12.50 | 23.53 | 1.46 | – | – | – |
| 20/11/15 | 01/07/15 | 25 | 5.10 | 2.10 | 12.89 | 19.66 | 9.51 | – | – | – |
| 20/11/15 | 01/07/15 | – | 5.10 | – | 19.66 | – | – | 19.66 | – | – |
| 28/10/16 | 01/07/16 | 22 | 4.00 | 1.80 | 11.75 | – | 11.75 | – | – | – |
| 28/10/16 | 01/07/16 | – | 4.00 | – | 24.66 | – | – | – | 24.66 | 24.66 |

1 Grant date represents the offer acceptance date.
2 The expected volatility is based on the historical implied volatility calculated based on the weighted average remaining life of the performance rights adjusted for any expected changes to future volatility due to publicly available information.

The total shares purchased during the year were 581,692 (2016: 614,415) at an average price per share of $24.71 (2016: $22.85), comprised of purchases under the Executive Management Share Plan and the Employee Share Purchase Plan.

#### Executive Management Share Plan (EMSP)

The EMSP allows executive management to forego some of their future pre-tax remuneration to acquire shares in the Company on-market at prevailing market prices on the Australian Securities Exchange (ASX).

During the period, 955 shares (2016: 1,496) 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 year, 580,737 (2016: 612,919) shares were purchased on behalf of participating employees.

## 6.2 Employee benefits (continued)

### 6.2.2 Share-based payments – Woolworths Long-Term Incentive plan continued

**SIGNIFICANT ACCOUNTING POLICIES**

**SHARE-BASED PAYMENTS**

The grant date fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period, with a corresponding increase in equity.

The fair value of instruments with market-based performance conditions (e.g. TSR) is calculated at the date of grant using a Monte Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per instrument.

The fair value of instruments with non-market-based performance conditions (e.g. EPS, sales per trading SQM, ROFE) and service conditions and retention rights is calculated using a Black-Scholes option pricing model.

The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of instruments that vest except where forfeiture is due to failure to achieve market-based performance conditions.

### 6.2.3 Retirement plans

Defined benefit plans

The Company sponsors a defined benefit plan, the Woolworths Group Superannuation Plan (WGSP *or* the Plan) that provides superannuation benefits for employees upon retirement. The defined benefit plan is closed to new members. The assets of the WGSP are held in a sub-plan within AMP SignatureSuper that is legally separated from the Group. The WGSP invests entirely in pooled unit trust products where prices are quoted on a daily basis.

The WGSP consists of members with defined benefit entitlements and defined contribution (accumulation) benefits. The Plan also pays allocated pensions to a small number of pensioners. The following disclosures relate only to the Company's obligation in respect of defined benefit entitlements.

The Group contributes to the 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 Plan provides lump sum defined benefits that are defined by salary and period of membership.

An actuarial valuation was carried out at both reporting dates by Mr Nicholas Wilkinson, FIAA, Willis Towers Watson. The principal actuarial assumptions used for the purpose of the valuation are as follows:

| | 2017 % | 2016 % |
|---|---|---|
| Discount rate | **3.80** | 3.30 |
| Expected rate of salary increase | **2.50** | 3.00 |
| Rate of price inflation | **2.00** | 2.50 |

The average duration of the defined benefit obligation at the end of the reporting period is 6.4 years (2016: 7.7 years) which relates wholly to active participants.

The amount included in the Consolidated Statement of Financial Position in respect of the defined benefit plan is as follows:

| | 2017 $M | 2016 $M |
|---|---|---|
| Defined benefit obligation | **(433.6)** | (467.2) |
| Fair value of plan assets | **370.9** | 405.6 |
| **Closing net liability for defined benefit obligations** | **(62.7)** | (61.6) |

## 6.2 Employee benefits (continued)

### 6.2.3 Retirement plans continued

Movements in the present value of the net liability for defined benefit obligations, including the total defined benefit cost, are as follows:

| | 2017 $M | 2016 $M |
|---|---|---|
| Net liability for defined benefit obligations at start of period | **(61.6)** | (67.9) |
| *Movement:* | | |
| Current service cost | **(10.1)** | (11.5) |
| Interest cost | **(14.4)** | (21.2) |
| Interest income [1] | **12.6** | 18.6 |
| Return on plan assets greater/(less) than discount rate [1,2] | **24.3** | (8.8) |
| Actuarial (loss)/gain due to experience [2] | **(23.4)** | 8.5 |
| Actuarial gain/(loss) due to assumption changes [2] | **2.3** | (5.3) |
| Total defined benefit cost | **(8.7)** | (19.7) |
| Employer contributions | **7.6** | 26.0 |
| **Net liability for defined benefit obligations at end of period** | **(62.7)** | (61.6) |

1 The actual return on plan assets was $36.9 million (2016: $9.8 million).
2 The sum of the components represents total remeasurement effects recognised in other comprehensive income of $3.2 million gain (2016: $5.6 million loss).

