WOOLWORTHS LIMITED
ABN 88 000 014 675

ASX RELEASE

26 February 2016

HALF YEAR FINANCIAL REPORT OF WOOLWORTHS LIMITED (ASX: WOW) FOR THE HALF YEAR ENDED 3 JANUARY 2016

This Half Year Financial Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2015 Annual Financial Report and any announcements made to the market during the period.

Current Reporting Period:	Half year ended 3 January 2016 (27 weeks)
Previous Corresponding Period:	Half year ended 4 January 2015 (27 weeks)

HALF YEAR FINANCIAL REPORT OF WOOLWORTHS LIMITED FOR THE HALF YEAR ENDED 3 JANUARY 2016

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RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF YEAR ENDED 3 JANUARY 2016

Revenue and Net Loss

		Percentage Change %		Amount $m
Revenue from ordinary activities	down	1.4	to	32,219.1
Loss from ordinary activities after tax attributable to members	down	176.0	to	(972.7)
Net loss attributable to members	down	176.0	to	(972.7)

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer to Press Release – Half Year Profit/(Loss) and Dividend Announcement for the 27 weeks ended 3 January 2016.

Details Relating to Dividends (Distributions)

2016 Financial Year	**Amount per security**	**Franked amount per security**
Interim dividend	44¢	44¢
Record date for determining entitlement to the interim dividend:	4 March 2016	

		Date dividend payable/paid	**Amount per security ¢**
Interim dividend	2016	8 April 2016	44
	2015	24 April 2015	67

Interim dividend (distribution) per security

	3-Jan-16 ¢ per share	**4-Jan-15 ¢ per share**
Ordinary securities (fully franked at 30% tax rate)	44	67

Interim dividend (distribution) on all securities

	3-Jan-16 $m	**4-Jan-15 $m**
Ordinary securities	559.2[1]	846.3

[1] Represents the anticipated dividend based on the shares on issue as at the date of this report. This value will change if shares are issued between the date of this report and the ex-dividend date.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF YEAR ENDED 3 JANUARY 2016

Details Relating to Dividends (Distributions) (continued)

Other disclosures in relation to dividends (distributions):

On 26 February 2016, the Board of Directors declared an interim dividend of 44 cents per share. The amount that is expected to be paid on 8 April 2016 will be approximately $559.2 million. No provision has been made in the Half Year Financial Report in line with the requirements of AASB 137 '*Provisions, Contingent Liabilities and Contingent Assets*'.

Dividend Reinvestment Plans

The Dividend Reinvestment Plan shown below is in operation.

Dividend Reinvestment Plan (DRP)

Under the terms and conditions of the DRP, eligible shareholders may elect to participate in the DRP in respect of all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the DRP that the directors may specify. There is currently no minimum or maximum number of shares which a shareholder may designate as participating in the DRP.

In accordance with the DRP rules, the Directors have determined that a 1.5% discount will apply to the 2016 interim dividend. Therefore, shares allocated under the DRP for the 2016 interim 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 Tuesday 8 March 2016.

The last date for receipt of election notices for the Dividend Reinvestment Plan	7 March 2016

Net Tangible Assets Per Security

	3-Jan-16 **¢ per share**	**4-Jan-15** **¢ per share**
Net tangible assets per security	223.0	352.4
Add:		
Brand names, liquor and gaming licences, customer relationships, distribution rights and property development rights per security	188.8	193.8
Net tangible assets per security adjusted for brand names, liquor and gaming licences, customer relationships, distribution rights and property development rights	**411.8**	**546.2**

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF YEAR ENDED 3 JANUARY 2016

Details of Entities Over Which Control Has Been Gained or Lost

Control was not gained or lost over entities (or group of entities) during the 27 week period ended 3 January 2016.

Details of Associates

	Ownership Interest	
Name of Entity	**3-Jan-16**	**4-Jan-15**
Associates		
Gage Roads Brewing Co Limited	23.5%	25%
The Quantium Group Holdings Pty Limited	50%	50%

Information on Audit or Review

This Half Year Financial Report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
- ✓ The accounts have been subject to review.
- ☐ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable.

