

26 September 2011

The Manager, Companies
Australian Securities Exchange Limited
Company Announcements Office
Level 4 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

RE: Woolworths Limited – Annual Report 2011 – Listing Rule 4.5.1

Attached is a copy of the Woolworths Limited Annual Report 2011.

Printed copies of the Annual Report and Notice of Meeting for the Annual General Meeting to be held on 24 November 2011 will be mailed to shareholders shortly.

**For and on behalf of
WOOLWORTHS LIMITED**



**PETER J HORTON
COMPANY SECRETARY**

WOOLWORTHS LIMITED

ABN 88 000 014 675

ANNUAL REPORT 2011

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HIGHLIGHTS

- Sales of \$54,143 million, up 4.7% including petrol (excluding petrol, up 4.1%)
- 6.6% increase in earnings before interest, tax, depreciation and amortisation
- 6.3% increase in earnings before interest and tax to \$3,276.4 million
- 5.1% increase in net profit after tax to \$2,124.0 million (6.4% excluding natural disaster costs)
- 6.5% increase in Earnings per Share to 174.6 cents
- 6.1% increase in fully franked Dividend to 122 cents per share
- Solid increase in operating cash flows
- Successful completion of \$704 million Off Market share Buyback and sales of approximately \$390 million in property assets

CHAIRMAN'S REPORT

On behalf of the Board, I am pleased to report another very solid financial result for the Company for the 2010-11 year.

The period involved significant challenges for the retail sector as stronger competition entered the market, consumer spending slowed, savings rates increased, deflation impacted sales and margin levels, and natural disasters caused disruptions.

Despite this background Woolworths once again demonstrated the resilience and sustainability of its business model by delivering a 5.1% increase in net profit after tax to \$2.124 billion.

In this highly unpredictable economic environment, Woolworths has delivered an improved return for shareholders with a 6.1% increase in fully franked dividends to 122 cents per share, which again exceeds earnings growth.

We continued to strengthen our medium to long term position during the year through capital investment in our core businesses and via new growth opportunities such as home improvement and multi-channel offers to customers, an important new diversification to enable us to respond to customers with greater flexibility to meet their choices.

A major event for the Board was the announcement of the impending retirement at the end of September of CEO Michael Luscombe after his 5 year tenure, and the selection process leading to the appointment of Grant O'Brien as his successor.

Michael has made an enormous contribution to Woolworths throughout his long career and we are extremely grateful for his leadership, integrity and commitment. During his tenure as CEO, the company has more than doubled its profits and returned more than \$7 billion to shareholders. He placed great importance on people and achieved significant improvements in safety, workplace diversity, sustainability and community investment. Above all, he set an excellent example for everyone in Woolworths with his modesty, hard work and care for individuals.

Grant O'Brien is a highly experienced retailer with more than 24 years of Woolworths service under his belt. He was selected on the basis of his keen focus on the customer, his strategic acumen and breadth of experience and the Board is very confident in his ability to lead the company to new levels of success. He has been instrumental in delivering many of Woolworths' major growth platforms over the last decade, including the liquor and hotels strategy and the development of our home improvement strategy. Grant will lead Woolworths into a new phase of growth and change, further cementing the company's position as Australia's leading retailer.

The Board wishes to acknowledge our 190,000 staff members whose dedication and commitment to our customers delivered this result. In the coming year, we will continue to grow our pool of talent and provide new development opportunities for many thousands of employees.

Given the current difficult conditions, the outlook for the next twelve months of trading is uncertain. Despite this the Woolworths Board has provided guidance to the market based on realistic lower growth expectations in the short term, and taking into account the effect of costs associated with the accelerated start up of a major new business in home improvement.

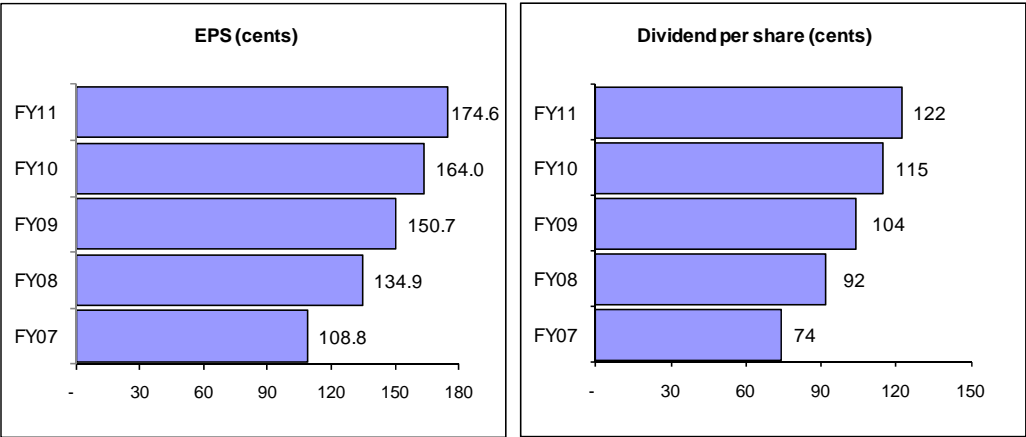
CHAIRMAN’S REPORT continued

The Board and management remain confident about the outlook for Woolworths’ continued growth and success. Whilst the immediate trading future continues to be subdued, Woolworths is a company managed for the long term via sustained growth and improvement.

James Strong

James Strong

Chairman



MANAGING DIRECTOR'S REPORT

Without doubt, the 2011 financial year has witnessed unprecedented macro economic circumstances which had an adverse effect on retailing. Consumer confidence remained historically low as customers reacted adversely to rising utility costs, interest rate hikes in the first half of the year and general global financial uncertainty, and opted to save rather than spend their money. This coincided with significant deflation in both general merchandise and food, driven by the strong Australian dollar and a highly competitive trading environment. The combined effect made trading extremely tough.

In spite of these conditions, all of our trading divisions recorded positive profit results during the year with particularly strong growth achieved by Australian and New Zealand Supermarkets and Liquor. As our customers strive to make their budget stretch further, our brands grew customer numbers, basket size and market share which reflect well on our overall value commitment and the underlying strength and relevance of our offers. We will maintain a very strong focus on the delivery of value in the coming year to reinforce the positive price perception we have established of all our brands.

In addition to fiscal uncertainty, Mother Nature wreaked havoc with floods, cyclones and earthquakes. As well as devastating many of our local communities, these events caused considerable disruption to our business, particularly our supermarket operations in Queensland and Christchurch and as a result we incurred \$38 million in direct additional costs.

However Woolworths maintained a clear focus on meeting our customers' needs by delivering lower prices, greater ranges and better shopping experiences across all our brands. A key growth strategy is our evolution into a true multi-channel business, taking advantage of online, direct and social networking platforms to service our customers' changing shopping requirements. Woolworths is taking a strong lead in multi-channel, reporting a 63% increase in online sales during the year.

Our customer engagement strategy went from strength to strength with more than 8.4 million customers now signed up to our loyalty programs in Australia and New Zealand. In addition to rewarding our customers, we are now deriving considerable benefits from the data analytics and integrating this rich knowledge into our decision-making in order to further improve our offer to customers.

Cost consciousness is a fundamental part of Woolworths' DNA and in 2011 we continued to leverage our scale to create new efficiencies across all businesses and support functions. Our supply chain remains a key focus for improvement as we stretch our Project Refresh expertise across other parts of our businesses. Maintaining strong control over costs and efficiencies enables us to further enhance our competitiveness and ability to withstand difficult trading conditions.

Woolworths is committed to long term sustainable growth and the pursuit of strategic opportunities both to augment our core business and grow into different markets. During the year we acquired Cellarmasters which will accelerate our liquor growth via new direct sales channels and via enhanced capabilities in production, services and private label supply.

The greenfield development of our Home Improvement business progressed considerably during 2011. Our first Masters big box store, which opened at the start of September 2011 in Melbourne, is already a resounding success, with customers immediately appreciative of the high service levels, wide choice and low prices. Masters will roll out between 15 and 20 stores a year. In addition, we further strengthened the smaller format Danks business during the financial year with the acquisition of Gunns Retail, Becks Home Timber & Hardware, Magnet Mart and Flatman's Home Timber & Hardware.

As I reach the end of my career with Woolworths, it gives me enormous pride to reflect on our team's countless achievements and innovations. Woolworths is a wonderful family to be a part of and I consider myself extremely lucky to have had the chance to be part of it for more than thirty years. I am delighted to pass the CEO baton to my good friend and colleague Grant O'Brien who will help the business realise new opportunities for growth and success.

MANAGING DIRECTOR'S REPORT continued

I am greatly in debt to my management team for their support, not just this year but during my entire time as CEO and also to our 190,000 staff members in four countries who work tirelessly each day to serve our customers. It has been an honour to serve this great business and I look forward to watching it grow and prosper long into the future.

A handwritten signature in black ink, appearing to read 'Michael Luscombe', with a stylized, cursive script.

Michael Luscombe

Managing Director and Chief Executive Officer

MANAGING DIRECTOR'S REPORT continued

HIGHLIGHTS

Trading Divisions

- **Australian & New Zealand Supermarkets** Solid growth in Sales and earnings before interest and tax (EBIT) as well as growth in both customer transactions and market share, particularly in Fresh
- **New Zealand Supermarkets** Countdown transformation well on track – now largest retail brand by turnover, growing on all relevant metrics
- **Liquor** Growing market share and delivering strong sales, margin and profit growth
- **Petrol** Improving merchandise sales to round-out the convenience offer
- **BIG W** Improved second half EBIT growth demonstrates relevance of value, range and quality proposition
- **Consumer Electronics** Good comparable sales growth relative to the market, underpinned by a new store format. Profitability remains challenging with the business in transition
- **Hotels** A resilient performance with results improving during the course of the year

Multi-Channel – developing a leading integrated offer

- 63% increase in online sales in FY11
- Dan Murphy's online launched in March 2011, combined with Cellarmasters acquisition will further build our multi-channel liquor offer
- Woolworths online now with geographical capacity to service more than 85% of the population. New platform launching from October 2011 with enhanced capabilities
- Strong growth in BIG W's online sales since the site launch in May 2010
- Integrating social networking with online offer to promote deals e.g. BIG W's 'Big Catch' and 'Daily Deal'
- Dick Smith Electronics site refreshed and 'Click & Collect' service successfully launched

Supply Chain – continuing to deliver financial benefits

- Project Refresh intellectual property now being applied across other businesses
- Liquor Distribution Centres (DC) providing significant capacity to lower unit costs
- Re-engineering of Mulgrave National DC increasing capacity, improving efficiency and reducing costs
- Hoxton Park DCs for BIG W, Dick Smith and Home Improvement due for commissioning in FY12
- Hoppers Crossing DC to service Masters and Danks is now operational
- Expanding global sourcing and international logistics capabilities delivering substantial benefits with direct buying volume growing more than 46% during the year

Lower Costs – delivering cost savings and efficiencies

- 'Quantum' initiatives leveraging scale to create cost saving and efficiency synergies across all businesses and support functions including supply chain, IT, Finance, Call Centres, non-trading procurement and global direct sourcing
- Benefits realised in lower cost of doing business (CODB) and increased gross margin to further maximise brand competitiveness in a tough market

MANAGING DIRECTOR'S REPORT continued

HIGHLIGHTS CONTINUED

Loyalty – rewarding and learning from our customers

- 8.4 million loyalty members in Australia and New Zealand (Everyday Rewards and Onecard)
- Auto-redemption of points and Qantas Frequent Flyer points alternative for petrol now available for Everyday Rewards members
- Direct marketing strategy delivering significant returns on a campaign by campaign basis
- Data mining and customer segmentation delivering substantial insights for category management enabling us to improve the customer offer

Services & Payments – enhancing and innovating in financial services

- Woolworths Everyday Rewards – Qantas Credit Card launched in November 2010. Prepaid MasterCard sales exceeded expectations and the launch of the Reloadable MasterCard Debit now gives customers a low fee transaction account
- Processed over 500 million customer card transactions in FY11 with 100% up time and world-class chip cards acceptance security

Growth – disciplined approach continues to yield exciting opportunities

- Good progress on plans to deliver a multi-format home improvement offer with the first Masters store now open in Melbourne. Recently commenced construction of our 19th store
- Trading performance of Danks has underwritten a large portion of Masters' establishment costs during FY11
- Acquisition of Gunns Retail and Beck's Home Timber & Hardware in TAS, Magnet Mart in ACT and NSW and Flatman's Home Timber & Hardware in VIC further strengthen Danks' business and profitability. Sites will provide stores for both Masters and Danks
- Design of the future Home Improvement Supply Chain Network has been completed and implementation of the first phases has commenced with facilities at Hoppers Crossing in Victoria and Hoxton Park DC in Sydney
- Acquisition of Cellarmasters in May will accelerate liquor growth through new and enhanced capabilities in production, operational services and private label supply chain, enabling us to serve a whole new customer segment in the direct marketing channel

Corporate Responsibility – continued leadership to reach our targets

- The carbon intensity of our business continues to reduce. Since 2007 we have identified many opportunities which are anticipated to deliver almost \$120 million savings by the end of 2015 and reduce CO₂ equivalent emissions by over 970,000 tonnes in the same timeframe
- In 2011, we commenced 37 additional energy savings initiatives in our stores, projected to reduce annual carbon emission by more than 198,000 tonnes
- Good progress on implementation of Ethical Sourcing Policy and Palm Oil Sourcing Policy. Sustainable Seafood Policy announced in 2011
- Continued strong direct community investment in FY11 including \$18.5 million donation to the Salvation Army's Flood Appeal by Woolworths and its customers and further \$1 million to support Queensland farmers affected by floods
- Launch of Reconciliation Action Plan to create business and employment opportunities for indigenous Australians
- 30% reduction in lost time injury frequency rate and 11% in customer in-store injuries
- Full Corporate Responsibility Report will be released at the November AGM

MANAGING DIRECTOR'S REPORT continued
THE RESULTS IN BRIEF

	FY11 <i>52 weeks</i> \$m	FY10 <i>52 weeks</i> \$m	Change
Sales			
Australian Food and Liquor	36,176	34,675	4.3%
<i>New Zealand Supermarkets (NZD)</i>	5,362	5,185	3.4%
New Zealand Supermarkets	4,111	4,131	(0.5)%
Petrol	6,025	5,481	9.9%
Supermarket Division	46,312	44,287	4.6%
BIG W	4,158	4,193	(0.8)%
Consumer Electronics – Australia and New Zealand	1,534	1,530	0.3%
Consumer Electronics – India	322	252	27.8%
Consumer Electronics – Total	1,856	1,782	4.2%
General Merchandise Division	6,014	5,975	0.7%
Hotels	1,153	1,102	4.6%
Home Improvement	664	330	n.m
Group Sales	54,143	51,694	4.7%
Group Sales (excluding Petrol)	48,118	46,213	4.1%
 Earnings Before Interest & Tax (EBIT)			
Australian Food and Liquor	2,678.9	2,492.5	7.5%
<i>New Zealand Supermarkets (NZD)</i>	244.1	232.2	5.1%
New Zealand Supermarkets	191.9	190.4	0.8%
Petrol	117.6	99.5	18.2%
Supermarket Division	2,988.4	2,782.4	7.4%
BIG W	177.0	200.0	(11.5)%
Consumer Electronics – Australia and New Zealand	22.0	30.2	(27.2)%
Consumer Electronics – India	4.8	1.3	n.m
Consumer Electronics – Total	26.8	31.5	(14.9)%
General Merchandise Division	203.8	231.5	(12.0)%
Hotels	183.7	176.7	4.0%
Total Trading Result	3,375.9	3,190.6	5.8%
Property Income	11.8	2.5	n.m
Central Overheads	(111.3)	(111.0)	(0.3)%
Group EBIT	3,276.4	3,082.1	6.3%

n.m – not measurable

MANAGING DIRECTOR'S REPORT continued

THE RESULTS IN BRIEF continued

	FY11 <i>52 weeks</i>	FY10 <i>52 weeks</i>	Change
	\$m	\$m	
Profit			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	5,675.5	5,357.7	5.9%
Rent	(1,541.2)	(1,477.9)	4.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,134.3	3,879.8	6.6%
Depreciation and amortisation	(857.9)	(797.7)	7.5%
Earnings before interest and tax (EBIT)	3,276.4	3,082.1	6.3%
Net financing costs ⁽¹⁾	(261.5)	(211.5)	23.6%
Operating income tax expense	(874.6)	(832.6)	5.0%
Net operating profit after income tax	2,140.3	2,038.0	5.0%
Non-controlling interests	(16.3)	(17.2)	(5.2)%
Total profit after tax and non-controlling interests	2,124.0	2,020.8	5.1%
Margins			
Gross profit	26.03%	25.91%	12 bps
Cost of doing business	19.98%	19.95%	3 bps
EBIT to sales	6.05%	5.96%	9 bps
Returns			
Funds employed (period end) ⁽³⁾	11,802.8	10,575.7	11.6%
ROFE (average) ⁽³⁾	29.3%	31.0%	(1.7) ppts
Weighted average ordinary shares on issue (million)	1,216.2	1,232.1	(1.3)%
Ordinary earnings per share (cents)	174.6	164.0	6.5%
Diluted earnings per share (cents)	173.6	163.2	6.4%
Interim dividend per share (cents)	57	53	7.5%
Final dividend per share (cents) ⁽²⁾	65	62	4.8%
Total dividend per share (cents)	122	115	6.1%

⁽¹⁾ Breakdown of net financing costs

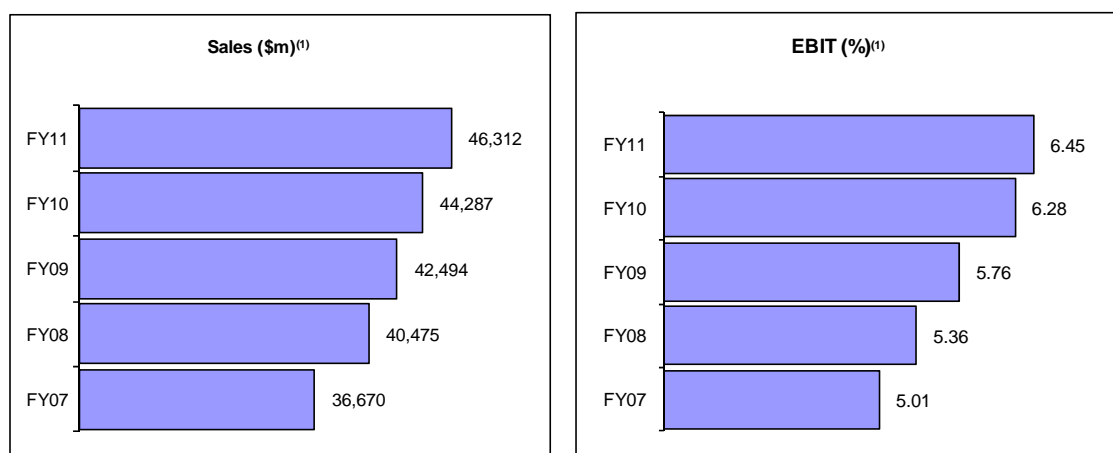
Interest expense (net of interest income)	(332.6)	(257.4)
Less interest capitalised	55.6	30.1
Net interest expense	(277.0)	(227.3)
Dividend income	10.6	12.5
Foreign exchange gain	4.9	3.3
Net financing costs	(261.5)	(211.5)

⁽²⁾ Final dividend payable on 14 October 2011 will be fully franked at 30%.

⁽³⁾ Refer page 90 for definitions.

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL



⁽¹⁾ Includes Australian Food and Liquor, Petrol and New Zealand Supermarkets. FY07, FY08 and FY09 numbers restated to include Wholesale, previously reported separately.

Key Highlights

Solid growth in Sales and EBIT as well as growth in both customer transactions and market share, particularly in Fresh and Liquor. Achieved by:

- **Building on our Fresh Food People credentials** Contemporary and innovative store formats with a revitalised market fresh offer, a presentation focus on key categories such as produce, meat and fresh bakery and an expanding ready-to-eat meal solutions range.
- **Focusing on service excellence** We continue to lead on service metrics from mystery shopper store visits.
- **Customer acknowledgement of real price leadership** First to reduce prices of more than 5,000 products and leader of price initiatives in meat, produce (fresh food price guarantee) and liquor.
- **On track transformation in New Zealand** 88% of stores are now branded Countdown making it the largest retail brand in NZ by turnover, growing on all relevant metrics. New generation Countdown stores now represent 62% of the fleet.
- **Market leading private label brands** Expansion of Macro Wholefood Market range in the fast growing 'good-for-you' category. Exclusive labels in liquor delivering innovation and value to customers.

MANAGING DIRECTOR'S REPORT continued

SUPERMARKETS

Australian Supermarkets (including Liquor and Petrol)

	FY10 (52 weeks)	FY11 (52 weeks)	Change %
Sales – Food and Liquor (\$ million)	34,675	36,176	4.3%
– Petrol (\$ million)	5,481	6,025	9.9%
– Total (\$ million)	40,156	42,201	5.1%
Gross Margin (%)	24.51	24.71	20 bps
Cost of Doing Business (%)	18.06	18.08	2 bps
EBIT to sales (%)	6.45	6.63	18 bps
EBIT (\$ million)	2,592.0	2,796.5	7.9%
Funds Employed (\$ million)	3,417.7	3,967.1	16.1%
Return on Funds Employed (%)	77.0	75.7	(1.3) ppts

Australian Food and Liquor

Australian Food & Liquor sales for the year were \$36.2 billion, an increase of \$1.5 billion or 4.3% over last year with comparable sales for the year increasing by 3.0%.

In a highly competitive and challenging retail environment, we increased market share, customer numbers, basket size and items sold. A number of initiatives contributed to this result including the success of the 2015 store format and overall price competitiveness via our price knockdown campaign. We further underpinned our quality and value through initiatives such as price reductions on beef, the Fresh Food Guarantee, the expansion of Macro Wholefoods Market range and the continued development of Select and Homebrand products.

The standard shelf price movement index¹ for the year was 2.6%. Excluding the impact of the increased tobacco excise, the shelf price movement index for the year was 1.1%. These numbers reflect higher levels of inflation in produce, which were more than offsetting deflation in some other categories.

Our average prices in the second half experienced deflation of 3.6% excluding tobacco (first half 4.3%), or 3.3% deflation including tobacco (first half 3.8%), when the effects of the promotions and volumes are included. Part of this deflation has been a result of Woolworths lowering its prices for the benefit of customers in a dynamic market.

During the year, 78 supermarkets were refurbished with approximately 10% now in the 2015 format. Approximately 46% of stores have the 2010 format. Both formats continue to perform strongly.

Australian Food & Liquor EBIT increased \$186.4 million to \$2,678.9 million or 7.5%. This includes \$17.1 million of costs incurred directly as a result of the Queensland natural disasters. If these costs are excluded then EBIT grew by 8.2%.

¹ The shelf price movement index is calculated by comparing the number of products sold in the current year using the current year prices to the number of products sold in the current year using the prior year prices. The price used for this comparison is the standard shelf price. Products on promotion are excluded from the calculation (i.e. the volume of these items sold is removed from both years' sales). The calculation removes the impact of any changes in volumes, and the distortion of promotional activity.

MANAGING DIRECTOR'S REPORT continued

SUPERMARKETS continued

Australian Food and Liquor continued

Woolworths continues to focus on its objective of building and maintaining a sustainable business by reducing costs, improving value and lowering prices. The improvement of Australian Food & Liquor gross margin is attributable to several factors including; further reductions in direct store deliveries particularly in liquor; improvements in buying, including benefits gained from global sourcing; significant savings in shrinkage; improvements in freight costs; expansion and improvement of the exclusive brands ranges; and rollout of new formats.

Australian Supermarkets costs increased only slightly by 2 bps including the additional costs incurred in relation to natural disasters and the costs related to the full year operation of our Brisbane Liquor DC.

We opened 21 new supermarkets during the year, within our targeted range of 15 to 25, bringing total Australian Supermarkets to 840 stores. Total trading area in Australian Food & Liquor grew by 3.5% (FY 10: 4.4%) for the year.

Our Supermarket supply chain continues to create a competitive advantage. Development of the Next Generation Replenishment solution is progressing well which will optimise order flow not normally done in replenishment, continue to reduce days inventory as well as save costs in Stores, DCs and Transport. Continuing financial benefits will be achieved as the DC infrastructure reaches greater efficiency levels.

Woolworths has substantially completed the re-engineering of the National Distribution Centre located in Mulgrave (VIC) resulting in increased capacity, pick rate efficiency and reduced costs. The refurbishment of our two automated sites at Hume (VIC) and Minchinbury (NSW) is complete which significantly extends the life of these DCs.

Construction of the consolidated Tasmanian Regional Distribution Centre for food and liquor has commenced with completion planned in FY12. Development of the Bunbury (WA) Meat processing and distribution operation is tracking to schedule and is planned to be completed in FY12. This will improve the efficiency of both the meat processing and distribution to our WA supermarkets.

Our Metro Transport Model is now complete with Brisbane going live in the first half of FY11. This involves Woolworths' ownership of specifically designed trailers and the deployment of industry leading capacity planning, optimisation and freight tracking systems. Our new rail strategy has delivered significant benefits following the implementation of the Adelaide to Northern Territory corridor in the last quarter of FY10 and the east – west corridor in FY11.

Liquor

Group liquor sales (including ALH liquor sales) for the year totalled \$5.9 billion up 5.4% on last year (FY10: \$5.6 billion). Liquor achieved solid market share growth, improved margin and profitability and continues to lead a highly competitive market in terms of growth.

In May 2011 we completed the acquisition of the Cellarmasters group, gaining proven expertise in direct marketing and a new and complementary customer channel to add to our integrated multi-channel liquor offer.

We continue to expand our range of exclusive brands with over 70 new products introduced during the year. These included Sail & Anchor Clipper light beer and Bolt low carb beer as well as Castaway cider, which are all manufactured by Gage Road Breweries (in which we hold a 25% interest).

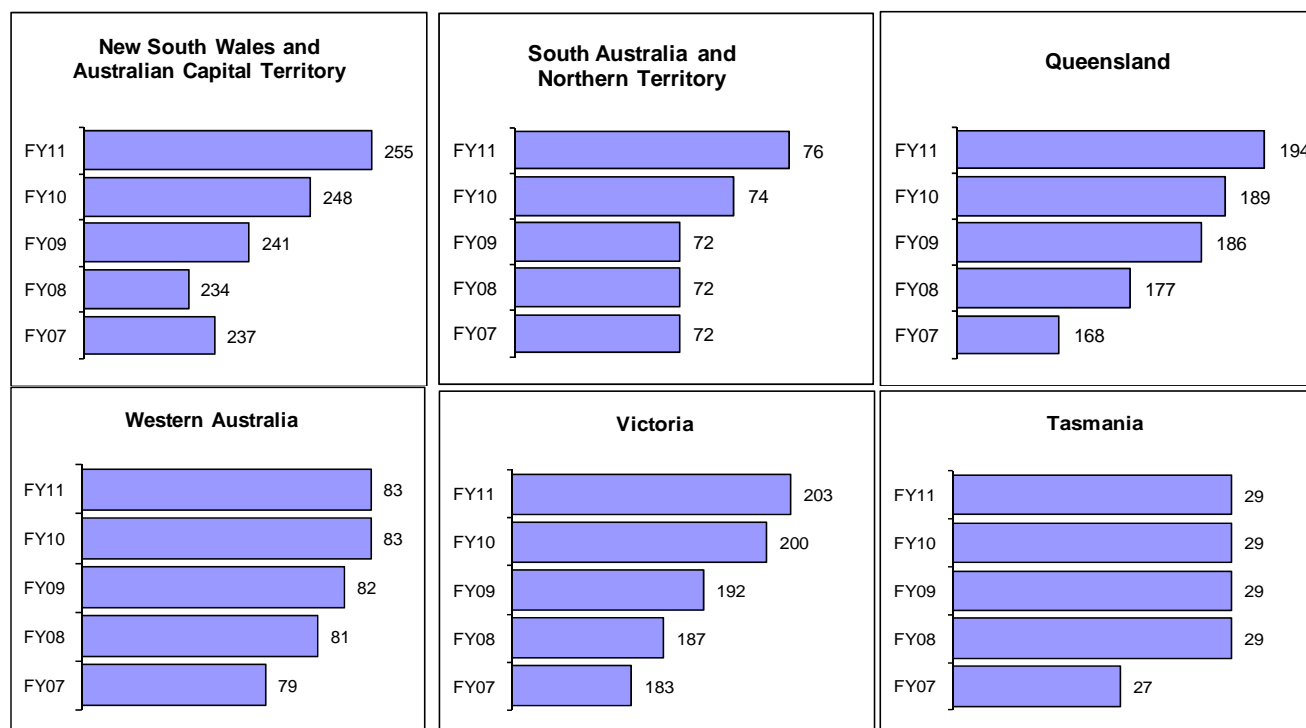
The liquor distribution network has now been established with the successful commissioning of the Brisbane Liquor DC in the last quarter of FY10. The network is now well positioned to support continued growth of our liquor business.

Nineteen new Dan Murphy's stores opened in the year bringing the total number to 140. We now have two stores in the newly evolved format that are performing well. At the end of the year, Woolworths Limited operated 1,250 liquor retail outlets.

MANAGING DIRECTOR'S REPORT continued

SUPERMARKETS continued

Australian Supermarket Store Numbers



Petrol

Petrol sales for the full year were \$6.0 billion, an increase of 9.9%. Petrol comparable sales (dollars) increased by 7.2%, with comparable volumes increasing by 0.2% over the year. National average fuel prices were 131.2 cpl for the year, up from 124.1 cpl last year.

Petrol EBIT of \$117.6 million increased by 18.2% obtained as a result of buying benefits achieved together with our supply partner Caltex and well managed CODB. The EBIT margin increased from 1.82% in FY10 to 1.95% in FY11. Merchandise (non fuel) sales for the year increased by 10.2% (comparable 5.5%) reflecting the continued merchandising improvements and growth of our share of the convenience market.

As at the end of the financial year, we had 581 petrol stations including 132 Woolworths/Caltex alliance sites. We opened an additional 20 petrol canopies during the year.

MANAGING DIRECTOR'S REPORT continued

SUPERMARKETS continued

Australian Supermarkets (including Liquor and Petrol) continued

Funds Employed

The increase in funds employed reflects our investment in growth through the acquisition of Cellarmasters and continued investment in our store and distribution networks.

Average inventory days reduced 0.3 days excluding Petrol, Cellarmasters and incremental inventory in the new Liquor DC.

Return on funds employed (ROFE) for the year is 75.7%. Over the last five years funds employed has increased by \$1.8 billion with incremental EBIT of \$1.5 billion - an 81% incremental return. Over the last three years funds employed has increased by \$1.2 billion with incremental EBIT of \$797 million - a 69% incremental return. ROFE increased from 64% in FY06 to 76% in FY11.

Over the last five years approximately \$4.2 billion of capex has been invested in the business (\$2.6 billion over last three years). The incremental EBIT over capex invested for five years was 35% (three years 31%).

MANAGING DIRECTOR'S REPORT continued

SUPERMARKETS continued

New Zealand Supermarkets

	FY10 (52 weeks) \$NZD	FY11 (52 weeks) \$NZD	Change % \$NZD
Sales (\$ million)	5,185	5,362	3.4%
Gross Margin (%)	22.27	22.64	37 bps
Cost of Doing Business (%) ¹	17.56	17.93	37 bps
EBIT to sales (%) ¹	4.71	4.71	-
Trading EBIT (\$ million)	244.1	252.4	3.4%
Less intercompany charges (\$ million)	(11.9)	(8.3)	(30.3)%
Reported EBIT (\$ million)	232.2	244.1	5.1%
Funds Employed (\$ million)	2,995.5	3,208.7	7.1%

New Zealand Supermarkets achieved sales of NZ \$5.4 billion (A\$4.1 billion) for the year, a 3.4% increase (in NZD) with comparable sales for the year increasing 3.7%². In NZ the overall food inflation for the year was 1.4%. The result, achieved in challenging economic conditions, is underpinned by the successful execution of the turnaround strategy and shift to a single brand. Countdown is now the largest retail brand by turnover in New Zealand, growing market share, customer numbers, basket size and items sold.

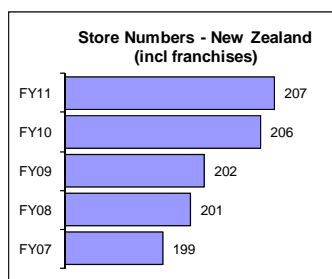
The conversion of existing stores to the value-positioned Countdown brand nears completion with 88% of stores re-branded by year-end. A single brand has enhanced marketing and promotional activity while reinvestment in price has continued to close the competitive gap.

The New Zealand economy remains challenging for retailers, particularly following the Christchurch earthquake and aftershocks. The February aftershock caused the closure of seven Countdown and franchise stores. Four have now been reopened but two stores and one franchise store remained closed at year-end. Customers continued to shop at our other nearby stores but sales were adversely impacted. At year end there were 156 trading New Zealand Supermarkets (excluding franchisees).

EBIT increased 3.4%, with EBIT margin flat. In the first half EBIT increased 13.1%, with EBIT margin at 4.97%, but in the second half EBIT decreased by 6.4% at a margin of 4.42% due to earthquake related costs (not covered by insurance due to insurance excess levels). If these direct costs of NZ\$14.8 million are excluded, EBIT for the full year increased 9.5%.

Gross Margin improved as we continued to capitalise on the benefits of the merchandising, point of sale and replenishment core support systems, with further improvement in shrinkage, on shelf availability, speed to market with new lines, and private label.

Funds Employed reflects continued investment in new stores and refurbishments offset by depreciation and investment in the new National DC that became operational in June 2011. ROFE also reflects the incremental costs of NZ\$14.8 million relating to natural disasters. Excluding the direct costs attributable to the natural disasters ROFE for FY11 is 8.35% - an increase of 40 bps over the prior year.



¹ Excludes intercompany charges.

² Stores closed due to the February Christchurch earthquake aftershock and the petrol sites transferred back to Gull have been excluded from comparable sales.

MANAGING DIRECTOR'S REPORT continued

GENERAL MERCHANDISE

BIG W

Key Highlights

Improved second half EBIT growth demonstrating relevance of value, range and quality proposition. Achieved by:

- **Price leadership** A tradition of delivering the lowest prices on the widest range of quality and branded product everyday including famous brands such as Mambo and Apple and exclusive, contemporary ranges such as Man and Woman by Peter Morrissey
- **A leading toy offer** We are delighted with the success of our toy offer including the launch of our Tinkers exclusive label toy brand. Toys have delivered market share growth and double digit sales growth
- **Refreshed store formats** 66% of BIG W stores have been refreshed to give a new look and feel while 37 now have in-store optical sites
- **Multi-channel** Rapid and innovative development of the integrated channel offer with 9,500 products now available

	FY10 (52 weeks)	FY11 (52 weeks)	Change %
Sales (\$ million)	4,193	4,158	(0.8)%
Gross margin (%)	30.20	30.63	43 bps
Cost of Doing Business (%)	25.43	26.37	94 bps
EBIT to sales (%)	4.77	4.26	(51) bps
EBIT (\$ million)	200.0	177.0	(11.5)%
Funds Employed (\$ million)	789.3	822.1	4.2%
Return on Funds Employed (%)	28.1	22.0	(6.1) ppts

Sales for the year decreased 0.8% over the previous year. Comparable sales for the full year declined 2.5% (FY10: 3.2% decrease).

In the second half of the year, BIG W delivered an improved result with total sales increasing 2.0% (flat comparable sales) and EBIT growing 5.7%. This demonstrates an improving trend following a 2.8% total sales decrease for the first half of this year and decrease in sales of 7.0% in the second half of the prior year. Customer traffic and unit growth also improved in the second half of the year. The result reflects the contribution of ten new stores opened over the last two years, strong results from Toy, Menswear and Home departments and the continued growth of our optical and online offers.

BIG W is the destination for our customers, their home and family, because we continue to offer the lowest prices on the widest range of quality and branded product everyday. This continues into FY12 with the recent introduction of two exclusive Womenswear brands, Emerson and Avella, both of which deliver great quality at the best price.

Trading was impacted by tightened consumer spending and significant price deflation resulting from the strong Australian dollar, with cost price reductions passed onto the customer. Deflation for the year averaged at 6% and was particularly strong in home entertainment and apparel.

Customer numbers and units continued to grow with each customer purchasing more items per transaction. This demonstrates the overall appeal of BIG W's value, quality and brand offer.

The increase in Gross Margin of 43bps reflects the benefits of an improved sales mix, strong control of promotional activity and improved buying. Global sourcing volumes continue to grow and represent an opportunity in supporting BIG W's price leadership position.

MANAGING DIRECTOR'S REPORT continued

GENERAL MERCHANDISE continued

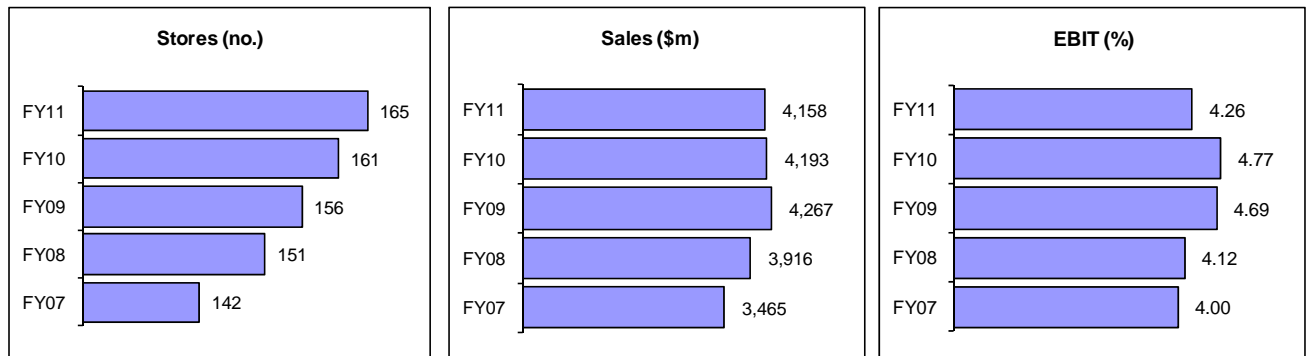
BIG W continued

CODB dollars increased 2.9%, due to new stores and investment in multi-channel. As a percentage of sales they increased by 94 bps as lower sales reduced the ability to fractionalise costs.