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and expected rate of salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease by $1.7 million (increase by $2.5 million); and
- If the rate of salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $2.1 million (decrease by $1.5 million).

Company contributions are agreed between the Plan Trustees and Company, following advice from the Plan actuary at least every year.

#### Defined contribution plans

The majority of employees in Australia and New Zealand are part of a defined contribution superannuation scheme and receive fixed contributions from the Group in accordance with the rules of the WGSP and/or any statutory obligations.

#### SIGNIFICANT ACCOUNTING POLICIES

**DEFINED BENEFIT PLAN**
The net defined benefit obligation recognised in the Consolidated Statement of Financial Position represents the deficit or surplus in the Group's defined benefit plans which is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The calculation of the defined benefit obligation is performed at the end of each annual reporting period by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised in the period in which they occur, directly in other comprehensive income and will not be reclassified to profit or loss.

The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate at the beginning of the period to the net defined benefit liability, taking into account any changes during the period as a result of contributions and benefit payments. Net interest expense (income), service cost and other expenses related to defined benefit plans are recognised in the Consolidated Statement of Profit or Loss.

**DEFINED CONTRIBUTION PLANS**
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

## 6.3 Key Management Personnel

The total remuneration for Key Management Personnel of the Group is as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Short-term employee benefits | **14,176,416** | 8,735,255 |
| Post employment benefits | **334,138** | 790,785 |
| Other long-term benefits | **116,035** | 271,420 |
| Share-based payments | **6,206,191** | 977,793 |
| | **20,832,780** | 10,775,253 |

### Equity instrument disclosures relating to Key Management Personnel

Details of equity instruments provided as compensation to Key Management Personnel and shares issued on exercise of these instruments, together with the terms and conditions of the instruments, are disclosed in Section 5.1 of the Remuneration Report.

## 6.4 Auditors' remuneration

The auditors' remuneration for the Group is as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Auditors of the parent entity – Deloitte Touche Tohmatsu Australia** | | |
| Audit or review of the financial report | **3,254** | 2,748 |
| Regulatory and compliance related services | **129** | 239 |
| Other non-audit related services [1] | **421** | 173 |
| Tax compliance services | **108** | 113 |
| | **3,912** | 3,273 |
| **Other auditors [2]** | | |
| Audit or review of the financial report | **305** | 218 |
| Other non-audit related services [1] | **83** | 44 |
| Tax compliance services | **154** | 160 |
| | **542** | 422 |
| **Total auditors' remuneration** | **4,454** | 3,695 |

1 Other non-audit related services comprise assistance on various accounting matters, assurance services in relation to debt raisings, regulatory reviews, financial due diligence and other sundry services.
2 Other auditors are international associates of Deloitte Touche Tohmatsu Australia.

## 6.5 Subsequent events

### Home Improvement

The following events occurred subsequent to year end in relation to the Company's exit from the Home Improvement business:

- On 26 June 2017, the Company entered into a Share Sale Agreement (SSA) to sell its 66.7% share of Hydrox to Home Consortium subject to the sale of Lowe's shares. The SSA includes 40 Masters freehold trading sites, 21 Masters freehold development sites and 20 Masters leasehold sites, with Woolworths obliged to acquire three Masters freehold sites and take assignment or assume responsibility for the liabilities associated with 11 Masters leases; and
- On 4 August 2017, Lowe's shares in Hydrox were sold to a Trust with Home Consortium as the beneficiary in exchange for the $250.8 million agreed consideration. The JVA has been subsequently terminated.

The agreement to sell Hydrox has resulted in crystallisation of capital losses associated with the sale of Hydrox after balance date. When the Home Consortium transaction is completed, these capital losses are estimated to be worth approximately $1.8 billion. The recognition of any deferred tax asset associated with these capital losses is dependent on it being probable that there will be sufficient capital gains available against which these capital losses can be utilised in the foreseeable future.

# 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 are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth).

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations Legislative Instrument 2016/785. 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 Instrument applies, as detailed in Note 5.3 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* (Cth).
On behalf of the directors.

**Gordon Cairns**
Chairman

23 August 2017

**Brad Banducci**
Managing Director and Chief Executive Officer

Deloitte.

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## Independent Auditor's Report to the Members of Woolworths Limited