DIRECTORS' REPORT

The directors of Woolworths Limited submit herewith the Half Year Financial Report of Woolworths Limited and its subsidiaries (the "Group" or "Consolidated Entity") for the half year ended 3 January 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

Set out below are the names of the Woolworths Limited directors holding office at any time during the half year ended 3 January 2016 and up to the date of this Report:

Non-Executive Directors

G M Cairns	Chairman (appointed 1 September 2015)
R G Waters	Chairman (retired 1 September 2015)
J R Broadbent	
C Cross	(retired 23 November 2015)
C J Hrdlicka	(retired 8 February 2016)
H S Kramer	(appointed 8 February 2016)
A D D Mackay	(retired 23 October 2015)
S L McKenna	(appointed 8 February 2016)
S R Perkins	
M J Ullmer	

Executive Directors

G O'Brien	Managing Director and Chief Executive Officer

Mr O'Brien is retiring by mutual agreement with the Company, pursuant to a Transition and Separation Deed. In order to facilitate the transition to a new Managing Director and Chief Executive Officer, Mr O'Brien has agreed to continue in his current role as long as is required by the Board.

REVIEW AND RESULTS OF OPERATIONS

Refer to Press Release – Half Year Profit/(Loss) and Dividend Announcement for the 27 weeks ended 3 January 2016.

ROUNDING OF AMOUNTS

The Company is of the kind referred to in Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998 pursuant to s.341(1) of the *Corporations Act 2001*, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. In accordance with that Class Order, amounts in the Directors' Report and Half Year Financial Report have been rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is set out on page 7.

This Report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

GORDON CAIRNS	**GRANT O'BRIEN**
Chairman	Managing Director and Chief Executive Officer
Sydney, 26 February 2016	

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

26 February 2016

Dear Board Members

Auditor's Independence Declaration to Woolworths Limited

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

As lead audit partner for the review of the financial statements of Woolworths Limited for the half year ended 3 January 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

Deloitte.

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Independent Auditor's Review Report to the Members of Woolworths Limited

We have reviewed the accompanying half year financial report of Woolworths Limited, which comprises the condensed consolidated statement of financial position as at 3 January 2016, the condensed consolidated statement of profit or loss, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 10 to 25.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 3 January 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Woolworths Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Deloitte.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Woolworths Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Woolworths Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 3 January 2016 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 26 February 2016

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; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors

GORDON CAIRNS
Chairman

GRANT O'BRIEN
Managing Director and Chief Executive Officer

Sydney, 26 February 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 3 JANUARY 2016

	Note	3-Jan-16 $m	4-Jan-15 $m
Revenue from the sale of goods		31,982.8	32,431.2
Other operating revenue		102.8	108.3
Total revenue		**32,085.6**	**32,539.5**
Cost of sales	4(b)	(23,472.9)	(23,831.7)
Gross profit		**8,612.7**	**8,707.8**
Other revenue		133.5	140.9
Branch expenses	4(b)	(5,659.2)	(5,350.7)
Administration expenses		(1,630.4)	(1,517.0)
Impairment of Home Improvement assets and store exit costs	4(a)	(3,249.5)	-
(Loss)/Earnings before interest and tax		**(1,792.9)**	**1,981.0**
Financial expense		(140.1)	(154.0)
Financial income		6.5	10.1
Net financing costs		**(133.6)**	**(143.9)**
(Loss)/Profit before income tax		**(1,926.5)**	**1,837.1**
Income tax expense		(161.0)	(553.0)
(Loss)/Profit for the period		**(2,087.5)**	**1,284.1**
(Loss)/Profit attributable to:			
Equity holders of the parent entity		(972.7)	1,280.4
Non-controlling interests		(1,114.8)	3.7
(Loss)/Profit for the period		**(2,087.5)**	**1,284.1**
Earnings Per Share (EPS)			
Basic EPS (cents per share)		(77.1)	102.0
Diluted EPS (cents per share)		(77.1)	101.8
Weighted average number of shares used in the calculation of Basic EPS (million)		1,261.8	1,254.9

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes to the condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 3 JANUARY 2016