During the year we continued to improve the standard of our stores, fully refurbishing 11 stores (FY10: 11), and continuing to retrofit key merchandising initiatives across the network. Four BIG W stores were opened in the year (FY10: six stores), taking the total number to 165 - 66% of which bear the new livery. BIG W has opened 37 stores and refurbished 53 in the last five years and has a property pipeline to deliver 15 - 20 additional stores in the next three years.

The increase in funds employed of 4.2% reflects continued investment in the BIG W business to build a platform for long term growth. Key investments include: new stores and refurbishments, supply chain systems, multi-channel, optical, a third DC at Hoxton Park and stronger merchandise planning capabilities. ROFE has declined reflecting these key investments and lower earnings for the year.

Inventory levels at the end of the financial year are well placed with less total inventory on hand than the prior year with four more stores. Average inventory increased by 2.2 days excluding incremental owned imported inventory (up 3.8 days including incremental inventory), reflecting the higher inventory held at the end of the first half and higher levels of incremental owned imported inventory.



MANAGING DIRECTOR'S REPORT continued

GENERAL MERCHANDISE continued

Consumer Electronics (Australia and New Zealand and India)

Key Highlights

Good comparable sales growth relative to the market, underpinned by a new store format. However profitability remains challenging with the business in transition.

- **A clear brand & price focus** An enhanced range, best pricing and right Techxpert advice including 'we're doing deals' campaign
- **Good new format performance** 68% of Australian Dick Smith stores and 36% of New Zealand stores now converted. New format Dick Smith stores continue to outperform older format stores
- **Category growth** Laptops and Tablets growing strongly via competitive pricing, new improved range and in-store presentation. Improved Gaming and Mobile offers supported by interactive in-store presentation
- **Multi-channel expansion** refreshed website is trading strongly in Australia and New Zealand with new features including 'Click & Collect'

	FY10 (52 weeks)	FY11 (52 weeks)	Change %
Sales (\$ million)	1,782	1,856	4.2%
Gross margin (%)	23.08	22.10	(98) bps
Cost of Doing Business (%)	21.31	20.66	(65) bps
EBIT to sales (%)	1.77	1.44	(33) bps
EBIT (\$ million)	31.5	26.8	(14.9)%
Funds Employed (\$ million)	383.6	419.1	9.3%
Return on Funds Employed (%)	8.4	6.7	(1.7) ppts

Consumer Electronics Australia

	FY10 (52 weeks)	FY11 (52 weeks)	Change %
Sales (\$ million)	1,260	1,286	2.1%
Gross margin (%)	26.57	26.04	(53) bps
Cost of Doing Business (%)	24.85	24.66	(19) bps
EBIT to sales (%)	1.72	1.38	(34) bps
EBIT (\$ million)	21.7	17.8	(18.0)%

MANAGING DIRECTOR'S REPORT continued

GENERAL MERCHANDISE continued

Consumer Electronics Australia continued

Consumer Electronics Australia increased total sales by 2.1% and comparable sales by 4.2% which was a good outcome relative to the overall market. However trading continues to be impacted by tightened consumer spending and significant price deflation in key products.

The comparable store sales for the full year for Dick Smith stores (excluding Tandy and ex Powerhouse) grew 7.1%. This reflects the continued roll out of our refreshed Dick Smith offer, which has driven market share growth in key categories. The new format stores continue to grow sales at a greater rate than the older format.

EBIT was below last year due to the continuing transition of the business as well as issues arising from low consumer confidence and the strong dollar. However the second half EBIT of \$0.2 million was significantly better than the loss of \$5.8 million experienced in the prior year.

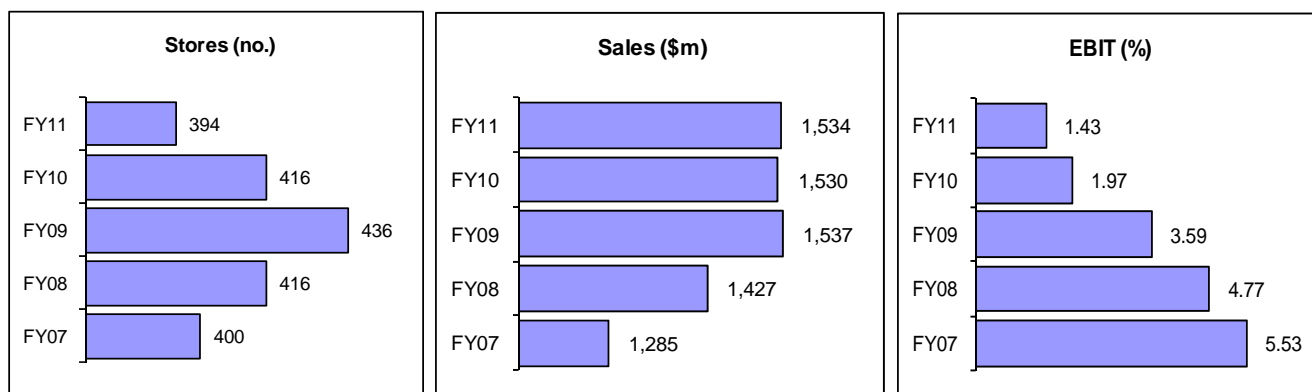
Gross margins decreased 53 bps reflecting strong price investment coupled with price deflation across the category. Costs were well controlled on a low sales base with CODB decreasing 19 bps.

Consumer Electronics New Zealand

	FY10 (52 weeks) NZD	FY11 (52 weeks) NZD	Change %
Sales (\$ million)	341	322	(5.6)%
Gross margin (%)	24.60	25.22	62 bps
Cost of Doing Business (%)	21.46	23.48	202 bps
EBIT to sales (%)	3.14	1.74	(140) bps
EBIT (\$ million)	10.7	5.6	(47.7)%

New Zealand Consumer Electronics continues to be challenged with the weak economic environment impacting discretionary retailers together with strong price competition and significant price deflation. There has also been an impact from the Christchurch earthquake with three stores closed since February. These factors have resulted in sales 5.6% lower than the prior year and EBIT reducing to NZ\$5.6 million.

Consumer Electronics Australia and New Zealand



MANAGING DIRECTOR'S REPORT continued

GENERAL MERCHANDISE continued

Consumer Electronics India

Our business venture with TATA in India now services 64 retail stores operating under the Croma brand, and has produced sales of \$322 million for the year compared to \$252 million last year - an increase of 27.8%. The business is performing well, with EBIT increasing to \$4.8 million for the year, compared to \$1.3 million last year. As part of this venture Woolworths Limited provides buying, wholesale, supply chain and general consulting services to TATA.

Store Openings

There were 47 Dick Smith stores opened during the year (41 in Australia, six in New Zealand), 56 Dick Smith and 13 Tandy stores were closed during the year and five Tandy stores have been rebranded as Dick Smith. This takes total stores to 394 (390 Dick Smith and four Tandy). Three of the store closures were as a result of the New Zealand earthquake.

Funds Employed

The increase in funds employed reflects the acceleration of refurbishment activity and an increase in working capital due to timing of receivables and accruals. Average inventory days were up 3.3 days. The increased average inventory days was a result of higher inventory balances earlier in the year due to lower than expected December trading. This has been addressed during the second half and closing inventory position is below the levels of the prior year.

MANAGING DIRECTOR'S REPORT continued

HOTELS

Key Highlights

A resilient performance with results improving during the course of the year. Achieved by:

- **Continued focus** on improving all aspects of the business in particular the food and entertainment offers
- **Improved comparable gaming sales** as regulatory impacts are cycled

	FY10 (52 weeks)	FY11 (52 weeks)	Change %
Sales (\$ million)	1,102	1,153	4.6%
Gross margin (%)	82.42	81.53	(89) bps
Cost of Doing Business (%)	66.39	65.60	(79) bps
EBIT to sales (%)	16.03	15.93	(10) bps
EBIT (\$ million)	176.7	183.7	4.0%

Our Hotel business continues to prove reasonably resilient reflecting the overall quality of our management team and venue portfolio. The Hotel business has provided us with a strong platform for successful growth in the liquor market and will continue to do so as we selectively expand this business. We now have 51 Dan Murphy's stores on hotel sites and 437 BWS stores.

Hotel sales of \$1.2 billion for the year represents an increase of 4.6% with comparable sales increasing 4.9%. This result reflects a continued focus on improving the food and entertainment offers and the passing of the anniversary of some regulatory changes in Victoria. Gaming comparable sales for the year were up 3.1%.

EBIT increased 4.0% to \$183.7 million. In the second half Hotels achieved strong EBIT growth of 15.6% (or 17.1% when excluding the impact of natural disasters). This result was achieved on the back of strong second half sales growth of 5.9%. There continues to be a change in sales mix towards food and bars resulting in lower gross margins with higher sales and good cost control assisting the CODB%.

The planning for 2012 changes to the Victorian gaming arrangements is well underway and will be beneficial for our Hotel business.

A further two properties were added in the year, taking the total number of hotels and clubs to 282 and a total of 1,319 accommodation rooms.

MANAGING DIRECTOR'S REPORT continued

OVERHEADS, EXPENSES AND BALANCE SHEET

Central Overheads

Central overheads remained stable at \$111.3 million and include costs associated with various business development activities.

Net Financing Expense and Tax Expense

Net financing expense of \$261.5 million has increased from the prior year (\$211.5 million) as a result of higher debt levels reflecting the funding of planned capital expenditure and the completed on-market and off-market buy-backs in 2010, which returned over \$1 billion to shareholders.

Tax expense is 29.0% in line with the prior year (29.0%).

Balance Sheet and Cash Flow Statement

Our balance sheet remains strong, generating higher cash flows and returning more capital to shareholders through increased dividends as well as a share buyback.

Cash generated by operating activities was \$2,991.1 million, up 8.7% on the previous year, reflecting solid earnings growth.

Key balance sheet movements are explained as follows:

- Inventory levels at June 2011 are \$3,736.5 million, representing an increase of 8.7% from the prior year. Average inventory days at year-end are 33.8 days, up from 33.3 days at June 2010. When the impact of incremental inventory for indent, Cellarmasters and Home Improvement is eliminated, average inventory days decrease by 0.5 days when compared to FY10.
- Trade creditors increased 4.4% as a result of the higher inventory as well as general business growth.
- Negative working capital has decreased by \$33.9 million to \$2,264.3 million. This is largely due to the increase in inventory offset by increased trade payables outlined above.
- Fixed assets and investments increased by \$1,027.6 million to \$8,830.5 million, reflecting ongoing capital expenditure partly offset by disposals of property and ongoing depreciation. Net capital expenditure for the year was \$1,744.1 million (FY10: \$1,762.3 million).
- Intangibles increased by 3.3% or \$165.6 million, reflecting additional goodwill and other intangible assets associated primarily with the acquisition of Cellarmasters. This increase has partially been offset by adverse movements in foreign exchange rates, reducing the goodwill and intangibles recognised on acquisition of New Zealand supermarkets.
- Net repayable debt (which includes cash, borrowings and hedge-related assets and liabilities) has increased \$1,364.1 million to \$4,355.7 million representing higher borrowings and hedge related liabilities to fund the off-market share buy-back and the higher level of property development partially offset by an increase in cash balances due to pre-financing debt repayable in the first half of FY12.

MANAGING DIRECTOR'S REPORT continued

CAPITAL MANAGEMENT

Objectives

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

Capital Returns

Woolworths will seek to return capital to shareholders when that is consistent with its capital structuring objectives and where it will enhance shareholder value. Since July 2001, over \$10.3 billion has been returned to shareholders through dividends, on-market and off-market buy-backs (including the final dividend for the financial year ended 26 June 2011).

Including the \$704 million off-market share buy-back completed in October 2010, Woolworths returned over \$1 billion of capital (excluding dividends) to shareholders in the 2010 calendar year.

The off-market share buy-back and payment of the April 2011 and October 2011 dividends will return over \$0.9 billion in franking credits to shareholders. Woolworths expects that after these events there will be approximately \$1.2 billion of franking credits available for future distribution.

Financing Transactions

In September 2010, Woolworths issued US\$1.25 billion of notes into the US144A market. The issue comprised two maturity tranches of five years (US\$500 million) and ten years (US\$750 million). The currency exposure was fully hedged at A\$1.32 billion.

In March 2011, Woolworths issued A\$500 million of Medium Term Notes into the domestic institutional market with a maturity of five years.

In April 2011, a further US\$850 million of notes were issued into the US144A market, comprising two maturity tranches of five years (US\$300 million) and ten years (US\$550 million). The currency exposure was fully hedged at A\$822 million.

Refinancing requirements immediately following this include an A\$600 million hybrid note (notice to redeem was issued on 11 August 2011), followed by US\$300 million in US 144A notes (hedged at A\$410 million) maturing in November 2011. These have been partly pre-financed by the above two A\$ and US\$ debt raisings. In April and May 2012, two syndicated bank loan facilities totalling A\$1.7 billion will mature. Of this, approximately A\$546 million is currently drawn. A refinancing plan for these maturities is currently in process of implementation. As at year end Woolworths has \$3.2 billion in undrawn bank loan facilities.

Note: 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 Debt Providers.

Property Sales Program

Woolworths has a history of developing Marketplace style retail centres through its property development arm. This capability enabled a continued roll out of its store network during the Global Financial Crisis. Woolworths increased its involvement in the development of sites using its own balance sheet, which has resulted in the ownership of a larger (than historical) portfolio of retail centres. Woolworths is generally not a long term holder of property assets and continues its strategy of divesting property as appropriate market opportunities arise. Woolworths' total proceeds from the disposal of property for the 2011 financial year were approximately \$390 million including \$48 million of Hotel proceeds.

MANAGING DIRECTOR'S REPORT continued

DEFINED PLANS TO CONTINUE SPACE ROLL-OUT

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

	Gross store openings in FY11	Target
Australian Supermarkets	21	15-25 new Supermarkets per annum and 3%+ space growth
New Zealand Supermarkets	10 ¹	3-5 new Supermarkets per annum
Dan Murphy's	19	Plans to open 10 - 15 new stores per annum targeting over 200 stores
BWS	46	Plans to open 10 stores (net) per annum
Petrol	20	Will grow supporting the Supermarket rollout strategy
BIG W	4	4-5 stores per annum targeting over 200 stores
Consumer Electronics	47	Schedule to convert all Consumer Electronics stores to the new concept format and where appropriate move existing stores to better locations
Hotels (ALH Group)	2	Acquire selectively as appropriate opportunities arise
Home Improvement	N/A	Planning to deliver 150 Masters sites in 5 years (from announcement of JV). Plan to open 15 - 20 stores per year

¹ Included the acquisition of six ex-franchise stores

MANAGING DIRECTOR'S REPORT continued

OUTLOOK

The retail sector continues to endure the toughest conditions in this current economic cycle, as household savings rates are driven higher by uncertain global and domestic factors. Consumer confidence has fallen. This was seen particularly in the second half of last financial year. Therefore it remains very difficult to predict accurately the outlook for FY12, however, we anticipate trading over the year will be subdued.

As Woolworths plans for future growth, through expansion into the circa \$40 billion home improvement market, we anticipate start-up costs for Masters of up to \$100 million (net of Danks operating profit and before tax and minority interest), which will impact our overall earnings in FY12. The amount of these start up costs is dependent upon a range of factors, particularly the pace of our new store roll out.

Woolworths is well positioned in all its market segments and has a strong and sustainable business model geared towards the less discretionary retail segments. Therefore we expect a year of further earnings growth in FY12 with Net Profit after Tax expected to grow in the range of 2% – 6% subject to the uncertainties detailed above.

BOARD OF DIRECTORS

James Alexander Strong, AO

Chairman

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

Mr Strong is currently Chairman of Kathmandu Holdings Limited (2009 to date), the Australian Council for the Arts and the Organising Committee for the ICC Cricket World Cup 2015. He is also a director of Qantas Airways Limited (2006 to date), a member of the Australian Grand Prix Corporation and a member of the Nomura Australia Advisory Board.

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

Mr Strong has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia. In 2006 he was made an Officer of the Order of Australia for his services to business and commerce, particularly in the aviation, insurance and retail fields, and to the arts as an administrator and philanthropist.

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

Age: 67.

Michael Gerard Luscombe

Managing Director and Chief Executive Officer

Mr Luscombe is a graduate of Monash University.

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

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

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

Mr Luscombe was appointed a Director of Woolworths Limited in June 2006 and will retire from the Board of Directors and the Company on 30 September 2011.

Age: 58.

BOARD OF DIRECTORS continued

Grant O'Brien

Deputy Chief Executive Officer and CEO designate

Mr O'Brien is a long term employee of Woolworths. His career extends over 24 years, starting as an Accountant in Purity (Supermarkets) in Tasmania, a division of Woolworths Limited. He was appointed Deputy Chief Executive Officer in April 2011. Prior to that he held positions as Chief Operating Officer Australian Food and Petrol, Director New Business Development, General Manager Woolworths Liquor, National Operations Manager Freestanding Liquor, Senior Business Manager Marketing Supermarkets, and Marketing and Merchandise Manager for Purity. He completed the Advanced Management Program at Harvard in 2010.

Mr O'Brien is a Director of The Consumer Goods Forum, the peak global body for food/grocery retailers and manufacturers. He is also a Director of the Avner Nahmani Pancreatic Cancer Research Fund.

Mr O'Brien will be succeeding Mr Luscombe as Managing Director and Chief Executive Officer on 1 October 2011. He was appointed a Director of Woolworths Limited in April 2011.

Age: 50.

Thomas (Tom) William Pockett

Finance Director

Mr Pockett was educated in Sydney, receiving a Bachelor of Commerce degree from the University of New South Wales. He is a member of the Group of 100 and was the National President from August 2000 to January 2003. He is a Fellow of the Institute of Chartered Accountants in Australia (FCA) and was a member of the Financial Reporting Council from March 2003 to March 2006. In 2011, he was appointed Chairman of the Business Council of Taxation Reform.

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

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

Mr Pockett is also a director of Sunnyfield, a not for profit disability services provider in New South Wales.

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

Age: 53.

John Frederick Astbury

FAICD

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

Mr John Astbury was a Director of AMP Limited from 2004 to 2007 and of Insurance Australia Group Limited from 2000 to 2007. He was also the Finance Director of Lend Lease Corporation Ltd and a Chief General Manager, National Australia Bank Limited. He has had a long career in banking and financial services in both the UK and Australia.

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

Age: 67.

BOARD OF DIRECTORS continued

Jillian Rosemary Broadbent, AO

BA, HonDLitt (UWS)

Member: Audit, Risk Management and Compliance Committee (since February 2011) and Nomination Committee.

Ms Broadbent has a Bachelor of Arts degree (economics and maths majors) from the University of Sydney and an Honorary PhD in Literature from the University of Western Sydney.

Ms Broadbent has extensive experience in corporate banking and finance in both Australia and internationally, primarily with Bankers Trust Australia. She is a Member of the Board of the Reserve Bank of Australia (since 1998) and a non-executive director of ASX Limited (since 2010) and Chancellor of the University of Wollongong. She is Chairman of the Sydney Theatre Company Foundation.

In the past Ms Broadbent has been a director of Special Broadcasting Service Corporation (SBS) (2002 to June 2011), Qantas Airways Limited, Westfield, Woodside Petroleum and Coca-Cola Amatil.

Ms Broadbent was appointed a Director of Woolworths Limited in January 2011.

Age: 63.

Roderick Sheldon Deane

PhD, BCom (Hons), FCA, FCIM, FNZIM

Dr Roderick Deane has an honorary LLD from Victoria University of Wellington.

Chairman: People Policy Committee and Member: Nomination Committee.

Dr Deane is the Chairman of the New Zealand Seed Fund (2000 to date), the IHC Foundation (2006 to date) and is Chairman and Director of Pacific Road Group Pty Limited (2010 to date). Dr Deane is Patron of New Zealand's largest charitable organisation, the IHC. He was appointed to the Board of the Anaesthesia and Pain Medicine Foundation in May 2011. He was previously Chairman and a director of Fletcher Building Limited (2001 to 2010), Telecom Corporation of New Zealand Limited (1999-2006, having been CEO 1992-1999), Te Papa Tongarewa, The Museum of New Zealand (2000-2006) and ANZ National Bank Limited (1999-2006), a Director of ANZ Banking Group Limited (1994-2006) and TransAlta Corporation (2000-2003), Chief Executive of the Electricity Corporation of NZ Limited (1987-2002), Chairman of the State Services Commission (1986-87), Deputy Governor of the Reserve Bank of NZ (1982-86), Chairman of the City Gallery Wellington Foundation (1998-2006) and Professor of Economics & Management at Victoria University of Wellington (2000-2003).

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

Age: 70.

Carla (Jayne) Hrdlicka

BA, MBA

Member: People Policy Committee and Nomination Committee.

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

Ms Hrdlicka is an experienced executive and advisor. She was a senior partner with management consulting firm Bain & Company where she led the Asia region Customer Strategy practice for 8 years. She is a recognised leader globally on the topic of customer led growth and loyalty. She held numerous leadership positions within the firm including being a founding member of the Bain's Global Women's Leadership Council. Ms Hrdlicka has worked across many industries and geographies and has extensive experience in Consumer Products, Retail and Alcoholic Beverages.

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

In August 2010, she joined Qantas Airways as Group Executive Strategy and Information Technology. She is also a member of the Sydney Medical School Deans Advisory Board.

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

Age: 49.

BOARD OF DIRECTORS continued

Leon Michael L'Huillier

BCom (Hons), MBA, MPhil

Member: Audit, Risk Management and Compliance Committee (since August 2010) and Nomination Committee. Member of People Policy Committee until August 2010. Chairman of the Woolworths Group Superannuation Plan's Policy Committee. Director of ALH Group Pty Ltd and Chairman of its Audit Committee.

Mr L'Huillier is an experienced Chief Executive and Company Director in the grocery and liquor industries. He commenced his business career with Myer and is a former CEO of Lion Nathan Australia. He has substantial experience as a Non-executive Director of major organisations in transport and logistics, property and financial services.

Mr L'Huillier was previously a member of the Policy Board of Price Waterhouse, Chairman and Chief Executive of the Transport Accident Commission, a director of MPG Logistics, and former Chairman of the Australian Property Fund, a group with interests in major retail shopping centres. He is a former Director of MLC Limited, Challenge Bank Limited and Melbourne Rebels Rugby Union Ltd.

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

Age: 68.

Ian John Macfarlane, AC

BEC (Hons), MEd

Member: Audit, Risk Management and Compliance Committee and Nomination Committee.

Mr Macfarlane is a graduate of Monash University in Melbourne. He was Governor of the Reserve Bank of Australia (RBA) from 1996 until 2006. He held several senior positions with the RBA after joining in 1979. Prior to the RBA, he worked in the Economics Department of the OECD in Paris and at the Institute for Economics and Statistics at Oxford University.

Mr Macfarlane is also a Director of ANZ Banking Group Limited (since 2007), Leighton Holdings Limited (since 2007) and of the Lowy Institute for International Policy (since 2003). He is a member of the International Advisory Board of Goldman Sachs (since 2007) and the International Advisory Board of the China Banking Regulatory Commission (since 2010). Mr Macfarlane is also a member of the Asian Advisory Board of Champ Private Equity (since 2008).

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

Age: 65.

Ralph Graham Waters

CPEng, FIE Aust, M Bus

Member: People Policy Committee (since February 2011) and Nomination Committee.

Mr Waters has a Master of Business from Curtin University of Technology, is a Chartered Professional Engineer and a Fellow of the Institution of Engineers Australia. He has had extensive experience in the Australasian building products industry, including as managing director of Email Limited and as Chief Executive of Fletcher Building Limited, as well as engineering and management experience in London and the Middle East.

Mr Waters is also a director of Fonterra Co-operative Group Limited (since 2006) and Westpac New Zealand Limited (since 2006) and is Chairman of Fletcher Building Limited (director since 2001). In the past, Mr Waters has been Chairman and director of Fisher and Paykel Appliances Holdings Limited (director 2001 to February 2011).

Mr Waters was appointed a Director of Woolworths Limited in January 2011.

Age: 62.

DIRECTORS' STATUTORY REPORT

This Report is given by the Directors in respect of the Woolworths Limited Group (the "Group" or "consolidated entity") consisting of Woolworths Limited and the entities it controlled at the end of, or during the financial period ended 26 June 2011.

THE DIRECTORS

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

Non-executive Directors

JA Strong	Chairman
JF Astbury	
JR Broadbent	(appointed 28 January 2011)
RS Deane	
DJ Grady	(retired 18 November 2010)
CJ Hrdlicka	(appointed 10 August 2010)
LM L'Huillier	
IJ Macfarlane	
RG Waters	(appointed 28 January 2011)
AM Watkins	(retired 31 July 2010)

Executive Directors

MG Luscombe	Managing Director and Chief Executive Officer
TW Pockett	Finance Director
G O'Brien	Deputy Chief Executive Officer and Chief Executive Officer Designate (appointed 4 April 2011)

Details of the experience, qualifications, special responsibilities and other directorships of listed companies in respect of each of the Directors are set out against their respective names from pages 28 to 31.

COMPANY SECRETARY

Mr Peter John Horton BA LLB.

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

PRINCIPAL ACTIVITIES

Woolworths Limited operates in Australia, New Zealand and India with 3,241 stores and more than 190,000 employees. The company operates 996 Supermarkets under the Woolworths and Safeway brands in Australia and under Woolworths, Foodtown and Countdown brands in New Zealand. In addition, 11 Thomas Dux supermarkets operate in Australia. The liquor retailing division services different customer needs through BWS, Dan Murphy's, Woolworths/Safeway attached liquor outlets, supermarket outlets in New Zealand and Cellarmasters. Woolworths also has multi-channel operations for all of its trading divisions.

The petrol retailing division has 581 canopies at year end across Australia of which 132 are co-branded Woolworths/Caltex. The general merchandise division services customer's everyday needs through 165 BIG W stores and supplies consumers with the latest technology through Dick Smith and Tandy stores operating throughout Australia and New Zealand in 394 outlets. The business venture with TATA in India now provides wholesale services to 64 retail stores operating under the "Croma" brand. The Hotel division includes 282 premium hotels, including bars, dining, gaming, accommodation and venue hire operations. The Home Improvement division includes 19 hardware stores.

CONSOLIDATED RESULTS AND REVIEW OF THE OPERATIONS

The net amount of consolidated profit for the financial period after income tax expense attributable to members of the Company and its controlled entities was \$2,124.0 million (2010: \$2,020.8 million).

A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Managing Director's Report from pages 4 to 27 inclusive.

DIRECTORS' STATUTORY REPORT continued

DIVIDENDS

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

	Franking tax rate %	Dividend Cents per share	Total paid/ payable \$m
Final 2010 Dividend Paid on 15 October 2010	30	62	766.3
Interim 2011 Dividend Paid on 29 April 2011	30	57	691.4
Final 2011 Dividend Payable on 14 October 2011	30	65	795.7

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

A net decrease in the issued share capital of the Company of 14,640,486 fully paid ordinary shares as a result of:

- (i) the issue on 15 October 2010 of 3,550,547 fully paid ordinary shares and the issue on 29 April 2011 of 3,506,336 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan. Neither the 2010 final dividend nor the 2011 interim dividend was underwritten and a cap of 20,000 maximum share participation in the Dividend Reinvestment Plan was in operation for both dividends;
- (ii) the issue on various dates, for cash at the relevant exercise price, of 5,793,031 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Executive Option Plan (EOP) and the Long Term Incentive Plan (LTIP); and
- (iii) the off-market share buy-back on various dates of 27,490,400 shares with a value of \$707.1 million (including transaction costs).

GRANT OF OPTIONS

On 26 November 2010 an offer was made under the Long Term Incentive Plan (LTIP) with an effective date of 1 July 2010 granting 2,858,291 performance rights with stringent performance measures relating to EPS and TSR hurdles.

A further 666,500 retention performance rights were offered with effective dates of 30 June 2010, 1 January 2011, 1 February 2011 and 1 June 2011.

Between 27 June 2011 and 20 September 2011, 3,281,529 shares were allotted as a result of the maturity of retention rights under the LTIP in 2008 and the exercise of options granted under the LTIP in July 2006 and July 2008.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 11 August 2011, the Group announced its intention to redeem, in whole, the A\$600 million of Woolworths Notes. The redemption took place on 15 September 2011.

Except for the matter discussed above, there have been no events subsequent to the balance date which would have a material effect on the Group's financial statements at 26 June 2011.

DIRECTORS' STATUTORY REPORT continued

FINAL DIVIDEND

On 24 August 2011, the Directors declared a final dividend of 65 cents per share, fully franked at the 30% tax rate, on each of the issued ordinary shares of the Company. The final dividend is payable on 14 October 2011.

TRANSACTIONS WITH THE ALH GROUP AND RELATED COMPANIES

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

The ALH Group purchased various building supplies and services totalling \$18,969,623 (2010: \$61,428,390) from Lifetime Developments Pty Ltd, a company with which Mr Bruce Mathieson is a related party through a family member/s who is/are a Director/Directors of Lifetime Developments Pty Ltd. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

The ALH Group purchased various building supplies and services totalling \$3,071,787 (2010: \$19,542,987) from TAG Constructions Pty Ltd, a company with which Mr Bruce Mathieson is a related party through family member/s who is/are a Director/Directors of TAG Constructions Pty Ltd. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

The ALH Group purchased various marketing services totalling \$265,600 (2010: \$287,345) from Capricornia Pty Ltd, a company which Mr Bruce Mathieson is a related party. Amounts relate to a pro-rata of shared marketing costs associated with the promotion of two ALH accommodation properties jointly with one Capricornia accommodation property.

The ALH Group purchased trading stock totalling \$38,888 (2010: \$0) from Big Bottle Purchases Pty Ltd, a Company which Mr Bruce Mathieson is a related party. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

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

DIRECTORS' INTERESTS IN SHARES/OPTIONS/PERFORMANCE RIGHTS

Particulars of Directors' relevant interests in shares, options and performance rights in the Company as at 20 September 2011 are set out below:

Director	Shares	Options	Performance rights
J A Strong	70,479	-	-
M G Luscombe	423,290	1,250,000	183,369
G O'Brien	32,739	185,000	35,730
J F Astbury	12,797	-	-
J R Broadbent	65,138	-	-
R S Deane	40,000	-	-
C J Hrdlicka	1,735	-	-
L M L'Huillier	30,000	-	-
I J Macfarlane	12,000	-	-
T W Pockett	133,000	625,000	91,685
R G Waters	14,000	-	-

DIRECTORS' STATUTORY REPORT continued

MEETINGS OF DIRECTORS

The table below sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 26 June 2011 and the number of meetings attended by each Director. In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, retail market study trips, as well as Board and Board Committee Meeting preparation and research. These additional responsibilities constitute a further significant time commitment by Directors.

Meetings attended/held while in office

Directors	Board Meetings	Ad-hoc Board Meetings	Audit, Risk Management and Compliance Committee	People Policy Committee
J A Strong ⁽¹⁾⁽²⁾⁽³⁾	11/11	5/5	7/7	5/5
M G Luscombe	11/11	5/5	7/7	5/5
J F Astbury ^{(1a)(3)(4)}	11/11	5/5	7/7	1/1
J R Broadbent ⁽¹⁾⁽³⁾⁽⁵⁾	5/5	3/3	2/2	-
R S Deane ^{(2a)(3)}	11/11	5/5	-	5/5
D J Grady ⁽¹⁾⁽³⁾⁽⁶⁾	5/5	1/1	4/4	-
C J Hrdlicka ⁽²⁾⁽³⁾⁽⁷⁾	10/10	5/5	-	4/4
L M L'Huillier ^{(1b)(2b)(3)(8)(9)(10)}	7/11	5/5	4/6	1/3
I J Macfarlane ⁽¹⁾⁽³⁾	11/11	5/5	7/7	-
G O'Brien ⁽¹¹⁾	2/2	1/1	1/1	1/1
T W Pockett	11/11	5/5	7/7	5/5
R G Waters ⁽²⁾⁽³⁾⁽¹²⁾⁽¹³⁾	5/5	2/3	-	2/2
A M Watkins ^{(1a)(2)(3)(14)}	1/1	-	1/1	1/1

- 1 Member of the Audit, Risk Management and Compliance Committee
- 1^a Ms Watkins was Chairman of the Audit, Risk Management and Compliance Committee until 29 July 2010. Mr Astbury assumed this position from 29 July 2010
- 1^b Member of the Audit, Risk Management and Compliance Committee since 20 August 2010
- 2 Member of the People Policy Committee
- 2^a Chairman of the People Policy Committee
- 2^b Member of the People Policy Committee until 20 August 2010
- 3 Member of the Nomination Committee which meets at the same time as the Board meetings
- 4 Director of Hydrox Holdings Pty Ltd and Chairman of its Audit Committee
- 5 Appointed a Director, effective 28 January 2011. Subsequently appointed to the Audit, Risk Management and Compliance Committee, effective 24 February 2011.
- 6 Retired as Director, effective 18 November 2010
- 7 Appointed a Director, effective 10 August 2010
- 8 Chairman of the Woolworths Group Superannuation Plan's Policy Committee
- 9 Director of ALH Group Pty Limited and Chairman of its Audit Committee
- 10 Leave of absence granted
- 11 Appointed a Director, effective 4 April 2011
- 12 Did not attend ad-hoc board meeting due to conflict of interest
- 13 Appointed a Director, effective 28 January 2011. Subsequently appointed to the People Policy Committee, effective 24 February 2011
- 14 Retired as Director, effective 31 July 2010

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT

INTRODUCTION TO THE DIRECTORS' REMUNERATION REPORT FROM THE CHAIRMAN OF THE PEOPLE POLICY COMMITTEE

Dear Shareholder,

We are pleased to present the 2011 Remuneration Report.

The People Policy Committee has an established annual process of working with management to improve the quality of information provided to shareholders. In recent years, the effects of the global financial crisis have generally seen:

1. A recalibration of reward strategies as businesses strive to retain key employees in the most cost effective manner;
2. Increased emphasis on governance frameworks to ensure there are robust business practices that are aligned to protecting shareholder interests; and
3. Significant increases in compliance work to ensure that appropriate reporting and measures are in place to underpin governance frameworks.

The additional compliance work has been absorbed as part of the ongoing annual processes adopted by the Committee. The Committee remains committed to continuous improvement of the Remuneration Report and ensuring there are no inconsistencies between Company practice and our obligations to shareholders.

The Committee however believes the current disclosure requirements add complexity for shareholders and there are a number of areas that can be improved. For example:

1. The requirement to include the movement in statutory leave entitlements can overstate remuneration in a year where only a little leave is taken and understate where significant leave is taken. It also distorts the year on year comparison.
2. Reporting in the remuneration tables, the amortised, discounted value of equity based remuneration that is subject to performance hurdles, forfeiture and may or may not vest is not a true indication of an executive's remuneration. This should be substituted by the actual value of equity that vests during the financial year. The number of instruments granted during the financial year together with that accounting value may be shown separately.

In terms of 2011, it is a matter of public record that the current retail trading environment has been challenging and this has resulted in lower total remuneration outcomes for a number of key management personnel as evidenced in the accompanying tables.

The Committee reviews reward and design on a regular basis to ensure that it is market competitive to enable the attraction, motivation and retention of key talent. The Committee also ensures remuneration is strongly aligned to the achievement of business outcomes and shareholder interests. As a result, this year the Committee approved a number of changes to be implemented during FY12 that will entail, for example:

1. Greater flexibility for employees regarding how to take their fixed remuneration;
2. The introduction of a gateway to short term incentives such that if an overriding measure is not met, nothing is payable;
3. For all currently eligible long-term incentive employees, changing the current plan into a three year plan that is aligned to market practice and also has a strong alignment to Company performance, shareholder interests and retention;
4. Removal of the early testing of performance hurdles on long term incentives; and
5. The apportioning of the existing value of long term incentives for the 50 most senior executives into a five year plan and a new three year plan.

These changes which are detailed in the Remuneration Report will be introduced over the course of the current financial year and on a like for like basis, are not expected to result in additional expense to the Company.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

The Board is confident the structure of remuneration at Woolworths continues to support the Company's strategic objectives and is in line with community expectations.

A handwritten signature in black ink, appearing to read 'R Deane', written in a cursive style.

Roderick Deane

Chairman – People Policy Committee

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

1. Introduction

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

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

Woolworths has an achievement and performance-oriented culture which our remuneration policies drive and support. In recognising the importance of our people to our success, approximately 45,000 Woolworths employees hold shares in the Company through participation in various equity based schemes, sharing in the Company's success and aligning their experience with that of other shareholders.

2. Remuneration Policy

Remuneration policy is aligned with both our financial and strategic business objectives and recognises that people are a major contributor to sustained improvements in performance. Woolworths' approach to remuneration is in line with principles endorsed by the Australian Institute of Company Directors, Australian Employee Ownership Association and Australian Shareholders Association.