### Report on the Audit of the Financial Report

***Opinion***

We have audited the financial report of Woolworths Limited (the Company) and its subsidiaries (the Group), which comprises the Consolidated Statement of Financial Position as at 25 June 2017, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 25 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Home Improvement exit**<br>As disclosed in Note 5.1 Discontinued Operations, during the financial year there has been significant progress in relation to the exit of the Home Improvement business. As set out in Note 6.5 Subsequent Events there have been further developments that have occurred subsequent to balance date which have resulted in the settlement of the Lowe's put option as well as the sale of Hydrox Holdings Pty Ltd to Home Consortium (the Home Consortium transaction).<br><br>The Home Improvement exit has a number of interrelated components, each of which required consideration, including:<br>• sale of the Home Timber and Hardware Group<br>• liquidation of Masters inventory<br>• closure of all Masters stores and settlement of trading and employee liabilities<br>• accounting for property costs, including re-measurement of onerous leases and exit costs to be settled by the Group<br>• the Lowe's put option<br>• accounting for the Home Consortium transaction<br>• taxation implications relating to the Home Improvement exit.<br>The accounting for these interrelated components is complex and there are significant judgements and estimates required in determining the carrying value of the remaining assets and liabilities held at the balance date, particularly in relation to:<br>• assets and liabilities being disposed of in the Home Consortium transaction<br>• assets and liabilities, including onerous lease provisions and other residual liabilities being retained by the Group<br>• accounting treatment of the Lowe's put option.<br><br>Given these complexities we have considered the accounting for the Home Improvement exit to be a key audit matter. | Our procedures included but were not limited to:<br>• Assessing the appropriateness of the accounting in respect of the sale of Home Timber and Hardware by reference to the sale agreement.<br>• Understanding the terms and conditions in relation to the liquidation of Masters inventory as well as testing that the amounts recorded in revenue and cost of sales are in accordance with the terms of appointment of GA Australia Pty Ltd.<br>• Evaluating and challenging the estimates and judgements within management's assessment of the assets and liabilities, including onerous lease provisions and residual liabilities to be retained by the Group. This included reviewing contracts and lease agreements, and assessing the recorded amounts against historical trends from previously negotiated settlements, as well as assessing the discount rate applied to the calculation of the onerous lease provision.<br>• Evaluating whether the Lowe's put option has been appropriately accounted for.<br>• Agreeing the aggregate carrying value of the assets reflected in the financial statements to the Home Consortium Share Sale Agreement.<br>• Consideration of the taxation implications and the accounting consequences of the Home Improvement exit transactions.<br>• Assessing the appropriateness of the disclosures in notes 5.1 and 6.5. |

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Carrying value of BIG W property, plant and equipment**<br>Included in consolidated property, plant and equipment and other non-current assets are assets relating to BIG W with a carrying value of $514.3 million.<br>The trading performance of BIG W has deteriorated in recent years. As a result, there is a risk that the carrying value of stores and related property, plant and equipment and other non-current assets may be higher than their recoverable amount.<br>Management's approach and results of their testing of the recoverable amount has been described in Notes 3.3 and 3.5.<br>Our audit focused on this area because the assessment of recoverable value requires management to make a number of key judgements and estimates with respect to the future trading performance and profitability of BIG W, including judgements and estimates on future growth rates, the impact of the general economic environment on the sectors in which BIG W operates and the impact of competition on BIG W's market share. These key judgements and estimates are being made in the context of the multi-year turnaround plan which has recently been approved by the board.<br>As a result of the Group's impairment review of BIG W, an impairment charge of $35.3 million was recognised in the financial year ended 25 June 2017. | Our procedures included but were not limited to:<br>• Understanding management and the board's controls over the assessment of the carrying value of BIG W's property, plant and equipment and other non-current assets to determine whether any asset impairment was required.<br>• Understanding management and the board's methodologies and their documented basis for key assumptions which are described in Note 3.3 in the financial report.<br>• In conjunction with our Corporate Finance specialists, we evaluated the Group's assumptions and estimates used to determine the recoverable amount of BIG W, including those relating to long-term growth rates, margins and discount rates with reference to external data such as economic and industry forecasts, comparable companies as well as Deloitte developed discount rates.<br>• Testing, on a sample basis, the mathematical accuracy of the cash flow models and agreeing relevant data to approved budgets and latest forecasts.<br>• Performing sensitivity analysis in relation to the key assumptions, with particular focus on drivers of the growth rates, margins and discount rate used in the impairment models.<br>• Having ascertained the extent of sensitivity to change in those assumptions that either individually or collectively would be required for an impairment, we considered the likelihood of such a movement in those key assumptions arising.<br>• Assessing the appropriateness of the disclosures included at Note 3.3 to the financial statements. |
| **Inventory provisioning**<br>As disclosed in the financial statements at 25 June 2017 the Group held inventories of $4,080.4 million. As set out in the Group's accounting policies in Note 1.2.4, the Group carries inventory at the lower of cost and net realisable value.<br>The Group provides for obsolescence and shrinkage based on estimates including forecast sales assumptions and historical trends. In addition, for general merchandise inventory consideration is given to seasonal lines and slower moving products.<br>As a result, we have focused our work on these areas in assessing that inventory is carried at the lower of cost and net realisable value. | Our procedures included but were not limited to:<br>• Testing the controls associated with inventory valuation.<br>• Evaluating the appropriateness of management's judgements and assumptions applied in calculating the value of inventory by:<br>○ understanding the inventory provisioning policy with specific consideration of aged inventory, seasonality, as well as inventory turn calculations and sell through rates (especially for the non-food and general merchandising businesses)<br>○ testing the value of a sample of inventory to confirm it is held at the lower of cost and net realisable value, through comparison to vendor invoices and sales prices<br>○ reviewing historical accuracy of inventory provisioning with reference to inventory write-offs during the year<br>○ testing the obsolescence and shrink rate and underlying inputs in the inventory provision calculation to supporting documentation and testing the mathematical accuracy of the provision calculations. |