	3-Jan-16 $m	4-Jan-15 $m
(Loss)/Profit for the period	**(2,087.5)**	**1,284.1**
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Hedging reserve		
Movement in the fair value of cash flow hedges	72.6	441.5
Income tax effect	(21.8)	(132.5)
Transfer cash flow hedges to the statement of profit or loss	(72.1)	(407.4)
Income tax effect	20.7	122.2
Foreign currency translation reserve		
Movement in translation of foreign operations taken to equity	157.2	91.0
Income tax effect	(20.1)	(10.3)
Items that will not be reclassified to profit or loss		
Equity instrument reserve		
Movement in the fair value of investments in equity securities	2.4	9.5
Other comprehensive income (net of tax)	**138.9**	**114.0**
Total comprehensive (loss)/income for the period	**(1,948.6)**	**1,398.1**
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent entity	(833.8)	1,394.1
Non-controlling interests	(1,114.8)	4.0
Total comprehensive (loss)/income for the period	**(1,948.6)**	**1,398.1**

The condensed consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 3 JANUARY 2016

	Note	3-Jan-16 $m	28-Jun-15 $m	4-Jan-15 $m
Current assets				
Cash and cash equivalents		1,002.4	1,333.4	1,550.3
Trade and other receivables		1,022.0	885.2	940.1
Current tax assets		69.4	-	-
Inventories		4,923.1	4,872.2	4,835.2
Other financial assets		131.0	188.5	90.9
		7,147.9	**7,279.3**	**7,416.5**
Assets held for sale		359.5	381.6	287.4
Total current assets		**7,507.4**	**7,660.9**	**7,703.9**
Non-current assets				
Trade and other receivables		49.1	116.7	118.9
Other financial assets		607.9	497.6	564.6
Property, plant and equipment		8,739.7	10,062.1	9,721.0
Intangible assets		6,254.3	6,244.5	6,432.0
Deferred tax assets		1,024.5	755.0	740.0
Total non-current assets		**16,675.5**	**17,675.9**	**17,576.5**
Total assets		**24,182.9**	**25,336.8**	**25,280.4**
Current liabilities				
Trade and other payables		6,837.3	6,181.2	5,795.7
Borrowings		1,112.4	1,645.4	1,147.9
Current tax liabilities		-	100.9	187.3
Other financial liabilities		132.8	161.2	192.1
Provisions		1,579.7	1,079.9	1,028.4
Total current liabilities		**9,662.2**	**9,168.6**	**8,351.4**
Non-current liabilities				
Borrowings		3,412.2	3,079.3	3,752.0
Other financial liabilities		166.8	1,075.1	1,115.1
Provisions		1,243.2	599.4	594.1
Other		289.9	282.4	281.6
Total non-current liabilities		**5,112.1**	**5,036.2**	**5,742.8**
Total liabilities		**14,774.3**	**14,204.8**	**14,094.2**
Net assets		**9,408.6**	**11,132.0**	**11,186.2**
Equity				
Issued capital	8	5,171.8	5,064.9	4,964.0
Shares held in trust	8	(98.0)	(155.9)	(159.4)
Reserves		65.8	95.1	278.7
Retained earnings		3,948.5	5,830.1	5,799.9
Equity attributable to equity holders of the parent entity		**9,088.1**	**10,834.2**	**10,883.2**
Non-controlling interests		320.5	297.8	303.0
Total equity		**9,408.6**	**11,132.0**	**11,186.2**

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 3 JANUARY 2016

For the half year ended 3 January 2016	Issued Capital	Shares Held In Trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Equity Instrument Reserve	General Reserve	Retained Earnings	Equity Attributable to Members of Woolworths Limited	Non- Controlling Interests	Total Equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 29 June 2015	5,064.9	(155.9)	(66.1)	(37.2)	266.8	16.5	9.3	(94.2)	5,830.1	10,834.2	297.8	11,132.0
Loss after income tax expense	-	-	-	-	-	-	-	-	(972.7)	(972.7)	(1,114.8)	(2,087.5)
Other comprehensive (loss)/income for the period (net of tax)	-	-	(0.6)	137.1	-	-	2.4	-	-	138.9	-	138.9
Total comprehensive (loss)/income for the period (net of tax)	**-**	**-**	**(0.6)**	**137.1**	**-**	**-**	**2.4**	**-**	**(972.7)**	**(833.8)**	**(1,114.8)**	**(1,948.6)**
Dividends paid	-	-	-	-	-	-	-	-	(912.0)	(912.0)	(16.5)	(928.5)
Dividends paid - treasury shares	-	-	-	-	-	-	-	-	3.1	3.1	-	3.1
Issue of shares as a result of the dividend reinvestment plan	106.9	-	-	-	-	-	-	-	-	106.9	-	106.9
Issue of shares under the employee share plan and long term incentive plans	-	57.9	-	-	(57.9)	-	-	-	-	-	-	-
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	120.0	120.0
Equity settled share based payments expense	-	-	-	-	38.2	-	-	-	-	38.2	-	38.2
Reclassification of non-controlling interests for recognition of financial liability	-	-	-	-	-	-	-	-	-	-	886.5	886.5
Transactions with non controlling interests	-	-	-	-	-	-	-	(148.3)	-	(148.3)	148.3	-
Other	-	-	(0.2)	-	-	-	-	-	-	(0.2)	(0.8)	(1.0)
Balance at 3 January 2016	**5,171.8**	**(98.0)**	**(66.9)**	**99.9**	**247.1**	**16.5**	**11.7**	**(242.5)**	**3,948.5**	**9,088.1**	**320.5**	**9,408.6**