Woolworths' remuneration policy for all senior executives ensures:

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

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

3. Role of the People Policy Committee

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

- Establishes and implements a human resources strategy to ensure that appropriately talented and trained people are available to achieve the Business Strategy;
- Protects the safety and health of its employees, customers, contractors and visitors;
- Undertakes the appropriate performance management, succession planning and development activities and programs;
- Provides effective remuneration policies having regard to the creation of value for shareholders and the external remuneration market;
- Complies with relevant legal and regulatory requirements and principles of good governance; and
- Reports to shareholders in line with required standards.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

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

- Reviewing and approving the structure of short term incentive plans to ensure they are designed to effectively reward the achievement of Company and individual objectives;
- Reviewing the implementation and outcome of short term incentive plans to ensure individuals are fairly and equitably rewarded within the Company's cost parameters;
- Reviewing the design of all long term incentive and equity plans to determine:
 1. If Company objectives are met;
 2. Compliance with the legislative and regulatory environment;
 3. Alignment to industry standards; and
 4. Overall cost effectiveness;
- Reviewing and approving categories of employees who will be eligible to participate in long term incentive and equity plans;
- Recommending to the Board, for approval, the overall structure and level of participation in the plans; and
- Reviewing and approving, having regard to the CEO's recommendations, the remuneration for senior executives.

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

Membership of the Committee consists of four independent Non-executive Directors who at the start of the financial year were, Dr R Deane (Chair), Mr J Strong, Mr L L'Huillier and Ms A Watkins. During the year, three new Non-Executive Directors were engaged and the Board sub committees were restructured. As a result Ms J Hrdlicka and Mr R Waters replaced Mr L L'Huillier and Ms A Watkins on the Committee. The members' attendance at meetings of the People Policy Committee is set out on page 35.

Use of remuneration consultants

The Board and People Policy Committee engage remuneration consultants to provide remuneration and market practice advice and information to the Board. In the 2011 financial year, Ernst & Young was appointed as an independent remuneration advisor to the Board.

Although the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* was introduced with effect only for contracts entered into on or after 1 July 2011, the Board has sought to implement the underlying principles of the legislation.

In the 2011 financial year, the People Policy Committee engaged Ernst & Young independent of management to advise the Board in its review of the Group's remuneration arrangements. The engagement of Ernst & Young by the Chairman of the People Policy Committee was based on an agreed set of protocols that would be followed by Ernst & Young, members of the People Policy Committee and members of key management personnel for the way in which remuneration recommendations would be developed and provided to the Board.

These arrangements were implemented to ensure that Ernst & Young would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the key management personnel for whom the recommendations may relate.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4. Remuneration Structure Overview

Woolworths' current remuneration structure is comprised of two components:

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

The total remuneration package of all executives is designed to ensure an appropriate mix of fixed remuneration with short and long term incentive opportunities. The relative weighting of fixed and variable components for on-target performance varies with the level and complexity of the role so that generally, the "at risk" component increases with accountability. In order to align reward to performance, Woolworths requires a significant proportion of senior executives' total potential reward to be at risk. To ensure alignment, Woolworths generally aims to position all senior executives' remuneration at:

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

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

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

5. Total Fixed Remuneration (TFR)

TFR values are determined by reference to independent research considering the scope and nature of the role and appropriate market rates as well as the executive's individual performance and experience. External consultants are engaged by and report to the People Policy Committee to work with management to conduct a review of Key Management Personnel (KMP) salaries.

Comparator groups are drawn from various peers that are most closely aligned to KMP roles in terms of revenue and market capitalisation. The majority of KMP are compared to an ASX listed peer drawn from the heads of business units or functional areas in the ASX50 whilst the Director of Food, Liquor and Petrol is drawn from Managing Directors and CEOs in the ASX75-125. Whilst remuneration reviews are conducted annually, there are no guaranteed remuneration increases. Any increases are determined by individual performance, economic indicators and market data.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

6. Short Term Incentive Plan (STIP)

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

- Deliver Company performance improvements over the prior year;
- Provide rewards subject to the achievement of rigorous performance targets; and
- Align individual objectives to Company and business-specific objectives.

The STIP provides an annual cash incentive that is calculated based on financial year results and is based on a maximum percentage of the executive's cash salary, except for the CEO and Finance Director STIPs which are calculated as a percentage of TFR.

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

There are four main financial key result areas (KRAs) that are standard in plans and are designed to ensure the Company achieves long term sustainable profitable growth. These KRAs are cascaded from total group results down to department level and include sales, profit (which may be earnings before interest and tax, gross profit or controllable profit depending on the role), return on funds employed and cost of doing business.

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

The targets and weightings for each measure are adjusted at the beginning of the financial year to reflect the specific financial objectives of each business within the Woolworths Group for that financial year and are designed to deliver improvements on the prior year's results. This results in each executive having a STIP that is directly linked to their annual business objectives. There are three levels of targeted performance for each measure:

- Threshold, which is the minimum improvement to last year's results required to qualify for any incentive payment;
- Target, where established performance targets have been achieved; and
- Stretch, where performance targets have been exceeded.

The People Policy Committee is able to apply discretion in allowing or disallowing bonus payments. In the event of unforeseen circumstances (for example, natural disasters), the People Policy Committee is able to approve discretionary bonuses. This occurs in rare situations where significant external events have taken place which were not factored into budgeted results.

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

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

7. Long Term Incentives

7.1 Overview

Woolworths' long term incentive plans have been in place, in various forms, since 1993 and are designed to:

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

From 1999 through to 2004 long term incentives were provided through the Executive Option Plan (EOP). At the 2004 Annual General Meeting shareholders approved the introduction of the Woolworths Long Term Incentive Plan (LTIP) which provided the Company with greater flexibility to determine whether to use options or a number of other alternatives such as performance rights, performance shares or cash. Following is a summary of the plans from 1999.

Year of Offer	Plan Type	Vesting Period (years) ⁽¹⁾	Exercise Period (years) ⁽¹⁾	Options	Performance Rights	Total
1999 – 2001	EOP	5	10	100%	-	100%
2002 – 2004	EOP	5	5.5	100%	-	100%
2005 – 2007	LTIP	5	5.5	100%	-	100%
2008 – 2009 ⁽²⁾	LTIP	4	5.5	50%	50%	100%
2010	LTIP	4	5.5	-	100%	100%

(1) Measured from effective grant date

(2) Based on value to individual

Since 2002, eligibility to participate in long term incentives has been linked to executives entering into Service Agreements that offer:

- The Company protection;
- Management stability for shareholders; and
- Clarity for executives.

Effective from 2003 all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to receive long term incentives and from FY2011 buyers from Home Improvements and Consumer Electronics also became eligible. Eligibility has been extended to these key roles due to their operational importance to achieving business outcomes. Where new participants are not executives and therefore not required to enter Service Agreements, it is a condition of the long term incentive plan offer that these participants are required to enter into amended terms and conditions of employment that offer similar protection to the Company and shareholders.

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

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

7.2 Performance Measures

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

- EPS and TSR were chosen as performance measures to retain a balance between an external, TSR, and internal, EPS, measure of success and is directly linked to the Company's objectives of long term profitable sustainability;
- Basic EPS is measured as the net profit of the consolidated entity after non controlling interests, divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths custodian) over the performance period;
- Relative TSR measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured from the grant date but averaged for three months to eliminate volatility. This reflects the increase in value delivered to shareholders over the performance period;
- TSR performance is measured against the S&P/ASX100 comparator companies, excluding companies in the ASX classified as financial services and resources and any companies in the comparator group that have merged, had a share reconstruction, been delisted or subject to takeover or takeover offer during the measurement periods;
- The percentage of the total number of instruments granted that vest is dependent on Woolworths ranking relative to the performance of the comparator companies; and
- TSR performance measurement for the purpose of calculating the number of instruments to vest is subject to testing by our independent auditors.

7.3 Option Exercise Price

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

7.4 Executive Option Plan

The Executive Option Plan (EOP) was approved by shareholders in November 1999 and was last offered with an effective grant date of 1 July 2004. During the 52 weeks ended 26 June 2011, the final remaining options outstanding under this plan were exercised.

Awards were made under the EOP in five tranches with each tranche subject to performance hurdles established by the People Policy Committee and approved by the Board.

The Executive Option Plan had the following features:

- An exercise period that commenced after five years, subject to performance hurdles being met and with a maximum exercise period of five and a half years (10 years for options issued prior to 2002);
- Upon exercise, each option entitled the option holder to one ordinary fully paid Woolworths Limited share;
- For offers made from 2002 the 50% EPS component vested in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%;
- The fifth tranche was comprised of the 50% TSR component which vested progressively where TSR equalled or exceeded the 60th percentile of the comparator group up to the full 50% vesting where TSR equalled the 75th percentile of the comparator group; and
- No further grants have been made under this plan since 2004.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

7.5 Woolworths Long Term Incentive Plan (LTIP)

At the 2004 Annual General Meeting, shareholders approved the introduction of a new long term incentive, the Woolworths Long Term Incentive Plan. The Plan has four Sub-Plans, which are described below, that allows the Board flexibility to determine which of the Sub-Plan's awards will be granted to deliver the overall LTIP objectives.

From 2005 to 2007 the Option Sub-Plan was used to satisfy Woolworths LTIP requirements. Offers made in 2008 and 2009 used a combination of the Option Sub-Plan and the Performance Rights Sub-Plan and offers in 2010 were comprised solely of the Performance Rights Sub-Plan. Irrespective of Sub-Plan, stringent performance measures are set annually and relate to EPS and TSR hurdles. The Performance Shares and Cash Award Sub-Plans have not been used.

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

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

Summary of outstanding instruments granted under the LTIP (As at 26 June 2011)							
Year (calendar)	2006	2007	2008	2009	2010	2011	Total
Options	6,199,474	7,259,200	4,927,250	3,745,300	-	-	22,131,224
Performance Rights	-	-	927,878	871,061	2,781,191	-	4,580,130
Retention Performance Rights	-	-	-	75,000	242,000	424,500	741,500

The LTIP has the following features:

- A maximum exercise period of five and a half years;
- Upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share;
- For offers from 2005 through to 2007:
 - an exercise period that commences after five years, subject to performance hurdles being met;
 - the 50% EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%; and
 - a fifth tranche comprised of the 50% TSR component which vests progressively where TSR equals or exceeds the 60th percentile of the comparator group up to the full 50% vesting where TSR equals the 75th percentile of the comparator group.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

- For offers from 2008 through to 2010:
 - a four year vesting period that may commence vesting after three years, subject to performance hurdles being met;
 - if the minimum performance hurdles are not met after three years, nothing vests and the measures will be tested at the end of four years;
 - where any performance measures are met after three years, nothing further vests at the end of four years;
 - the 50% EPS component vests progressively upon attaining average annual growth of 10%. At 10% growth, 12.5% EPS will vest with the full 50% vesting at an average annual growth of 15%; and
 - the 50% TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group. At the 51st percentile, 12.5% TSR will vest with the full 50% vesting where TSR equals the 75th percentile of the comparator group.

Securities Dealing Policy

The Woolworths Securities Dealing Policy was reviewed in September 2011. As part of the policy all members of the senior management team have signed a declaration that they have not entered into any arrangements that would contravene the policy.

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

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

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

Woolworths does not have holding locks in place on any of the long term incentive schemes. Recently enacted legislation will therefore require no change to the policy.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

7.6 Conditional entitlement to and share holdings

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

2011

	Opening Balance	Options and performance rights granted as remuneration ⁽¹⁾		Options exercised ^{(2), (3)}		Options & performance rights holding at 26 Jun 11 ⁽⁴⁾	Options Vested at 26 June 2011			
	No.	No.	\$	No.	\$	No.	Total No.	Exercisable No.	Unexercisable No.	Vested during the year No.
M Luscombe	1,641,175	122,194	2,471,985	(330,000)	1,452,300	1,433,369	62,500	-	62,500	372,500
G O'Brien	225,000	20,600	416,738	(20,000)	247,200	225,600	11,250	-	11,250	26,250
T Pockett	985,588	61,097	1,235,992	(80,000)	988,800	966,685	62,500	-	62,500	122,500
J Coates	227,500	20,600	416,738	(50,000)	554,000	198,100	11,250	-	11,250	48,750
G Foran	227,500	20,600	416,738	(50,000)	521,500	198,100	11,250	-	11,250	48,750
A Hall	97,223	16,000	323,680	-	-	113,223	-	-	-	-
P Horton	167,223	16,000	323,680	(50,000)	618,000	133,223	5,000	-	5,000	42,500
K Schmidt	143,556	16,000	323,680	(13,000)	160,680	146,556	3,750	-	3,750	13,500
Total	3,714,765	293,091	5,929,231	(593,000)	4,542,480	3,414,856	167,500	-	167,500	674,750

⁽¹⁾ Options and performance rights granted as remuneration is the total fair value of options and performance rights granted during the year determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the grant, in accordance with Australian Accounting Standards.

⁽²⁾ The value of options exercised during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No other options were exercised by key management personnel.

⁽³⁾ The amount paid per share for all options exercised during the year by the above key management personnel was \$16.46, with the exception of 250,000 options exercised by M Luscombe where \$25.91 was paid per share.

⁽⁴⁾ The number of ordinary shares under option/performance rights as at 26 June 2011 is equivalent to the option/performance rights holding at that date.

During the 52 weeks ended 26 June 2011, no options lapsed or were forfeited relating to the key management personnel above as a result of failure to meet performance hurdles.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2010

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

⁽¹⁾ Options and performance rights granted as remuneration is the total fair value of options and performance rights granted during the year determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the grant, in accordance with Australian Accounting Standards.

⁽²⁾ The value of options exercised during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No other options were exercised by key management personnel.

⁽³⁾ The amount paid per share for all options exercised during the year by the above key management personnel was \$11.54, with the exception of 250,000 options exercised by M Luscombe where \$19.47 was paid per share.

⁽⁴⁾ The number of ordinary shares under option/performance rights as at 27 June 2010 is equivalent to the option/performance rights holding at that date.

⁽⁵⁾ Included as key management personnel to comply with the Corporations Act 2001 reporting requirements.

During the 52 weeks ended 27 June 2010, no options lapsed or were forfeited relating to the key management personnel above as a result of failure to meet performance hurdles.

DIRECTORS' STATUTORY REPORT continued**REMUNERATION REPORT continued**

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

	Shareholding at 27 June 2010	Shares issued under DRP⁽¹⁾	Shares received on exercise of options	Shares purchased or (sold)⁽²⁾	Shareholding at 26 June 2011
	No.	No.	No.	No.	No.
J Strong	70,479	-	-	-	70,479
M Luscombe	523,290	-	330,000	(430,000)	423,290
G O'Brien	20,000	-	20,000	(12,375)	27,625
J Astbury	12,797	-	-	-	12,797
J Broadbent	64,713	425	-	-	65,138
R Deane	40,000	-	-	-	40,000
D Grady ⁽³⁾	36,259	-	-	-	-
J Hrdlicka	-	-	-	1,735	1,735
L L'Huillier	30,000	-	-	-	30,000
I Macfarlane	8,000	-	-	3,000	11,000
R Waters	-	-	-	8,690	8,690
A Watkins ⁽⁴⁾	11,859	-	-	-	-
T Pockett	133,000	-	80,000	(80,000)	133,000
J Coates	20,000	-	50,000	(40,000)	30,000
G Foran	71,143	848	50,000	(35,300)	86,691
A Hall	-	-	-	-	-
P Horton	1,264	137	50,000	(15,000)	36,401
K Schmidt	-	-	13,000	(13,000)	-

⁽¹⁾ Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

⁽²⁾ Figures in brackets indicate that these shares have been sold or otherwise disposed of.

⁽³⁾ Ms Grady retired from the Board of Directors on 18 November 2010. Accordingly, no further disclosure has been made.

⁽⁴⁾ Ms Watkins retired from the Board of Directors on 31 July 2010. Accordingly, no further disclosure has been made.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

7.6 Conditional entitlement to and share holdings continued

The table below sets out the grants and outstanding number of options and performance rights for the key management personnel of Woolworths Limited for the period 27 June 2010 to 26 June 2011.

No amounts were paid or payable by the recipient on receipt of the options or performance rights.

	Grant date	Effective date	No. of options and rights at 26 Jun 11 ⁽¹⁾	Expiry date	Exercise price per option/right	Exercise date ⁽²⁾	Maximum value of award to vest ⁽³⁾	Fair value per option/performance right ⁽⁴⁾	
								EPS	TSR
M Luscombe	24/11/2006	1/07/2006	250,000	31/12/2011	\$19.47	1/07/2011	863,125	\$4.23	\$2.68
	3/12/2007	1/07/2007	250,000	31/12/2012	\$25.91	1/07/2012	2,201,250	\$9.42	\$8.19
	9/12/2008	1/07/2008	500,000	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	2,477,500	\$5.15	\$4.76
	27/11/2009	1/07/2009	250,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	1,005,000	\$4.77	\$3.27
	27/11/2009	1/07/2009	61,175	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	1,159,572	\$24.74	\$13.17
	26/11/2010	1/07/2010	122,194	31/12/2015	Nil	08/2014 ⁽⁷⁾	2,471,985	\$23.73	\$16.73
			1,433,369				10,178,432		
G O'Brien	30/01/2007	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$5.73	\$3.86
	3/12/2007	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$9.48	\$8.33
	9/12/2008	1/07/2008	45,000	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	222,975	\$5.15	\$4.76
	9/12/2008	1/07/2008	10,000	31/12/2013	Nil	1/07/2012 ⁽⁵⁾	212,450	\$23.66	\$18.83
	27/11/2009	1/07/2009	45,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	180,900	\$4.77	\$3.27
	27/11/2009	1/07/2009	10,000	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	189,550	\$24.74	\$13.17
	26/11/2010	1/07/2010	20,600	31/12/2015	Nil	08/2014 ⁽⁷⁾	416,738	\$23.73	\$16.73
			225,600				1,883,638		
T Pockett	24/11/2006	1/07/2006	250,000	31/12/2011	\$19.47	1/07/2011	898,750	\$4.26	\$2.93
	3/12/2007	1/07/2007	250,000	31/12/2012	\$25.91	1/07/2012	2,226,250	\$9.48	\$8.33
	9/12/2008	1/07/2008	250,000	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	1,238,750	\$5.15	\$4.76
	27/11/2009	1/07/2009	125,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	502,500	\$4.77	\$3.27
	27/11/2009	1/07/2009	30,588	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	579,796	\$24.74	\$13.17
	26/11/2010	1/07/2010	61,097	31/12/2015	Nil	08/2014 ⁽⁷⁾	1,235,992	\$23.73	\$16.73
			966,685				6,682,038		
J Coates	30/01/2007	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$5.73	\$3.86
	3/12/2007	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$9.48	\$8.33
	9/12/2008	1/07/2008	22,500	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	111,488	\$5.15	\$4.76
	9/12/2008	1/07/2008	5,000	31/12/2013	Nil	1/07/2012 ⁽⁵⁾	106,225	\$23.66	\$18.83
	27/11/2009	1/07/2009	45,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	180,900	\$4.77	\$3.27
	27/11/2009	1/07/2009	10,000	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	189,550	\$24.74	\$13.17
	26/11/2010	1/07/2010	20,600	31/12/2015	Nil	08/2014 ⁽⁷⁾	416,738	\$23.73	\$16.73
			198,100				1,665,926		

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

	Grant date	Effective date	No. of options and rights at 26 Jun 11 ⁽¹⁾	Expiry date	Exercise price per option/ right	Exercise date ⁽²⁾	Maximum value of award to vest ⁽³⁾	Fair value per option/performance right ⁽⁴⁾	
								EPS	TSR
G Foran	30/01/2007	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$5.73	\$3.86
	3/12/2007	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$9.48	\$8.33
	9/12/2008	1/07/2008	22,500	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	111,488	\$5.15	\$4.76
	9/12/2008	1/07/2008	5,000	31/12/2013	Nil	1/07/2012 ⁽⁵⁾	106,225	\$23.66	\$18.83
	27/11/2009	1/07/2009	45,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	180,900	\$4.77	\$3.27
	27/11/2009	1/07/2009	10,000	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	189,550	\$24.74	\$13.17
	26/11/2010	1/07/2010	20,600	31/12/2015	Nil	08/2014 ⁽⁷⁾	416,738	\$23.73	\$16.73
			198,100				1,665,926		
A Hall	3/12/2007	1/07/2007	30,000	31/12/2012	\$25.91	1/07/2012	267,150	\$9.48	\$8.33
	9/12/2008	1/07/2008	20,000	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	99,100	\$5.15	\$4.76
	9/12/2008	1/07/2008	4,445	31/12/2013	Nil	1/07/2012 ⁽⁵⁾	94,434	\$23.66	\$18.83
	27/11/2009	1/07/2009	35,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	140,700	\$4.77	\$3.27
	27/11/2009	1/07/2009	7,778	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	147,432	\$24.74	\$13.17
	26/11/2010	1/07/2010	16,000	31/12/2015	Nil	08/2014 ⁽⁷⁾	323,680	\$23.73	\$16.73
			113,223				1,072,496		
P Horton	30/01/2007	1/07/2006	20,000	31/12/2011	\$19.47	1/07/2011	95,900	\$5.73	\$3.86
	3/12/2007	1/07/2007	30,000	31/12/2012	\$25.91	1/07/2012	267,150	\$9.48	\$8.33
	9/12/2008	1/07/2008	20,000	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	99,100	\$5.15	\$4.76
	9/12/2008	1/07/2008	4,445	31/12/2013	Nil	1/07/2012 ⁽⁵⁾	94,434	\$23.66	\$18.83
	27/11/2009	1/07/2009	35,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	140,700	\$4.77	\$3.27
	27/11/2009	1/07/2009	7,778	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	147,432	\$24.74	\$13.17
	26/11/2010	1/07/2010	16,000	31/12/2015	Nil	08/2014 ⁽⁷⁾	323,680	\$23.73	\$16.73
			133,223				1,168,396		
K Schmidt	30/01/2007	1/07/2006	15,000	31/12/2011	\$19.47	1/07/2011	71,925	\$5.73	\$3.86
	3/12/2007	1/07/2007	30,000	31/12/2012	\$25.91	1/07/2012	267,150	\$9.48	\$8.33
	9/12/2008	1/07/2008	35,000	31/12/2013	\$24.90	1/07/2012 ⁽⁵⁾	173,425	\$5.15	\$4.76
	9/12/2008	1/07/2008	7,778	31/12/2013	Nil	1/07/2012 ⁽⁵⁾	165,244	\$23.66	\$18.83
	27/11/2009	1/07/2009	35,000	31/12/2014	\$25.88	1/07/2013 ⁽⁶⁾	140,700	\$4.77	\$3.27
	27/11/2009	1/07/2009	7,778	31/12/2014	Nil	1/07/2013 ⁽⁶⁾	147,432	\$24.74	\$13.17
	26/11/2010	1/07/2010	16,000	31/12/2015	Nil	08/2014 ⁽⁷⁾	323,680	\$23.73	\$16.73
			146,556				1,289,556		

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

Grant date represents the offer acceptance date.

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

- (1) The number of options at 26 June 2011 comprises both options that have vested and have not been exercised and options yet to vest.
- (2) Represents the first day the option/right can be exercised unless otherwise stated.
- (3) The maximum value of award to vest represents the total maximum value of employee benefits expense that will be recorded in respect of options currently on issue on the assumption that all options / rights will vest.
- (4) The fair value per option/performance right was determined by an independent actuary using a Monte-Carlo Simulation model.
- (5) Vesting may occur on 1 July 2011 if the performance hurdles are met as outlined on page 45. A portion of these options / rights vested on 1 July 2011.
- (6) Vesting may occur on 1 July 2012 if the performance hurdles are met as outlined on page 45.
- (7) Vesting may occur in August 2013 if the performance hurdles are met as outlined on page 45. Vesting will occur on the day which the full year results are announced to the market.

The following table summarises movements in the total number of outstanding options / rights for the financial year ended 26 June 2011:

Offer date	Expiry date	Exercise price	No. of options/rights \$ 27 June 2010	Options/rights granted during year	Options/rights exercised during year	Options/rights lapsed during year	No. of options/rights at 26 June 2011	No. of options/rights exercisable at 26 June 2011
Options								
01/07/2001	01/07/2011	\$10.89	153,600	-	(153,600)	-	-	-
01/07/2005	31/12/2010	\$16.46	5,273,547	-	(5,225,116)	(48,431)	-	-
01/07/2006	31/12/2011	\$19.47	6,749,250	-	(60,250)	(489,526)	6,199,474	-
01/07/2007	31/12/2012	\$25.91	8,157,500	-	(250,000)	(648,300)	7,259,200	-
01/07/2008	31/12/2013	\$24.90	5,314,250	-	-	(387,000)	4,927,250	-
01/07/2009	31/12/2014	\$25.88	4,062,550	-	-	(317,250)	3,745,300	-
Rights								
25/07/2007	01/07/2010	Nil	40,000	-	(40,000)	-	-	-
1/07/2008 ⁽¹⁾	31/12/2013	Nil	1,014,384	-	-	(86,506)	927,878	-
01/09/2008	01/09/2010	Nil	65,000	-	(65,000)	-	-	-
02/02/2009	02/02/2012	Nil	15,000	-	-	-	15,000	-
1/07/2009 ⁽¹⁾	31/12/2014	Nil	943,520	-	-	(72,459)	871,061	-
01/11/2009	01/11/2011	Nil	60,000	-	-	-	60,000	-
24/12/2009	24/12/2010	Nil	20,000	-	-	(20,000)	-	-
30/06/2010	31/12/2012	Nil	-	242,000	-	-	242,000	-
01/07/2010	31/12/2015	Nil	-	2,858,291	-	(77,100)	2,781,191	-
01/01/2011	30/06/2013	Nil	-	319,000	-	-	319,000	-
01/02/2011	01/02/2014	Nil	-	10,000	-	-	10,000	-
01/06/2011	01/06/2013	Nil	-	8,000	-	-	8,000	-
01/06/2011	01/06/2014	Nil	-	87,500	-	-	87,500	-
			31,868,601	3,524,791	(5,793,966)	(2,146,572)	27,452,854	-

⁽¹⁾ The opening balance for the rights issues dated 1/7/08 and 1/7/09 have been increased / decreased by 400 performance rights respectively from what was disclosed as the closing balance in the prior year. There is no change to the total balance of options / rights outstanding at 27 June 2010.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

8. Relationship of variable remuneration to Woolworths' financial performance

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

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

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

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

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

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

In monetary terms, since 2007:

Five Year Performance Table					
	2007	2008	2009	2010	2011
Sales (\$m)	42,477	47,035	49,595	51,694	54,143
EBIT (\$m)	2,111	2,529	2,816	3,082	3,276
ROFE (%)	27.1	31.4	31.9	31.0	29.3
EBIT / Sales (%)	5.0	5.4	5.7	6.0	6.1

- Sales have increased by more than 27% since 2007;
- EBIT has increased by more than 55% since 2007;
- EBIT as a proportion of sales has increased consistently since 2007.

Whilst EBIT has increased by more than 55% over the period, STIP paid to executives has remained at less than 10% of EBIT over the same period.

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

Year ended June	2007	2008	2009	2010	2011
EPS (cents per share)	108.8	134.9	150.7	164.0	174.6
Total dividends (cents per share)	74.0	92.0	104.0	115.0	122.0
Market capitalisation (\$ million)	33,322	30,453	31,906	33,733	33,150
Share price (closing) (\$)	27.60	25.02	25.96	27.40	27.25
No. of options granted to executives (million)	8.3	9.0	5.6	4.1	-
No. of executives granted options	1,730	1,961	2,410	2,262	-
Fair value per option (\$) – Total weighted	4.68	8.90	4.96	4.02	-
Fair value per option (\$) – TSR	3.76	8.32	4.76	3.27	-
Fair value per option (\$) – EPS	5.60	9.48	5.15	4.77	-
No. of performance rights granted to executives (million)	-	1.6	1.2	1.1	3.5
No. of executives granted performance rights	-	182	2,416	2,267	2,416
Fair value per performance right (\$) – Total weighted	-	24.34	21.55	19.42	20.92
Fair value per performance right (\$) – TSR	-	-	18.83	13.17	16.73
Fair value per performance right (\$) – EPS	-	-	23.66	24.74	23.73
Fair value per performance right (\$) – Retention	-	24.34	24.89	24.49	23.87

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

9. Directors and Executives

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

	Position title
Executive Directors	
Michael Gerard Luscombe	Managing Director and Chief Executive Officer
Grant O'Brien	Deputy Chief Executive Officer and Chief Executive Officer Designate (appointed 4 April 2011) (prior to 4 April 2011, Chief Operating Officer, Australian Food and Petrol)
Thomas (Tom) William Pockett	Finance Director
Chairman	
James Alexander Strong	Chairman of the Board, member of the Audit, Risk Management and Compliance Committee, member of the People Policy Committee and member of the Nomination Committee
Non-executive Directors	
John Frederick Astbury	Non-executive Director, Chairman of the Audit, Risk Management and Compliance Committee (since July 2010) and member of the Nomination Committee. Director of Hydrox Holdings Pty Ltd and Chairman of its Audit Committee
Jillian Rosemary Broadbent	Non-executive Director (appointed 28 January 2011), member of the Audit, Risk Management and Compliance Committee (since February 2011) and member of the Nomination Committee
Roderick Sheldon Deane	Non-executive Director, Chairman of the People Policy Committee and member of the Nomination Committee
Diane Jennifer Grady	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and Nomination Committee (retired 18 November 2010)
Carla Jayne Hrdlicka	Non-executive Director (appointed 10 August 2010), member of the People Policy Committee and member of the Nomination Committee
Leon Michael L'Huillier	Non-executive Director, Chairman of the Woolworths Group Superannuation Plan's Policy Committee and member of the Audit, Risk Management and Compliance Committee (since August 2010), member of the People Policy Committee (until August 2010) and member of the Nomination Committee. Director of ALH Group Pty Ltd and Chairman of its Audit Committee
Ian John Macfarlane	Non-executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Nomination Committee
Ralph Graham Waters	Non-executive Director (appointed 28 January 2011), member of the People Policy Committee (since February 2011) and member of the Nomination Committee
Alison Mary Watkins	Non-executive Director, formerly Chairman of the Audit, Risk Management and Compliance Committee, member of the People Policy Committee and member of the Nomination Committee (retired 31 July 2010)
Executives	
Julie Coates	Director of BIG W
Greg Foran	Director of Supermarkets, Liquor and Petrol (resigned effective 23 September 2011)
Andrew Hall	Director of Corporate and Public Affairs
Peter Horton	Group General Counsel and Company Secretary
Kim Schmidt	Director of Human Resources

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

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

Remuneration Tables

Set out in the following table is the remuneration for the Non-executive Directors and key management personnel of Woolworths Limited and its subsidiaries during the financial year ended 26 June 2011.

2011	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share based payments ⁽²⁾	Total	Proportion of remuneration performance related % ⁽³⁾	Options & Performance Rights as a % of Total Remuneration ⁽³⁾
	Salary and fees	Short-term cash bonus		Non-monetary benefits ⁽¹⁾	Superannuation	Long service leave				
		Paid	% of potential bonus paid	% of potential bonus forfeited						
	\$	\$			\$	\$	\$	\$	%	%
Non-Executive Directors										
J Astbury ⁽⁴⁾	372,454	-	-	-	1,212	15,199	-	-	388,865	-
J Broadbent ⁽⁵⁾	99,571	-	-	-	1,212	6,450	-	-	107,233	-
R Deane ⁽⁶⁾	271,340	-	-	-	1,212	15,199	-	-	287,751	-
D Grady ⁽⁷⁾	98,625	-	-	-	1,212	6,333	-	-	106,170	-
C Hrdlicka ⁽⁸⁾	214,676	-	-	-	1,212	13,601	-	-	229,489	-
L L'Huillier ⁽⁹⁾	374,579	-	-	-	1,212	15,199	-	-	390,990	-
J Strong	640,500	-	-	-	1,212	15,199	-	-	656,911	-
A Watkins ⁽¹⁰⁾	22,960	-	-	-	1,212	1,267	-	-	25,439	-
I Macfarlane	238,625	-	-	-	1,212	15,199	-	-	255,036	-
R Waters ⁽¹¹⁾	99,571	-	-	-	1,212	6,450	-	-	107,233	-
Executive Directors										
M Luscombe	2,259,892	2,552,155	72%	28%	33,410	508,901	76,706	299,960	5,731,024	49.8%
G O'Brien	1,055,875	493,809	65%	35%	29,773	126,000	275,762	63,111	2,044,330	27.2%
T Pockett	1,222,026	1,203,369	68%	32%	25,120	50,000	25,189	450,667	2,976,371	55.6%
Executives										
J Coates	725,582	146,087	24%	76%	22,342	113,190	21,648	107,628	1,136,477	22.3%
G Foran	1,039,473	643,393	66%	34%	25,420	143,870	32,022	107,628	1,991,806	37.7%
A Hall	390,164	166,123	72%	28%	27,545	25,000	8,159	38,276	655,267	31.2%
P Horton	595,390	244,669	72%	28%	20,933	56,152	11,658	51,726	980,528	30.2%
K Schmidt	520,200	326,226	72%	28%	22,960	50,000	14,182	18,688	952,256	36.2%
Total	10,241,503	5,775,831			219,623	1,183,209	465,326	1,137,684	19,023,176	

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

Remuneration Tables continued

- (1) Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance.
- (2) These numbers represent the current year employee benefits expense which is recognised in accordance with Australian Accounting Standards.
- (3) The minimum value of short-term incentives for the current and future financial years for each of the key management personnel shown above is nil with the maximum values being consistent with the percentages of potential bonus paid / forfeited shown above.
- (4) Included in the table above, Mr J Astbury received an additional fee of \$84,870 per annum as a Director of Hydrox Holdings Pty Ltd and \$26,520 per annum as Chairman of its Audit Committee.
- (5) Ms J Broadbent was appointed a director on 28 January 2011.
- (6) Dr R Deane is also entitled to a retirement allowance. The allowance had an opening balance of \$512,835 at 27 June 2010, an indexation adjustment during the year of \$23,857 and a closing balance of \$536,692 at 26 June 2011.
- (7) Ms D Grady was a director from 1 July 2010 until her retirement from the Board on 18 November 2010.
- (8) Ms C Hrdlicka was appointed a director on 10 August 2010.
- (9) Included in the table above, Mr L L'Huillier receives an additional fee of \$84,870 per annum as a Director of ALH Group Pty Ltd and \$26,520 per annum as Chairman of its Audit Committee.
- (10) Ms A Watkins was a director from 1 July 2010 until her retirement from the Board on 31 July 2010.
- (11) Mr R Waters was appointed a director on 28 January 2011.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

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

2010	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share based payments ⁽⁵⁾	Total	Proportion of remuneration performance related %	Options & Performance Rights as a % of Total Remuneration
	Salary and fees	Short-term cash bonus		Non-monetary benefits ⁽¹⁾	Superannuation	Long service leave				
		Paid	% of potential bonus paid	% of potential bonus forfeited						
	\$	\$			\$	\$		\$		%
Non-Executive Directors										
J Astbury ⁽²⁾	311,738	-	-	-	1,253	14,461	-	327,452	-	-
R Deane ⁽³⁾	251,812	-	-	-	1,253	14,461	-	267,526	-	-
D Grady	230,625	-	-	-	1,253	14,461	-	246,339	-	-
L L'Huillier ⁽⁴⁾	356,187	-	-	-	1,253	14,461	-	371,901	-	-
J Strong	615,000	-	-	-	1,253	14,461	-	630,714	-	-
A Watkins	274,188	-	-	-	1,253	14,461	-	289,902	-	-
I Macfarlane	230,625	-	-	-	1,253	14,461	-	246,339	-	-
Executive Directors										
M Luscombe	2,209,817	2,548,205	75%	25%	31,852	510,576	63,815	8,330,417	66.2%	35.6%
T Pockett	1,177,925	1,193,815	70%	30%	20,515	138,083	22,269	4,019,666	66.2%	36.5%
Executives										
J Coates ⁽⁶⁾	703,083	166,748	33%	67%	24,294	81,168	14,057	1,342,657	38.7%	26.3%
G Foran	912,945	685,878	79%	21%	23,845	130,174	18,013	2,124,162	48.9%	16.6%
A Hall	351,941	152,439	73%	27%	28,970	25,000	6,201	782,091	47.3%	27.8%
P Horton	546,563	234,002	73%	27%	25,900	53,482	9,928	1,123,928	43.4%	22.6%
G O'Brien	674,319	406,504	73%	27%	26,091	118,000	18,781	1,660,033	49.6%	25.1%
K Schmidt	571,288	312,005	73%	27%	24,024	25,000	11,323	1,229,152	48.6%	23.2%
Total	9,418,056	5,699,596			214,262	1,182,710	164,387	22,992,279		
M Hamnett ⁽⁷⁾	761,845	479,101	68%	32%	21,871	50,000	28,491	1,609,880	46.4%	16.7%
R Umbers ⁽⁷⁾	768,914	286,746	69%	31%	24,532	25,000	14,676	1,661,717	49.9%	32.6%

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

Remuneration Tables continued

- ⁽¹⁾ Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance.
- ⁽²⁾ Included in the table above, Mr J Astbury received an additional fee of \$62,800 from Oct 2009 to June 2010 as a Director of Hydrox Holdings Pty Ltd and \$19,312 from Oct 09 to June 2010 as Chairman of its Audit Committee.
- ⁽³⁾ Dr R Deane is also entitled to a retirement allowance. The allowance had an opening balance of \$492,501 at 28 June 2009, an indexation adjustment during the year of \$20,334 and a closing balance of \$512,835 at 27 June 2010.
- ⁽⁴⁾ Included in the table above, Mr L L'Huillier received an additional fee of \$82,400 per annum as a Director of ALH Group Pty Ltd and \$25,750 per annum as Chairman of its Audit Committee.
- ⁽⁵⁾ These numbers represent the current year employee benefits expense which is recognised in accordance with Australian Accounting Standards.
- ⁽⁶⁾ The final short-term cash bonus paid to J Coates was \$14,309 higher than the amount reported in the prior year. The additional amount has been reflected in the above table.
- ⁽⁷⁾ Mr R Umbers and Mr M Hamnett were also included as key management personnel to satisfy the Corporations Act reporting requirements.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

10. Latest Developments

During the financial year, after obtaining external market data from independent consultants, the Board approved a number of remuneration changes that will be put into effect from FY12 impacting the design of LTIP. On a like for like basis, the changes in the plan are not expected to result in additional expense to the company in comparison to previous years.