## Independent Auditor's Report

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Accounting for rebates**<br>The Group receives significant rebates, incentives and discounts from suppliers and recognises the majority of these as a reduction in value of inventory or as a reduction in cost of sales depending on the nature of the rebate, incentive or discount. Assessing the timing of recognition of these rebates, incentives and discounts is complex requiring both a detailed understanding of the contractual arrangements as well as complete and accurate source data to which the arrangements apply.<br>Given the significance of rebate arrangements, our audit focused on these arrangements as they impact inventory valuation and cost of goods sold. In addition the timeliness and accuracy of the recording of these arrangements may have a significant impact on the Group's results. | Our procedures included but were not limited to:<br>• Obtaining an understanding of the controls that the Group has established in relation to rebates, incentives and discounts for both automated and manually processed rebates.<br>• Testing of rebates, incentives and discounts on a sample basis, by agreeing them to contracts or other supporting documentation with suppliers, including sales reports and promotion information obtained from suppliers or other sources.<br>• Reviewing the appropriateness of rebate receivables, incentives and discounts at the reporting date.<br>• Assessing the appropriateness of the accounting for rebates, incentives and discounts in the financial statements. |
| **IT Systems**<br>The IT systems across the Group are complex and there are varying levels of integration between them. These systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process and as a result the assessment of IT systems forms a key component of our external audit. | Our procedures included but were not limited to:<br>• Discussing with management the IT environment and consideration of the key financial processes to understand where IT systems were integral to the financial reporting process. From this we identified IT systems to include in the scope of our IT testing.<br>• Testing the design of the key IT controls relating to the Group's financial reporting systems.<br>• In respect of any deficiencies identified, we completed a combination of additional controls and substantive testing in order to determine whether we could place reliance on the completeness and accuracy of system generated information, including:<br>○ understanding review level controls in place<br>○ assessing the design and operating effectiveness of any controls (including review controls) that mitigated the identified risks.<br>• In addition, and where appropriate, we extended the scope of our substantive audit procedures. |

***Other Information***
The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Directors' Responsibilities for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 51 of the Directors' Report for the 52 weeks ended 25 June 2017.

In our opinion, the Remuneration Report of Woolworths Limited, for the 52 weeks ended 25 June 2017, complies with section 300A of the *Corporations Act 2001*.

***Responsibilities***

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 Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

**A V Griffiths**
Partner
Chartered Accountants

Sydney, 23 August 2017

# Condensed five year summary*

## PROFIT OR LOSS

| | | 2017[1] 52 WEEKS | 2016[1] 52 WEEKS | 2015[1] 52 WEEKS | 2014 52 WEEKS | 2013[1] 53 WEEKS |
|---|---|---|---|---|---|---|
| **Continuing operations before significant items**[2] | | | | | | |
| Sales | ($m) | **55,475.0** | 53,473.9 | 58,812.0 | 60,772.8 | 58,516.4 |
| Cost of goods sold | ($m) | **(39,546.1)** | (38,309.3) | (42,596.6) | (44,295.2) | (42,754.9) |
| Gross profit | ($m) | **15,928.9** | 15,164.6 | 16,215.4 | 16,477.6 | 15,761.5 |
| *Gross profit margin* | (%) | ***28.71*** | *28.36* | *27.57* | *27.11* | *26.94* |
| Cost of doing business (CODB) | ($m) | **(13,602.9)** | (12,718.6) | (12,242.3) | (12,702.4) | (12,108.3) |
| *CODB margin* | (%) | ***24.52*** | *23.78* | *20.82* | *20.90* | *20.69* |
| Selling, general and administration expenses (excluding, rent, depreciation and amortisation) | ($m) | **(10,531.0)** | (9,769.4) | (9,316.2) | (9,807.4) | (9,378.6) |
| EBITDAR | ($m) | **5,397.9** | 5,395.2 | 6,899.2 | 6,670.2 | 6,382.9 |
| *EBITDAR margin* | (%) | ***9.73*** | *10.09* | *11.73* | *10.98* | *10.91* |
| Rent (including fitout rent) | ($m) | **(2,034.3)** | (1,963.9) | (1,951.3) | (1,898.7) | (1,764.2) |
| EBITDA | ($m) | **3,363.6** | 3,431.3 | 4,947.9 | 4,771.5 | 4,618.7 |
| *EBITDA margin* | (%) | ***6.06*** | *6.42* | *8.41* | *7.85* | *7.89* |
| Depreciation and amortisation | ($m) | **(1,037.6)** | (985.3) | (974.8) | (996.3) | (965.5) |
| EBIT | ($m) | **2,326.0** | 2,446.0 | 3,973.1 | 3,775.2 | 3,653.2 |
| *EBIT margin* | (%) | ***4.19*** | *4.57* | *6.76* | *6.21* | *6.24* |
| Net financing costs | ($m) | **(179.0)** | (207.7) | (212.9) | (218.9) | (251.1) |
| Woolworths Notes interest | ($m) | **(14.6)** | (37.9) | (40.4) | (41.2) | (46.4) |
| Profit before tax and significant items[2] | ($m) | **2,132.4** | 2,200.4 | 3,719.8 | 3,515.1 | 3,355.7 |
| Taxation | ($m) | **(650.4)** | (677.2) | (1,112.8) | (1,056.7) | (996.6) |
| Profit after tax and before significant items[2] | ($m) | **1,482.0** | 1,523.2 | 2,607.0 | 2,458.4 | 2,359.1 |
| **Discontinued operations**[1,2] | | | | | | |
| Profit/(Loss) after tax and before significant items[1,2] | ($m) | **111.4** | (117.4) | (161.5) | – | 1.8 |
| **Group net profit after tax before significant items**[2] | ($m) | **1,593.4** | 1,405.8 | 2,445.5 | 2,458.4 | 2,360.9 |
| Significant items after tax[2] | ($m) | **–** | (3,753.7) | (308.1) | – | (96.3) |
| **Group net profit/(loss) after tax** | ($m) | **1,593.4** | (2,347.9) | 2,137.4 | 2,458.4 | 2,264.6 |
| Non-controlling interests | ($m) | **(59.9)** | 1,113.1 | 8.6 | (6.7) | (5.2) |
| **Profit/(Loss) attributable to equity holders of the parent entity after tax** | ($m) | **1,533.5** | (1,234.8) | 2,146.0 | 2,451.7 | 2,259.4 |