For the half year ended 4 January 2015	Issued Capital	Shares Held In Trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Equity Instrument Reserve	General Reserve	Retained Earnings	Equity Attributable to Members of Woolworths Limited	Non- Controlling Interests	Total Equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 30 June 2014	4,850.1	(218.9)	(100.3)	67.7	303.1	16.4	(88.7)	-	5,423.1	10,252.5	272.9	10,525.4
Profit after income tax expense	-	-	-	-	-	-	-	-	1,280.4	1,280.4	3.7	1,284.1
Other comprehensive income for the period (net of tax)	-	-	23.6	80.6	-	-	9.5	-	-	113.7	0.3	114.0
Total comprehensive income for the period (net of tax)	**-**	**-**	**23.6**	**80.6**	**-**	**-**	**9.5**	**-**	**1,280.4**	**1,394.1**	**4.0**	**1,398.1**
Dividends paid	-	-	-	-	-	-	-	-	(907.1)	(907.1)	(1.3)	(908.4)
Dividends paid - treasury shares	-	-	-	-	-	-	-	-	3.5	3.5	-	3.5
Issue of shares as a result of options exercised under employee long term incentive plans	6.5	-	-	-	-	-	-	-	-	6.5	-	6.5
Issue of shares as a result of the dividend reinvestment plan	107.4	-	-	-	-	-	-	-	-	107.4	-	107.4
Issue of shares under the employee share plan and long term incentive plans	-	59.5	-	-	(59.5)	-	-	-	-	-	-	-
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	120.0	120.0
Equity settled share based payments expense	-	-	-	-	29.2	-	-	-	-	29.2	-	29.2
Reclassification of non-controlling interests for recognition of financial liability	-	-	-	-	-	-	-	-	-	-	(95.8)	(95.8)
Transaction with non-controlling interests	-	-	-	-	-	-	-	(3.2)	-	(3.2)	3.2	-
Other	-	-	0.3	-	-	-	-	-	-	0.3	-	0.3
Balance at 4 January 2015	**4,964.0**	**(159.4)**	**(76.4)**	**148.3**	**272.8**	**16.4**	**(79.2)**	**(3.2)**	**5,799.9**	**10,883.2**	**303.0**	**11,186.2**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 3 JANUARY 2016

	Note	3-Jan-16 $m	4-Jan-15 $m
Cash Flows from Operating Activities			
Receipts from customers		34,716.5	35,218.3
Payments to suppliers and employees		(32,694.3)	(32,939.9)
Net financing costs paid		(150.9)	(171.4)
Income tax paid		(618.6)	(598.8)
Net cash provided by operating activities		**1,252.7**	**1,508.2**
Cash Flows from Investing Activities			
Proceeds from the sale of property, plant and equipment, assets held for sale and other businesses		273.4	673.0
Payments for property, plant and equipment - property development		(291.5)	(341.8)
Payments for property, plant and equipment - excluding property development		(540.9)	(557.7)
Payments for intangible assets		(23.0)	(25.3)
Payments for the purchase of businesses, net of cash acquired	5	(17.3)	(82.8)
Payments for the purchase of investments and contingent consideration		(1.3)	(2.5)
Dividends received		1.5	3.1
Net cash used in investing activities		**(599.1)**	**(334.0)**
Cash Flows from Financing Activities			
Proceeds from the issue of equity securities	8	-	6.5
Proceeds from the issue of equity securities in subsidiary to non-controlling interest		120.0	120.0
Transactions with non-controlling interests		(12.1)	(13.5)
Proceeds from borrowings		5,237.3	4,658.1
Repayment of borrowings		(5,519.0)	(4,533.1)
Dividends paid		(802.1)	(796.3)
Dividends paid to non-controlling interests		(16.5)	(1.3)
Net cash used in financing activities		**(992.4)**	**(559.6)**
Net (decrease)/increase in cash and cash equivalents		**(338.8)**	**614.6**
Effect of exchange rate changes on foreign currency held		7.8	13.1
Cash and cash equivalents at the beginning of the period		1,333.4	922.6
Cash and cash equivalents at the end of the period		**1,002.4**	**1,550.3**