10.1 LTIP 5

From 1 July 2011 the standard Long Term Incentive Plan referred to in section 7.5 will undergo the following changes to ensure greater alignment to long term business outcomes:

- Eligibility will be restricted to the top 50 most senior executives;
- Previously eligible employees will continue to receive equity grants described in the next section under LTIP 3;
- For LTIP 5 participants, 50% of the value of LTIP will be provided as LTIP 5 and the remaining 50% as LTIP 3.

In respect of LTIP 5:

- The performance period will be lengthened to five years (previously vesting in three years with a re-test of measures available after four years). As a result, the plan name will be LTIP 5;
- The exercise period commences after five years, subject to performance hurdles being met with the following change to the EPS component to reflect the current trading environment;
 - The 50% EPS component vests progressively upon attaining average annual growth of 8%. At 8% growth, 12.5% EPS will vest with the full 50% vesting at an average annual growth of 12%;
 - The terms associated with the 50% TSR component remain unchanged.

10.2 LTIP 3

For the majority of LTIP participants, a new plan will be offered under the existing Long Term Incentive Plan Rules that is reflective of market practice and also has a strong alignment to Company performance, shareholder interests and retention. The new plan will also apply to LTIP 5 participants to provide a balance between short, medium and long term business outcomes as follows:

- For those currently eligible LTIP participants who are not eligible for LTIP 5, the full value of their LTIP which existed under the previous plan will be provided as LTIP 3;
- The plan will be a three year plan comprised of a one year performance period, followed by a further two year vesting period;
- For the first year only, the performance hurdle will be market guidance on net profit after tax (NPAT) with 25% becoming available at the bottom end of market guidance and 100% at the top end;
- Subject to the performance hurdle being achieved, participants will receive the right to acquire shares at the end of a further two year vesting period during which they must remain employed; and
- In most circumstances participants forfeit their rights if they leave the Company without meeting the further two year restriction. Exceptions would be retirement and death where a pro rata entitlement would be available after the performance hurdle has been satisfied.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

11.1 Chief Executive Officer

Mr M Luscombe

Mr Luscombe's service agreement has effect from 1 October 2006 and is a rolling contract. The service agreement provides for 12 months notice of termination on the part of the Company and 6 months notice on the part of the CEO. In addition the Company may invoke a restraint period of up to 12 months following separation, preventing the CEO from engaging in any business activity with major competitors of Woolworths.

The CEO will not be entitled to any termination payment other than:

- Fixed Remuneration for the duration of the notice period (or payment in lieu of working out the notice period);
- Pro rated Short Term Incentive Plan payment;
- Any accrued statutory entitlements; and
- Any Long Term Incentive Plan entitlements in accordance with the Plan rules.

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

Mr Luscombe will retire as CEO, effective 30 September 2011.

Mr G O'Brien

Subsequent to the announcement of the CEO's retirement, Mr O'Brien was appointed Deputy CEO and CEO Designate effective 4 April 2011 and will assume the CEO role effective 1 October 2011. External independent consultants were engaged to advise the Board in relation to the incoming CEO's terms and conditions of employment. Due to the internal appointment and relative experience, the Board determined the commencing remuneration of the incoming CEO would be lower than more experienced CEO's with the intention to review and adjust the remuneration to be more in line with the median of the relevant peer group, subject to performance in the role.

The terms of Mr O'Brien's service agreement remain largely unchanged from the outgoing CEO. Exceptions are related to ensuring compliance with recent legislation limiting termination payments and adding greater protection for shareholders. The following table summarises the service agreement termination details:

Termination by Company	Termination by Executive
If termination is without cause, 12 months notice is required.	The executive is to provide 6 months written notice.
Where the notice period is worked, normal remuneration is paid. STIP and LTIP continue to accrue in accordance with relevant plan rules to the end of the notice period.	Where the notice period is worked, normal remuneration is paid. STIP and LTIP continue to accrue in accordance with relevant plan rules to the end of the notice period.
Where the notice period is paid in lieu: Fixed remuneration and a reasonable estimate of STIP entitlement is paid and employment ceases upon making the payment. LTIP will continue to accrue or be forfeited in accordance with the plan rules.	Where the notice period is paid in lieu: Fixed remuneration and a reasonable estimate of STIP entitlement is paid and employment ceases upon making the payment. LTIP will continue to accrue or be forfeited in accordance with the plan rules.
If termination is with cause, only accrued and unpaid salary for days worked is paid. STIP and LTIP are forfeited in accordance with the relevant plan rules.	

In addition, the company may invoke a restraint period of up to 12 months following separation, preventing the CEO from engaging in any business activity with major competitors of Woolworths.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

Short Term Incentive Plan

The Short Term Incentive Plan (STIP) provides for a maximum annual payment of 130% of Fixed Remuneration to Mr Luscombe. The actual payment will be calculated with regard to achievement of key performance indicators agreed annually with the Board. The performance indicators are based on a combination of detailed measurements of corporate and financial performance and the implementation of strategic operational objectives.

Mr O'Brien's maximum STIP will be 100% of Total Fixed Remuneration but will operate in the same manner as the outgoing CEO's STIP.

Long Term Incentive Plan

Mr Luscombe is a participant in the Woolworths LTIP. At the 2006 Annual General Meeting shareholder approval was given for up to a maximum of 1,500,000 options to be granted to the CEO comprising annual grants in 2006, 2007 and 2008. At the 2008 Annual General Meeting shareholder approval was given for up to a maximum of 1,500,000 options or a combination of options and performance rights to an equivalent value to be granted to the CEO over three years commencing with the 2010 financial year.

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

For Mr O'Brien and subject to shareholder approval, the Board would like to provide an annual grant equivalent to 100% of the incoming CEO's Total Fixed Remuneration. This will ensure that the new CEO's total targeted remuneration is comprised of one third each, Total Fixed Remuneration, STIP and LTIP. It is intended the terms and conditions of the grant are aligned with other senior executives and offers will be made under both LTIP 3 and LTIP 5.

11.2 All Other Executives

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

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

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

DIRECTORS' STATUTORY REPORT continued**REMUNERATION REPORT continued****12. NON-EXECUTIVE DIRECTORS' REMUNERATION****12.1 Non-executive Directors' remuneration policy and structure**

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid in Directors' fees, as approved at the Annual General Meeting on 18 November 2010 is \$4,000,000 per annum. No Directors' fees are paid to Executive Directors.

During the financial year ended 26 June 2011, the amount of Directors' base fees paid to each Non-executive Director was increased to \$215,000 per annum effective from 1 September 2010. The Chairman receives a multiple of three times this amount. Following is a summary of base and committee fees for the last two financial years:

Committee Fees	2011		2010	
	Chair	Member	Chair	Member
Woolworths Limited	645,000	215,000	618,000	206,000
Audit, Risk Management and Compliance Committee	50,000	25,000	51,500	25,750
People Policy Committee	50,000	25,000	36,050	18,025
Woolworths Group Superannuation Plan		26,520		25,750
ALH Group Pty. Ltd.		84,870		82,400
ALH Audit Committee	26,520		25,750	
Hydrox Holdings Pty. Ltd		84,870		82,400
Hydrox Audit Committee	26,520		25,750	

In addition to the above fees, an overseas Directors' Allowance of \$10,000 was also provided to any Non-executive Directors' residing outside Australia, representing the additional time and cost involved in attending to Board and Board Committee responsibilities.

External consultants provided advice on the structure and level of Non-executive Directors' fees. The advice takes into consideration the fees paid to Non-executive Directors of Australian listed corporations, the size and complexity of the Company's operations and the responsibilities and workload requirements of Directors. No element of the remuneration of any Non-executive Director is dependent on the satisfaction of a performance condition. Increases for Non-executive Directors was less than recommended by the external consultants but was consistent with the overall salary increase awarded to non-EBA employees of the Company.

12.2 Non-executive Directors' retirement benefits (ceased August 2006)

Directors' Retirement Deeds, which were approved by shareholders in November 1998 entitled each Non-executive Director (appointed prior to January 2004) to receive an allowance on retirement as a Director ("Allowance") after a minimum period of service. The Board determined that it should implement changes to Non-executive Director remuneration consistent with developing market practice and guidelines by discontinuing the on-going accrual of benefits under the existing retirement benefits arrangements on 1 August 2006. The benefits accrued to that date are indexed by reference to the bank bill rate or have been rolled into a defined benefit superannuation fund until retirement occurs. With the cessation of the retirement benefits, all Non-executive Directors (other than the Chairman) receive the same base fees.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

12.3 Remuneration tables for Non-executive Directors

For the financial year ended 26 June 2011 details of the remuneration of the Non-executive Directors are set out at section 9 of this report.

12.4 Shareholdings of Non-executive Directors

For the financial year ended 26 June 2011 details of shareholdings by Non-executive Directors is set out at section 7.6 of this report.

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

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

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

ENVIRONMENTAL REGULATION

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

The Group is subject to and has complied with the reporting requirements of both the *National Greenhouse and Energy Reporting Act 2007* and the *Energy Efficiency Opportunities Act 2007*.

Although the Group is not a liable entity under the current *Clean Energy Bill 2011*, the impact of pass through costs from upstream and downstream services is being closely monitored and new technologies have been invested in to reduce the impact of these costs.

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

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

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

DIRECTORS' AND OFFICERS' INDEMNITY/INSURANCE

- (i) The Constitution of the Company provides that the Company may indemnify (to the maximum extent permitted by law) in favour of each Director of the Company, the Company Secretary, directors and secretaries of related bodies corporate of the Company, and previous directors and secretaries of the Company and its related bodies corporate ("Officers"), against any liability to third parties (other than related Woolworths Group companies) incurred by such Officers unless the liability arises out of conduct involving a lack of good faith. The indemnity includes costs or expenses incurred by an Officer in successfully defending proceedings or in connection with an application in which the court grants relief to the specified persons under the Corporations Act 2001;
- (ii) Each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality; and
- (iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Officers (and any persons who are Officers in the future and employees of the Company or its subsidiaries) against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

DIRECTORS' STATUTORY REPORT continued

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 64 of the annual report.

NON-AUDIT SERVICES

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

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

ROUNDING OF AMOUNTS

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

This Report is made out in accordance with a Resolution of the Directors of the Company on 23 September 2011.



James Strong
Chairman



Michael Luscombe
Managing Director and Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION



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

23 September 2011

Dear Board Members

Woolworths Limited

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

As lead audit partner for the audit of the financial statements of Woolworths Limited for the financial year ended 26 June 2011, 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

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

DELOITTE TOUCHE TOHMATSU

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

A V Griffiths
Partner
Chartered Accountant

CORPORATE GOVERNANCE STATEMENT

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

Approach to governance

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

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

Compliance with governance standards

As a Company listed on the Australian Securities Exchange ("ASX"), Woolworths is required to apply the recommendations contained within the ASX Corporate Governance Council's ("ASX CGC") *Corporate Governance Principles and Recommendations with 2010 Amendments* (2nd Edition) ("ASX Recommendations") and disclose any differences to them.

The Company has reviewed its current corporate governance policies and practices against the ASX Recommendations and considers that they meet the ASX Recommendations for the financial period ended 26 June 2011.

We have set out measurable diversity objectives in this report, as part of our early adoption of the new ASX Recommendations regarding diversity (which do not formally come into effect for Woolworths until the financial year ending in June 2012).

Website

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

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

Woolworths' governance framework

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

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

CORPORATE GOVERNANCE STATEMENT continued

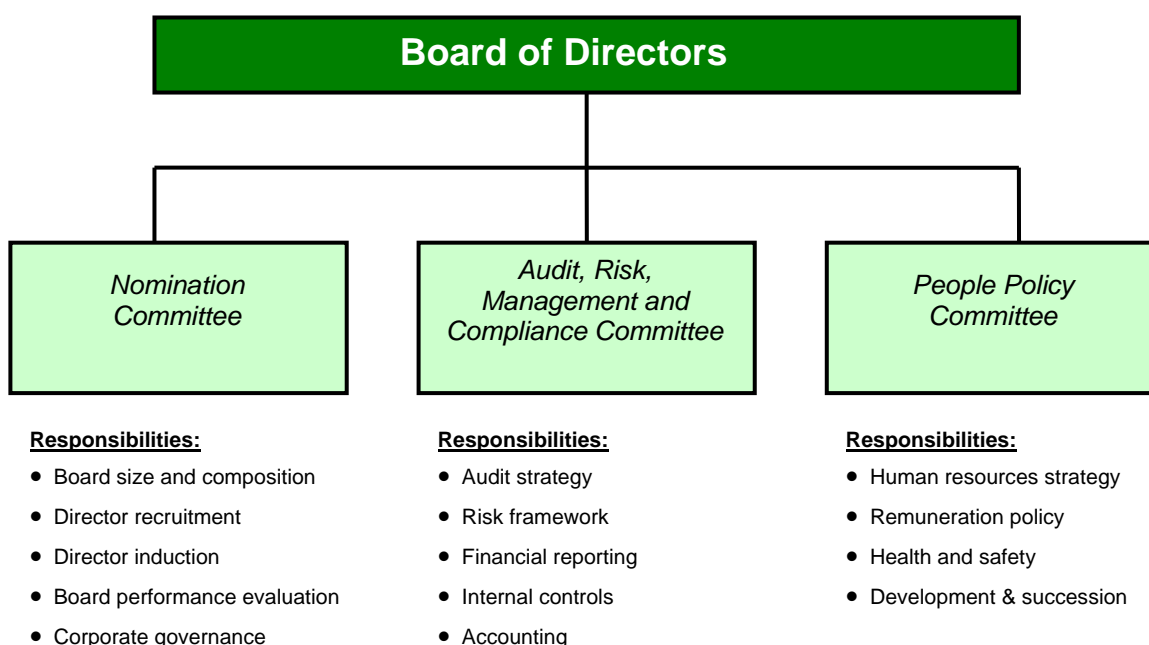
While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, it makes use of Board Committees to perform certain of its functions and to provide it with recommendations and advice.

The Board has established the following committees:

- Nomination Committee;
- Audit, Risk Management and Compliance Committee; and
- People Policy Committee.

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

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



Chairman and composition of Board Committees

The Chairman is elected by and from the Non-executive Directors, each of whom is appointed to the Nomination Committee. Information on the Company's Chairman is set out on page 28.

The Non-executive Directors are also appointed to at least one of the Audit, Risk Management and Compliance Committee, the People Policy Committee or the Superannuation Plan Policy Committee.

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

CORPORATE GOVERNANCE STATEMENT continued

The role of the Board

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

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

The names, qualifications and details of each Director are included on pages 28 – 31 of this report and the Director's attendance at Board and Committee meetings are included on page 35.

Responsibilities and objectives

The roles and responsibilities of the Board are formalised in the Board Charter, which defines the matters that are reserved for the Board and its Committees, and those that are the responsibility of the Chief Executive Officer ("CEO") and management.

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

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

The role of the CEO and management

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

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

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

CORPORATE GOVERNANCE STATEMENT continued

Responsibilities and objectives

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

- developing and implementing corporate strategies and making recommendations to the Board on significant corporate strategic initiatives;
- appointing and determining the terms of appointment of senior management, developing and maintaining succession plans, and evaluating the performance of key executives;
- developing Woolworths' annual budget and managing day-to-day operations within the budget (approved by the Board);
- maintaining effective risk management and compliance management frameworks;
- keeping the Board and market fully informed about material continuous disclosure; and
- managing day-to-day operations in accordance with standards for social, ethical and environmental practices.

Review of CEO and management performance

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

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

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

Composition and membership of the Board of Directors

The Board has adopted a policy of ensuring that it is composed of a majority of independent Non-executive Directors who, with the executive Directors, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives.

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

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

Skills, experience and attributes

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

CORPORATE GOVERNANCE STATEMENT continued

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

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

Director tenure, election and appointment

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

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

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

Independence of Directors

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

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

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

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

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

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

Directors' independent advice

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

What is a "material relationship"?

A "material relationship" includes a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in relation to the Company. When considering whether a relationship is "material", the Board will consider the materiality to each of the Company, the Director and the person or organisation with which the Director is related (as customer, supplier or adviser). The Board has not set materiality thresholds, considering it more effective to assess relationships on the individual circumstances applicable on a case-by-case basis, and where appropriate with the assistance of external advice.

CORPORATE GOVERNANCE STATEMENT continued

Performance Evaluation

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

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

Induction and director development

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

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

The company secretarial function supports Directors by providing:

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

Company Secretary

The Board has appointed Mr P Horton as Company Secretary. All Directors have access to the services and advice of the Company Secretary. Details of the skills, experience and expertise of the Company Secretary are set out on page 32 of this Report.

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

Nomination Committee

The Nomination Committee provides advice and support to the Board in relation to Board composition, governance and performance evaluation.

Membership and Charter

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

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

CORPORATE GOVERNANCE STATEMENT continued

Responsibilities

The Nomination Committee has the following responsibilities:

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

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

The Nomination Committee also has responsibility for:

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

Audit, Risk Management and Compliance Committee

The Audit, Risk Management and Compliance Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's internal and external audit functions, risk management and compliance systems and practice, financial statements and market reporting systems, internal accounting and control systems and such other matters as the Board may request from time to time.

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

Membership and Charter

The Audit, Risk Management and Compliance Committee must have at least 3 members and be comprised solely of Non-executive Directors, the majority of whom must be independent. The Chair of the Committee must be an independent Non-executive Director who is not the Chairman of the Board.

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

The Audit, Risk Management and Compliance Committee of Directors is currently comprised of

CORPORATE GOVERNANCE STATEMENT continued

Messrs J F Astbury (Chair from August 2010), J A Strong, I J Macfarlane, L M L'Huillier (from August 2010) and Ms J R Broadbent (appointed as a member of the Committee in February 2011). Ms A M Watkins was Chair of the Committee until her retirement in July 2010 and Ms D J Grady was a member of the Committee until her retirement from the Board in November 2010. The attendance of members at meetings of the Committee is set out on page 35 of the Directors' Report.

The Committee has a formal Charter which is available on the Company's website.

Responsibilities

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

- **External Audit:** the Committee oversees the effectiveness of processes in place for the appointment, performance and independence of external audit services. This is discussed further below.
- **Internal Controls:** the Committee examines the adequacy of the nature, extent and effectiveness of the internal audit control processes of the Group.
- **Risk Management:** the Committee assists the Board in overseeing and reviewing the risk management framework and the effectiveness of risk management for the Group. Management is responsible for identifying, managing and reporting on risk.
- **Risk Event "Consideration":** the Committee oversees the appropriate investigation and management reporting of significant risk events and incidents.
- **Compliance:** the Committee assists the Board in fulfilling its compliance responsibilities and oversees and reviews the Group compliance framework and its effectiveness. The Committee also assists management to foster and support a compliance culture based on appropriate benchmarks.
- **Financial Reports:** the Committee oversees the Group's financial reporting processes and reports on the results of its activities to the Board. Specifically, the Committee reviews with management and the external auditor the Group's annual and half-year financial statements and reports to shareholders.
- **Accounting Standards and Quality:** the Committee oversees the adequacy and effectiveness of the Group's accounting and financial policies and controls and risk management systems and seeks assurance of compliance with relevant regulatory and statutory requirements.

Risk in financial reporting

- In reviewing (and recommending for approval by the Board) the Company's half year and full year financial statements, Annual Report and ASX Appendix 4E/D (full year/half year) statutory filings with supporting documents and accompanying notes, the Committee has regard to: the quality of earnings, liquidity and transparency and accuracy of reporting;
- critical accounting policies applied and the implications of any changes in such policies; compliance with relevant regulatory and statutory requirements;
- areas of significant judgement and estimates by management and their treatment in the financial statements; and significant or unusual transactions or events and their implications for the financial statements.

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

Committee meetings and access to auditors and management

The Audit, Risk Management and Compliance Committee maintains direct, unfettered access to external auditors, Business Review (internal auditors) and management. The Committee meets regularly with external auditors, Business Review and Compliance, and the Board and Committee meet with Business Review at least twice a year, without any management present.

CORPORATE GOVERNANCE STATEMENT continued

The Committee has full access to the Group's records and personnel. The Committee Chairman commits additional time and meets with the CEO, the Finance Director, senior management, external auditors, Business Review, Compliance and Legal between meetings, to discuss and review matters relating to Committee functions as appropriate.

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

Auditor appointment and supervision

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

External Auditor:

- **Appointment:** The Committee nominates the external auditor to the Board and this appointment is reviewed every three years. External audit performance is reviewed annually.
- **Partner Rotation:** The Company requires the position of the lead client service audit partner to rotate every five years.
- **Independence:** The Company will not invite to be appointed as Directors any ex-audit partners, and any who may be proposed for appointment in a management position will be subject to Board approval.
- **Audit Plans:** Each year, the Committee reviews and approves the overall scope and plans for the external audit activities, including staffing and fees.
- **Audit Reports:** The Committee reviews all audit reports provided by the external auditor.

Business Review (internal audit):

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

Non-audit services

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

The Committee has not set any nominal "cap" on the level of non-audit services to be performed by the external auditor, as it considers that this may restrict the ability of the Company to access the best advisers for the particular task.

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

CORPORATE GOVERNANCE STATEMENT continued

Risk management

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

The Risk Management Framework has regard to relevant regulations, standards and guidelines including the ASX Recommendations and the Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk Management – Principles and guidelines*.

Risk management policy

The Risk Management Policy was reviewed by management and formally approved by the Audit, Risk Management and Compliance Committee. The policy reflects the overall risk management philosophy of the Group, the Company's overall approach to risk management, and the roles and responsibilities for risk management within the Group.

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

Roles and responsibilities

Roles and responsibilities under the Risk Management Framework and Risk Management Policy are divided as follows.

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

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

CORPORATE GOVERNANCE STATEMENT continued

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

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

Assurances by management

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

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

The Board has received assurance from the CEO and Finance Director, in accordance with the *Corporations Act 2001* (Cth), stating that, in all material respects:

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

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

- the assurances given above and the integrity of the Company's Financial Statements is founded on sound systems of risk management and compliance and internal control which implements, in all material respects, the policies adopted by the Board;
- to the extent they relate to financial reporting, the Company's risk management and compliance and internal control systems are operating effectively in all material respects;
- nothing has come to their attention since 26 June 2011 that would indicate any material change to the above statements; and
- the assurances made above regarding risk management and compliance and internal control are made in the context of providing a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future.

The Board's role in the above assurance includes:

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

People Policy Committee

The Board had established a remuneration committee, named the People Policy Committee, which is designed among other things to ensure that the level and composition of Group remuneration is appropriate and reasonable and that its relationship to performance is clear. The People Policy Committee conforms with the requirements of the ASX Recommendations.

CORPORATE GOVERNANCE STATEMENT continued

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

Membership and Charter

The People Policy Committee of Directors must be comprised of at least three independent, Non-executive Directors. Currently, the Committee comprises Non-executive Directors Dr R S Deane (Chair), Mr J A Strong, Ms C J Hrdlicka (appointed as a member of the Committee in August 2010) and Mr R G Waters (appointed as a member of the Committee in February 2011). The attendance of members at meetings of the Committee is set out on page 35 of the Directors' Report. Ms A M Watkins was a member of the Committee until her retirement from the Board in July 2010. Mr L M L'Huiller was a member of the Committee until August 2010.

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

Responsibilities

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

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

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

CORPORATE GOVERNANCE STATEMENT continued

HR strategy

HR strategy – review the overall human resources strategy, monitor management's implementation of the human resources strategy, and oversee management's alignment of the human resources strategy with the Company's overall business strategy and objectives;

HR policy (inc diversity, equal opportunity and unfair dismissal) – review the Company's policies and performance to assess the effectiveness of the policies and their compliance with relevant legislative, regulatory and governance requirements including EOWA, sexual harassment, diversity and unfair dismissal; and on the proportion of women who are employed by the Group as a whole and at all levels of the Group;

Gender pay equity – review remuneration by gender and make recommendations to the Board;

Performance management and succession planning – review principles, policies and processes for performance management and succession planning and provide oversight to management as it implements the processes to ensure there are sufficient people with the appropriate skills, experience, attributes and capability to deliver the requirements of the business strategy; and

Development – review the principles, policies and programs for the development of Woolworths employees.

Remuneration

Remuneration strategy – review and approve the Group's overall remuneration policy, including assessing if remuneration is market competitive and designed to attract, motivate and retain employees;

Short term incentives – review and approve short term incentive plans annually to determine if they are designed to effectively reward the achievement of Company and individual objectives, including reviewing their implementation to determine whether they reward individuals fairly and equitably within Company cost-parameters;

Long term incentives – review the design of all employee long term incentive and equity plans annually, to determine if Company objectives are met, compliance with legislative and regulatory requirements, alignment with industry standards and overall cost effectiveness; and make recommendations to the Board for approval of the overall structure and the level of participation in the plans;

Management – review and approve the CEO's recommendations in regard to proposed remuneration packages of executives within the Management Board and Executive Leadership team; and

Non-executive Directors – review and recommend to the Board the remuneration structure for the Non-executive Directors of the Company, within the maximum amount approved by shareholders.

Compliance

Health and safety – review the Company's policies and programs to achieve safety and health objectives, the Company's health and safety performance against agreed targets and monitor, review and report to the Board on key health and safety issues;

Gender reporting – review and report to the Board at least annually on the proportion of women who are employed by the Group as a whole and at all levels of the Group;

Risk management – provide input to the Group's management of risks relevant to human resources strategy, policy and practices; and

Remuneration Report – review and approve the Remuneration Report contained within the Annual Report to ensure disclosure meets the requirements of the Corporations Act and the ASX Listing Rules and is in accordance with good corporate governance practice.

Remuneration Report

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

Full details of the Company's remuneration philosophy, structure – including fixed and variable remuneration – and quantum are detailed in the Remuneration Report. The Remuneration Report is set out from pages 36 to 62.

CORPORATE GOVERNANCE STATEMENT continued

Employee Share Plans

The Company has established various Plans which have provided for the allocation of shares to more than approximately 45,000 of its permanent employees.

Details of these Plans are set out in Note 23 to the Financial Statements – “Employee Benefits”.

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

Code of Conduct

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

Woolworths aims to review the terms of the Code of Conduct every two years. The last review occurred in 2009-10 and a revised version of the Code of Conduct was issued by the Company.

All employees are provided with a copy of the Code of Conduct on the commencement of their employment. As the Code of Conduct is reviewed and revised by the Company, employees are provided with an updated version. The Code of Conduct can be found on the Company’s website.

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

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

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

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

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

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

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

Diversity at Woolworths

Woolworths appreciates that diversity is essential to its continued growth and success and is committed to fostering and sustaining an inclusive and flexible workplace. To this end, it has early-adopted the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations with 2010 Amendments* in respect of diversity (ASX Diversity Recommendations).

CORPORATE GOVERNANCE STATEMENT continued

Woolworths is pleased to be in a position to report on its performance in respect of diversity, in line with the ASX Diversity Recommendations. This statement:

- sets out Woolworths' workplace profile and key representation metrics;
- provides a summary of key initiatives that were implemented during the year pursuant to Woolworths' Diversity Policy; and
- outlines Woolworths' measurable diversity objectives for 2011/2012.

Workplace profile

As an early adopter of the ASX Diversity Recommendations, the current Woolworths workplace profile indicates significant progress has been made to date in respect of diversity:

Gender balance at Woolworths

- Women constitute more than half of the Woolworths workforce, with 54% of all employees being women as at the end of this financial year;
- Woolworths' graduate intake for 2011 included equal female and male representatives;
- Women currently hold 27.8%⁽¹⁾ of executive leadership roles, up from 16.7% in 2004; and
- Two of the eight non-executive directors on the Woolworths Board are women.

⁽¹⁾ This data does not include Cellarmasters, PEL, Dick Smith New Zealand, Gunns, Becks, Blue Mountains Home Hardware, Hong Kong and India

Other representation metrics

- Woolworths does not require its employees to declare whether they are Aboriginal or Torres Strait Islander people. However, 615 employees have voluntarily declared that they are Indigenous. This includes 179 Indigenous employees who were recruited in 2010/2011 through community-based pre-employment programs.
- Woolworths does not require its employees to declare whether they have a disability. However, 567 employees have voluntarily declared that they have a disability. This includes 119 employees who were recruited through our disability employment partner, Workfocus.

Pay equity

As part of its annual remuneration review process, Woolworths undertakes an analysis of pay levels by gender, identifies any differentials, and takes appropriate steps to address any differentials.

Looking back: 2010/2011 measurable objectives

Woolworths launched its new diversity policy in September 2010, which includes a number of diversity-related measurable objectives. Prior to the launch of the diversity policy, diversity objectives were incorporated as part of the Equal Employment Opportunity policy. The diversity policy is available online at www.woolworthslimited.com.au by navigating to the "Our Company" and "Governance" webpages.

The table below sets out Woolworths' objectives, the initiatives taken throughout the year to achieve them and relevant outcomes.

Objective	Initiatives and Outcomes
Continue to incrementally grow the number of women performing senior roles	<ul style="list-style-type: none">• A number of key senior female appointments have taken place during the course of 2010/2011 including to the following roles: Regional Manager (Supermarkets), Merchandise and Development General Manager – Health and Wellbeing (Supermarkets), a number of Senior Business Managers, Head of Buying and Marketing (Dick Smith), National Operations Manager – Food and Liquor (Logistics), National Operations – General Merchandise (Logistics), Area Manager (Supermarkets), Senior Property Manager.

Objective	Initiatives and Outcomes
Continue to create programs that prepare women to take on senior roles within the business both in operational and specialist support areas	<ul style="list-style-type: none"> Woolworths made 133 new senior executive appointments during 2010/2011 of which 35% were women. Woolworths has actively sought to further the development and education of women in management positions. Participation of women in internal leadership development programs has increased to over 31% from 26% in FY2010. Woolworths provides employees with part-time and job-share roles, paid maternity leave, flexible reintegration after parental leave and support during this leave. As at 30 June 2011, Woolworths employed the following numbers of management employees on a part-time basis: 36 executives (of which 33 were women), 61 senior managers (of which 55 were women) and 501 managers (of which 377 were women). <p><i>(Note: the above data does not include Cellarmasters, PEL, Dick Smith New Zealand, Gunns, Becks, Blue Mountains Home Hardware, Hong Kong and India)</i></p> <ul style="list-style-type: none"> Woolworths has established structured mentoring and networking opportunities for women in management positions. Over the course of FY2010-2011, the Woolworths senior management team mentored 25 high potential employees of which 80% were women. During 2010/2011, two women senior executives attended a board readiness training program and one woman in a senior executive position attended a leadership program at Harvard. Woolworths is a member of the Chief Executive Women's Group (CEW) and 40 of Woolworths' female senior executives attended events held by the CEW in 2010/2011.
As part of Woolworths' ongoing commitment to the reconciliation process, continue to assist indigenous Australians to access employment opportunities through our business	<ul style="list-style-type: none"> Woolworths launched its Reconciliation Action Plan (Plan) in June 2011 and continues to proactively recruit Aboriginal and Torres Strait Islander employees through community based pre-employment programs. Initiatives under the Plan include formal and informal access to work programs, working with indigenous-owned small businesses, and community investment programs. As at 30 June 2011, Woolworths had co-ordinated 201 Aboriginal and Torres Strait Islander people to participate in pre-employment training programs, of which 179 were recruited by Woolworths as employees with a retention rate of 75%.
Provide people with a disability employment opportunities and career advancement	<ul style="list-style-type: none"> Woolworths has been a member of the Australian Network for Disability for a number of years. With funding support from the Federal Government, we have commenced a project with our disability employment partner, Workfocus, to identify more opportunities for disability employment. As at 30 June 2011, Woolworths had appointed 119 people with a disability through Workfocus.
Continue to recognise and celebrate our multicultural diversity and grow our workforce to reflect the diversity of the Australian population	<ul style="list-style-type: none"> Woolworths was an official supporter of, and workplace participant in, a Taste of Harmony in 2011. Employees found our Taste of Harmony activities to be a fun way of collectively celebrating, and gaining a greater understanding of, our cultural diversity.

CORPORATE GOVERNANCE STATEMENT continued

Looking forward: 2011/2012 measurable objectives

Woolworths is committed to the regular review and updating of its measurable objectives to ensure that they continue to be appropriate and operate to enhance Woolworths' diversity profile. The objectives that Woolworths has reaffirmed during the year are as follows:

- 33% of Non-Executive Directors and executive leadership roles (direct reports to the CEO and their executive reports at the next three levels) to be occupied by women by 2015;
- continue to incrementally grow the number of women performing senior roles;
- continue to create programs that prepare women to take on senior roles within the business both in operational and specialist support areas;
- as part of Woolworths' ongoing commitment to the reconciliation process, continue to assist Indigenous Australians to access employment opportunities through our business;
- provide people with a disability employment opportunities and career advancement; and
- continue to recognise and celebrate our multicultural diversity and grow our workforce to reflect the diversity of our customer.

Policy on trading in Company securities

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

The policy requires Woolworths people to act in accordance with strict guidelines which prohibit trading in the Company's securities in fixed blackout periods preceding the release of the half-year, full year and quarterly results to the ASX. Additional restrictions apply to Woolworths people (including directors and designated persons) who are most likely to come into possession of inside information during the course of their work to ensure that they take additional care in relation to dealings in Woolworths securities.

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

The Securities Dealing Policy has a broad prohibition on hedging of unvested Woolworths securities as well as on vested Woolworths securities that are subject to disposal restrictions. These restrictions are to prevent transactions which could have the effect of distorting the proper functioning of performance hurdles or reduce the intended alignment between management and shareholder interests.

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

Continuous disclosure

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

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

CORPORATE GOVERNANCE STATEMENT continued

Woolworths' Continuous Disclosure Policy aims to:

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

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

Shareholder engagement

Communication strategy

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

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

Investor Centre

The Investor Centre is one of the key methods of communicating with the Company's shareholders. The Investor Centre is available through the Company's website (www.woolworthslimited.com.au) and includes key Woolworths financial and shareholder information, including the Company's published reports, share price updates, dividend history, presentations and web casts, shareholder meeting details and all major ASX announcements made by the Company in the last 5 years.