* In 2017, the five year summary has been condensed to include financial information and metrics considered key to the Annual Report. The full version of the five year summary can be found on the Woolworths Group website. Visit www.woolworthsgroup.com.au

# Condensed five year summary*

## BALANCE SHEET

| | | 2017[1] 52 WEEKS | 2016[1] 52 WEEKS | 2015[1] 52 WEEKS | 2014 52 WEEKS | 2013[2] 53 WEEKS |
|---|---|---|---|---|---|---|
| Inventory | ($m) | **4,080.4** | 4,558.5 | 4,872.2 | 4,693.2 | 4,205.4 |
| Accounts payable | ($m) | **(5,068.2)** | (4,809.1) | (5,040.0) | (4,588.4) | (4,080.0) |
| Net investment in inventory | ($m) | **(987.8)** | (250.6) | (167.8) | 104.8 | 125.4 |
| Receivables | ($m) | **816.8** | 849.8 | 1,001.9 | 965.2 | 985.2 |
| Other creditors[3] | ($m) | **(4,409.9)** | (5,029.2) | (3,123.3) | (3,184.9) | (3,086.1) |
| Fixed assets and investments | ($m) | **8,555.7** | 8,371.3 | 10,164.0 | 9,773.9 | 9,416.1 |
| Net assets held for sale[1] | ($m) | **1,222.9** | 897.9 | 381.6 | 620.6 | 148.7 |
| Intangible assets[4] | ($m) | **6,532.8** | 6,590.6 | 6,244.5 | 6,335.0 | 5,784.3 |
| **Total funds employed**[5] | ($m) | **11,730.5** | 11,429.8 | 14,500.9 | 14,614.6 | 13,373.6 |
| Net tax balances[4] | ($m) | **291.4** | 458.2 | 654.1 | 522.9 | 425.2 |
| **Net assets employed** | ($m) | **12,021.9** | 11,888.0 | 15,155.0 | 15,137.5 | 13,798.8 |
| Cash and borrowings[6] | ($m) | **(2,121.1)** | (3,413.5) | (3,391.3) | (3,432.9) | (3,602.7) |
| Other financial assets and liabilities[3] | ($m) | **(24.7)** | 307.4 | (631.7) | (1,179.2) | (895.6) |
| **Total net assets** | ($m) | **9,876.1** | 8,781.9 | 11,132.0 | 10,525.4 | 9,300.5 |
| Non-controlling interests | ($m) | **350.1** | 311.3 | 297.8 | 272.9 | 272.1 |
| Shareholders' equity | ($m) | **9,526.0** | 8,470.6 | 10,834.2 | 10,252.5 | 9,028.4 |
| **Total equity** | ($m) | **9,876.1** | 8,781.9 | 11,132.0 | 10,525.4 | 9,300.5 |
| Group ROFE before significant items[2,7] | (%) | **25.02** | 19.12 | – | – | – |
| Return on Equity[8] | (%) | **17.04** | 14.43 | 23.27 | 25.43 | 27.37 |

* In 2017, the five year summary has been condensed to include financial information and metrics considered key to the Annual Report. The full version of the five year summary can be found on the Woolworths Group website. Visit www.woolworthsgroup.com.au