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

1. Reporting Entity

Woolworths Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The half year financial report for the 27 weeks ended 3 January 2016 ("Half Year Financial Report") comprises the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

2. Statement of Compliance

The Half Year Financial Report of the Group is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Half Year Financial Report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the 52 weeks ended 28 June 2015 and any public announcements by Woolworths Limited and its subsidiaries during the half year in accordance with continuous disclosure obligations under the *Corporations Act 2001*.

The Half Year Financial Report was approved by the Board of Directors on 26 February 2016.

3. Basis of Preparation

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial assets at fair value through other comprehensive income and certain financial liabilities which have been measured at fair value.

All amounts are presented in Australian Dollars, unless otherwise stated.

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

The accounting policies and methods of computation adopted in the preparation of the Half Year Financial Report are consistent with those adopted in the Company's annual financial report for the 52 weeks ended 28 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Certain comparative amounts have been reclassified to conform with the current period's presentation to better reflect the economic nature of the financial position and performance of the Group.

New and amended standards adopted by the Group

None of the new standards or amendments to standards that are mandatory for the first time for the half year beginning 29 June 2015 materially affected any of the amounts recognised in the current period or any prior period and are not likely to significantly affect future periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 3 JANUARY 2016

4. Individually Significant Items

2016 Half year

(a) Impairment of Home Improvement assets and store exit costs

As a result of the Group's planned exit from the Home Improvement market (refer to Note 12), the recoverable amount of assets and recognition and measurement of liabilities of the Home Improvement business have been assessed as at the end of the reporting period based on management's best estimate of the expected net proceeds to be realised or payments to be incurred upon an orderly exit of the Home Improvement business. This has resulted in the following individually significant items being recognised and included within 'Impairment of Home Improvement assets and store exit costs' in the condensed consolidated statement of profit or loss:

	3-Jan-16 Impact on Profit for the period $m
Impairment of property, plant and equipment	(1,464.3)
Impairment of inventories	(547.1)
Onerous lease expense, store and other exit costs	(1,238.1)
Impairment of Home Improvement assets and store exit costs, before income tax	**(3,249.5)**
Income tax benefit	235.9
Impairment of Home Improvement assets and store exit costs, net of tax	**(3,013.6)**
Loss attributable to equity holders of the parent entity	(1,898.5)
Loss attributable to non-controlling interests	(1,115.1)

The loss attributable to non-controlling interests does not approximate Lowe's 33.3% share of the 'Impairment of Home Improvement assets and store exit costs, net of tax' due to tax benefits and other exit costs that are only recognised by the parent entity.

Critical accounting estimates and judgements

The estimates and judgements applied with respect to the recognition of impairment of Home Improvement assets and associated costs which involve a high degree of complexity and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent periods are described below. Any changes to carrying values in subsequent periods due to revisions to estimates or assumptions will be recognised in the Group's profit or loss as part of discontinued operations.

<u>Impairment of property, plant and equipment</u>

Impairment of property, plant and equipment primarily relates to asset impairments of stores, distribution centres and property assets pertaining to the Home Improvement business. Of the total expense recognised:

- $142.2 million relates to impairment of development properties;
- $898.6 million relates to impairment of freehold land, warehouse, retail and other properties;
- $50.4 million relates to impairment of leasehold improvements;
- $340.6 million relates to impairment of plant and equipment; and
- $32.5 million relates to impairment of property, plant and equipment classified as held for sale.

Valuations of property assets have been determined with regard to the Group's asset disposal strategy and investment yields reflective of the characteristics and location of the individual properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

4. Individually Significant Items (continued)

Impairment of inventories

Impairment of inventories relates to the write-down of Home Improvement inventory to net realisable value during the period. Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of inventory and recognised a provision for impairment for this amount.