2011 FINANCIAL REPORT TO SHAREHOLDERS

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FIVE YEAR SUMMARY

PROFIT AND LOSS	2011	2010	2009	2008	2007
Weeks	52	52	52	53	52
SALES (\$m)					
Australian Food and Liquor ⁽¹⁾	36,176.1	34,675.4	32,977.2	30,662.6	27,892.9
Supermarkets NZ	4,110.5	4,130.6	4,034.3	4,170.2	3,939.9
Petrol	6,025.3	5,481.0	5,482.1	5,642.1	4,836.8
Total Supermarkets	46,311.9	44,287.0	42,493.6	40,474.9	36,669.6
BIG W	4,158.3	4,193.1	4,267.3	3,915.9	3,465.2
Consumer Electronics	1,855.5	1,782.4	1,723.6	1,530.6	1,310.2
General Merchandise	6,013.8	5,975.5	5,990.9	5,446.5	4,775.4
Hotels	1,153.1	1,102.0	1,110.3	1,113.4	1,032.1
Unallocated ⁽²⁾	664.1	329.8	-	-	-
Total Group	54,142.9	51,694.3	49,594.8	47,034.8	42,477.1
EARNINGS BEFORE INTEREST AND TAX (\$m)					
Australian Food and Liquor ⁽¹⁾	2,678.9	2,492.5	2,206.9	1,918.0	1,599.6
Supermarkets NZ	191.9	190.4	153.9	169.2	155.1
Petrol	117.6	99.5	87.5	81.9	82.9
Total Supermarkets	2,988.4	2,782.4	2,448.3	2,169.1	1,837.6
BIG W	177.0	200.0	200.2	161.2	138.6
Consumer Electronics	26.8	31.5	50.8	63.1	66.8
General Merchandise	203.8	231.5	251.0	224.3	205.4
Hotels	183.7	176.7	218.0	215.1	183.7
Total trading operations	3,375.9	3,190.6	2,917.3	2,608.5	2,226.7
Net property income / (expense)	11.8	2.5	(7.2)	33.1	(23.8)
Central Overheads/Unallocated	(111.3)	(111.0)	(94.6)	(112.8)	(91.6)
Total unallocated ⁽²⁾	(99.5)	(108.5)	(101.8)	(79.7)	(115.4)
Total Group	3,276.4	3,082.1	2,815.5	2,528.8	2,111.3
EBIT TO SALES %					
Australian Food and Liquor	7.41	7.19	6.69	6.26	5.73
Supermarkets NZ	4.67	4.61	3.81	4.06	3.94
Petrol	1.95	1.82	1.60	1.45	1.71
BIG W	4.26	4.77	4.69	4.12	4.00
Consumer Electronics	1.44	1.77	2.95	4.12	5.10
Hotels	15.93	16.03	19.63	19.32	17.79
Total	6.05	5.96	5.68	5.38	4.97

FIVE YEAR SUMMARY continued

PROFIT AND LOSS	2011	2010	2009	2008	2007
Weeks	52	52	52	53	52
PROFIT & LOSS DETAIL (\$m)					
Sales	54,142.9	51,694.3	49,594.8	47,034.8	42,477.1
Cost of goods sold	(40,049.7)	(38,300.7)	(36,871.4)	(35,134.5)	(31,723.1)
Gross profit	14,093.2	13,393.6	12,723.4	11,900.3	10,754.0
Gross profit margin %	26.03	25.91	25.66	25.30	25.32
Cost of doing business (CODB)	(10,816.8)	(10,311.5)	(9,907.9)	(9,371.5)	(8,642.7)
CODB %	19.98	19.95	19.98	19.92	20.35
Selling, general and admin expenses (excluding, rent, depreciation & amortisation)	(8,417.7)	(8,035.9)	(7,768.8)	(7,405.5)	(6,847.1)
EBITDAR	5,675.5	5,357.7	4,954.6	4,494.8	3,906.9
EBITDAR margin %	10.48	10.36	9.99	9.56	9.20
Rent (including fitout rent)	(1,541.2)	(1,477.9)	(1,409.7)	(1,315.9)	(1,206.3)
EBITDA	4,134.3	3,879.8	3,544.9	3,178.9	2,700.6
EBITDA margin (%)	7.64	7.51	7.15	6.76	6.36
Depreciation	(857.9)	(797.7)	(729.4)	(650.1)	(589.3)
EBIT	3,276.4	3,082.1	2,815.5	2,528.8	2,111.3
EBIT margin (%)	6.05	5.96	5.68	5.38	4.97
Interest	(225.3)	(181.5)	(149.9)	(140.8)	(189.7)
Woolworths Notes interest	(36.2)	(30.0)	(39.3)	(50.5)	(43.9)
Profit before tax	3,014.9	2,870.6	2,626.3	2,337.5	1,877.7
Taxation	(874.6)	(832.6)	(766.3)	(686.0)	(566.4)
Profit after tax	2,140.3	2,038.0	1,860.0	1,651.5	1,311.3
Non controlling interests	(16.3)	(17.2)	(24.3)	(24.7)	(17.3)
Profit attributable to members of Woolworths Limited after tax and Hybrid Notes	2,124.0	2,020.8	1,835.7	1,626.8	1,294.0
BALANCE SHEET (\$m)	2011	2010	2009	2008	2007
Weeks	52	52	52	53	52
FUNDS EMPLOYED					
Inventory	3,736.5	3,438.8	3,292.6	3,010.0	2,739.2
Accounts Payable	(4,398.1)	(4,211.2)	(4,055.1)	(3,878.1)	(3,277.4)
Net investment in inventory	(661.6)	(772.4)	(762.5)	(868.1)	(538.2)
Fixed assets and investments	8,830.5	7,802.9	6,822.2	5,825.5	4,886.1
Intangibles	5,236.6	5,071.0	4,933.1	4,835.2	5,003.5
Receivables	1,044.1	930.1	666.9	641.4	490.1
Other creditors	(2,646.8)	(2,455.9)	(2,340.4)	(2,118.1)	(2,038.3)
Total funds employed ⁽³⁾	11,802.8	10,575.7	9,319.3	8,315.9	7,803.2
Net tax balances	305.7	233.6	201.1	100.5	154.3
Net assets employed	12,108.5	10,809.3	9,520.4	8,416.4	7,957.5
Cash and borrowings ⁽⁴⁾	(3,325.3)	(2,828.7)	(2,412.3)	(2,019.6)	(2,271.9)
Capital call receivable from Minority Interest	93.0	-	-	-	-
Other financial assets and liabilities	(1,030.4)	(162.9)	(50.8)	(161.5)	(170.9)
Net assets	7,845.8	7,817.7	7,057.3	6,235.3	5,514.7
Non controlling interests	252.6	247.3	244.8	242.4	239.4
Shareholders' equity	7,593.2	7,570.4	6,812.5	5,992.9	5,275.3
Total equity	7,845.8	7,817.7	7,057.3	6,235.3	5,514.7

FIVE YEAR SUMMARY continued

CASH FLOW (\$m)	2011	2010	2009	2008	2007
Weeks	52	52	52	53	52
EBITDA	4,134.3	3,879.8	3,544.9	3,178.9	2,700.6
Movement in net investment in inventory	(67.6)	(11.3)	(103.2)	341.4	68.1
Other operating cash flows and other non cash	75.5	30.2	209.0	(76.9)	297.7
Net interest paid	(309.6)	(249.8)	(244.4)	(215.5)	(249.8)
Tax paid	(841.5)	(896.9)	(802.1)	(573.9)	(522.4)
Operating cash flow	2,991.1	2,752.0	2,604.2	2,654.0	2,294.2
Payments for property plant and equipment	(2,138.5)	(1,817.7)	(1,678.2)	(1,748.1)	(1,131.0)
Proceeds on disposal of property plant and equipment	394.4	55.4	18.7	228.4	778.2
Other investing cash flows	(433.3)	(189.9)	(146.7)	(233.7)	(372.3)
Free cash flow	813.7	799.8	798.0	900.6	1,569.1
Movement in gross debt	1,758.3	486.1	160.8	(132.2)	(999.5)
Issue of subsidiary shares to non controlling interests	176.6	79.5	-	-	-
Dividends paid	(1,260.0)	(1,164.6)	(1,012.4)	(862.5)	(355.2)
Dividends paid to minority interests	(13.2)	(16.8)	(29.2)	(14.3)	(7.7)
Buyback of shares	(738.7)	(294.6)	-	-	-
New shares issued	105.1	77.5	71.9	72.2	63.6
Payments for shares acquired by the Woolworths Employee Share Trust	(28.8)	-	-	-	-
Effects of exchange rate changes on balance of cash held in foreign currencies	(6.8)	(0.2)	3.0	(8.0)	2.6
Net cash flow	806.2	(33.3)	(7.9)	(44.2)	272.9

FIVE YEAR SUMMARY continued

SHAREHOLDER VALUE	2011	2010	2009	2008	2007
Weeks	52	52	52	53	52
ROFE (Pre-tax return on funds employed) (%) ⁽⁵⁾					
Normal	29.28	30.98	31.93	31.38	27.05
DU PONT ANALYSIS (%)					
EBIT to sales	6.05	5.96	5.68	5.38	4.97
Service burden ⁽⁶⁾	92.02	93.14	93.28	92.43	88.94
Tax burden ⁽⁷⁾	70.99	71.00	70.82	70.65	69.84
Asset turn ⁽⁸⁾	2.74	2.91	3.03	3.13	3.06
Financial leverage ⁽⁹⁾	2.61	2.47	2.56	2.67	2.98
Return on equity ⁽¹⁰⁾	28.01	28.10	28.67	28.87	27.82
EARNINGS PER SHARE					
Ordinary share price closing (\$)	27.25	27.40	25.96	25.02	27.60
Market capitalisation (\$m)	33,149.6	33,733.2	31,905.9	30,453.3	33,321.5
Weighted average shares on issue	1,216.2	1,232.1	1,218.0	1,206.0	1,189.4
Normal basic EPS (cents per share) ⁽¹¹⁾	174.64	164.01	150.71	134.89	108.79
Interim dividend (\$m)	691.4	657.2	588.3	534.5	421.7
Interim dividend (cents per share)	57.0	53.0	48.0	44.0	35.0
Final Dividend (\$m) ⁽¹²⁾	795.7	766.3	692.0	586.0	471.9
Final dividend (cents per share)	65.0	62.0	56.0	48.0	39.0
Total dividend (\$m)	1,487.1	1,423.5	1,280.3	1,120.5	893.6
Total dividend (cents per share)	122.0	115.0	104.0	92.0	74.0
Payout ratio (%)	70.01	70.44	69.74	68.87	68.97
Price/earnings ratio (times)	15.60	16.71	17.23	18.55	25.37
Price/cash flow ratio (times)	11.08	12.29	12.13	11.37	14.31
GROWTH RATES (% increase)					
Sales	4.74	4.23	5.44	10.73	12.57
Sales per equivalent week	4.74	4.23	7.47	8.64	12.57
EBITDA	6.56	9.44	11.51	17.71	20.33
EBIT	6.30	9.47	11.34	19.77	22.59
Profit before tax	5.03	9.30	12.36	24.49	27.52
Normal basic EPS	6.48	8.82	11.73	23.99	19.70
FINANCIAL STRENGTH					
Service cover ratio (times) ⁽¹³⁾	12.53	14.57	14.88	13.22	9.04
Fixed charges cover (times) ⁽¹⁴⁾	3.03	3.09	3.00	2.94	2.72
Sales to inventory (times) ⁽¹⁵⁾	15.09	15.36	15.74	16.36	16.80
Capital expenditure to EBITDA (%)	51.73	46.85	47.34	54.99	41.88
Operating cash flow per share (\$)	2.46	2.23	2.14	2.20	1.93
Serviced gearing (%) ⁽¹⁶⁾	33.83	27.16	25.87	25.91	30.70
Current assets to current liabilities (%)	79.55	72.68	75.75	70.08	75.62

FIVE YEAR SUMMARY continued

PRODUCTIVITY	2011	2010	2009	2008	2007
STORES (Number) FY2011					
Supermarkets					
NSW & ACT	255	248	241	234	237
Queensland	194	189	186	177	168
Victoria	203	200	192	187	183
South Australia & Northern Territory	76	74	72	72	72
Western Australia	83	83	82	81	79
Tasmania	29	29	29	29	27
Supermarkets in Australia	840	823	802	780	766
Supermarkets in New Zealand	156	152	149	149	149
Total Supermarkets	996	975	951	929	915
Thomas Dux	11	11	3	1	-
Freestanding Liquor	305	281	256	233	212
ALH Group Retail Outlets	488	480	463	434	424
Caltex / WOW Petrol	132	132	133	133	134
WOW Petrol - Australia	449	429	409	389	371
WOW Petrol - New Zealand	-	22	22	22	22
Total Supermarket Division	2,381	2,330	2,237	2,141	2,078
General Merchandise					
BIG W	165	161	156	151	142
Dick Smith Electronics	390	394	349	310	277
Tandy	4	22	87	106	123
Total General Merchandise	559	577	592	567	542
Hotels (ALH Group) (includes 8 clubs)	282	284	280	271	263
Danks (Home Improvement Retail)	19	8	-	-	-
TOTAL GROUP	3,241	3,199	3,109	2,979	2,883

FIVE YEAR SUMMARY continued

STORES (Movement) FY2011	JUNE 10	OPENED/ACQ	CLOSED	JUNE 11
Supermarkets				
New South Wales	248	9	2	255
Queensland	189	6	1	194
Victoria	200	4	1	203
South Australia & Northern Territory	74	2	-	76
Western Australia	83	-	-	83
Tasmania	29	-	-	29
Total Australian Supermarkets	823	21	4	840
Supermarkets - New Zealand	152	10	6	156
Total Supermarkets	975	31	10	996
Thomas Dux	11	-	-	11
Freestanding Liquor	281	35	11	305
ALH Group retail outlets	480	30	22	488
Caltex / WOW Petrol	132	-	-	132
WOW Petrol - Australia	429	20	-	449
WOW Petrol/Convenience - New Zealand	22	-	22	-
Total Supermarket Division	2,330	116	65	2,381
General Merchandise				
BIG W	161	4	-	165
Dick Smith Electronics & Tandy (Aust/NZ)	416	47	69	394
Total General Merchandise	577	51	69	559
Hotels (ALH Group)	284	2	4	282
Danks (Home Improvement Retail)	8	11	-	19
TOTAL GROUP MOVEMENT	3,199	180	138	3,241

	2011	2010	2009	2008	2007
Weeks	52	52	52	53	52
AREA (sqm)					
Supermarkets (Australia) ⁽¹⁷⁾	2,202,620	2,127,195	2,037,680	1,945,641	1,848,792
Supermarkets (New Zealand) ⁽¹⁸⁾	333,274	325,256	303,889	296,549	291,092
General Merchandise ⁽¹⁹⁾	1,086,082	1,061,934	1,038,561	989,767	930,288
SALES PER SQUARE METRE					
Supermarkets (Australia) ⁽¹⁷⁾	15,894.9	15,764.3	15,641.1	14,934.0	14,570.6
Supermarkets (New Zealand) ⁽¹⁸⁾	14,949.6	14,548.0	14,820.4	14,634.1	14,382.5
General Merchandise ⁽¹⁹⁾	5,241.0	5,389.8	5,588.3	5,295.9	5,106.2

FIVE YEAR SUMMARY continued

NOTES TO STATISTICS

- 1 Includes the Wholesale division that was previously reported separately prior to full year 2010.
- 2 Unallocated consists of the group's other operating segments that are not separately reportable (including Home Improvement) as well as various support functions including Property and Head office costs.
- 3 Funds employed is net assets excluding net tax balances, provision for dividends, net debt, other financial liabilities and assets and liabilities as a result of hedging per *AASB 139 Financial Instruments: Recognition and Measurement*.
- 4 Cash and Borrowings is gross debt less cash on hand, cash at bank and cash on short term deposit.
- 5 Return on funds employed (ROFE) is EBIT as a percentage of average (of opening and closing) funds employed for the year.
- 6 Service burden is net operating profit before income tax expressed as a percentage of EBIT.
- 7 Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.
- 8 Asset turn is total sales divided by average (of opening and closing) total assets for the year.
- 9 Financial leverage is average (of opening and closing) total assets divided by average (of opening and closing) total shareholders' equity for the year.
- 10 Return on equity is profit after income tax attributable to shareholders, divided by average (of opening and closing) shareholders' equity for the year.
- 11 Normal basic earnings per share (Normal EPS) is profit after tax and servicing Hybrid Notes before abnormal items divided by the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard *AASB 133 Earnings per Share*.
- 12 The current year figure represents the dividend value given the shares on issue as at reporting date. This figure will change if there are any shares issued between reporting date and the ex-dividend date.
- 13 Service cover ratio is EBIT divided by the sum of net financing cost and Hybrid Notes interest.
- 14 Fixed charges cover is EBITDAR divided by rent and interest costs. It excludes foreign exchange gains/losses and dividend income and capitalised interest.
- 15 Sales to inventory is total sales divided by average (of opening and closing) inventory.
- 16 Serviced gearing is cash and borrowings together with the hedging related to those borrowings divided by cash and borrowings together with the hedging related to those borrowings plus total equity.
- 17 Supermarkets excludes Petrol and ALH Group retail (BWS) outlets.
- 18 New Zealand Supermarkets excludes Gull and franchise outlets.
- 19 Excludes Woolworths India.

CONSOLIDATED INCOME STATEMENT – WOOLWORTHS LIMITED

		2011 <i>52 weeks</i>	2010 <i>52 weeks</i>
	Note	\$m	\$m
Revenue from the sale of goods	2a	54,142.9	51,694.3
Other operating revenue	2a	136.6	90.5
Revenue from operations		54,279.5	51,784.8
Cost of sales		(40,186.3)	(38,391.2)
Gross profit		14,093.2	13,393.6
Other revenue	2b	226.2	179.3
Branch expenses		(8,583.8)	(8,165.4)
Administration expenses		(2,459.2)	(2,325.4)
Earnings before interest and tax		3,276.4	3,082.1
Financial expense	3	(300.0)	(238.5)
Financial income	3	38.5	27.0
Net financing cost		(261.5)	(211.5)
Net profit before income tax expense		3,014.9	2,870.6
Income tax expense	5a	(874.6)	(832.6)
Profit after income tax expense		2,140.3	2,038.0
Net profit attributable to:			
Equity holders of Woolworths Limited		2,124.0	2,020.8
Non-controlling interests		16.3	17.2
		2,140.3	2,038.0
Earnings per share (EPS)			
Basic EPS (cents per share)	20	174.64	164.01
Diluted EPS (cents per share)	20	173.60	163.17
Weighted average number of shares used in the calculation of basic EPS (million)	20	1,216.2	1,232.1

The above consolidated income statement should be read in conjunction with the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – WOOLWORTHS LIMITED

		2011 52 weeks	2010 52 weeks
	Note	\$m	\$m
Profit for the period		2,140.3	2,038.0
Other comprehensive income			
Movement in translation of foreign operations taken to equity		(137.5)	50.7
Movement in the fair value of investments in equity securities		(5.3)	(4.0)
Movement in fair value of cash flow hedges		(608.9)	(36.3)
Transfer cash flow hedges to the income statement		459.7	126.3
Actuarial (losses)/gains on defined benefit plans		(6.2)	1.7
Income tax relating to components of other comprehensive income		65.3	(34.9)
Other comprehensive (loss)/income for the period (net of tax)		(232.9)	103.5
Total comprehensive income for the period		1,907.4	2,141.5
Attributable to:			
Equity holders of Woolworths Limited		1,891.1	2,124.3
Non-controlling interests		16.3	17.2
		1,907.4	2,141.5

Income tax on other comprehensive (loss)/income	Before tax	Tax (expense)/ benefit	Net of tax
For the period ended 26 June 2011			
Movement in translation of foreign operations taken to equity	(137.5)	18.6	(118.9)
Movement in the fair value of investments in equity securities	(5.3)	-	(5.3)
Movement in fair value of cash flow hedges	(608.9)	182.7	(426.2)
Transfer cash flow hedges to the income statement	459.7	(137.9)	321.8
Actuarial losses on defined benefit plans	(6.2)	1.9	(4.3)
Total of items recognised in other comprehensive income	(298.2)	65.3	(232.9)

Income tax on other comprehensive (loss)/income	Before tax	Tax (expense)/ benefit	Net of tax
For the period ended 27 June 2010			
Movement in translation of foreign operations taken to equity	50.7	(7.4)	43.3
Movement in the fair value of investments in equity securities	(4.0)	-	(4.0)
Movement in fair value of cash flow hedges	(36.3)	11.0	(25.3)
Transfer cash flow hedges to the income statement	126.3	(37.9)	88.4
Actuarial gains on defined benefit plans	1.7	(0.6)	1.1
Total of items recognised in other comprehensive income	138.4	(34.9)	103.5

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

CONSOLIDATED BALANCE SHEET – WOOLWORTHS LIMITED

	Note	2011 \$m	2010 \$m
Current assets			
Cash		1,519.6	713.4
Trade and other receivables	8	1,122.2	916.8
Inventories		3,736.5	3,438.8
Assets held for sale	10	93.9	37.3
Other financial assets	9	120.8	92.7
Total current assets		6,593.0	5,199.0
Non-current assets			
Trade and other receivables	8	14.9	13.3
Other financial assets	9	119.3	132.3
Property, plant and equipment	10	8,620.3	7,639.1
Intangibles	11	5,236.6	5,071.0
Deferred tax assets	5d	510.4	432.6
Total non-current assets		14,501.5	13,288.3
Total assets		21,094.5	18,487.3
Current liabilities			
Trade and other payables	12	5,512.8	5,278.9
Borrowings	14	1,471.1	871.7
Current tax liabilities	5c	204.7	199.0
Other financial liabilities	13	238.7	24.7
Provisions	16	861.0	779.1
Total current liabilities		8,288.3	7,153.4
Non-current liabilities			
Borrowings	14	3,373.8	2,670.4
Other financial liabilities	13	915.5	236.7
Provisions	16	465.2	416.3
Other		205.9	192.8
Total non-current liabilities		4,960.4	3,516.2
Total liabilities		13,248.7	10,669.6
Net assets		7,845.8	7,817.7
Equity			
Issued capital	17	3,988.6	3,784.4
Shares held in trust	17	(56.1)	(41.2)
Reserves	18	(236.8)	(28.0)
Retained earnings	19	3,897.5	3,855.2
Equity attributable to the members of Woolworths Limited		7,593.2	7,570.4
Non-controlling interests		252.6	247.3
Total equity		7,845.8	7,817.7

The above consolidated balance sheet should be read in conjunction with the accompanying notes to the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT – WOOLWORTHS LIMITED

	2011 52 weeks \$m	2010 52 weeks \$m
Cash flows from operating activities		
Receipts from customers	58,886.6	55,664.6
Receipts from vendors and tenants	52.9	45.5
Payments to suppliers and employees	(54,797.3)	(51,811.4)
Interest and costs of finance paid	(332.1)	(260.5)
Interest received	22.5	10.7
Income tax paid	(841.5)	(896.9)
Net cash provided by operating activities	2,991.1	2,752.0
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	394.4	55.4
Proceeds from the sale of investments	-	4.2
Payments for capital expenditure	(2,138.5)	(1,817.7)
Payment for purchase of investments	-	(1.9)
Dividend received	10.6	12.5
Payments for purchase of businesses	(443.9)	(204.7)
Net cash used in investing activities	(2,177.4)	(1,952.2)
Cash flows from financing activities		
Proceeds from issue of equity securities	97.7	73.8
Proceeds from issue of equity securities in subsidiary to non-controlling interests	176.6	79.5
Payments for share buyback	(738.7)	(294.6)
Proceeds from external borrowings	13,349.2	12,833.8
Repayment of external borrowings	(11,590.9)	(12,347.7)
Dividends paid	(1,260.0)	(1,164.6)
Dividends paid to non-controlling interests	(13.2)	(16.8)
Repayment of employee share plan loans	7.4	3.7
Payments for shares acquired by the Woolworths Limited Employee Share Trust	(28.8)	-
Net cash used in financing activities	(0.7)	(832.9)
Net increase/(decrease) in cash held	813.0	(33.1)
Effects of exchange rate changes on balance of cash held in foreign currencies	(6.8)	(0.2)
Cash at the beginning of the financial period	713.4	746.7
Cash at the end of the financial period	1,519.6	713.4
Non-cash financing and investing activities		
In accordance with the Company's Dividend Reinvestment Plan (DRP) 14% (2010: 14%) of the dividend paid was reinvested in the shares of the company		
Dividend (Note 6)	1,457.7	1,349.2
Issuance of shares under the DRP	(197.7)	(184.6)
Net cash outflow	1,260.0	1,164.6

The above consolidated cash flow statement should be read in conjunction with the accompanying notes to the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT – WOOLWORTHS LIMITED continued

	2011 52 weeks \$m	2010 52 weeks \$m
Reconciliation of net cash provided by operating activities to profit after income tax expense:		
Profit after income tax expense	2,140.3	2,038.0
Depreciation/amortisation	857.9	797.7
Foreign exchange gains	(5.2)	(5.8)
Employee benefits expense – share based payments	18.2	43.1
Loss on sale and write-off of property, plant and equipment	15.4	15.2
Borrowing costs capitalised	(55.6)	(30.1)
Amortisation costs capitalised	6.7	6.8
Dividend income	(10.6)	(12.5)
Other	(16.0)	(5.4)
(Increase)/decrease in deferred tax asset	(7.1)	19.2
Increase/(decrease) in current tax liability	39.8	(83.1)
Increase in trade and other receivables	(111.3)	(85.9)
Increase in inventories	(234.7)	(94.2)
Increase in trade creditors	167.1	82.9
Increase in sundry creditors and provisions	186.2	66.1
Net cash provided by operating activities	2,991.1	2,752.0
Acquisition of businesses		
Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses as at the date of the acquisition were as follows:		
- property, plant and equipment	102.2	77.6
- inventories	81.5	47.0
- liquor and gaming licences and other intangibles	25.1	23.4
- brand names	4.5	8.4
- cash acquired	5.2	2.4
- receivables	43.5	97.1
- deferred tax asset	4.3	5.8
- interest bearing liabilities	-	(15.2)
- accounts payable	(42.5)	(66.9)
- provisions	(9.6)	(13.8)
- other liabilities	(14.9)	(10.1)
Net assets acquired	199.3	155.7
Goodwill on acquisition	251.1	47.7
Fair value of net assets acquired	450.4	203.4
Analysed as follows:		
Consideration		
- contingent consideration	-	(1.7)
- cash paid	450.4	205.1
Total consideration	450.4	203.4
Cash paid	450.4	205.1
Add: deferred consideration (paid) / received	(1.3)	2.0
Less: cash balances acquired	(5.2)	(2.4)
Cash consideration paid this period	443.9	204.7

Details of acquisitions are shown at Note 30.

CONSOLIDATED CASH FLOW STATEMENT – WOOLWORTHS LIMITED continued

Reconciliation of cash

For the purposes of the consolidated cash flow statement, cash includes cash at bank and on hand, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated balance sheet as follows:

	2011	2010
	\$m	\$m
Cash at bank and on hand	1,519.6	713.4
Balance per consolidated cash flow statement	1,519.6	713.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – WOOLWORTHS LIMITED

	Issued Capital	Shares held in trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Equity Instrument Reserve	Retained Earnings	Equity attributable to members of Woolworths Limited	Non- controlling Interests	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated											
Balance at 28 June 2010	3,784.4	(41.2)	107.6	(262.3)	200.6	16.4	(90.3)	3,855.2	7,570.4	247.3	7,817.7
Profit after income tax expense	-	-	-	-	-	-	-	2,124.0	2,124.0	16.3	2,140.3
Other comprehensive income for the period (net of tax)	-	-	(104.4)	(118.9)	-	-	(5.3)	(4.3)	(232.9)	-	(232.9)
Total comprehensive income for the period (net of tax)	-	-	(104.4)	(118.9)	-	-	(5.3)	2,119.7	1,891.1	16.3	1,907.4
Dividends paid	-	-	-	-	-	-	-	(1,457.7)	(1,457.7)	(13.2)	(1,470.9)
Issue of shares as a result of options exercised under executive share option plans	97.7	-	-	-	-	-	-	-	97.7	-	97.7
Issue of shares as a result of dividend reinvestment plan	197.7	-	-	-	-	-	-	-	197.7	-	197.7
Issue of shares under employee share plan	-	13.9	-	-	-	-	-	-	13.9	-	13.9
Share buy-back	(84.7)	-	-	-	-	-	-	(622.4)	(707.1)	-	(707.1)
Issue of shares to non controlling interests	-	-	-	-	-	-	-	-	-	269.6	269.6
Compensation on share based payments	-	-	-	-	18.2	-	-	-	18.2	-	18.2
Reclassification of non controlling interests for recognition of financial liability	-	-	-	-	-	-	-	-	-	(267.4)	(267.4)
Shares acquired by the Woolworths Employee Share Trust	-	(28.8)	-	-	-	-	-	-	(28.8)	-	(28.8)
Other	(6.5)	-	-	-	1.6	-	-	2.7	(2.2)	-	(2.2)
Balance at 26 June 2011	3,988.6	(56.1)	3.2	(381.2)	220.4	16.4	(95.6)	3,897.5	7,593.2	252.6	7,845.8
Consolidated											
Balance at 29 June 2009	3,858.6	(51.2)	44.5	(305.6)	157.5	16.4	(86.3)	3,178.6	6,812.5	244.8	7,057.3
Profit after income tax expense	-	-	-	-	-	-	-	2,020.8	2,020.8	17.2	2,038.0
Other comprehensive income for the period (net of tax)	-	-	63.1	43.3	-	-	(4.0)	1.1	103.5	-	103.5
Total comprehensive income for the period (net of tax)	-	-	63.1	43.3	-	-	(4.0)	2,021.9	2,124.3	17.2	2,141.5
Dividends paid	-	-	-	-	-	-	-	(1,349.2)	(1,349.2)	(16.8)	(1,366.0)
Issue of shares as a result of options exercised under executive share option plans	73.8	-	-	-	-	-	-	-	73.8	-	73.8
Issue of shares as a result of dividend reinvestment plan	184.6	-	-	-	-	-	-	-	184.6	-	184.6
Issue of shares under employee share plan	-	10.0	-	-	-	-	-	-	10.0	-	10.0
Share buy-back	(326.3)	-	-	-	-	-	-	-	(326.3)	-	(326.3)
Issue of shares to non controlling interests	-	-	-	-	-	-	-	-	-	79.5	79.5
Compensation on share based payments	-	-	-	-	43.1	-	-	-	43.1	-	43.1
Reclassification of non controlling interests for recognition of financial liability	-	-	-	-	-	-	-	-	-	(77.4)	(77.4)
Other	(6.3)	-	-	-	-	-	-	3.9	(2.4)	-	(2.4)
Balance at 27 June 2010	3,784.4	(41.2)	107.6	(262.3)	200.6	16.4	(90.3)	3,855.2	7,570.4	247.3	7,817.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

Woolworths Limited (the "Company") is a company domiciled in Australia. The Financial Report of the Company for the 52 weeks ended 26 June 2011 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The Financial Report was authorised for issue by the Directors on 23 September 2011.

(A) Statement of compliance

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

The Financial Report represents the consolidated financial statements of the Group.

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

Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act 2001 that remove the requirement to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 32.

(B) Basis of preparation

The Financial Report is presented in Australian dollars.

The Financial Report has been prepared on the historical cost basis except for available-for-sale financial assets, derivative financial instruments, financial instruments held for trading, financial assets valued through other comprehensive income and other financial liabilities that are measured at revalued amounts or fair values, as explained in the accounting policies below.

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

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 million dollars, unless otherwise stated.

New and amended standards adopted by the Group

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') that are relevant to its operations and effective for annual reporting periods beginning on or after 28 June 2010. These include:

- AASB 2009-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process*;
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions*; and
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

In the prior financial period, the Group early adopted AASB 9 *Financial Instruments (December 2009)* including AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*. In the current year, the Group early adopted AASB 9 *Financial Instruments (December 2010)* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)*. AASB 9 provides an option to designate and measure an investment in equity instruments at fair value with changes recognised in other comprehensive income and only dividends being recognised in profit or loss. The group elected to apply this option. The application of this standard affects accounting for the investments in The Warehouse Group Limited and Australian Leisure and Entertainment Property Management Limited (the "ALE Property Group"), both of which have been designated as fair value through other comprehensive income. These changes have been adopted retrospectively with no impact on retained earnings in the current or previous financial years.

Issued standards and interpretations not early adopted

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

- AASB 124 *Related Party Disclosures (2009)*, AASB 2009-12 *Amendments to Australian Accounting Standards*. This amendment clarifies and simplifies the definition of a related party and contains an explicit requirement to disclose commitments involving related parties. Applies to annual reporting periods beginning on or after 1 January 2011;
- AASB 1053 *Application of Tiers of Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*. Woolworths Limited is listed on the Australian Stock Exchange and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. Applies to annual reporting periods beginning on or after 1 July 2013;
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*. This standard makes amendments to *Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*. Applies to annual reporting periods beginning on or after 1 January 2011;
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. This standard provides clarification on the measurement of non-controlling interests in a business combination and transition requirements. Applies to annual reporting periods beginning on or after 1 July 2010;
- AASB 2010-4 *Further to Amendments to Australian Accounting Standard arising from the Annual Improvements Project*. Key amendments include clarification on financial statement disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134), as well as clarification to *Interpretation 13 – Fair Value of Award Credits*. Applies to annual reporting periods beginning on or after 1 January 2011;
- AASB 2010-5 *Amendments to Australian Accounting Standards*. This amendment makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations including amendments to reflect changes made to the text of IFRSs by the IASB. Applies to annual reporting periods beginning on or after 1 January 2011; and
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*. This makes amendments to AASB 7 *Financial Instruments: Disclosures*, to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. Applies to annual reporting periods beginning on or after 1 July 2011.

The following pronouncements approved by the International Accounting Standards Board (IASB)/International Financial Reporting Interpretations Committee (IFRIC) have been identified as those which may impact the Group in the future. An equivalent pronouncement has not yet been issued by the AASB. Each of these pronouncements applies to annual reporting periods beginning on or after 1 January 2013:

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Involvement with Other Entities*;
- IFRS 13 *Fair Value Measurement*;
- IAS 19 *Employee Benefits*;
- IAS 27 *Consolidated and Separate Financial Statements*; and
- IAS 28 *Investments in Associates and Joint Ventures*.

The Group has not yet determined the potential effect of these pronouncements on its future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

Critical accounting estimates

The preparation of a Financial Report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(C) Basis for consolidation

(i) Subsidiaries

These consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Woolworths Limited ("the Company") as at 26 June 2011 and the results of all subsidiaries for the period then ended.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Financial Report from the date that control commences until the date that control ceases.

Non-controlling interests in the equity and results of subsidiaries are shown as a separate item in the consolidated Financial Report.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated Financial Report.

(D) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks are reported initially in the hedging reserve to the extent the hedge is effective (refer Note 1(F)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, and which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. Revenue and expense items are translated at the average exchange rates for the period. Exchange differences arising on translation of foreign operations, if any, are recognised in the foreign currency translation reserve and recognised in consolidated profit and loss on disposal of the foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(E) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless the derivatives qualify for hedge accounting whereby the timing of the recognition of any resultant gain or loss depends on the nature of the hedge relationship (refer Note 1(F)).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the time to maturity. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(F) Hedging

(i) Cash flow hedge

A cash flow hedge is a hedge of an exposure to uncertain future cash flows. A cash flow hedge results in the uncertain future cash flows being hedged back into fixed amounts. Woolworths' cash flow hedges include:

- Interest rate swap contracts that convert floating interest rate payments on borrowings into fixed amounts;
- Cross currency interest rate swaps ('CCIRS') that convert foreign currency denominated principal and interest rate payments on offshore loans into fixed Australian dollar amounts; and
- Forward foreign exchange contracts that convert foreign currency denominated payments to offshore suppliers and income of offshore subsidiaries into Australian dollar amounts.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

The ineffective part of any derivative designated as a hedge is recognised immediately in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated income statement.

Gains or losses removed from equity during the period in relation to interest rate hedge instruments are recognised within "net finance costs" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(ii) Fair value hedge

A fair value hedge is a hedge of a fair value (i.e. “mark-to-market”) exposure arising on a recognised balance sheet asset or liability. A fair value hedge results in the fair value exposure being offset.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(iii) Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the consolidated income statement.

(G) Property, plant and equipment

Freehold land, warehouse, retail, development and other properties are held at the lower of cost less accumulated depreciation and recoverable value (refer Note 1(M)).

Borrowing, holding and development costs on property under development are capitalised until completion of the development.

Land and buildings held for sale are classified as current assets and are valued at the lower of cost and fair value less costs to sell and are not depreciated.

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer Note 1(M)).

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads. The cost of self-constructed assets and acquired assets includes estimates of the costs of dismantling and removing the items and restoring the site on which they are located where it is probable that such costs will be incurred and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Property that is being constructed or developed for future use is classified as development properties and stated at the lower of cost less accumulated depreciation and recoverable value (refer Note 1(M)) until construction or development is complete.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(i) Leased assets

Leases whereby the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer Note 1(M)). Lease payments are accounted for as described in Note 1(T).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

(G) Property, plant and equipment (continued)

(ii) Depreciation

(a) Buildings, plant and equipment

Buildings and plant comprising lifts, air conditioning, fire protection systems and other installations are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

	2011	2010
Buildings	25–40 years	25–40 years
Plant and equipment*	3–10 years	3–10 years

* Some immaterial assets have a useful life of greater than 10 years.

(b) Leasehold improvements

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

(c) Plant and equipment

Plant, equipment and shop fittings (including application software) are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

	2011	2010
Plant and equipment*	2.5–10 years	2.5–10 years

* Some immaterial assets have a useful life of greater than 10 years.

(d) Proceeds from sale of assets

The gross proceeds of asset sales are recognised at the date that an unconditional contract of sale is exchanged with the purchaser. The net gain/(net loss) is recorded in other income/(other expenses).

(H) Goodwill

Business combinations prior to 27 June 2004

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

Business combinations since 27 June 2004

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(I) Other intangibles

(i) Brand names

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

(ii) Liquor licences

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

(iii) Gaming licences

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

(iv) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the profit and loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (refer Note 1(M)).

(v) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost. These are considered to have an indefinite useful life. As a consequence, no amortisation is charged. Expenditure on internally generated goodwill and brand names is recognised in profit or loss as an expense as incurred.

(J) Financial assets

Financial assets valued through other comprehensive income

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

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

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (refer Note 1(M)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(K) Inventories

Short life retail stocks are valued at the lower of average cost and net realisable value.

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

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

These methods of valuation are considered to achieve a valuation reasonably approximating the lower of cost and net realisable value. Cost includes all purchase related rebates, settlement discounts and other costs incurred to bring inventory to its condition and location for sale.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(L) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(M) Impairment

The carrying amounts of the consolidated entity's tangible assets, excluding inventories (refer Note 1(K)) and deferred tax assets (refer Note 1 (V)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer below).

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and whenever there is an impairment indicator.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit ('CGU') exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the consolidated income statement.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment.

Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(M) Impairment (continued)

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of a CGU will be allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis to their carrying amounts.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(N) Capital

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(iii) Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(O) Borrowings

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

Borrowing costs directly attributable to qualifying assets are capitalised as part of the cost of those assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(P) Employee benefits

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

The Company's commitment in respect of accumulation benefits under the Plan is limited to making the specified contributions in accordance with the Rules of the Plan and/or any statutory obligations.

(i) *Defined contribution plans*

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

(ii) *Defined benefit plans*

Woolworths is the employer sponsor of a defined benefit superannuation fund. Under A-IFRS, the employer sponsor is required to recognise a liability (or asset) where the present value of the defined benefit obligation, adjusted for unrecognised past service cost, exceeds (is less than) the fair value of the underlying net assets of the fund (hereinafter referred to as the "defined benefit obligation").

The consolidated entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The discount rate is the yield at the balance sheet date on Commonwealth Government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

All movements in the defined benefit obligation are recognised in the consolidated income statement except actuarial gains and losses. All actuarial gains and losses as at 28 June 2004, the date of transition to A-IFRS, were recognised. Actuarial gains and losses that arise subsequent to 28 June 2004 are recognised in full in retained earnings in the period in which they occur and are presented in the consolidated statement of comprehensive income.

When the calculation results in plan assets exceeding liabilities to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) *Long-term service benefits*

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the consolidated entity's obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(P) Employee benefits (continued)

(iv) *Share-based payment transactions*

Equity settled share based payments form part of the remuneration of employees (including executives) of the consolidated entity.