# Condensed five year summary*

## CASH FLOW

| | 2017[1] 52 WEEKS $M | 2016[1] 52 WEEKS $M | 2015[1] 52 WEEKS $M | 2014 52 WEEKS $M | 2013[1] 53 WEEKS $M |
|---|---|---|---|---|---|
| **Continuing and discontinued operations**[1] | | | | | |
| EBITDA | **3,703.8** | (592.8) | 4,464.9 | 4,771.5 | 4,572.5 |
| Movement in net investment in inventory | **627.8** | 32.3 | 245.8 | 103.2 | (490.6) |
| Other operating cash flows and other non cash[9] | **(307.5)** | 4,055.8 | 0.4 | 98.7 | 69.8 |
| Net interest paid | **(234.0)** | (289.3) | (310.3) | (338.2) | (454.5) |
| Tax paid | **(668.1)** | (848.5) | (1,055.7) | (1,162.5) | (977.3) |
| **Operating cash flow** | **3,122.0** | 2,357.5 | 3,345.1 | 3,472.7 | 2,719.9 |
| Payments for property, plant, equipment and intangible assets | **(1,909.8)** | (1,982.9) | (2,172.7) | (1,898.7) | (1,955.3) |
| Proceeds on disposal of property, plant and equipment, subsidiaries and investments | **480.5** | 737.0 | 925.4 | 230.9 | 1,008.9 |
| Other investing cash flows | **(2.1)** | (20.8) | (86.6) | (363.6) | (255.3) |
| **Cash flow from operations after investing activities** | **1,690.6** | 1,090.8 | 2,011.2 | 1,441.3 | 1,518.2 |
| New shares issued | **55.5** | – | 6.0 | 35.5 | 193.7 |
| Issue of subsidiary shares to non-controlling interests | **–** | 120.0 | 170.0 | 183.0 | 230.0 |
| Movement in gross debt | **(1,222.4)** | (365.6) | (205.9) | (67.3) | (527.3) |
| Dividends paid | **(540.9)** | (1,184.8) | (1,538.6) | (1,491.1) | (1,396.7) |
| Dividends paid to non-controlling interests | **(21.5)** | (32.4) | (28.8) | (32.0) | (20.1) |
| Transactions with non-controlling interests | **–** | (12.1) | (13.5) | – | – |
| Effects of exchange rate changes on balance of cash held in foreign currencies | **(0.6)** | 6.7 | 10.4 | 4.0 | 6.2 |
| **Net cash flow** | **(39.3)** | (377.4) | 410.8 | 73.4 | 4.0 |

## SHAREHOLDER VALUE AND FINANCIAL STRENGTH

| | | 2017[1] 52 WEEKS | 2016[1] 52 WEEKS | 2015[1] 52 WEEKS | 2014[1] 52 WEEKS | 2013[1] 53 WEEKS |
|---|---|---|---|---|---|---|
| **Shareholder Value** | | | | | | |
| Ordinary share price closing | ($) | **25.36** | 20.56 | 27.39 | 35.66 | 32.81 |
| Market capitalisation | ($m) | **32,826.4** | 26,291.3 | 34,692.6 | 44,925.1 | 41,018.7 |
| Weighted average shares on issue | (m) | **1,283.9** | 1,263.5 | 1,256.6 | 1,248.0 | 1,237.4 |
| Basic EPS continuing operations before significant items[2,10] | (cents per share) | **110.8** | 116.8 | 203.9 | 196.5 | 190.2 |
| Total dividend | (cents per share) | **84.0** | 77.0 | 139.0 | 137.0 | 133.0 |
| Payout ratio before significant items[2] | (%) | **70.74** | 70.44 | 71.67 | 70.27 | 70.42 |
| **Financial Strength** | | | | | | |
| Fixed charges cover[11] | (times) | **2.48** | 2.30 | 2.90 | 3.00 | 3.00 |

* In 2017, the five year summary has been condensed to include financial information and metrics considered key to the Annual Report. The full version of the five year summary can be found on the Woolworths Group website. Visit www.woolworthsgroup.com.au

# Condensed five year summary*

**Notes to five year summary**

1 Discontinued Operations consist of the following:
- For statutory reporting, the Petrol business is reported as a discontinued operation from 2017. For comparative purposes, with the exception of the balance sheet, 2016 has been restated to show Petrol as a discontinued operation. In 2015, 2014 and 2013, the Petrol business continues to be shown within continuing operations;
- The Home Improvement business is reported as a discontinued operation from 2016. For comparative purposes, with the exception of the balance sheet, 2015 has been restated to show Home Improvement as a discontinued operation. In 2014 and 2013, the Home Improvement business continues to be shown within continuing operations; and
- India Wholesale operations were reported as a discontinued operation from 2013.