Onerous lease expense, store and other exit costs

The Group has recognised a provision for store closures, onerous leases and other exit costs in accordance with AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'* based on the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

The Group has recognised a provision for store closures and onerous leases based on the lower of:

- the estimated unavoidable 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 discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Income tax benefit

Income tax benefit primarily represents the deferred tax asset recognised by the Woolworths Group with respect to the impairment of inventories and store exit costs, partially reduced by the reversal of a deferred tax asset primarily in relation to carry forward losses attributable to Hydrox Holdings Pty Ltd which has been derecognised due to uncertainty associated with the future utilisation of these losses. A tax benefit has not been recognised in relation to the expected capital losses on disposal of property assets.

2015 Half year

(b) General Merchandise transformation provision

At HY15, a provision of $148.2 million before tax ($103.7 million after tax) was raised for costs associated with the transformation of the General Merchandise business. The provision represented transformation costs primarily pertaining to inventory and associated expenses of facilitating the alignment of inventory to our customer strategy. Of the total expense recognised, $126.4 million is included within 'Cost of sales' and $21.8 million is included within 'Branch expenses' in the condensed consolidated statement of profit or loss.

(c) Sale of freehold properties

In October 2014, in line with Woolworths' strategy of divesting property assets as appropriate market opportunities arise, Woolworths completed the sale and leaseback of a portfolio of 54 freehold properties for consideration of $603 million. The assets disposed of were classified as held-for-sale as at 29 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

5. Business Acquisitions

Over the course of the half year, the Group acquired various hotel venues and other businesses (HY15 included Summergate Fine Wines and Spirits and Hudson Building Supplies). Each acquisition was for 100% of the respective enterprise. Details of the businesses acquired as at the date of acquisition were as follows:

	3-Jan-16 $m	4-Jan-15 $m
Receivables	-	34.2
Inventories	0.8	33.6
Brand names, customer relationships and other intangibles	10.8	25.4
Property, plant and equipment	1.5	16.9
Cash	0.3	2.5
Other liabilities	(0.4)	(49.7)
Net assets acquired	**13.0**	**62.9**
Goodwill on acquisition	4.6	40.7
Total consideration	**17.6**	**103.6**
Contingent consideration	-	(18.3)
Less: cash balances acquired	(0.3)	(2.5)
Cash consideration paid, net of cash acquired	**17.3**	**82.8**

The fair values of assets and liabilities acquired have been determined on a provisional basis as at the end of the reporting period.

6. Segment Information

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance.

As at the end of the reporting period, the Group had five reportable segments. These business units offer different products and services and are managed separately because they require different technology and marketing strategies. The Group’s reportable segments are as follows:

- **Australian Food, Liquor and Petrol** – procurement of food, liquor and petroleum products for resale to customers in Australia
- **New Zealand Supermarkets** – procurement of food and liquor products for resale to customers in New Zealand
- **General Merchandise** – procurement of discount general merchandise products for resale to customers predominantly in Australia
- **Hotels** – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming in Australia
- **Home Improvement** – procurement of home improvement products for resale to customers in Australia. On 18 January 2016, the Group made a formal announcement to exit the Home Improvement business (refer to Note 12) and consequently this segment will be presented as a discontinued operation in the Company’s consolidated annual report for the 52 weeks ended 26 June 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 head office costs.

The financial performance of the Group, in particular General Merchandise, is affected by seasonality whereby earnings are typically greater in the first half of the financial year due to the Christmas trading period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