The consolidated entity recognises the fair value at the grant date of equity settled share based payments (such as options or performance rights) as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a Monte-Carlo simulation option pricing model performed by an independent valuer which takes into account market based performance conditions. The fair value per instrument is multiplied by the number of instruments expected to vest based on achievement of non-market based performance conditions (e.g. service conditions) to determine the total cost. This total cost is recognised as an employee benefit expense proportionally over the vesting period during which the employees become unconditionally entitled to the instruments.

On vesting and over the vesting period the amount recognised as an employee benefit expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to failure to achieve market based performance conditions.

The consolidated entity operated an Employee Share Plan (ESP) whereby it provided interest free loans to selected employees to purchase shares in the Company. All shares acquired under the ESP are held by a wholly owned subsidiary of Woolworths as trustee of the share plan trust. Dividends paid by Woolworths are used to repay the loan (after payment of a portion of the dividend to the employee to cover any tax liabilities).

The loans are limited recourse and if the employee elects not to repay the loan, the underlying shares are sold to recover the outstanding loan balance. These have been accounted for as an in-substance option in the financial statements of the consolidated entity.

(v) *Wages and salaries and related employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are recognised and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to period end. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The expected future cash flows are discounted, using interest rates attaching to Commonwealth Government guaranteed securities which have terms to maturity, matching their estimated timing as closely as possible.

(Q) Provisions

A provision is recognised in the consolidated balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(Q) Provisions (continued)

(i) Restructuring

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

- entered into firm contracts to carry out the restructuring; or
- raised a valid expectation in those affected by the restructuring that the restructuring will occur.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(iii) Self-insurance

The consolidated entity provides for self-insured liabilities relating to workers' compensation and public liability claims. The provisions for such liabilities are based on independent actuarial assessments, which consider numbers, amounts and duration of claims, and allow for future inflation and investment returns.

Allowance is included for injuries which occurred before the balance sheet date, but where the claim is expected to be notified after the reporting date.

The provision is discounted using the Commonwealth Government bond rate with a maturity date approximating the term of the consolidated entity's obligation.

(iv) Warranty

The consolidated entity provides for anticipated warranty costs when the underlying products or services are sold. The provision is based upon historical warranty data.

(v) Make good

The consolidated entity has certain operating leases that require the asset to be returned to the lessor in its original condition. These obligations relate to wear and tear on the premises and not dismantling obligations. The operating lease payments do not include an element for repairs/overhauls. A provision for refurbishment costs is recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

(R) Financial liabilities

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity which were unpaid at the end of the period. The amounts are unsecured and are usually settled within 45 days of recognition.

(ii) Put options over non-controlling interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(S) Revenue recognition

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

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

(i) Sales revenue

Sales revenue represents the revenue earned from the provision of products and rendering of services to parties external to the consolidated entity. Sales revenue is only recognised when the significant risks and rewards of ownership of the products, including possession, have passed to the buyer and for services when a right to be compensated has been attained and the stage of completion of the contract can be reliably measured.

Revenue is recognised on a commission only basis where Woolworths acts as an agent rather than a principal in the transaction. Revenue is recognised net of returns.

Revenue from the sale of customer gift cards is recognised when the card is redeemed and the customer purchases the goods by using the card.

(ii) Rental income

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

(iii) Financing income

Interest income is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payment is established which in the case of quoted securities is the ex-dividend date.

(T) Leases

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

(i) Operating lease payments

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

Fixed rate increases to lease rental payments, excluding contingent or index based rental increases, such as Consumer Price Index, turnover rental and other similar increases, are recognised on a straight line basis over the lease term.

An asset or liability arises for the difference between the amount paid and the lease expense brought to account on a straight line basis.

Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense and spread over the lease term.

(U) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement (refer Note 1(F)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(V) Income tax

Income tax in the consolidated income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Where it arises from the initial accounting for a business combination, it is taken into account in the determination of goodwill or excess.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability to the extent it is unpaid.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with *AASB 112 Income Taxes*, the following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future where the consolidated entity is able to control the reversal of the temporary differences.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

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

(W) Assets held for sale

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

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

(X) Goods and services tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(Y) Operating Segment reporting

(i) Business Segments

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

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

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

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

(ii) Geographical information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(Z) Parent entity financial information

Financial information for the parent entity, Woolworths Limited, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Woolworths Limited.

Tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised by each member of the tax consolidated group where the member would have been able to recognise the deferred tax asset or deferred tax liability on a stand alone basis.

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

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

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

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

(AA) Accounting estimates and judgments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 PROFIT FROM OPERATIONS

	2011	2010
	52 weeks	52 weeks
	\$m	\$m
Profit before income tax expense includes the following items of revenue, income and expense:		
(a) Operating revenue		
Revenue from the sale of goods	54,142.9	51,694.3
Other operating revenue	136.6	90.5
Revenue from operations	54,279.5	51,784.8
 (b) Other revenue		
Rent	52.9	45.5
Other	173.3	133.8
Total other revenue	226.2	179.3
 Total revenue	54,505.7	51,964.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 PROFIT FROM OPERATIONS continued

	2011 52 weeks \$m	2010 52 weeks \$m
(c) Expenses		
Amounts provided for:		
Self-insured risks (Note 16)	192.0	168.1
Depreciation of:		
Development properties and freehold land, warehouse, retail and other properties	37.2	30.5
Plant and equipment	700.9	659.5
Amortisation of:		
Leasehold improvements	114.9	102.9
Brand names	4.7	4.7
Other intangibles	0.2	0.1
Total depreciation and amortisation	857.9	797.7
Employee benefits expense ⁽¹⁾ :		
Post employment benefits	436.8	413.3
Equity-settled share-based payments	18.2	43.1
Other employee benefits	5,813.3	5,513.5
Total employee benefits expense	6,268.3	5,969.9
Net loss on disposal and write-off of property, plant and equipment	15.4	15.2
Operating lease rental expenses:		
– minimum lease payments	1,468.1	1,390.8
– contingent rentals	73.1	87.1
Total operating lease rental expense	1,541.2	1,477.9

- (1) Employee benefits expense includes salaries and wages, defined benefit plan expense, defined contribution plan expense, termination benefits, taxable value of fringe benefits, payroll tax, leave entitlements and share-based payments expense. Refer to Note 23 for further information on employee benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3 NET FINANCING COSTS

	2011 52 weeks \$m	2010 52 weeks \$m
Financial expense		
Interest expense - other parties	(355.6)	(268.6)
Less: interest capitalised ⁽¹⁾	55.6	30.1
	(300.0)	(238.5)
Financial income		
Dividend income	10.6	12.5
Interest income	23.0	11.2
Foreign exchange gain	4.9	3.3
	38.5	27.0
Net financing cost	(261.5)	(211.5)

(1) Weighted average capitalisation rate on funds borrowed generally: 7.29% (2010: 7.23%).

4 AUDITORS' REMUNERATION

	2011 52 weeks \$m	2010 52 weeks \$m
Auditors of the parent entity – Deloitte Touche Tohmatsu Australia		
Audit or review of the financial report	2.153	2.048
Other non-audit related services ⁽¹⁾	0.660	0.574
Tax compliance services	0.041	0.090
Total auditors remuneration	2.854	2.712
Other auditors ⁽²⁾		
Audit or review of the financial report	0.174	0.296
	0.174	0.296
Total auditors' remuneration	3.028	3.008

(1) Other non-audit related services comprise assistance on various accounting matters, assurance services in relation to debt raisings, financial due diligence and other sundry services.

(2) Other auditors include international associates of Deloitte Touche Tohmatsu Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 INCOME TAXES

	2011 52 weeks \$m	2010 52 weeks \$m
(a) Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	886.7	818.1
Adjustments recognised in the current year in relation to the current tax of prior years	(3.3)	(4.7)
Deferred tax relating to the origination and reversal of temporary differences	(8.8)	19.2
Total tax expense	874.6	832.6

Numerical reconciliation between tax expense and pre-tax net profit

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

	2011 52 weeks \$m	2010 52 weeks \$m
Profit before income tax expense	3,014.9	2,870.6
Income tax using the domestic corporation tax rate of 30% (2010: 30%)	904.5	861.2
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Non-deductible expenses	3.3	5.3
Impact on deferred tax balances from change in company tax rate	-	(0.6)
Exempt dividend income	(2.0)	(2.4)
Investment allowance	(6.5)	(20.0)
Other	(21.4)	(6.2)
	877.9	837.3
Over provided in prior years	(3.3)	(4.7)
Income tax expense	874.6	832.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 INCOME TAXES continued

	2011 52 weeks \$m	2010 52 weeks \$m
(b) Income tax recognised directly in equity		
The following current and deferred amounts were charged/(credited) directly to equity during the period:		
Current tax liability		
Transactions charged to foreign currency translation reserve	(0.6)	0.3
Transactions charged to remuneration reserve	(1.6)	-
	<u>(2.2)</u>	<u>0.3</u>
Deferred tax		
Cash flow hedges	(44.8)	26.9
Transactions charged to foreign currency translation reserve	(18.0)	7.1
Actuarial movements on defined benefit plans	(1.9)	0.6
	<u>(64.7)</u>	<u>34.6</u>

(c) Current tax assets and liabilities

The current tax liability for the consolidated entity of \$204.7 million (2010: \$199.0 million) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, Woolworths Limited, as the head entity of the Australian tax consolidated group has assumed the current tax liabilities of the members in the tax consolidated group.

In 2010, the current tax liability balance for the consolidated entity included an amount of \$37.3 million owing by Australian Leisure and Hospitality Group Pty Ltd in respect of prior year amended assessments issued by the ATO. These assessments related to years when Australian Leisure and Hospitality Group Pty Ltd was a member of Fosters Group Limited. These liabilities were covered by indemnities in the sale agreement. Accordingly, a receivable for the same amount was recognised in 2010. In 2011, this provision and receivable were released because the amended assessments were withdrawn following an adverse Full Federal Court decision against the ATO in April 2011.

	2011 \$m	2010 \$m
(d) Deferred tax balances		
Deferred tax assets comprise:		
Tax losses – revenue	2.7	1.4
Temporary differences	<u>507.7</u>	<u>431.2</u>
	<u>510.4</u>	<u>432.6</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 INCOME TAXES continued

Taxable and deductible differences arise from the following:

	Opening Balance	Credited/ (Charged) to income	Credited/ (Charged) to equity	Acquisitions	Closing Balance
2011	\$m	\$m	\$m	\$m	\$m
Gross deferred tax assets					
Property plant and equipment	101.6	(8.3)	-	0.2	93.5
Provisions and accruals	407.9	31.4	1.0	4.1	444.4
Unrealised foreign exchange differences	16.5	(1.2)	18.8	-	34.1
Recognised tax losses	1.4	1.3	-	-	2.7
Other	5.3	0.6	-	-	5.9
	<u>532.7</u>	<u>23.8</u>	<u>19.8</u>	<u>4.3</u>	<u>580.6</u>
Gross deferred tax liabilities					
Intangible assets	(14.0)	-	-	-	(14.0)
Prepayments	(3.2)	(0.4)	-	-	(3.6)
Cash flow hedges	(46.1)	-	44.8	-	(1.3)
Other	(36.8)	(14.6)	0.1	-	(51.3)
	<u>(100.1)</u>	<u>(15.0)</u>	<u>44.9</u>	<u>-</u>	<u>(70.2)</u>
	432.6	8.8	64.7	4.3	510.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 INCOME TAXES continued

	Opening Balance	Credited/ (Charged) to income	Credited/ (Charged) to equity	Acquisitions	Closing Balance
2010	\$m	\$m	\$m	\$m	\$m
Gross deferred tax assets					
Property plant and equipment	109.4	(8.2)	-	0.4	101.6
Provisions and accruals	407.1	(3.5)	(0.3)	4.6	407.9
Unrealised foreign exchange differences	25.7	(1.8)	(7.4)	-	16.5
Recognised tax losses	1.5	(0.1)	-	-	1.4
Other	4.1	1.2	-	-	5.3
	547.8	(12.4)	(7.7)	5.0	532.7
Gross deferred tax liabilities					
Intangible assets	(14.0)	-	-	-	(14.0)
Prepayments	(4.9)	1.7	-	-	(3.2)
Cash flow hedges	(19.2)	-	(26.9)	-	(46.1)
Other	(29.1)	(8.5)	-	0.8	(36.8)
	(67.2)	(6.8)	(26.9)	0.8	(100.1)
	480.6	(19.2)	(34.6)	5.8	432.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6 DIVIDENDS

	Cents per share	Total amount \$m	Franked	Date of payment
2011				
Interim 2011 ordinary	57	691.4	100%	29/4/2011
Final 2010 ordinary	62	766.3	100%	15/10/2010
Total	119	1,457.7		

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

All dividends are fully franked at a 30% rate.

On 24 August 2011, the Board of Directors determined a final dividend in respect of the 2011 year of 65c (2010: 62c) per share 100% franked at a 30% tax rate. The amount that will be paid on 14 October 2011 (2010: 15 October 2010) is expected to be \$795.7 million (2010: \$766.3 million). As the dividend was declared subsequent to 26 June 2011, no provision has been included as at 26 June 2011.

Dividend Reinvestment Plan (The Plan)

Under the terms and conditions of the DRP, eligible shareholders may elect to participate in the Plan in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the Plan that the Directors may specify. There is currently no minimum number of shares which a shareholder may designate as participating in the Plan. The maximum number of shares which a shareholder (other than broker's nominees and certain trustees) may designate as participating in the Plan is 20,000.

NOTES TO THE FINANCIAL STATEMENTS continued

6 DIVIDENDS continued

Franked dividends

	2011 \$m	2010 \$m
The franked portions of the dividends proposed as at 26 June 2011 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ended 24 June 2012.		
Franking credits available for the subsequent financial year 30% (2010: 30%)	1,569.4	1,655.9

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

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

Franking accounts are presented on a tax paid basis.

The franking account balances reported for the consolidated group are inclusive of \$41.8 million (2010: \$38.5 million) attributable to the non-controlling interest holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7 SEGMENT DISCLOSURES

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

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

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

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

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

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

Major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7 SEGMENT DISCLOSURES continued

Business Segments

	Australian Food & Liquor (1)		New Zealand Supermarkets		Petrol		BIG W		Consumer Electronics (2)		Hotels (3)		Unallocated (4)		Consolidated	
	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million
Segment disclosures																
Business segments																
Business segments																
Sales to customers	36,176.1	34,675.4	4,110.5	4,130.6	6,025.3	5,481.0	4,158.3	4,193.1	1,855.5	1,782.4	1,153.1	1,102.0	664.1	329.8	54,142.9	51,694.3
Other operating revenue	123.9	81.8	12.7	8.7	-	-	-	-	-	-	-	-	-	-	136.6	90.5
Inter-segment revenue	-	-	-	-	-	-	-	-	0.5	-	-	-	332.7	257.7	333.2	257.7
Segment revenue	36,300.0	34,757.2	4,123.2	4,139.3	6,025.3	5,481.0	4,158.3	4,193.1	1,856.0	1,782.4	1,153.1	1,102.0	996.8	587.5	54,612.7	52,042.5
Eliminations									(0.5)				(332.7)	(257.7)	(333.2)	(257.7)
Unallocated revenue (5)													226.2	179.3	226.2	179.3
Total revenue	36,300.0	34,757.2	4,123.2	4,139.3	6,025.3	5,481.0	4,158.3	4,193.1	1,855.5	1,782.4	1,153.1	1,102.0	890.3	509.1	54,505.7	51,964.1
Segment earnings before interest and tax	2,678.9	2,492.5	191.9	190.4	117.6	99.5	177.0	200.0	26.8	31.5	183.7	176.7	(99.5)	(108.5)	3,276.4	3,082.1
Net financing cost															(261.5)	(211.5)
Profit before tax															3,014.9	2,870.6
Income tax expense															(874.6)	(832.6)
Profit after tax															2,140.3	2,038.0
Segment depreciation and amortisation	500.2	457.8	71.5	67.0	31.7	29.5	75.1	72.5	29.1	31.2	66.6	75.4	83.7	64.3	857.9	797.7
Segment other non cash items	27.6	23.9	6.6	5.3	0.3	0.5	6.3	5.1	(0.8)	0.4	1.6	5.1	(18.7)	2.2	22.9	42.5
Capital expenditure (6)	934.0	646.3	266.8	195.6	58.6	50.7	116.9	129.0	54.0	45.1	146.1	176.9	1,008.8	711.6	2,585.2	1,955.2

(1) Australian Food & Liquor is comprised of supermarket and liquor stores and wholesale food and liquor in Australia.

(2) Consumer Electronics includes Woolworths Wholesale India.

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

(4) Unallocated is comprised of the corporate head office, the property division and the home improvement division.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7 SEGMENT DISCLOSURES continued

Geographical information

The Group operates predominantly in two principal geographical areas – Australia and New Zealand. Inter-segment pricing is determined on an arm's length basis.

The Group's revenue from external customers and information about its geographical assets by geographical location are detailed below:

	Australia		New Zealand		Consolidated	
	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million	2011 \$A million	2010 \$A million
Segment disclosures						
Geographical segments						
Sales to customers	49,780.0	47,293.3	4,362.9	4,401.0	54,142.9	51,694.3
Other operating revenue	123.9	81.8	12.7	8.7	136.6	90.5
Other revenue	201.7	158.1	24.5	21.2	226.2	179.3
Revenue from external customers	50,105.6	47,533.2	4,400.1	4,430.9	54,505.7	51,964.1
Non-current assets ⁽¹⁾	11,175.8	10,076.4	2,812.3	2,773.5	13,988.1	12,849.9

⁽¹⁾ Geographical Non Current Assets exclude Financial Instruments (Fair value derivatives), Deferred Tax assets and Intercompany receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8 TRADE AND OTHER RECEIVABLES

	2011 \$m	2010 \$m
Current		
Trade receivables	285.2	217.7
Other receivables	604.0	473.5
Prepayments	233.0	225.6
	1,122.2	916.8
Non-current		
Prepayments	7.3	2.3
Other receivables	7.6	11.0
	14.9	13.3

Trade and other receivables are presented net of impairment allowance. Impairment provision balance as at 26 June 2011 was \$14.9 million (2010: \$13.7 million). All recovery risk has been provided for in the balance sheet.

9 OTHER FINANCIAL ASSETS

	2011 \$m	2010 \$m
Current		
Fair value derivatives		
Cross currency swaps	99.5	73.1
Interest rate swaps	2.7	4.1
Forward exchange contracts	18.6	15.5
	120.8	92.7
Non-current		
Fair value derivatives		
Cross currency swaps	-	3.4
Interest rate swaps	3.0	2.4
Listed equity securities at fair value	113.5	123.7
Investment in associate	2.1	2.1
Other	0.7	0.7
	119.3	132.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 PROPERTY, PLANT AND EQUIPMENT

	2011 \$m	2010 \$m
Current		
Assets held for sale ⁽¹⁾	93.9	37.3
Non-current		
Development properties		
At cost	1,576.3	946.4
Less: Accumulated depreciation	(12.9)	(18.6)
	1,563.4	927.8
Freehold land, warehouse, retail and other properties		
At cost	1,638.5	1,675.7
Less: Accumulated depreciation	(91.3)	(101.1)
	1,547.2	1,574.6
Leasehold improvements		
At cost	2,080.8	1,889.0
Less: Accumulated amortisation	(802.9)	(719.5)
	1,277.9	1,169.5
Plant and equipment		
At cost	10,321.2	9,499.7
Less: Accumulated depreciation	(6,089.4)	(5,532.5)
	4,231.8	3,967.2
	8,620.3	7,639.1
Total property, plant and equipment – net book value	8,714.2	7,676.4

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 PROPERTY, PLANT AND EQUIPMENT continued

Total property, plant and equipment – net book value

An assessment as to the carrying value of Woolworths owned properties as at 26 June 2011 was performed. The basis of the assessment was a combination of external market assessments and/or valuations and Woolworths' property group assessments. External valuations are obtained every three years. Based on the most recent assessments, a provision for development losses of \$124.8 million (2010: \$111.3 million) is held as at 26 June 2011.

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

	Development properties	Freehold land, warehouse, retail and other properties	Leasehold improvements	Plant and equipment	Total
2011	\$m	\$m	\$m	\$m	\$m
Carrying amount at start of period	927.8	1,574.6	1,169.5	3,967.2	7,639.1
Additions (excluding additions arising from acquisition of businesses)	824.0	168.0	230.2	977.9	2,200.1
Additions arising from acquisition of businesses	-	61.4	1.2	39.6	102.2
Disposals	(241.5)	(74.5)	(3.1)	(18.7)	(337.8)
Transfer to assets held for sale	(74.6)	(22.6)	-	(1.7)	(98.9)
Depreciation/amortisation expense	(15.0)	(22.2)	(114.9)	(700.9)	(853.0)
Transfers and other	150.4	(132.7)	0.2	(11.7)	6.2
Effect of movements in foreign exchange rates	(7.7)	(4.8)	(5.2)	(19.9)	(37.6)
Carrying amount at end of period	1,563.4	1,547.2	1,277.9	4,231.8	8,620.3

	Development properties	Freehold land, warehouse, retail and other properties	Leasehold improvements	Plant and equipment	Total
2010	\$m	\$m	\$m	\$m	\$m
Carrying amount at start of period	503.4	1,431.7	1,004.4	3,714.4	6,653.9
Additions (excluding additions arising from acquisition of businesses)	440.3	147.3	269.7	921.4	1,778.7
Additions arising from acquisition of businesses	-	56.7	0.5	20.4	77.6
Disposals	(8.5)	(6.4)	(2.8)	(19.0)	(36.7)
Depreciation/amortisation expense	(8.9)	(21.6)	(102.9)	(659.5)	(792.9)
Transfers and other	(1.8)	(35.2)	(1.5)	(18.1)	(56.6)
Effect of movements in foreign exchange rates	3.3	2.1	2.1	7.6	15.1
Carrying amount at end of period	927.8	1,574.6	1,169.5	3,967.2	7,639.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 PROPERTY, PLANT AND EQUIPMENT continued

Impairment of tangible assets

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

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

The recoverable amount has been determined based on the value in use which is calculated using cash flow projections from the most recent financial budgets approved by management and the Board. The cash flows are discounted to present value using pre-tax discount rates between 13% and 16% (2010: 13% and 15%) depending on the nature of the business and the country of operation. This discount rate is derived from the Group's post-tax weighted average cost of capital.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11 INTANGIBLE ASSETS

	2011 \$m	2010 \$m
Goodwill	3,227.7	3,078.2
Brand names	229.4	237.1
Liquor and gaming licences	1,708.1	1,689.5
Other	71.4	66.2
Total	5,236.6	5,071.0

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

Reconciliation of movements in intangibles

	Goodwill	Brand names	Liquor, petrol and gaming licences	Other	Total intangibles
2011	\$m	\$m	\$m	\$m	\$m
Carrying amount at start of period	3,078.2	237.1	1,689.5	66.2	5,071.0
Additions arising from acquisition of businesses	251.1	4.5	19.7	5.4	280.7
Other acquisitions	-	-	2.2	-	2.2
Disposals	-	-	(1.4)	-	(1.4)
Other	(3.2)	-	(1.9)	-	(5.1)
Amortisation	-	(4.7)	-	(0.2)	(4.9)
Effect of movements in foreign exchange rates	(98.4)	(7.5)	-	-	(105.9)
Carrying amount at end of period	3,227.7	229.4	1,708.1	71.4	5,236.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11 INTANGIBLE ASSETS continued

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

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

The recoverable amount is determined based on the value in use which is calculated using cash flow projections for five years using data from the Group's latest internal forecasts, the results of which are reviewed by the Board. The key assumptions for the value in use calculation are those regarding discount rates, growth rates and expected changes in margins.

The cash flows are discounted to present value using pre-tax discount rates between 13% and 16% (2010:13% and 15%) depending on the nature of the business and the country of operation. This discount rate is derived from the Group's post tax weighted average cost of capital.

The forecasts are extrapolated beyond five years based on estimated long-term growth rates of generally 0%-5%, and do not exceed industry growth rates for the business in which the cash generating unit operates.

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

The components of goodwill by segment are as follows:

	2011	2010
	\$m	\$m
Australian Food and Liquor	801.3	585.3
New Zealand Supermarkets	1,681.9	1,771.3
Consumer Electronics	70.6	70.3
Hotels	629.2	632.1
Unallocated	44.7	19.2
	3,227.7	3,078.2

No intangible assets were identified as impaired at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12 TRADE AND OTHER PAYABLES

	2011	2010
	\$m	\$m
Accounts payable	4,398.1	4,211.3
Accruals	1,022.6	984.5
Unearned income	92.1	83.1
Trade and other payables	5,512.8	5,278.9

13 OTHER FINANCIAL LIABILITIES

	2011	2010
	\$m	\$m
Current		
At fair value		
Fair value derivatives		
Interest rate swaps	29.8	21.0
Cross currency swaps	193.5	-
Forward exchange contracts	15.4	3.7
	238.7	24.7
Non current		
At fair value		
Other financial liabilities ⁽¹⁾	344.8	77.3
Fair value derivatives		
Interest rate swaps	39.2	14.6
Cross currency swaps	531.5	144.8
	915.5	236.7

⁽¹⁾ Further information in relation to other financial liabilities is included in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14 BORROWINGS

	2011 \$m	2010 \$m
Current		
Unsecured		
Short term securities ⁽¹⁾	285.3	554.8
Short term money market loans ⁽²⁾	23.8	25.5
Bank loans ⁽³⁾	559.6	289.4
Woolworths Notes ⁽⁴⁾	600.0	-
Finance leases	2.4	2.0
	1,471.1	871.7
Non-current		
Unsecured		
Long term securities ⁽⁵⁾	3,371.0	1,416.2
Bank loans	-	650.6
Woolworths Notes ⁽⁴⁾	-	598.4
Finance leases	2.8	5.2
	3,373.8	2,670.4
Total	4,844.9	3,542.1

⁽¹⁾ Comprised of:

- US\$300.0 million (A\$284.9 million) senior notes issued to the US 144A market in the United States in 2005, maturing in November 2011.
- \$0.4 million external borrowings by a controlled entity.

⁽²⁾ Total short term money market borrowings on an at-call basis of NZ\$30.8 million (A\$23.8 million) by a controlled entity were outstanding at year end (2010: A\$25.5 million).

⁽³⁾ Comprised of:

- The term component of a 3-year multi-currency syndicated loan facility drawn in 3 tranches matures in May 2012:
 - i. US\$263.3 million (A\$250.4 million)
 - ii. JPY1,994.5 million (A\$23.5 million)
 - iii. \$178.5 million

Woolworths has entered into cross currency swaps in respect of these borrowings which eliminates all foreign currency exposures. This amount also includes a \$3.8 million adjustment of unamortised borrowing costs.

- INR320.0 million (A\$6.7 million) was drawn by a controlled entity against a committed Revolving Credit facility (2010: A\$11.3 million).
- NZ\$135.0 million (A\$104.3 million) was drawn by a controlled entity against a committed Revolving Credit facility (2010: A\$53.1 million)

⁽⁴⁾ \$600.0 million in Woolworths Notes were issued on 5 June 2006. These Notes were redeemed on 15 September 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14 BORROWINGS continued

(5) Comprised of:

- US\$500.0 million (A\$475.0 million) from a private placement of senior notes in the United States in 2005, maturing: US\$100.0 million in April 2015, US\$300.0 million in April 2017 and US\$100.0 million in April 2020.
- US\$425.0 million (A\$403.7 million) of senior notes issued into the US 144A market in the United States in 2005, maturing in November 2015.
- US\$1,250 million (A\$1,187.4 million) of senior notes issued into the US 144A market in the United States in 2010, maturing: US\$500.0 million in September 2015, US\$750.0 million in September 2020.
- US\$850 million (A\$807.4 million) of senior notes issued into the US 144A market in the United States in 2011, maturing: US\$300.0 million in April 2016, US\$550.0 million in April 2021.
- \$500.0 million Medium Term Notes issued in March 2011, due to mature in March 2016.
- \$1.5 million external borrowings by a controlled entity.
- \$4.0 million adjustment of unamortised borrowing costs (2010: \$1.8 million).

15 FINANCING ARRANGEMENTS

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

	2011 \$m	2010 \$m
Total facilities		
Bank overdrafts	43.1	39.0
Bank loan facilities	3,795.6	4,168.2
	3,838.7	4,207.2
Used at balance date		
Bank overdrafts	-	-
Bank loan facilities	587.2	1,179.7
	587.2	1,179.7
Unused at balance date		
Bank overdrafts	43.1	39.0
Bank loan facilities	3,208.4	2,988.5
	3,251.5	3,027.5

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16 PROVISIONS

	2011 \$m	2010 \$m
Current		
Employee benefits (Note 23)	708.3	656.7
Self-insured risks ⁽¹⁾	120.3	105.6
Other ⁽²⁾	32.4	16.8
	861.0	779.1
Non-current		
Employee benefits (Note 23)	100.2	95.1
Self-insured risks ⁽¹⁾	352.5	303.4
Other ⁽²⁾	12.5	17.8
	465.2	416.3
Total provisions	1,326.2	1,195.4
Movements in self-insured risk provisions were as follows:		
Balance at start of period	409.0	367.6
Additional provisions recognised	192.0	168.1
Provision arising from acquisition of controlled entities	0.1	-
Reductions arising from payments/other sacrifices of future economic benefits	(125.3)	(123.3)
Transfers	(2.7)	(3.6)
Effect of movements in foreign exchange rates	(0.3)	0.2
Balance at end of period	472.8	409.0
Current	120.3	105.6
Non-current	352.5	303.4
Movements in other provisions were as follows:		
Balance at start of period	34.6	29.7
Additional provisions recognised	21.6	7.5
Provision arising from acquisition of controlled entities	0.2	6.5
Reductions arising from payments	(12.0)	(9.9)
Transfers	1.0	0.7
Effect of movements in foreign exchange rates	(0.5)	0.1
Balance at end of period	44.9	34.6
Current	32.4	16.8
Non-current	12.5	17.8

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

(2) Current and non-current other provisions consist predominantly of provisions for onerous lease contracts including those arising on acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17 ISSUED CAPITAL

	2011 \$m	2010 \$m
Issued and paid-up share capital		
1,216,499,270 fully paid ordinary shares (2010: 1,231,139,756)		
Fully paid ordinary shares carry one vote per share and the right to dividends.		
Reconciliation of fully paid share capital		
Balance at beginning of period	3,784.4	3,858.6
Issue of shares as a result of options exercised under Executive Share Option Plan	97.7	73.8
Issue of shares as a result of Dividend Reinvestment Plan	197.7	184.6
Adjustment to paid-up capital to reflect final proceeds for shares issued under Employee Share Plan	(6.5)	(6.3)
Shares bought back	(84.7)	(326.3)
Balance at end of period	3,988.6	3,784.4
Reconciliation of fully paid share capital	<u>No.(m)</u>	<u>No.(m)</u>
Balance at beginning of period	1,231.2	1,229.0
Issue of shares as a result of options exercised under Executive Share Option Plan	5.7	7.7
Issue of shares as a result of Dividend Reinvestment Plan	7.1	6.6
Shares bought back	(27.5)	(12.1)
Balance at end of period	1,216.5	1,231.2
Shares held in trust		
Reconciliation of shares held in trust	<u>\$m</u>	<u>\$m</u>
Balance at beginning of period	(41.2)	(51.2)
Issue of shares under the Employee Share Plan	13.9	10.0
Shares acquired by the Woolworths Employee Share Trust	(28.8)	-
Balance at end of period	(56.1)	(41.2)
Reconciliation of shares held in trust	<u>No.(m)</u>	<u>No.(m)</u>
Balance at beginning of period	3.8	5.4
Issue of shares under the Employee Share Plan	(1.6)	(1.6)
Shares acquired by the Woolworths Employee Share Trust	1.1	-
Balance at end of period	3.3	3.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17 ISSUED CAPITAL continued

Share capital

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

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

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

Share options

In accordance with the provisions of the Executive Share Option Plan, the total number of outstanding options / rights on issue are as follows:

	Number of options over shares as at		Expiry date
	26 June 2011	27 June 2010	
Option Grant			
2001	-	153,600	1 July 2011
2005	-	5,273,547	31 December 2010
2006	6,199,474	6,749,250	31 December 2011
2007	7,259,200	8,157,500	31 December 2012
2008	4,927,250	5,314,250	31 December 2013
2009	3,745,300	4,062,550	31 December 2014
	22,131,224	29,710,697	
Performance Rights			
2007	-	40,000	1 July 2010
2008	927,878	1,014,384 ⁽¹⁾	31 December 2013
2009	871,061	943,520 ⁽¹⁾	31 December 2014
2011	2,781,191	-	31 December 2015
Retention Rights			
2008	-	65,000	1 September 2010
2009	-	20,000	24 December 2010
2009	15,000	15,000	2 February 2012
2009	60,000	60,000	1 November 2011
2010	242,000	-	31 December 2012
2011	8,000	-	1 June 2013
2011	319,000	-	30 June 2013
2011	10,000	-	1 February 2014
2011	87,500	-	1 June 2014
	27,452,854	31,868,601	

⁽¹⁾ The 27 June 2010 balances for the 2008 and 2009 rights issues have been increased / decreased by 400 performance rights respectively from what was disclosed as the closing balance in the prior year. There is no change to the total balance of options /rights outstanding at 27 June 2010.

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

Further details of the Executive Share Option Plan are contained in Note 23 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18 RESERVES

	2011 \$m	2010 \$m
Hedging reserve	3.2	107.6
Foreign currency translation reserve	(381.2)	(262.3)
Remuneration reserve	220.4	200.6
Asset revaluation reserve	16.4	16.4
Equity instrument reserve	(95.6)	(90.3)
	(236.8)	(28.0)

Hedging reserve

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

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the 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 foreign currency translation reserve.

Remuneration reserve

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

Asset revaluation reserve

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

Equity instrument reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18 RESERVES continued

Movements	2011 \$m	2010 \$m
Hedging reserve		
Balance at start of period	107.6	44.5
Loss on cash flow hedges taken to equity	(608.9)	(36.3)
Transfer to profit and loss - cash flow hedges	459.7	126.3
Deferred tax arising on hedges	44.8	(26.9)
Balance at end of period	3.2	107.6
Foreign currency translation reserve (FCTR)		
Balance at start of period	(262.3)	(305.6)
Net exchange differences on translation of foreign controlled entities	(137.5)	50.7
Tax arising on movements	18.6	(7.4)
Balance at end of period	(381.2)	(262.3)
Remuneration reserve		
Balance at start of period	200.6	157.5
Compensation on share-based payments	18.2	43.1
Tax arising on movements	1.6	-
Balance at end of period	220.4	200.6
Asset revaluation reserve		
Balance at start of period	16.4	16.4
Balance at end of period	16.4	16.4
Equity instrument reserve		
Balance at start of period	(90.3)	(86.3)
Revaluation loss during the period	(5.3)	(4.0)
Balance at end of period	(95.6)	(90.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19 RETAINED EARNINGS

	2011	2010
	\$m	\$m
Retained earnings attributable to the members of Woolworths Limited		
Balance at start of the period	3,855.2	3,178.6
Profit attributable to members of Woolworths Limited	2,124.0	2,020.8
Actuarial (loss) / gain on defined benefit plans	(6.2)	1.7
Tax effect of actuarial loss / (gain)	1.9	(0.6)
Share buy back	(622.4)	-
Employee Share Plan dividends and forfeitures	2.7	3.9
Dividends paid or provided (Note 6)	(1,457.7)	(1,349.2)
Balance at end of period	3,897.5	3,855.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20 EARNINGS PER SHARE

	2011	2010
Basic earnings per share (cents per share)	174.64	164.01
Diluted earnings per share (cents per share)	173.60	163.17

Basic earnings per share

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

	\$m	\$m
Earnings (a)	2,124.0	2,020.8
	No. (m)	No. (m)
Weighted average number of ordinary shares ⁽¹⁾ (b)	1,216.2	1,232.1

Diluted earnings per share

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

	\$m	\$m
Earnings (a)	2,124.0	2,020.8
	No. (m)	No. (m)
Weighted average number of shares ⁽¹⁾ and potential ordinary shares (c)	1,223.5	1,238.5

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

	\$m	\$m
Net profit attributable to the members of Woolworths Limited	2,124.0	2,020.8
Earnings used in the calculations of basic and diluted earnings per share	2,124.0	2,020.8

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

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

	No. (m)	No. (m)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,216.2	1,232.1
Shares deemed to be issued for no consideration in respect of outstanding employee options	7.3	6.4
	1,223.5	1,238.5

⁽¹⁾ Weighted average number of shares has been adjusted to remove treasury shares held by the Custodian Company, which is consolidated under A-IFRS.

From 27 June 2011 to 20 September 2011, 3,281,529 shares (from 27 June to 27 August 2010: 78,275) have been issued as a result of the maturity of retention rights under the LTIP in 2008 and the exercise of options granted under the LTIP in July 2006 and July 2008. No options or performance rights (2010: nil) have been issued during this period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21 CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities which may become payable are shown below. No provision has been made in the financial statements in respect of these contingencies, however there is a provision of \$472.8 million for self-insured risks (2010: \$409.0 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the balance sheet at balance date.

	2011 \$m	2010 \$m
Guarantees		
Bank guarantees ⁽¹⁾	50.3	44.8
Workers' compensation self-insurance guarantees ⁽²⁾	522.4	474.2
Other		
Outstanding letters of credit issued to suppliers	16.8	19.0
Other	6.5	-
	596.0	538.0

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

(2) State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability. Guarantees held at each balance date do not equal the liability at these dates due to delays in issuing the guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22 COMMITMENTS FOR EXPENDITURE

	2011 \$m	2010 \$m
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than one year	693.9	631.0
Later than one year, not later than two years	45.7	11.3
Later than two years, not later than five years	109.5	124.7
Later than five years	9.1	41.6
	858.2	808.6
Operating lease commitments		
Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:		
Not later than one year	1,557.4	1,445.9
Later than one year, not later than five years	5,271.7	4,996.7
Later than five years	8,655.9	8,726.6
	15,485.0	15,169.2
Total commitments for expenditure	16,343.2	15,977.8

The commitments set out above do not include contingent turnover rentals, which are charged on many of the retail premises leased by the consolidated entity. These rentals are calculated as a percentage of the turnover of the store occupying the premises, with the percentage and turnover threshold at which the additional rentals commence varying with each lease agreement.