2 Significant items represent:
- In 2016, costs of $951.1 million before tax from continuing operations ($760.3 million after tax, $749.5 million attributable to equity holders of the parent entity and $10.8 million attributable to non-controlling interests) relating to the Operating model and strategic changes, Store network optimisation and property rationalisation, and General Merchandise impairment;
- In 2016, the $3,062.6 million before tax from discontinued operations ($2,993.4 million after tax, $1,878.3 million attributable to equity holders of the parent entity and $1,115.1 million attributable to non-controlling interests) impairment of Home Improvement assets and related store exit costs relating to Woolworths intention to sell or wind-up the Home Improvement business;
- In 2015, costs of $425.9 million before tax ($308.1 million after tax, $307.3 million attributable to equity holders of the parent entity and $0.8 million attributable to non-controlling interests) relating to the General Merchandise transformation, Business transformation, Redundancy, and Property portfolio review. Note $2.7 million of this significant item related to discontinued operations;
- In 2013, profit of $9.9 million before tax ($7.9 million after tax) on sale of the Consumer Electronics businesses;
- In 2013, the one-off loss of $32.8 million before tax ($28.5 million after tax) on the Shopping Centres Australasia Property Group transaction;
- In 2013, the one-off costs of $25.8 million before tax ($18.1 million after tax) for Victorian transport fleet redundancies; and
- In 2013, the one-off costs of $82.3 million before tax ($57.6 million after tax) relating to the US144A bond redemption.

Where noted, profit and loss items have been adjusted to reflect these significant items.

3 Other financial assets and liabilities primarily represent put options held by non-controlling interests, Hotels gaming entitlement liability, Hills License and assets and liabilities as a result of hedging per AASB 9 *Financial Instruments*. In calculating funds employed, the contingent consideration (2016: $21.8 million, 2015: $20.4 million) has been reclassified to other creditors to better reflect the economic nature of this liability to the Group. 2016 and 2015 have also been restated.

4 Due to a change in the Group's income tax accounting policy disclosed in Note 3.6 of the 2017 Financial Report, the Group is required to 'gross up' the balance sheet for goodwill and deferred tax liabilities in relation to historic purchases of indefinite life intangibles (2017: $612.3 million, 2016: $612.3 million). This change does not impact the profit or loss.

5 Total funds employed is net assets excluding net tax balances, cash and borrowings debt, other financial liabilities, and assets and liabilities as a result of hedging per AASB 9 *Financial Instruments*.

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

7 Return on funds employed (ROFE) is calculated as EBIT for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. ROFE before significant items is calculated as EBIT for the previous 12 months before significant items as a percentage of average (opening, mid and closing) funds employed. This methodology has been adopted for 2017 and 2016. In previous reporting periods, ROFE was calculated as EBIT for the reporting period as a percentage of average (opening and closing) funds employed. As a result of the change in methodology, ROFE for 2015, 2014 and 2013 has not been presented. Due to a change in the Group's income tax accounting policy disclosed in Note 3.6 of the 2017 Financial Report, the Group is required to 'gross up' the balance sheet for goodwill and deferred tax liabilities in relation to historic purchases of indefinite useful life intangibles (2017: $612.3 million, 2016: $612.3m). This change does not impact the profit or loss and has been excluded from the ROFE calculation.

8 Return on equity is profit after income tax (before significant items) attributable to shareholders, divided by average (of opening and closing) shareholders' equity for the year.

9 'Other operating cash flows and other non cash' in 2016 includes $3,789.8 million of significant items recognised in relation to the impairment of non-financial assets, and recognition of onerous lease and other store exit cost provisions. Significant items recognised in relation to the write-down of inventory have been included within the line 'Movement in net investment in inventory'.

10 Basic earnings per share (EPS) is profit after tax and servicing Hybrid Notes attributable to shareholders divided by the weighted average number of ordinary shares on issue during the year. The weighted average number of shares on issue has been calculated in accordance with AASB 133 *Earnings per Share*.

11 Fixed charges cover is EBITDAR (before significant items) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income.

Certain comparative amounts have been reclassified to conform with the current period's presentation to better reflect the economic nature of the assets and liabilities of the Group.

* In 2017, the five year summary has been condensed to include financial information and metrics considered key to the Annual Report. The full version of the five year summary can be found on the Woolworths Group website. Visit www.woolworthsgroup.com.au

# **Shareholder information:** (as at 1 August 2017)

The shareholder information set out below was applicable as at 1 August 2017.

## DISTRIBUTION OF SHARES

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

| RANGE OF SHARES | NUMBER OF SHAREHOLDERS | NUMBER OF SHARES |
|---|---|---|
| 1 – 1,000 | 287,096 | 102,706,811 |
| 1,001 – 5,000 | 125,045 | 264,842,515 |
| 5,001 – 10,000 | 11,903 | 83,926,440 |
| 10,001 – 100,000 | 5,509 | 105,911,263 |
| 100,001 and over | 125 | 737,029,451 |
| **Total** | 429,678 | 1,294,416,480 |

All shares above are fully paid ordinary shares.

(b) There were 8,959 holders of less than a marketable parcel of shares.