6. Segment Information (continued)

Operating Segments	Australian Food, Liquor and Petrol		New Zealand Supermarkets		General Merchandise		Hotels		Home Improvement		Unallocated		Consolidated	
	HY16 $A m	HY15 $A m	HY16 $A m	HY15 $A m	HY16 $A m	HY15 $A m	HY16 $A m	HY15 $A m	HY16 $A m	HY15 $A m	HY16 $A m	HY15 $A m	HY16 $A m	HY15 $A m
Revenue from the sale of goods	24,865.9	25,506.2	2,894.6	2,789.6	2,271.5	2,364.9	802.4	782.4	1,148.4	988.1	-	-	**31,982.8**	32,431.2
Other operating revenue	97.2	102.4	5.2	5.5	0.4	0.4	-	-	-	-	-	-	**102.8**	108.3
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	623.4	490.3	**623.4**	490.3
Segment revenue	24,963.1	25,608.6	2,899.8	2,795.1	2,271.9	2,365.3	802.4	782.4	1,148.4	988.1	623.4	490.3	**32,709.0**	33,029.8
Eliminations	-	-	-	-	-	-	-	-	-	-	(623.4)	(490.3)	**(623.4)**	(490.3)
Unallocated revenue (1)											133.5	140.9	**133.5**	140.9
Total revenue	24,963.1	25,608.6	2,899.8	2,795.1	2,271.9	2,365.3	802.4	782.4	1,148.4	988.1	133.5	140.9	**32,219.1**	32,680.4
Segment earnings before interest, tax and significant items	1,294.7	1,895.6	151.3	154.3	67.3	109.7	135.1	144.6	(125.0)	(103.2)	(66.8)	(71.8)	**1,456.6**	2,129.2
Significant Items														
Impairment of Home Improvement assets and store exit costs													**(3,249.5)**	-
General Merchandise transformation provision													**-**	(148.2)
(Loss)/Earnings before interest and tax													**(1,792.9)**	1,981.0
Financing costs													**(133.6)**	(143.9)
(Loss)/Profit before income tax													**(1,926.5)**	1,837.1
Income tax expense													**(161.0)**	(553.0)
(Loss)/Profit for the period													**(2,087.5)**	1,284.1
Depreciation and amortisation	320.7	311.8	52.3	48.9	46.9	47.4	52.9	49.6	49.3	38.1	40.7	39.2	**562.8**	535.0
Capital expenditure (2)	336.8	337.3	88.0	71.9	31.6	25.0	65.1	99.1	119.0	202.6	300.0	279.9	**940.5**	1,015.8

(1) Unallocated revenue is comprised of rent and other revenue from operating activities across the Group.
(2) Capital expenditure is comprised of property, plant and equipment and intangible asset additions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

7. Dividends Paid

	3-Jan-16 $m	28-Jun-15 $m	4-Jan-15 $m
Final dividend in respect of 2015 year of 72 cents (2014: 72 cents) per fully paid ordinary share 100% franked at 30% tax rate (2014: 100%)	912.0	-	907.1
Interim dividend in respect of 2015 year of 67 cents (2014: 65 cents) per fully paid ordinary share 100% franked at 30% tax rate (2014: 100%)	-	846.3	-

8. Issued Capital

Share capital
1,270,937,202 fully paid ordinary shares (28 June 2015: 1,266,615,199)
Fully paid ordinary shares carry one vote per share and the right to dividends

	Half Year to 3-Jan-16		Year to 28-Jun-15	
	$m	No. (m)	$m	No. (m)
Reconciliation of fully paid share capital				
Balance at start of period	5,064.9	1,266.6	4,850.1	1,259.8
Issue of shares as a result of options exercised under employee long term incentive plans	-	-	6.5	0.3
Issue of shares as a result of the dividend reinvestment plan	106.9	4.3	208.3	6.5
Balance at end of period	**5,171.8**	**1,270.9**	**5,064.9**	**1,266.6**
Reconciliation of shares held in trust				
Balance at start of period	(155.9)	4.6	(218.9)	6.6
Issue of shares under the employee share plan and long term incentive plans	57.9	(1.8)	63.0	(2.0)
Balance at end of period	**(98.0)**	**2.8**	**(155.9)**	**4.6**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

9. Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	3-Jan-16	28-Jun-15				
Listed equity securities	Assets $66.1m	Assets $64.0m	Level 1	Quoted last sale prices in an active market	n/a	n/a
Forward exchange contracts and foreign currency options	Assets $19.2m Liabilities $21.6m	Assets $22.7m Liabilities $4.6m	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	n/a	n/a
Interest rate and cross currency swaps	Assets $617.0m Liabilities $217.6m	Assets $561.5m Liabilities $255.6m	Level 2	Discounted cash flow Future cash flows are estimated based on market forward rates 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

9. Financial Instruments (continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	3-Jan-16	28-Jun-15				
Put options over non-controlling interests	Liabilities -	Liabilities $898.2m	Level 3	Discounted cash flow basis and merger market basis	Free cash flow forecasts over the valuation period	The higher the free cash flow forecasts, the higher the fair value
					Discount rate	The higher the discount rate, the lower the fair value
Contingent consideration payable	Liabilities $21.5m	Liabilities $20.4m	Level 3	Discounted cash flow	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

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

Reconciliation of Level 3 fair value measurements

	Half Year to 3-Jan-16 $m	Year to 28-Jun-15 $m
Balance at start of period	(918.6)	(800.6)
Change in fair value of put options over non-controlling interests	886.5	(111.1)
Foreign exchange losses recognised in other comprehensive income	(1.5)	(2.0)
Acquisition of non-controlling interest	12.1	13.5
Contingent consideration payable arising from acquisition of business	-	(18.4)
Balance at end of the period	**(21.5)**	**(918.6)**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

9. Financial Instruments (continued)

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

As at 3 January 2016, 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 ("Agreement") between the parties, Lowe's holds 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 can be exercised. On 16 February 2016, the Company provided Lowe's with a notice of exercise of its call option over Lowe's 33.3% interest in Hydrox (refer to Note 12).

Following the completion of the put and call options process, the Company will acquire Lowe's non-controlling interest shareholding of 33.3% in Hydrox at an amount which is representative of fair value determined as at the put option notice date. The process set out in the Agreement for determining the actual option consideration involves a negotiation with Lowe's and an independent expert valuation process which will apply the following:

- valuing the shares on the basis of an arm's length sale between a willing vendor and a willing purchaser on a discounted cash flow basis and a merger market basis;
- if Hydrox is carrying on business as a going concern, on the assumption that it is to continue to do so;
- taking into account any information as the independent expert reasonably thinks fit; and
- taking into account the stamp duty (if any) payable with respect to the transfer of the shares.

As at the date of this report, the option valuation process as prescribed in the Agreement has not yet been completed. As a result, the fair value of the put option in Hydrox has been determined as at the end of the reporting period based on the interim valuation provided to the Company by the Independent Expert it has appointed in accordance with the process outlined in the Agreement.

The change in valuation of the put option liability during the period has been recognised directly in equity. The actual option consideration as determined upon completion of the independent expert valuation process may not agree to the Group's estimate of the put option liability as at 3 January 2016. To the extent that the actual option consideration differs to the Group's estimate, a further adjustment will be recognised directly in equity in accordance with the Group's accounting policy.

An alternative accounting policy which the Group has not adopted is that from inception of the put option, changes in the fair value of the put option liability are credited or charged to the consolidated statement of profit or loss.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

10. Contingent Liabilities

	3-Jan-16 $m	28-Jun-15 $m
Bank guarantees [1]	56.6	55.2
Workers' compensation self-insurance guarantees [2]	734.5	702.1
Other	12.5	31.6
	803.6	**788.9**

[1] This item mainly comprises guarantees relating to conditions set out in development applications and for the sale of properties in the normal course of business.

[2] State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability.

11. Capital Expenditure Commitments

	3-Jan-16 $m	28-Jun-15 $m
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than one year	595.1	547.5
Later than one year, not later than two years	121.2	2.5
Later than two years, not later than five years	35.6	-
	751.9	**550.0**

12. Subsequent Events

On 18 January 2016, the Company announced that it intended to exercise its call option over the 33.3% interest in Hydrox following Lowe's notice to exercise its put option under the Joint Venture Agreement. On 16 February 2016, the Company provided Lowe's with a notice of exercise of its call option. The completion of the put and call options process is expected to take a number of months to finalise after which the Group will legally acquire Lowe's non-controlling interest shareholding of 33.3% in Hydrox in exchange for cash consideration at an amount which is representative of fair value determined as at the put option notice date. Following the acquisition of Lowe's 33.3% interest shareholding, the Group intends to pursue an orderly prospective sale or wind-up of the Home Improvement business.

As a result of the Group's planned exit from the Home Improvement market, an impairment charge and associated provisions before tax of $3,249.5 million (post-tax of $3,013.6 million) has been recognised during the period (refer to Note 4). Additional estimated restructuring costs in the range of $70 million to $80 million are expected to be incurred in the second half of FY16, resulting in total estimated impairment, restructuring costs and associated provisions before tax of between $3,319.5 million and $3,329.5 million. The Home Improvement segment will be presented as a discontinued operation in the Company's consolidated annual report for the 52 weeks ended 26 June 2016.

Refer to Note 4 and Note 9 for additional information.

There have been no other events subsequent to the balance date which would have a material impact on the Company's Half Year Financial Report at 3 January 2016.