## TOP 20 LARGEST SHAREHOLDERS

| | NAME | NUMBER OF SHARES | PERCENTAGE OF TOTAL SHARES ISSUED (%) |
|---|---|---|---|
| 1 | HSBC Custody Nominees (Australia) Limited | 287,648,585 | 22.22 |
| 2 | JP Morgan Nominees Australia Limited | 154,160,824 | 11.91 |
| 3 | Citicorp Nominees Pty Limited | 88,339,612 | 6.82 |
| 4 | BNP Paribas Nominees Pty Ltd | 81,287,758 | 6.28 |
| 5 | National Nominees Limited | 51,205,005 | 3.96 |
| 6 | UBS Nominees Pty Ltd | 9,498,239 | 0.73 |
| 7 | Australian Foundation Investment Company Limited | 5,065,000 | 0.39 |
| 8 | Woolworths Custodian Pty Ltd | 4,845,845 | 0.37 |
| 9 | AMP Life Limited | 4,578,071 | 0.35 |
| 10 | Argo Investments Limited | 4,133,026 | 0.32 |
| 11 | IOOF Investment Management Limited <IPS Super A/C> | 3,020,269 | 0.23 |
| 12 | Milton Corporation Limited | 2,903,973 | 0.22 |
| 13 | Netwealth Investments Limited <Wrap Services A/C> | 2,388,818 | 0.18 |
| 14 | Navigator Australia Ltd <MLC Investment Sett A/C> | 2,227,391 | 0.17 |
| 15 | Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C> | 1,860,431 | 0.14 |
| 16 | Pacific Custodian Pty Limited <WOW Plans Ctrl A/C> | 1,572,511 | 0.12 |
| 17 | RBC Investor Services Australia Nominees Ptd Ltd <VFA A/C> | 1,397,787 | 0.11 |
| 18 | Australian United Investment Company Limited | 1,200,000 | 0.09 |
| 19 | BNP Paribas Noms (NZ) Ltd <DRP> | 1,060,330 | 0.08 |
| 20 | BKI Investment Company Limited | 1,050,244 | 0.08 |

## SUBSTANTIAL SHAREHOLDERS

Woolworths Limited had received the following substantial shareholder notification. As at 1 August 2017, no other substantial notices have been received.

| HOLDER | SHARES HELD AT DATE OF NOTICE | PERCENTAGE OF SHARES HELD AT DATE OF NOTICE (%) | DATE OF NOTICE |
|---|---|---|---|
| BlackRock Group | 64,766,473 | 5.00 | 19/06/2017 |
| Perpetual Limited and subsidiaries | 64,217,336 | 5.05 | 03/03/2016 |

# Shareholder information: (as at 1 August 2017)

## UNQUOTED EQUITY SECURITIES

As at 1 August 2017, there were 6,535,529 performance rights over unissued ordinary shares.

## DIVIDEND

The final dividend of 50 cents per share is expected to be paid on 6 October 2017 to eligible shareholders. A 1.5% discount will apply to the dividend reinvestment plan for the 2017 final dividend. There is currently no limit on the number of shares that can participate in the DRP.

## STOCK EXCHANGE LISTINGS

Woolworths Limited ordinary shares are listed on the Australian Securities Exchange (ASX) under code: WOW.

## AMERICAN DEPOSITORY RECEIPTS

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

## CORPORATE GOVERNANCE STATEMENT

A copy of the Corporate Governance Statement can be found on our website.
Visit www.woolworthsgroup.com.au

## SHAREHOLDER CALENDAR[1]

### 2017

September

7 Ex date for Final Dividend
8 Record date for Final Dividend

October

6 Payment date for Final Dividend
31 Announcement of First quarter sales results

November

23 Annual General Meeting – Melbourne Convention and Exhibition Centre

### 2018

February

23 Announcement of half year results

March

1 Ex date for Interim Dividend
2 Record date for Interim Dividend

April

6 Payment date for Interim Dividend

May

2 Announcement of third quarter sales results

1 Dates are subject to change

# Company directory

## REGISTERED OFFICE

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Web: www.woolworthsgroup.com.au

## COMPANY SECRETARIES

Richard Dammery
Marcin Firek

## INVESTOR RELATIONS

Paul van Meurs – Head of Investor Relations

## AUDITOR

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## SHAREHOLDER ENQUIRIES

Enquiries and correspondence should be directed to Woolworths Limited's Share and Share Plans Registrar, Link Market Services at the following contact details:

Link Market Services
Locked Bag A14, Sydney South NSW 1235
Tel: 1800 111 281
Web: www.linkmarketservices.com.au

For shareholders, please email:
woolworths@linkmarketservices.com.au

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## MEDIA

Woolworths Press Office
Tel: (02) 8885 1033
Email: media@woolworths.com.au

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We are constantly innovating to meet changing needs.

We look for ways to improve every day – better for our customers, team and communities.

# We create **better** experiences **together.**

It's both the retail experiences and the experiences we make possible in customers' lives.

We work seamlessly as one team, leveraging our strength as a Group.

Woolworths Group