The consolidated entity 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 10 and 15 years and most include multiple renewal options for additional 5 year terms. Under most leases, the consolidated entity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS

	2011 \$m	2010 \$m
The aggregate employee benefit liability recognised and included in the Financial Statements is as follows:		
Provision for employee benefits		
Current (Note 16)	708.3	656.7
Non-current (Note 16)	100.2	95.1
Accrued liability for defined benefit obligations (included in other non-current liabilities)	88.4	84.0
Accrued salaries and wages (included in trade and other payables)	308.2	259.6
	1,205.1	1,095.4

A DEFINED BENEFIT SUPERANNUATION PLANS

The following disclosures set out the accounting for the Plan as recognised in the financial statements of the consolidated entity in accordance with *AASB 119 Employee Benefits*.

Liability for defined benefit obligation

	26 June 11 \$m	27 June 10 \$m	28 June 09 \$m	29 June 08 \$m	24 June 07 \$m
Defined benefit obligation ⁽¹⁾	(2,104.3)	(1,837.0)	(1,536.0)	(1,609.0)	(1,618.0)
Fair value of assets	2,015.9	1,753.0	1,444.0	1,556.0	1,586.0
Liability for defined benefit obligations	(88.4)	(84.0)	(92.0)	(53.0)	(32.0)
Experience adjustments – liabilities	43.2	80.0	(310.0)	(195.0)	119.0
Experience adjustments – assets	(37.0)	(82.0)	377.0	235.0	(110.0)

⁽¹⁾ Includes contribution tax liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

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

The Company sponsors the WGSP which consists of members with defined contribution (accumulation) benefits as well as defined benefits members. The Plan also pays allocated pensions to a small number of pensioners.

The members and assets of the WGSP are held in the AMP Superannuation Savings Trust.

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

	2011 \$m	2010 \$m
Opening net liability for defined obligations	(84.0)	(92.0)
Contributions by employer	140.8	135.0
Expense recognised in the income statement	(139.0)	(129.0)
Actuarial gains/(losses) recognised directly in equity (Note 19)	(6.2)	2.0
Closing net liability for defined benefit obligations	(88.4)	(84.0)

Actuarial losses recognised in other comprehensive income during the year were \$6.2 million (2010: gain of \$1.7 million), with cumulative actuarial losses of \$145.9 million (2010: \$139.7 million).

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

	2011 \$m	2010 \$m
Opening defined benefit obligation	1,837.0	1,536.0
Current service cost	150.6	139.0
Interest cost	115.4	99.0
Actuarial losses/(gains)	43.2	80.0
Employee contributions	99.4	85.0
Past service cost	-	-
Benefits paid	(141.3)	(102.0)
Closing defined benefit obligation	2,104.3	1,837.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

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

	2011	2010
	\$m	\$m
Opening fair value of fund assets	1,753.0	1,444.0
Expected return ⁽¹⁾	127.0	109.0
Actuarial gains/(losses) ⁽¹⁾	37.0	82.0
Contributions by employer	140.8	135.0
Employee contributions	99.4	85.0
Benefits paid	(141.3)	(102.0)
Closing fair value of fund assets	2,015.9	1,753.0

(1) The actual return on plan assets was a gain of \$164.0 million (2010: gain of \$191.0 million)

The fair value of assets includes no amounts relating to any of the Company's own financial instruments nor any property occupied by, or other assets used by, the Company.

The major categories of fund assets as a percentage of total fund assets are as follows:

	2011	2010
	%	%
Overseas equities	25	25
Australian equities	29	29
Fixed interest securities	18	18
Property	6	6
Alternatives	19	19
Cash	3	3

Expense recognised in the income statement:

	2011	2010
	\$m	\$m
Current service costs	150.6	139.0
Interest cost	115.4	99.0
Past service cost	-	-
Expected return on fund assets	(127.0)	(109.0)
	139.0	129.0

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

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

	2011 %	2010 %
Discount rate (gross of tax)	5.20	5.10
Discount rate (net of tax)	4.40	4.30
Expected return on fund assets	7.50	7.25
Future salary increases	3.50	3.50

The expected returns on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each asset class are net of investment tax and investment fees.

Contributions for permanent salaried employees of the consolidated entity are made to certain Company sponsored superannuation funds including the WGSP. These superannuation funds provide lump sum accumulation benefits to members on retirement, death and total and permanent disablement from 1 September 2010. The consolidated entity is legally obliged to contribute to the Company sponsored WGSP at rates as set out in the Trust Deed and Rules and the Participation Deed between the Company and AMP Superannuation Limited. Members contribute to the WGSP at rates dependent upon their membership category.

The expected consolidated entity and employee contributions to the WGSP for the 2012 financial year are \$141.2 million and \$47.9 million respectively.

The consolidated entity is also obliged to contribute at fixed rates to defined contribution retirement plans for certain employees under industrial agreements and the Superannuation Guarantee legislation. The consolidated entity contributes to various industry based superannuation funds and to the WGSP for non-salaried employees.

The consolidated entity also makes contributions to the long term retirement savings of employees in New Zealand in accordance with KiwiSaver legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

B SHARE BASED PAYMENTS

Executive Option Plan (EOP)

The Executive Option Plan (EOP) was approved by shareholders in November 1999 and was last offered with an effective grant date of 1 July 2004. During the 52 weeks ended 26 June 2011, the final remaining options outstanding under this plan were exercised.

Awards were made under the EOP in five tranches with each tranche subject to performance hurdles established by the People Policy Committee and approved by the Board.

The Executive Option Plan had the following features:

- An exercise period that commenced after five years, subject to performance hurdles being met and with a maximum exercise period of five and a half years (10 years for options issued prior to 2002);
- Upon exercise, each option entitled the option holder to one ordinary fully paid Woolworths Limited share;
- For offers made from 2002 the 50% EPS component vested in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%;
- The fifth tranche was comprised of the 50% TSR component which vested progressively where TSR equalled or exceeded the 60th percentile of the comparator group up to the full 50% vesting where TSR equalled the 75th percentile of the comparator group; and
- No further grants have been made under this plan since 2004.

Woolworths Long Term Incentive Plan (LTIP)

At the 2004 Annual General Meeting, shareholders approved the introduction of a new long term incentive, the Woolworths Long Term Incentive Plan. The Plan has four Sub-Plans, which are described below, that allows the Board flexibility to determine which of the Sub-Plan's awards will be granted to deliver the overall LTIP objectives.

From 2005 to 2007 the Option Sub-Plan was used to satisfy Woolworths LTIP requirements. Offers made in 2008 and 2009 used a combination of the Option Sub-Plan and the Performance Rights Sub-Plan and offers in 2010 were comprised solely of the Performance Rights Sub-Plan. Irrespective of Sub-Plan, stringent performance measures are set annually and relate to EPS and TSR hurdles. The Performance Shares and Cash Award Sub-Plans have not been used.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

Summary of outstanding instruments granted under the LTIP (As at 26 June 2011)

Year (calendar)	2006	2007	2008	2009	2010	2011	Total
Options	6,199,474	7,259,200	4,927,250	3,745,300	-	-	22,131,224
Performance Rights	-	-	927,878	871,061	2,781,191	-	4,580,130
Retention Performance Rights	-	-	-	75,000	242,000	424,500	741,500

The LTIP has the following features:

- A maximum exercise period of five and a half years;
- Upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share;
- For offers from 2005 through to 2007:
 - an exercise period that commences after five years, subject to performance hurdles being met;
 - the 50% EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%; and
 - a fifth tranche comprised of the 50% TSR component which vests progressively where TSR equals or exceeds the 60th percentile of the comparator group up to the full 50% vesting where TSR equals the 75th percentile of the comparator group.
- For offers from 2008 through to 2010:
 - a four year vesting period that may commence vesting after three years, subject to performance hurdles being met;
 - if the minimum performance hurdles are not met after three years, nothing vests and the measures will be tested at the end of four years;
 - where any performance measures are met after three years, nothing further vests at the end of four years;
 - the 50% EPS component vests progressively upon attaining average annual growth of 10%. At 10% growth, 12.5% EPS will vest with the full 50% vesting at an average annual growth of 15%; and
 - the 50% TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group. At the 51st percentile, 12.5% TSR will vest with the full 50% vesting where TSR equals the 75th percentile of the comparator group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

The following table summarises movements in outstanding options / rights for the financial year ended 26 June 2011:

Offer date	Expiry date	Exercise price \$	No. of options/rights 27 June 2010	Options/rights granted during year	Options/rights exercised during year	Options/rights lapsed during year	No. of options/rights at 26 June 2011	No. of options/rights exercisable at 26 June 2011
Options								
01/07/2001	01/07/2011	\$10.89	153,600	-	(153,600)	-	-	-
01/07/2005	31/12/2010	\$16.46	5,273,547	-	(5,225,116)	(48,431)	-	-
01/07/2006	31/12/2011	\$19.47	6,749,250	-	(60,250)	(489,526)	6,199,474	-
01/07/2007	31/12/2012	\$25.91	8,157,500	-	(250,000)	(648,300)	7,259,200	-
01/07/2008	31/12/2013	\$24.90	5,314,250	-	-	(387,000)	4,927,250	-
01/07/2009	31/12/2014	\$25.88	4,062,550	-	-	(317,250)	3,745,300	-
Rights								
25/07/2007	01/07/2010	Nil	40,000	-	(40,000)	-	-	-
01/07/2008	31/12/2013	Nil	1,014,384	-	-	(86,506)	927,878	-
01/09/2008	01/09/2010	Nil	65,000	-	(65,000)	-	-	-
02/02/2009	02/02/2012	Nil	15,000	-	-	-	15,000	-
01/07/2009	31/12/2014	Nil	943,520	-	-	(72,459)	871,061	-
01/11/2009	01/11/2011	Nil	60,000	-	-	-	60,000	-
24/12/2009	24/12/2010	Nil	20,000	-	-	(20,000)	-	-
30/06/2010	31/12/2012	Nil	-	242,000	-	-	242,000	-
01/07/2010	31/12/2015	Nil	-	2,858,291	-	(77,100)	2,781,191	-
01/01/2011	30/06/2013	Nil	-	319,000	-	-	319,000	-
01/02/2011	01/02/2014	Nil	-	10,000	-	-	10,000	-
01/06/2011	01/06/2013	Nil	-	8,000	-	-	8,000	-
01/06/2011	01/06/2014	Nil	-	87,500	-	-	87,500	-
			31,868,601	3,524,791	(5,793,966)	(2,146,572)	27,452,854	-

The weighted average share price during the financial year ended 26 June 2011 was \$27.26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

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

Offer date	Expiry date	Exercise price	No. of Options 28 June 2009	Options/rights granted during year	Options exercised during year	Options/rights lapsed during year	No. of options/rights at 27 June 2010	No. of options exercisable 27 June 2010
Options								
01/07/2001	01/07/2011	\$10.89	192,500	-	(38,900)	-	153,600	153,600
01/07/2002	31/12/2007	\$12.94	-	-	-	-	-	-
01/07/2004	31/12/2009	\$11.54	5,926,937	-	(5,880,689)	(46,248)	-	-
01/07/2005	31/12/2010	\$16.46	5,496,725	-	(42,025)	(181,153)	5,273,547	-
01/07/2006	31/12/2011	\$19.47	7,315,150	-	(250,000)	(315,900)	6,749,250	-
01/07/2007	31/12/2012	\$25.91	8,580,300	-	-	(422,800)	8,157,500	-
01/07/2008	31/12/2013	\$24.90	5,541,625	-	-	(227,375)	5,314,250	-
01/07/2009	31/12/2014	\$25.88	-	4,124,850	-	(62,300)	4,062,550	-
Rights								
25/07/2007	01/07/2009	Nil	1,515,000	-	(1,515,000)	-	-	-
25/07/2007	01/07/2010	Nil	40,000	-	-	-	40,000	-
01/07/2008	31/12/2013	Nil	1,064,916	-	-	(50,532)	1,014,384	-
01/09/2008	01/09/2010	Nil	80,000	-	-	(15,000)	65,000	-
02/02/2009	02/02/2012	Nil	15,000	-	-	-	15,000	-
01/07/2009	31/12/2014	Nil	-	958,070	-	(14,550)	943,520	-
01/11/2009	01/11/2011	Nil	-	60,000	-	-	60,000	-
24/12/2009	24/12/2010	Nil	-	20,000	-	-	20,000	-
			35,768,153	5,162,920	(7,726,614)	(1,335,858)	31,868,601	153,600

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

The fair value of the services received in return for share options and performance rights granted are measured by reference to the fair value of the share options granted. The fair value of the services is recognised as an expense on a straight line basis over the vesting period and is determined by multiplying the fair value per option by the number of options expected to vest. During the financial year ended 26 June 2011, an expense of \$18.2 million (2010: \$43.1 million) was recognised in the income statement in relation to options and performance rights issued under the Long Term Incentive Plan.

The probability of achieving market performance conditions (TSR) is incorporated into the determination of the fair value per option. No adjustment is made to the expense for options that fail to meet the market condition. The number of options and rights expected to vest based on achievement of non market conditions (EPS and service condition), are adjusted over the vesting period in determining the expense to be recognised in the income statement.

The estimate of the fair value per option is measured based on the Monte-Carlo simulation option pricing model performed by an independent valuer. The fair value is measured at the grant date which for the purposes of measurement is the date of unconditional offer by the Company and acceptance by the employee.

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

Grant date	Effective Date	Share price at grant date	Exercise price	Expected Volatility (1)	Dividend yield	Risk free interest rate	Weighted average fair value of options granted (2)	Weighted average fair value of options		
								EPS	TSR	Retention
2-Dec-05	1-Jul-05	\$17.05	\$16.46	16%	3.40%	5.40%	\$2.22	\$2.50	\$1.93	-
24-Nov-06	1-Jul-06	\$21.64	\$19.47	16%	3.20%	6.10%	\$3.50	\$0.00	\$0.00	-
30-Jan-07	1-Jul-06	\$23.64	\$19.47	16%	3.20%	6.10%	\$4.80	\$5.73	\$3.86	-
3-Dec-07	1-Jul-07	\$33.39	\$25.91	18%	3.10%	6.30%	\$8.90	\$9.48	\$8.32	-
3-Aug-07	25-Jul-07	\$27.45	-	-	3.20%	-	\$24.34	-	-	\$24.34
9-Dec-08	1-Jul-08	\$26.63	\$24.90	24%	3.50%	4.00%	\$4.96	\$5.15	\$4.76	-
9-Dec-08	1-Jul-08	\$26.63	-	26%	3.50%	3.50%	\$21.25	\$23.66	\$18.83	-
9-Dec-08	1-Sep-08	\$26.63	-	27%	3.50%	3.30%	\$24.89	-	-	\$24.89
9-Dec-08	2-Feb-09	\$26.63	-	27%	3.50%	3.30%	\$24.89	-	-	\$24.89
27-Nov-09	1-Jul-09	\$27.89	\$25.88	19%	3.50%	5.00%	\$4.02	\$4.77	\$3.27	-
27-Nov-09	1-Jul-09	\$27.89	-	19%	3.50%	4.60%	\$18.96	\$24.74	\$13.17	-
11-Dec-09	23-Nov-09	\$26.83	-	19%	3.50%	4.50%	\$24.49	-	-	\$24.49
11-Dec-09	11-Dec-09	\$26.83	-	19%	3.50%	4.50%	\$24.49	-	-	\$24.49
30-Jun-10	30-Jun-10	\$27.02	-	19%	3.75%	4.50%	\$23.89	-	-	\$23.89
26-Nov-10	1-Jul-10	\$26.95	-	19%	3.75%	5.10%	\$20.23	\$23.73	\$16.73	-
1-Jan-11	1-Jan-11	\$26.97	-	19%	3.75%	4.50%	\$23.86	-	-	\$23.86
1-Feb-11	1-Feb-11	\$26.66	-	19%	3.75%	4.50%	\$23.86	-	-	\$23.86
1-Jun-11	1-Jun-11	\$27.39	-	19%	3.75%	4.50%	\$23.86	-	-	\$23.86
1-Jun-11	1-Jun-11	\$27.39	-	19%	3.75%	4.50%	\$23.86	-	-	\$23.86

(1) The expected volatility is based on the historical implied volatility calculated based on the weighted average remaining life of the share options adjusted for any expected changes to future volatility due to publicly available information.

(2) In accordance with AIFRS transition rules, an expense has only been recognised for the fair value of options granted on or after 7 November 2002.

Grant date represents the offer acceptance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

Employee Share Plan (Share Plan)

The Share Plan was established to enable all employees (other than executive officers) the opportunity to participate in the acquisition of shares in the Company at market price with an interest free loan from the Company to finance the acquisition. Loans are limited in recourse to the proceeds of sale of shares acquired. Dividends and other distributions on the shares are applied to repay the loan. The loan may be repaid at any time after three years and in any event must be settled when the employee ceases employment or at the end of 10 years from grant or when a takeover offer is accepted for the shares, whichever is the earliest. Upon settlement, if the employee elects not to repay the loan, the shares will be sold and the funds received after payment of costs and expenses will be applied to repay the loan. All shares acquired under the Share Plan are held by a wholly owned subsidiary of the Company (Woolworths Custodian Pty Limited) as Trustee of the Share Plan. At any time after three years from the date of acquisition a participant may request the Trustee to transfer the shares, but only if the loan made to acquire those shares is repaid in full. Shares may be transferred earlier at the discretion of the Directors on the employee's death or retirement but only if the loan made to acquire the shares is repaid in full. The Trustee may exercise the voting rights attached to the shares in the manner directed by the Directors until they are transferred to the participant.

As at 26 June 2011, there were 4,289 (2010: 8,240) participating employees who held a total of 2,210,185 (2010: 3,788,998) shares. The total amount receivable by the consolidated entity in relation to these shares is \$16,446,656 as at 26 June 2011 (2010: \$25,676,903). During the 52 week period ended 26 June 2011, no shares were issued (2010: nil). This plan was last offered in May 2003 with loans maturing in May 2013. It is not intended to re-open this plan to further offers.

Due to the non-recourse nature of the loan, the loan is considered to be an option for accounting purposes as the employee is exposed to equity appreciation of the Company shares over the loan period with the option whether to repay the loan. The vesting period is 3 years from the offer date conditional on the employee remaining employed over this period. Any shares forfeited are sold on-market and the proceeds of this sale are contributed to the Woolworths' Group Superannuation Plan. The number and weighted average exercise prices (being the loan value) of these options is as follows.

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Balance at the beginning of the period	\$6.77	3,788,988	\$6.12	5,407,738
Forfeited during the period	\$7.08	(29,078)	\$5.47	(12,360)
Exercised during the period	\$3.98	(1,549,725)	\$2.15	(1,606,390)
Balance at the end of the period	\$7.44	2,210,185	\$6.77	3,788,988
Exercisable at the end of the period	\$7.44	2,210,185	\$6.77	3,788,988

The weighted average share price during the period was \$27.26 (2010: \$27.52).

Executive Management Share Plan (EMSP)

The EMSP allows executive management, including any Executive Director, to forgo some of their future pre-tax remuneration to acquire shares in the Company on-market at prevailing market prices on the Australian Securities Exchange (ASX).

During the 52 week period ended 26 June 2011, 3,138 shares (2010: 3,088) were purchased under the EMSP. No additional expense is recognised in relation to these shares as they are acquired out of salary sacrificed remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

Employee Share Purchase Plan (SPP)

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

During the 52 week period ended 26 June 2011, 536,201 (2010: 543,220) shares were purchased on behalf of participating employees.

24 KEY MANAGEMENT PERSONNEL

Total remuneration for Non-executive Directors and other key management personnel of the consolidated entity during the financial year are set out below.

Remuneration by category

	2011	2010
	52 weeks	52 weeks
	\$	\$
Short term employee benefits	16,236,957	15,331,914
Post-employment benefits	1,183,209	1,182,710
Other long-term benefits	465,326	164,387
Share based payments	1,137,684	6,313,268
	19,023,176	22,992,279

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 tables in section 7.6 of the Remuneration Report on pages 49 to 51.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Shareholdings

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

	Shareholding at 27 June 2010	Shares issued under DRP ⁽¹⁾	Shares received on exercise of options	Shares purchased or (sold) ⁽²⁾	Shareholding at 26 June 2011
	No.	No.	No.	No.	No.
J Strong	70,479	-	-	-	70,479
M Luscombe	523,290	-	330,000	(430,000)	423,290
G O'Brien	20,000	-	20,000	(12,375)	27,625
J Astbury	12,797	-	-	-	12,797
J Broadbent	64,713	425	-	-	65,138
R Deane	40,000	-	-	-	40,000
D Grady ⁽³⁾	36,259	-	-	-	-
J Hrdlicka	-	-	-	1,735	1,735
L L'Huillier	30,000	-	-	-	30,000
I Macfarlane	8,000	-	-	3,000	11,000
R Waters	-	-	-	8,690	8,690
A Watkins ⁽⁴⁾	11,859	-	-	-	-
T Pockett	133,000	-	80,000	(80,000)	133,000
J Coates	20,000	-	50,000	(40,000)	30,000
G Foran	71,143	848	50,000	(35,300)	86,691
A Hall	-	-	-	-	-
P Horton	1,264	137	50,000	(15,000)	36,401
K Schmidt	-	-	13,000	(13,000)	-

⁽¹⁾ Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

⁽²⁾ Figures in brackets indicate that these shares have been sold or otherwise disposed of.

⁽³⁾ Ms Grady retired from the Board of Directors on 18 November 2010. Accordingly, no further disclosure has been made.

⁽⁴⁾ Ms Watkins retired from the Board of Directors on 31 July 2010. Accordingly, no further disclosure has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Shareholdings continued

	Shareholding at 28 June 2009	Shares issued under DRP ⁽¹⁾	Shares received on exercise of options	Shares purchased or (sold) ⁽²⁾	Shareholding at 27 June 2010
	No.	No.	No.	No.	No.
J Strong	70,479	-	-	-	70,479
M Luscombe	433,290	-	400,000	(310,000)	523,290
J Astbury	12,797	-	-	-	12,797
R Deane	40,000	-	-	-	40,000
D Grady	36,259	-	-	-	36,259
L L'Huillier	60,000	-	-	(30,000)	30,000
I Macfarlane	4,000	-	-	4,000	8,000
A Watkins	11,859	-	-	-	11,859
T Pockett	93,000	-	150,000	(110,000)	133,000
J Coates	66,250	-	100,000	(146,250)	20,000
G Foran	50,380	763	120,000	(100,000)	71,143
A Hall	-	-	-	-	-
P Horton	1,212	52	-	-	1,264
G O'Brien	20,000	-	32,000	(32,000)	20,000
K Schmidt	-	-	12,000	(12,000)	-
M Hamnett ⁽³⁾	5,000	-	150,000	(150,000)	5,000
R Umbers ⁽³⁾	-	-	30,000	-	30,000

⁽¹⁾ Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

⁽²⁾ Figures in brackets indicate that these shares have been sold or otherwise disposed of.

⁽³⁾ Included as key management personnel to comply with the Corporations Act 2001 reporting requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Option holdings

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

2011

	Opening Balance	Options and performance rights granted as remuneration ⁽¹⁾		Options exercised ^{(2), (3)}		Options & performance rights holding at 26 Jun 11 ⁽⁴⁾	Options Vested at 26 June 2011			
	No.	No.	\$	No.	\$	No.	Total No.	Exercisable No.	Unexercisable No.	Vested during the year No.
M Luscombe	1,641,175	122,194	2,471,985	(330,000)	1,452,300	1,433,369	62,500	-	62,500	372,500
G O'Brien	225,000	20,600	416,738	(20,000)	247,200	225,600	11,250	-	11,250	26,250
T Pockett	985,588	61,097	1,235,992	(80,000)	988,800	966,685	62,500	-	62,500	122,500
J Coates	227,500	20,600	416,738	(50,000)	554,000	198,100	11,250	-	11,250	48,750
G Foran	227,500	20,600	416,738	(50,000)	521,500	198,100	11,250	-	11,250	48,750
A Hall	97,223	16,000	323,680	-	-	113,223	-	-	-	-
P Horton	167,223	16,000	323,680	(50,000)	618,000	133,223	5,000	-	5,000	42,500
K Schmidt	143,556	16,000	323,680	(13,000)	160,680	146,556	3,750	-	3,750	13,500
Total	3,714,765	293,091	5,929,231	(593,000)	4,542,480	3,414,856	167,500	-	167,500	674,750

⁽¹⁾ Options and performance rights granted as remuneration is the total fair value of options and performance rights granted during the year determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the grant, in accordance with Australian Accounting Standards.

⁽²⁾ The value of options exercised during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No other options were exercised by key management personnel.

⁽³⁾ The amount paid per share for all options exercised during the year by the above key management personnel was \$16.46, with the exception of 250,000 options exercised by M Luscombe where \$25.91 was paid per share.

⁽⁴⁾ The number of ordinary shares under option/performance rights as at 26 June 2011 is equivalent to the option/performance rights holding at that date.

During the 52 weeks ended 26 June 2011, no options or performance rights lapsed or were forfeited relating to the key management personnel above as a result of failure to meet performance hurdles.

All share options and performance rights issued to the key management personnel during the financial year were made in accordance with the provisions of the Long Term Incentive Plan.

The performance rights issued to certain KMP had a nil exercise price. They also had an effective date of 1 July 2010.

Further details of the terms and conditions of the Long Term Incentive Plan and the performance rights granted during the financial year are contained in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Option holdings continued

2010

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

⁽¹⁾ Options and performance rights granted as remuneration is the total fair value of options and performance rights granted during the year determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the grant, in accordance with Australian Accounting Standards.

⁽²⁾ The value of options exercised during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No other options were exercised by key management personnel.

⁽³⁾ The amount paid per share for all options exercised during the year by the above key management personnel was \$11.54, with the exception of 250,000 options exercised by M Luscombe where \$19.47 was paid per share.

⁽⁴⁾ The number of ordinary shares under option/performance rights as at 27 June 2010 is equivalent to the option/performance rights holding at that date.

⁽⁵⁾ Included as key management personnel to comply with the Corporations Act 2001 reporting requirements.

During the 52 weeks ended 27 June 2010, no options lapsed or were forfeited relating to the key management personnel above as a result of failure to meet performance hurdles.

Loans to Directors or key management personnel

At 26 June 2011, loans outstanding to key management personnel and their related parties were \$50,999 (2010: \$57,824). These loans relate to the Employee Share Plan as detailed in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25 RELATED PARTIES

Parent entity

The ultimate parent entity is Woolworths Limited, a company incorporated in New South Wales. Disclosures relating to interests in subsidiaries are set out in Note 29.

Transactions within the Group

During the financial period and previous financial periods, Woolworths Limited advanced and repaid loans to and received loans from, and provided treasury, accounting, legal, taxation and administrative services to other entities within the Group.

Entities within the Group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions.

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.

Tax consolidation

Under the application of the tax consolidation regime, the Company is assessed on the tax liabilities of the entities in the tax consolidated group. As a consequence of this, the tax exposures relating to wholly owned group members totalling \$112.4 million (2010: \$96.2 million) are included in the tax liability of the Company. Pursuant to the Group's Tax Funding Agreement, the Company has charged net tax expense to the group members totalling \$112.4 million (2010: \$96.2 million) through intercompany accounts.

Directors and key management personnel

Disclosures relating to Directors and key management personnel are set out in Note 24 and in the Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1.

(b) Foreign currency risk management

The consolidated entity has exposure to movements in foreign currency exchange rates through term borrowings and anticipated purchases of inventory and equipment, which are denominated in foreign currencies. In order to hedge against the majority of this exposure, the consolidated entity enters into forward exchange contracts and cross currency swap agreements. The term borrowings are fully hedged.

Forward exchange contracts and foreign currency options

It is the policy of the consolidated entity to enter into forward exchange contracts and foreign currency options to cover foreign currency payments and receipts of up to 100% of the exposure generated.

At the reporting date, details of outstanding forward exchange contracts, stated in Australian dollar equivalents for the consolidated entity are:

Outstanding contracts	Average exchange		Foreign Currency		Contract value		Mark to market		Market value	
	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10
			FC'M	FC'M	AUD M	AUD M	AUD M	AUD M	AUD M	AUD M
Hedging imports:										
Forward contracts										
Maturing:										
Within 12 months										
Buy US Dollars	0.99	0.87	332.5	218.4	335.4	250.9	(14.8)	3.9	320.6	254.8
Buy US Dollars against NZ Dollars	0.80	0.71	3.9	6.3	3.8	7.3	-	-	3.8	7.3
Buy Euro	0.73	0.65	6.8	11.5	9.3	17.6	-	(0.9)	9.3	16.7
Buy British Pounds	-	-	-	-	-	-	-	-	-	-
Sell New Zealand Dollars	1.29	1.24	0.4	0.5	0.3	0.4	-	-	0.3	0.4
Maturing:										
Within 1-2 years										
Buy US Dollars	0.91	-	0.4	-	0.4	-	-	-	0.4	-
Hedging balance sheet:										
Forward contracts										
Maturing:										
Within 12 Months										
Sell New Zealand Dollars	1.12	1.14	153.0	153.0	136.2	133.8	18.0	8.8	118.2	125.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

At the reporting date, the net amount of unrealised losses under forward foreign exchange contracts relating to anticipated future transactions is \$14.8 million (2010: \$3.0 million unrealised gain). A portion of this amount qualifying as effective hedges has been recognised in the hedging reserve in the current year, with the remainder being recognised through the consolidated Income Statement.

Only NZD 153.0 million (2010: NZD 153.0 million) of the net investment in New Zealand is hedged for currency fluctuation. The remainder of the investment in New Zealand is not hedged for currency fluctuation as that element of the investment is not currently expected to be realised through disposal within 12 months.

Cross currency swap agreements

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

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

Outstanding contracts	Average interest rate		Average exchange rate		Contract value		Fair value	
	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10
	%	%			\$'M	\$'M	\$'M	\$'M
Maturing:								
Floating Rates								
USD								
Within 12 Months ^{(1) (2) (3)}	BBSW +145.0bp	-	0.751	-	750.9	-	(216.7)	-
1 to 2 years ^{(1) (2) (3)}	-	BBSW +145.0bp	-	0.751	-	750.9	-	(84.0)
2 to 3 years	-	-	-	-	-	-	-	-
3 to 4 years ^{(1) (2) (3)}	BBSW +54.3bp	-	0.787	-	127.1	-	(21.6)	-
4 to 5 years ^{(1) (2) (3)}	BBSW +110.9bp	BBSW +54.3bp	0.874	0.787	1,401.1	127.1	(192.1)	2.9
5 years + ^{(1) (2) (3)}	BBSW +151.4bp	BBSW +67.6bp	0.927	0.757	1,834.6	1,089.6	(218.4)	(0.3)
					4,113.7	1,967.6	(648.8)	(81.4)
JPY								
Within 12 Months ^{(1) (2) (3)}	BBSW +306bp	-	74.4	-	26.8	-	(3.7)	-
1 to 2 years ^{(1) (2) (3)}	-	BBSW +306bp	-	74.4	-	26.8	-	(1.3)
2 to 3 years	-	-	-	-	-	-	-	-
3 to 4 years	-	-	-	-	-	-	-	-
4 to 5 years	-	-	-	-	-	-	-	-
5 years +	-	-	-	-	-	-	-	-
					26.8	26.8	(3.7)	(1.3)
					4,140.5	1,994.4	(652.5)	(82.7)

- (1) These swap instruments include an interest rate swap component which has been disclosed in the interest rate swap contract section below and have therefore been designated as cash flow hedges due to the currency exposure being hedged in combination with the interest rate exposure via domestic interest rate swaps.
- (2) These swap contracts have cash flow hedge designation.
- (3) These fair value calculations include interest accruals as recorded in trade and other payables of \$27.0 million (2010: \$14.4 million) payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

(c) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly with regard to Board approved policy, which requires a cash flow at risk approach in assessing residual interest rate exposure. The consolidated entity's exposures to interest rates on financial assets and financial liabilities are detailed in the maturity profile of financial instruments section of this note.

Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in interest rates on the debt held. Interest in relation to the swaps is settled on a monthly or quarterly basis. The floating rate on interest rate swaps is the Australian BBSW and the consolidated entity settles the difference between the fixed and floating interest rate on a net basis. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

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

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10	26-Jun-11	27-Jun-10
	%	%	\$'M	\$'M	\$'M	\$'M
Interest Rate Swaps						
Less than 1 year	5.50%	5.86%	1,456.2	250.0	(0.4)	(2.0)
1 to 2 years	-	5.50%	-	1,456.2	-	(7.4)
2 to 3 years	-	-	-	-	-	-
3 to 4 years	5.80%	-	127.1	-	(3.2)	-
4 to 5 years	5.66%	5.80%	1,401.1	127.1	(27.8)	(2.2)
5 years +	5.77%	5.85%	1,834.6	1,089.6	(35.7)	(20.2)
			4,819.0	2,922.9	(67.1)	(31.8)

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value. All swaps have been designated and are effective as hedges. These fair value calculations include interest accruals as recorded in trade and other payables of \$3.8 million (2010: \$2.7 million) payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

Maturity profile of financial instruments

The following tables detail the consolidated entity's exposure to interest rate risk at 26 June 2011 and 27 June 2010:

Consolidated 2011	Floating Interest rate \$m	Fixed interest maturing in:						Non- interest bearing \$m	Total	Effective Interest rate %
		1 year or less \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m	Over 5 years \$m			
Financial assets										
Cash and deposits	1,207.7	-	-	-	-	-	-	311.9	1,519.6	4.48
Receivables	-	29.2	7.6	-	-	-	-	860.0	896.8	7.59
Foreign currency forward contracts	-	-	-	-	-	-	-	18.6	18.6	-
Interest rate swaps	-	-	-	-	-	-	-	5.7	5.7	-
Currency swaps	-	-	-	-	-	-	-	99.5	99.5	-
Equity Instruments	-	-	-	-	-	-	-	113.5	113.5	-
Other financial assets	-	-	-	-	-	-	-	2.8	2.8	-
	1,207.7	29.2	7.6	-	-	-	-	1,412.0	2,656.5	-
Financial liabilities										
Accounts payable	-	-	-	-	-	-	-	4,398.1	4,398.1	-
Accruals	-	-	-	-	-	-	-	1,022.6	1,022.6	-
Unearned income	-	-	-	-	-	-	-	92.1	92.1	-
Provisions	-	-	-	-	-	-	-	1,326.2	1,326.2	-
Short term securities	-	-	-	-	-	-	-	-	-	-
Other bank loans:										
Fixed	-	-	-	-	-	-	-	-	-	-
Variable	583.4	-	-	-	-	-	-	-	583.4	4.26
Other loans	-	0.4	-	-	-	-	-	1.5	1.9	6.85
Finance Leases	-	2.4	1.8	0.8	0.2	-	-	-	5.2	4.94
Variable rate domestic notes	-	-	-	-	-	-	-	-	-	-
Fixed rate domestic notes	-	-	-	-	-	498.7	-	-	498.7	6.75
Foreign currency forward contracts	-	-	-	-	-	-	-	15.4	15.4	-
Interest rate swaps	(4,819.0)	1,456.2	-	-	127.1	1,401.1	1,834.6	69.0	69.0	-
Other financial liability ⁽¹⁾	-	-	-	-	-	-	-	344.8	344.8	-
USD notes	-	284.9	-	-	94.8	1,162.8	1,613.2	-	3,155.7	5.74
Woolworths Notes	600.0	-	-	-	-	-	-	-	600.0	6.44
Currency swaps	3,773.2	(410.4)	-	-	(127.1)	(1,401.1)	(1,834.6)	725.0	725.0	-
	137.6	1,333.5	1.8	0.8	95.0	1,661.5	1,613.2	7,994.7	12,838.1	-
Net financial assets/(liabilities)	1,070.1	(1,304.3)	5.8	(0.8)	(95.0)	(1,661.5)	(1,613.2)	(6,582.7)	(10,181.6)	-

⁽¹⁾ Refer to page 167 for further details in relation to the 'other financial liability'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

Consolidated 2010	Floating Interest rate \$m	Fixed interest maturing in:						Non- interest bearing \$m	Total	Effective Interest rate %
		1 year or less \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m	Over 5 years \$m			
Financial assets										
Cash and deposits	415.4	-	-	-	-	-	-	298.0	713.4	3.56
Receivables	-	17.9	10.9	-	-	-	-	673.4	702.2	7.27
Foreign currency forward contracts	-	-	-	-	-	-	-	15.5	15.5	-
Interest rate swaps	-	-	-	-	-	-	-	6.5	6.5	-
Currency swaps	-	-	-	-	-	-	-	76.5	76.5	-
Equity instruments	-	-	-	-	-	-	-	123.7	123.7	-
Other financial assets	-	-	-	-	-	-	-	2.8	2.8	-
	415.4	17.9	10.9	-	-	-	-	1,196.4	1,640.6	-
Financial liabilities										
Accounts payable	-	-	-	-	-	-	-	4,211.3	4,211.3	-
Accruals	-	-	-	-	-	-	-	984.5	984.5	-
Unearned income	-	-	-	-	-	-	-	83.1	83.1	-
Provisions	-	-	-	-	-	-	-	1,195.4	1,195.4	-
Short term securities	205.0	-	-	-	-	-	-	-	205.0	5.21
Other bank loans:										
Fixed	-	-	-	-	-	-	-	-	-	-
Variable	965.5	-	-	-	-	-	-	-	965.5	4.79
Other loans	-	0.9	-	-	-	-	-	1.5	2.4	6.85
Finance Leases	-	2.0	2.4	1.8	0.9	0.1	-	-	7.2	4.94
Variable rate domestic notes	150.0	-	-	-	-	-	-	-	150.0	5.70
Fixed rate domestic notes	-	199.8	-	-	-	-	-	-	199.8	6.00
Foreign currency forward contracts	-	-	-	-	-	-	-	3.7	3.7	-
Interest rate swaps	(2,922.9)	250.0	1,456.2	-	-	127.1	1,089.6	35.6	35.6	-
Other financial liability ⁽¹⁾	-	-	-	-	-	-	-	77.3	77.3	-
USD notes	-	-	346.6	-	-	115.3	951.9	-	1,413.8	5.84
Woolworths Notes	598.4	-	-	-	-	-	-	-	598.4	6.43
Currency swaps	1,627.1	-	(410.4)	-	-	(127.1)	(1,089.6)	144.8	144.8	-
	623.1	452.7	1,394.8	1.8	0.9	115.4	951.9	6,737.2	10,277.8	-
Net financial assets/(liabilities)	(207.7)	(434.8)	(1,383.9)	(1.8)	(0.9)	(115.4)	(951.9)	(5,540.8)	(8,637.2)	-

⁽¹⁾ Refer to page 167 for further details in relation to the 'other financial liability'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

Fair value of financial assets and financial liabilities

The carrying value of cash and cash equivalents, financial assets and non-interest bearing monetary financial liabilities of the consolidated entity approximates their fair value and as such they have been omitted from these disclosures.

The fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or the expected future cash flows, discounted where appropriate by current interest rates for assets and liabilities with similar risk profiles.

For interest rate and cross currency swaps, the fair value has been determined by the net present value of cash flows due under the contracts, using a discount rate appropriate to the type and maturity of the contract.

For forward foreign currency contracts, the fair value is taken to be the unrealised gain or loss at period end calculated by reference to the current forward rates for contracts with similar maturity profiles.

	As at 26-Jun-11		As at 27-Jun-10	
	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
Financial assets/(liabilities):				
Bank loans ⁽¹⁾	(590.2)	(586.4)	(977.7)	(969.5)
Short term securities ^{(1) (2)}	(888.8)	(888.8)	(558.7)	(558.5)
Other loans ^{(1) (2) (3)}	(3,411.1)	(3,407.1)	(2,038.3)	(2,034.9)
Total	(4,890.1)	(4,882.3)	(3,574.7)	(3,562.9)
Financial assets/(liabilities):				
Forward foreign currency contracts	3.2	3.2	11.8	11.8
Interest rate swaps	(67.1)	(67.1)	(31.8)	(31.8)
Cross currency swaps	(652.5)	(652.5)	(82.7)	(82.7)
Total	(716.4)	(716.4)	(102.7)	(102.7)

For financial period ended 26 June 2011, the carrying amount of financial assets/liabilities is based on the principal outstanding adjusted for:

- (1) Interest accruals on outstanding debt (total of \$37.4 million)
- (2) Unamortised borrowing costs (total of \$7.8 million)
- (3) Effect of revaluation of USD borrowings (total of \$708.0 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

Fair value measurement recognised in the consolidated balance sheet

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

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

	As at 26 June 2011			
	\$m Level 1	\$m Level 2	\$m Level 3	\$m Total
Derivative financial assets:				
Forward foreign currency contracts	-	18.6	-	18.6
Interest rate swaps	-	5.7	-	5.7
Cross currency swaps	-	99.5	-	99.5
Other financial assets:				
Listed equity securities	113.5	-	-	113.5
Total	113.5	123.8	-	237.3
Derivative financial liabilities:				
Forward foreign currency contracts	-	(15.4)	-	(15.4)
Interest rate swaps	-	(69.0)	-	(69.0)
Cross currency swaps	-	(725.0)	-	(725.0)
Other financial liabilities:				
Other financial liability	-	-	(344.8)	(344.8)
Total	-	(809.4)	(344.8)	(1,154.2)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS continued

	As at 27 June 2010			
	\$m Level 1	\$m Level 2	\$m Level 3	\$m Total
Derivative financial assets:				
Forward foreign currency contracts	-	15.5	-	15.5
Interest rate swaps	-	6.5	-	6.5
Cross currency swaps	-	76.5	-	76.5
Other financial assets:				
Listed equity securities	123.7	-	-	123.7
Total	123.7	98.5	-	222.2
Derivative financial liabilities:				
Forward foreign currency contracts	-	(3.7)	-	(3.7)
Interest rate swaps	-	(35.6)	-	(35.6)
Cross currency swaps	-	(144.8)	-	(144.8)
Other financial liabilities:				
Other financial liability	-	-	(77.3)	(77.3)
Total	-	(184.1)	(77.3)	(261.4)

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

Reconciliation of level 3 fair value measurements of financial liabilities

	2011 \$m	2010 \$m
Opening balance	(77.3)	-
Issue of equity in subsidiary to non-controlling interest and loss attributable to non-controlling interest	(267.5)	(77.3)
Closing balance	(344.8)	(77.3)

Other financial liability includes a put option over a non-controlling interest. Significant assumptions were used in determining the fair value of the put option over the non-controlling interest. Woolworths Limited owns 66.7% of the joint venture entity Hydrox Holdings Pty Ltd (Hydrox). The terms of the Agreement (which was entered in the 2010 financial year) include exit provisions that may be exercised after the fourth anniversary of the Agreement. As a result, the put option over the non-controlling interest has been recorded as a non-current other financial liability as required by Australian Accounting Standards. This other financial liability has been recorded at fair value, determined using internal parameters including the cumulative cash contributions to date and the results of Hydrox.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of dealing only with creditworthy counterparties (as measured by their Standard and Poor's long term credit rating), as a means of mitigating the risk of financial loss from defaults and does not require collateral in respect of financial assets.

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

The maximum exposure to credit risk of the consolidated entity at balance sheet date based on the Board approved policy above, by class of financial asset is as follows:

Counterparty S&P Credit Rating	2011 Exposure by Financial Instrument \$m					
	Forward		Currency Options	Interest Rate Swaps	Cross	
	Money Market Deposits	Exchange Contracts			Currency Swaps	Total Exposure
AA - or above	362.0	40.2	-	363.3	177.3	942.8
A	100.0	6.6	-	36.8	236.7	380.1

Counterparty S&P Credit Rating	2010 Exposure by Financial Instrument \$m					
	Forward		Currency Options	Interest Rate Swaps	Cross	
	Money Market Deposits	Exchange Contracts			Currency Swaps	Total Exposure
AA - or above	-	33.3	-	110.9	105.8	250.0
A	-	6.6	-	63.3	93.6	163.5

All of the above exposures are on an unsecured basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT continued

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For derivatives which are deliverable, credit risk may also arise from the potential failure of the counterparties to meet their obligations under the respective contracts at maturity.

As at 26 June 2011, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2010: Nil). Other than amounts provided for impairment of receivables in Note 8, no financial assets were impaired or past due.

Liquidity Risk

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

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

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

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

Maturity Analysis of Financial Liabilities	26 June 2011 (\$m)					27 June 2010 (\$m)				
	Less than 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total	Less than 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
Non Derivative Liabilities										
Bank loans	(698.0)	-	-	(1.5)	(699.5)	(487.8)	(564.5)	-	(1.5)	(1,053.8)
Short term securities	-	-	-	-	-	(206.0)	-	-	-	(206.0)
Finance leases	(2.4)	(1.8)	(1.0)	-	(5.2)	(2.0)	(2.4)	(2.8)	-	(7.2)
Domestic notes	(33.8)	(33.8)	(601.3)	-	(668.9)	(367.8)	-	-	-	(367.8)
USD notes	(538.3)	(120.4)	(1,867.4)	(2,116.9)	(4,643.0)	(75.5)	(476.7)	(298.8)	(1,170.3)	(2,021.3)
Woolworths notes	(609.3)	-	-	-	(609.3)	(36.0)	(36.0)	(108.1)	(1,019.9)	(1,200.0)
Accounts payable	(4,398.1)	-	-	-	(4,398.1)	(4,211.2)	-	-	-	(4,211.2)
Accruals	(1,022.6)	-	-	-	(1,022.6)	(984.5)	-	-	-	(984.5)
Total Non Derivative Liabilities	(7,302.5)	(156.0)	(2,469.7)	(2,118.4)	(12,046.6)	(6,370.8)	(1,079.6)	(409.7)	(2,191.7)	(10,051.8)
Derivative Liabilities										
Foreign exchange contracts payable	(488.4)	(0.4)	-	-	(488.8)	(401.2)	-	-	-	(401.2)
Foreign exchange contracts receivable	486.7	0.4	-	-	487.1	410.2	-	-	-	410.2
Net foreign exchange contracts	(1.7)	-	-	-	(1.7)	9.0	-	-	-	9.0
Interest rate swaps pay fixed	(235.7)	(193.0)	(532.1)	(400.2)	(1,361.0)	(163.4)	(114.0)	(213.6)	(99.4)	(590.4)
Interest rate swaps receive floating	209.2	167.2	460.1	344.2	1,180.7	138.8	99.7	176.5	81.7	496.7
Net payable interest rate swaps **	(26.5)	(25.8)	(72.0)	(56.0)	(180.3)	(24.6)	(14.3)	(37.1)	(17.7)	(93.7)
Cross currency swaps pay floating	(1,027.2)	(211.3)	(2,111.5)	(2,296.2)	(5,646.2)	(115.2)	(882.1)	(327.8)	(1,182.1)	(2,507.2)
Cross currency swaps receive fixed	911.5	120.4	1,867.4	2,116.9	5,016.2	83.9	851.6	298.8	1,170.3	2,404.6
Net payable cross currency swaps	(115.7)	(90.9)	(244.1)	(179.3)	(630.0)	(31.3)	(30.5)	(29.0)	(11.8)	(102.6)
Total Derivative Liabilities	(143.9)	(116.7)	(316.1)	(235.3)	(812.0)	(46.9)	(44.8)	(66.1)	(29.5)	(187.3)
Total Financial Liabilities	(7,446.4)	(272.7)	(2,785.8)	(2,353.7)	(12,858.6)	(6,417.7)	(1,124.4)	(475.8)	(2,221.2)	(10,239.1)

Including interest accruals and excluding unamortised borrowing costs

** Interest rate swaps are net settled

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT continued

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

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

Market Risk

i Interest Rate Risk

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

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

	2011		2010	
	Profit \$m ⁽¹⁾	Equity \$m ⁽²⁾	Profit \$m ⁽¹⁾	Equity \$m ⁽²⁾
After Tax Impact of 1% Increase in Yield Curve	1.5	2.9	(4.8)	8.5
After Tax Impact of 1% Decrease in Yield Curve	(1.5)	(2.1)	4.8	(8.3)

⁽¹⁾ Impact due to unhedged year end net debt position

⁽²⁾ Impact due to derivative instruments being cash flow hedge accounted

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT continued

ii Foreign Currency Risk

The consolidated entity has exposure to movements in foreign currency exchange rates through term borrowings and anticipated purchases of inventory and equipment, which are denominated in foreign currencies. In order to hedge against the majority of this exposure, the consolidated entity enters into foreign exchange derivatives and cross currency swap agreements. The term borrowings and equipment purchases are fully hedged and inventory purchases are partially hedged.

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

Income of certain foreign subsidiaries is hedged for movements in foreign exchange rates via the use of foreign exchange derivatives. There were no such derivatives outstanding as at reporting date (2010: Nil).

The following table illustrates the effect on profit and equity as at 26 June 2011 and 27 June 2010 if the currency prices were to move by the changes identified below:

Currency Pair	Sensitivity Assumptions*		After Tax Impact on Profit				Impact on Equity			
			Consolidated Entity				Consolidated Entity			
			2011 \$m		2010 \$m		2011 \$m		2010 \$m	
	2011	2010	+	-	+	-	+	-	+	-
AUD/USD	14.50%	16.30%	0.00	0.00	(2.17)	3.02	(25.40)	34.01	(17.81)	24.75
AUD/EUR	12.44%	14.24%	(0.47)	0.60	(0.96)	1.28	(0.17)	0.22	0.09	(0.12)
AUD/NZD	9.33%	8.74%	0.00	0.00	0.00	0.00	0.01	(0.02)	(0.13)	0.16
NZD/USD	14.75%	16.70%	0.00	0.00	0.00	0.00	(0.29)	0.39	(0.49)	0.68
NZD/EUR	13.36%	14.46%	0.00	0.00	0.00	0.00	0.03	(0.04)	0.13	(0.17)

* based on 1yr implied market volatility at balance date

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

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.

iii Equity Price Risk

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

As at the reporting date, the Group's exposure to equity price risk in respect of its investments in the Warehouse Group and ALE Group is not considered material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT continued

iv Capital Management

Objectives

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

Capital Returns

Woolworths will seek to return capital to shareholders when that is consistent with its capital structuring objectives and where it will enhance shareholder value. Since July 2001, over \$10.3 billion has been returned to shareholders through dividends, on-market and off-market buy-backs (including the final dividend for the financial year ended 26 June 2011).

Including the \$704 million off-market share buy-back completed in October 2010, Woolworths returned over \$1 billion of capital (excluding dividends) to shareholders in the 2010 calendar year.

The off-market share buy-back and payment of the April 2011 and October 2011 dividends will return over \$0.9 billion in franking credits to shareholders. Woolworths expects that after these events there will be approximately \$1.2 billion of franking credits available for future distribution.

Financing Transactions

In September 2010, Woolworths issued US\$1.25 billion of notes into the US144A market. The issue comprised two maturity tranches of five years (US\$500 million) and ten years (US\$750 million). The currency exposure was fully hedged at A\$1.32 billion.

In March 2011, Woolworths issued A\$500 million of Medium Term Notes into the domestic institutional market with a maturity of five years.

In April 2011, a further US\$850 million of notes were issued into the US144A market, comprising two maturity tranches of five years (US\$300 million) and ten years (US\$550 million). The currency exposure was fully hedged at A\$822 million.

Refinancing requirements immediately following this include the A\$600 million hybrid note (notice to redeem was issued on 11 August 2011 and redemption took place on 15 September 2011), followed by US\$300 million in US 144A notes (hedged at A\$410 million) maturing in November 2011. These have been partly pre-financed by the above two A\$ and US\$ debt raisings. In April and May 2012, two syndicated bank loan facilities totalling A\$1.7 billion will mature. Of this, approximately A\$546 million is currently drawn. A refinancing plan for these maturities is currently in process of implementation.

Property Sales Program

Woolworths has a history of developing Marketplace style retail centres through its property development arm. This capability enabled a continued roll out of the Woolworths store network during the Global Financial Crisis. Woolworths increased its involvement in the development of sites using its own balance sheet, which has resulted in the ownership of a larger (than historically) portfolio of retail centres. Woolworths is generally not a long term holder of property assets and continues its strategy of divesting property as appropriate market opportunities arise. Woolworths' total proceeds from the disposal of property for the 2011 financial year were approximately \$390 million including \$48 million of Hotel proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports.

It is a condition of the class order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee (Deed). Under the Deed the Company guarantees the payment of all debts of each of the subsidiaries in full, in the event of a winding up. The subsidiaries in turn guarantee the payment of the debts of the Company in full in the event that it is wound up.

The subsidiaries that are party to the Deed at 26 June 2011 are:

A.C.N. 001 259 301 Pty Limited
Advantage Supermarkets Pty Ltd
Advantage Supermarkets WA Pty Ltd
Andmist Pty. Limited
Australian Liquor and Grocery Wholesalers Pty Ltd
Australian Safeway Stores Pty. Ltd.
Barjok Pty Ltd
Calvartan Pty. Limited
Cellar Force Pty Ltd
Cellarmaster Wines Pty Limited
Cenijade Pty. Limited
Charmtex Pty Ltd
Dentra Pty. Limited
Dick Smith Electronics Franchising Pty Ltd
Dick Smith Electronics Pty Limited
Dick Smith Electronics Staff Superannuation Fund Pty Limited
Dick Smith Management Pty Ltd
Dick Smith (Wholesale) Pty Ltd
Dorrien Estate Winery Pty Ltd
Drumstar Pty Ltd
DSE Holdings Pty Limited
Fabcot Pty Ltd
Gembond Pty. Limited
GreenGrocer.com.au Pty Ltd
Grocery Wholesalers Pty Ltd
Highlands No. 1 Nominees Pty Limited
Hydrogen Nominees Pty Limited
InterTAN Australia Pty Ltd
Jack Butler & Staff Pty. Ltd.
Josona Pty Ltd
Kennedy Corporation Holdings Pty Limited
Kennedy Corporation Pty Limited
Kiaora Lands Pty Limited
Langtons Pty Limited
Leasehold Investments Pty Ltd
Mac's Liquor Stores Pty Limited
Nalos Pty Ltd
Nexday Pty Limited
Oxygen Nominees Pty Limited
PEH (NZ IP) Pty Ltd
Philip Leong Stores Pty Limited
Progressive Enterprises Holdings Limited
QFD Pty. Limited
Queensland Property Investments Pty Ltd
Universal Wholesalers Pty Limited
V I Packaging Pty Ltd
Vincentia Nominees Pty Limited
Vinpac International Pty Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE continued

Votraint No. 1622 Pty Limited
Weetah Pty. Limited
Wine Ark Cellar Club Pty Ltd
Winemarket Pty Ltd
Wine IQ Holdings Pty Ltd
Wine IQ Pty Limited
Woolies Liquor Stores Pty. Ltd
Woolstar Pty. Limited
Woolworths Australian Communities Foundation Pty Limited
Woolworths Custodian Pty Ltd
Woolworths Executive Superannuation Scheme Pty Limited
Woolworths Group Superannuation Scheme Pty Limited
Woolworths (International) Pty Limited
Woolworths Management Pty Ltd
Woolworths (Project Finance) Pty. Limited
Woolworths Properties Pty Limited
Woolworths (Publishing) Pty Ltd
Woolworths (Q'land) Pty Limited
Woolworths (R & D) Pty Limited
Woolworths (South Australia) Pty Limited
Woolworths Townsville Nominee Pty Ltd
Woolworths Trustee No. 2 Limited
Woolworths Trust Management Pty Limited
Woolworths (Victoria) Pty Limited
Woolworths (W.A.) Pty Limited
Zimi Wines Pty Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE continued

A consolidated income statement and consolidated balance sheet for the closed group representing the Company and the subsidiaries noted on pages 180 – 183, which are party to the Deed as at 26 June 2011 is set out below. The following controlled entities (see Note 29) are excluded from this consolidation:

- ALH Group Pty Ltd
 - Albion Charles Hotel (BMG) Pty Ltd
 - ALH Group Property Holdings Pty Ltd
 - Australian Leisure and Hospitality Group Pty Limited⁽¹⁾
 - ALH Group (No. 1) Pty Ltd
 - Balaclava Hotel (BMG) Pty Ltd
 - Chelsea Heights Hotel (BMG) Pty Ltd
 - Cherry Hill Tavern (BMG) Pty Ltd
 - Club Management (BMG) Pty Ltd
 - Courthouse Brunswick Hotel (BMG) Pty Ltd
 - Courthouse Hotel Footscray (BMG) Pty Ltd
 - Croxton Park Hotel (BMG) Pty Ltd
 - Daisey's Club Hotel (BMG) Pty Ltd
 - Excelsior Hotel (BMG) Pty Ltd
 - First and Last Hotel (BMG) Pty Ltd
 - Glengala Hotel (BMG) Pty Ltd
 - Lyndhurst Club Hotel (BMG) Pty Ltd
 - Management (BMG) Pty Ltd
 - Manningham Hotel (BMG) Pty Ltd
 - MGW Hotels Pty Ltd
 - Aceridge Pty Limited
 - Chatswood Hills Tavern Pty. Ltd.
 - Dapara Pty Ltd
 - Stadform Developments Pty. Limited
 - Fenbridge Pty. Ltd.
 - Kawana Waters Tavern No. 3 Pty Ltd
 - Kawana Waters Tavern No. 1 Pty Ltd
 - Kawana Waters Tavern No. 2 Pty Ltd
 - Vicpoint Pty Ltd
 - Milanos Hotel (BMG) Pty Ltd
 - Monash Hotel (BMG) Pty Ltd
 - Moreland Hotel (BMG) Pty Ltd
 - Nu Hotel (BMG) Pty Ltd
 - Oakleigh Junction Hotel (BMG) Pty Ltd
 - Palace Hotel Hawthorn (BMG) Pty Ltd
 - Powel Hotel Footscray (BMG) Pty Ltd
 - Preston Hotel (BMG) Pty Ltd
 - Queensbridge Hotel (BMG) Pty Ltd
 - Racecourse Hotel (BMG) Pty Ltd
 - Shoppingtown Hotel (BMG) Pty Ltd
 - Taverner Hotel Group Pty. Ltd.
 - Amprok Pty. Ltd.
 - Auspubs Pty Ltd
 - Cooling Zephyr Pty Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE continued

E. G. Functions Pty. Ltd.
Elizabeth Tavern Pty. Ltd.
FG Joint Venture Pty Ltd
Fountain Jade Pty. Ltd.
Hadwick Pty Ltd
Kilrand Hotels (Hallam) Pty. Ltd.
 Ashwick (Vic.) No.88 Pty. Ltd.
Markessa Pty. Ltd.
Playford Tavern Pty Ltd
Seaford Hotel Pty. Limited
The Common Link Pty Ltd
The Second P Pty Ltd
Warm Autumn Pty. Ltd.
Werribee Plaza Tavern Pty. Ltd.
Waltzing Matilda Hotel (BMG) Pty Ltd
Wheelers Hill Hotel (BMG) Pty Ltd
Australian Independent Retailers Pty Ltd
Bergam Pty Limited
DSE (NZ) Limited
Dick Smith Electronics Limited
Fabsky Pty Ltd⁽²⁾
Hydrox Holdings Pty Ltd
 Masters Home Improvement Australia Pty Ltd⁽³⁾
 Masters Installation Pty Limited⁽⁴⁾
 Hydrox Nominees Pty Ltd
 Carboxy Pty Ltd
 Danks Holdings Pty Limited⁽⁵⁾
 Danks Events Pty Ltd
 Home Hardware Australasia Pty Ltd
 Homestead Hardware Australasia Pty Ltd
 Thrifty-Link Hardware Pty Ltd
 John Danks and Son Proprietary Limited
 Australian Hardware Distributors Pty Ltd
 Blue Mountains Hardware Pty Ltd
 Hammer Hardware Stores Pty Ltd
Woolstar Investments Limited⁽⁶⁾
Woolworths (HK) Sales Limited
Woolworths (HK) Procurement Limited
Woolworths Wholesale (India) Private Limited
Woolworths New Zealand Group Limited
 BWS (2008) Limited
 Progressive Enterprises Limited
 Caledonian Leasing Limited
 Countdown Foodmarkets Limited
 Foodtown Supermarkets Limited
 Fresh Zone Limited
 General Distributors Limited
 S R Brands Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE continued

Kennedy Corporation Holdings NZ Limited⁽⁷⁾
Kennedy Corporation NZ Limited
Carter & Associates (2000) Limited
New Zealand Wine Cellars Limited
Supervalue/ Freshchoice Limited
The Supplychain Limited
Wholesale Services Limited
Wholesale Distributors Limited
Woolworths (New Zealand) Limited
Statewide Independent Wholesalers Limited
Woolworths Insurance Pte Limited

Notes:

- (1) Australian Leisure and Hospitality Group Pty Limited converted from a Limited to a Pty Limited company on 23 December 2010
- (2) Fabsky Pty Ltd was incorporated on 16 November 2010;
- (3) Changed its name from Shellbelt Pty. Limited on 3 May 2011
- (4) Incorporated on 23 February 2011 as Shellbelt Installations Pty Ltd and changed its name on 23 June 2011
- (5) Danks Holdings Pty Limited was converted from a Limited to a Pty Limited company on 11 June 2010
- (6) Woolstar Investments Limited was deregistered on 23 November 2010
- (7) The Cellarmasters Group was acquired on 29 April 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE continued

INCOME STATEMENT

	2011 52 weeks \$m	2010 52 weeks \$m
Revenue from the sale of goods	44,271.3	42,405.0
Other operating revenue	123.9	81.8
Total revenue from operations	44,395.2	42,486.8
Cost of sales	(32,807.3)	(31,441.5)
Gross profit	11,587.9	11,045.3
Other revenue	193.7	154.7
Branch expenses	(6,891.3)	(6,554.9)
Administration expenses	(2,104.4)	(2,042.9)
Earnings before interest and tax	2,785.9	2,602.2
Financial expense	(369.3)	(239.6)
Financial income	326.4	336.8
Net financing cost	(42.9)	97.2
Net profit before income tax expense	2,743.0	2,699.4
Income tax expense	(786.9)	(774.6)
Profit after income tax expense	1,956.1	1,924.8
Retained earnings		
Balance at start of period	3,311.4	2,730.7
Profit attributable to members	1,956.1	1,924.8
Dividends paid or provided (Note 6)	(1,457.7)	(1,349.2)
Share buy back	(622.4)	-
Actuarial gain/(loss) recognised direct to equity	(6.2)	1.7
Other	4.6	3.4
Balance at end of period	3,185.8	3,311.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 DEED OF CROSS GUARANTEE continued

BALANCE SHEET

As at	2011 \$m	2010 \$m
Current assets		
Cash	1,059.1	487.3
Trade and other receivables	1,716.2	1,557.6
Inventories	3,127.5	2,911.5
Assets held for sale	59.4	14.1
Other financial assets	120.8	92.6
Total current assets	6,083.0	5,063.1
Non-current assets		
Trade and other receivables	3,338.9	3,367.1
Other financial assets	2,596.6	2,063.8
Property, plant and equipment	5,780.5	5,403.0
Intangibles	988.1	756.7
Deferred tax assets	440.1	369.0
Total non-current assets	13,144.2	11,959.6
Total assets	19,227.2	17,022.7
Current liabilities		
Trade and other payables	4,701.4	4,575.3
Borrowings	1,464.0	860.4
Other financial liabilities	238.1	24.7
Current tax liabilities	198.5	162.8
Provisions	748.1	673.5
Total current liabilities	7,350.1	6,296.7
Non-current liabilities		
Borrowings	3,372.3	2,668.0
Other financial liabilities	570.7	159.3
Provisions	437.8	389.4
Other	176.1	163.7
Total non-current liabilities	4,556.9	3,380.4
Total liabilities	11,907.0	9,677.1
Net assets	7,320.2	7,345.6
Equity		
Issued capital	3,988.6	3,784.4
Shares held in trust	(56.1)	(41.2)
Reserves	201.9	291.0
Retained earnings	3,185.8	3,311.4
Equity attributable to the members	7,320.2	7,345.6
Non-controlling interest	-	-
Total equity	7,320.2	7,345.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 SUBSIDIARIES

Name of entity	Beneficial Holding as at	
	26 June 2011	27 June 2010
	%	%
Woolworths Limited		
A.C.N. 001 259 301 Pty Limited	100	100
Advantage Supermarkets Pty Ltd	100	100
Advantage Supermarkets WA Pty Ltd	100	100
ALH Group Pty Ltd	75	75
Albion Charles Hotel (BMG) Pty Ltd	100	100
ALH Group Property Holdings Pty Ltd	100	100
Australian Leisure and Hospitality Group Pty Limited ⁽¹⁾	100	100
ALH Group (No. 1) Pty Ltd	100	100
Balaclava Hotel (BMG) Pty Ltd	100	100
Chelsea Heights Hotel (BMG) Pty Ltd	100	100
Cherry Hill Tavern (BMG) Pty Ltd	100	100
Club Management (BMG) Pty Ltd	100	100
Courthouse Brunswick Hotel (BMG) Pty Ltd	100	100
Courthouse Hotel Footscray (BMG) Pty Ltd	100	100
Croxtan Park Hotel (BMG) Pty Ltd	100	100
Daisey's Club Hotel (BMG) Pty Ltd	100	100
Excelsior Hotel (BMG) Pty Ltd	100	100
First and Last Hotel (BMG) Pty Ltd	100	100
Glengala Hotel (BMG) Pty Ltd	100	100
Lyndhurst Club Hotel (BMG) Pty Ltd	100	100
Management (BMG) Pty Ltd	100	100
Manningham Hotel (BMG) Pty Ltd	100	100
MGW Hotels Pty Ltd	100	100
Aceridge Pty Limited	100	100
Chatswood Hills Tavern Pty. Ltd.	100	100
Dapara Pty Ltd	100	100
Stadform Developments Pty. Limited	100	100
Fenbridge Pty. Ltd.	100	100
Kawana Waters Tavern No. 3 Pty Ltd	100	100
Kawana Waters Tavern No. 1 Pty Ltd	100	100
Kawana Waters Tavern No. 2 Pty Ltd	100	100
Vicpoint Pty Ltd	100	100
Milanos Hotel (BMG) Pty Ltd	100	100
Monash Hotel (BMG) Pty Ltd	100	100
Moreland Hotel (BMG) Pty Ltd	100	100
Nu Hotel (BMG) Pty Ltd	100	100
Oakleigh Junction Hotel (BMG) Pty Ltd	100	100
Palace Hotel Hawthorn (BMG) Pty Ltd	100	100
Powel Hotel Footscray (BMG) Pty Ltd	100	100
Preston Hotel (BMG) Pty Ltd	100	100
Queensbridge Hotel (BMG) Pty Ltd	100	100
Racecourse Hotel (BMG) Pty Ltd	100	100
Shoppingtown Hotel (BMG) Pty Ltd	100	100
Taverner Hotel Group Pty. Ltd.	100	100
Amprok Pty. Ltd.	100	100
Auspubs Pty Ltd	100	100
Cooling Zephyr Pty Ltd	100	100
The Common Link Pty Ltd	100	100
E. G. Functions Pty. Ltd.	100	100
Elizabeth Tavern Pty. Ltd.	100	100
FG Joint Venture Pty Ltd	100	100
Fountain Jade Pty. Ltd.	100	100
Hadwick Pty Ltd	100	100
Markessa Pty. Ltd.	100	100
Playford Tavern Pty Ltd	100	100
Seaford Hotel Pty. Limited	100	100
The Second P Pty Ltd	100	100
Kilrand Hotels (Hallam) Pty. Ltd.	100	100
Ashwick (Vic.) No.88 Pty. Ltd.	100	100
Warm Autumn Pty. Ltd.	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 SUBSIDIARIES continued

Name of entity	Beneficial Holding as at	
	26 June 2011	27 June 2010
	%	%
Werribee Plaza Tavern Pty. Ltd.	100	100
Waltzing Matilda Hotel (BMG) Pty Ltd	100	100
Whealers Hill Hotel (BMG) Pty Ltd	100	100
Andmist Pty. Limited	100	100
Australian Independent Retailers Pty Ltd	49	49
Australian Liquor and Grocery Wholesalers Pty Ltd	100	100
Australian Safeway Stores Pty. Ltd.	100	100
Barjok Pty Ltd	100	100
Bergam Pty Limited	75	75
Calvartan Pty. Limited	100	100
Cenijade Pty. Limited	100	100
Charmtex Pty Ltd	100	100
DSE Holdings Pty Limited	100	100
Dick Smith (Wholesale) Pty Ltd	100	100
Dick Smith Management Pty Ltd	100	100
Dick Smith Electronics Franchising Pty Ltd	100	100
Dick Smith Electronics Pty Limited	100	100
Dick Smith Electronics Staff Superannuation Fund Pty Limited	100	100
DSE (NZ) Limited	100	100
Dick Smith Electronics Limited	100	100
InterTAN Australia Pty Ltd	100	100
Fabcot Pty Ltd	100	100
Fabsky Pty Ltd ⁽²⁾	80	-
Kiaora Lands Pty Limited	100	100
Gembond Pty. Limited	100	100
GreenGrocer.com.au Pty Ltd	100	100
Grocery Wholesalers Pty Ltd	100	100
Highlands No.1 Nominees Pty Ltd	100	100
Hydrogen Nominees Pty Ltd	100	100
Hydrox Holdings Pty Ltd	67	67
Masters Home Improvement Australia Pty Ltd ⁽³⁾	100	100
Masters Installation Pty Limited ⁽⁴⁾	100	-
Hydrox Nominees Pty Ltd	100	100
Carboxy Pty Ltd	100	100
Danks Holdings Pty Limited ⁽⁵⁾	100	100
Danks Events Pty Ltd	100	100
Home Hardware Australasia Pty. Ltd.	100	100
Homestead Hardware Australasia Pty Ltd	100	100
Thrifty-Link Hardware Pty. Ltd.	100	100
John Danks and Son Proprietary Limited	100	100
Australian Hardware Distributors Pty. Limited	100	100
Hammer Hardware Stores Pty Ltd	100	100
Blue Mountains Hardware Pty Ltd	100	100
Jack Butler & Staff Pty. Ltd.	100	100
Josona Pty Ltd	100	100
Kennedy Corporation Holdings Pty Limited ⁽⁶⁾	100	-
Kennedy Corporation Pty Limited	100	-
Cellarmaster Wines Pty Limited	100	-
Dorrien Estate Winery Pty Ltd	100	-
Nexday Pty. Limited	100	-
Wine IQ Holdings Pty Ltd	100	-
Wine IQ Pty Limited	100	-
Cellar Force Pty Ltd	100	-
Wine Ark Cellar Club Pty Ltd	100	-
V I Packaging Pty Ltd	100	-
Vinpac International Pty. Limited	100	-
Winemarket Pty Ltd	100	-
Zimi Wines Pty Ltd	100	-
Langtons Pty Ltd	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 SUBSIDIARIES continued

Name of entity	Beneficial Holding as at	
	26 June 2011	27 June 2010
	%	%
Leasehold Investments Pty Ltd	100	100
Mac's Liquor Stores Pty Limited	100	100
Nalos Pty Ltd	100	100
Oxygen Nominees Pty Ltd	100	100
Philip Leong Stores Pty Limited	100	100
Progressive Enterprises Holdings Limited	100	100
Drumstar Pty Ltd	100	100
PEH (NZ IP) Pty Ltd	100	100
Queensland Property Investments Pty Ltd	100	100
Universal Wholesalers Pty Limited	100	100
Vincentia Nominees Pty Ltd	100	100
Votrant No. 1622 Pty Limited	100	100
Woolies Liquor Stores Pty. Ltd.	100	100
Woolstar Pty. Limited	100	100
Woolstar Investments Limited ⁽⁷⁾	100	100
Woolworths (International) Pty Limited	100	100
Woolworths (HK) Sales Limited	100	100
Woolworths (HK) Procurement Limited	100	100
Woolworths Wholesale (India) Private Limited	100	100
Woolworths New Zealand Group Limited	100	100
BWS (2008) Limited	100	100
Progressive Enterprises Limited	100	100
Caledonian Leasing Limited	100	100
Countdown Foodmarkets Limited	100	100
Foodtown Supermarkets Limited	100	100
Fresh Zone Limited	100	100
General Distributors Limited	100	100
S R Brands Limited	100	100
Kennedy Corporation Holdings NZ Limited ⁽⁶⁾	100	-
Kennedy Corporation NZ Limited	100	-
Carter & Associates (2000) Limited	100	-
New Zealand Wine Cellars Limited	100	-
Supervalue/ Freshchoice Limited	100	100
The Supplychain Limited	100	100
Wholesale Services Limited	100	100
Wholesale Distributors Limited	100	100
Woolworths (New Zealand) Limited	100	100
Woolworths (Project Finance) Pty. Limited	100	100
Woolworths (Publishing) Pty Ltd	100	100
Woolworths (Q'land) Pty Limited	100	100
Woolworths (R & D) Pty Limited	100	100
Woolworths (South Australia) Pty Limited	100	100
Woolworths (Victoria) Pty Limited	100	100
Statewide Independent Wholesalers Limited	60	60
Woolworths (W.A.) Pty Limited	100	100
Woolworths Australian Communities Foundation Pty Limited	100	100
Woolworths Custodian Pty Ltd	100	100
Woolworths Executive Superannuation Scheme Pty Limited	100	100
Woolworths Group Superannuation Scheme Pty Ltd	100	100
Woolworths Insurance Pte Limited	100	100
Woolworths Management Pty Ltd	100	100
Woolworths Properties Pty Limited	100	100
Dentra Pty. Limited	100	100
Weetah Pty. Limited	100	100
QFD Pty. Limited	100	100
Woolworths Townsville Nominee Pty Ltd	100	100
Woolworths Trust Management Pty Limited	100	100
Woolworths Trustee No. 2 Pty Limited	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 SUBSIDIARIES continued

Notes:

- (1) Australian Leisure and Hospitality Group Pty Limited converted from a Limited to a Pty Limited company on 23 December 2010
- (2) Fabsky Pty Ltd was incorporated on 16 November 2010
- (3) Changed its name from Shellbelt Pty. Limited on 3 May 2011
- (4) Incorporated on 23 February 2011 as Shellbelt Installations Pty Ltd and changed its name on 23 June 2011
- (5) Danks Holdings Pty Limited was converted from a Limited to a Pty Limited company on 11 June 2010
- (6) The Cellarmasters Group was acquired on 29 April 2011
- (7) Woolstar Investments Limited was deregistered on 23 November 2010

30 BUSINESS ACQUISITIONS

Over the course of the year, the Group acquired the Cellarmasters Group, various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was \$450.4 million comprising plant and equipment (\$102.2 million); liquor and gaming licences (\$25.1 million) and other working capital balances (\$72.0 million), with goodwill on acquisition of \$251.1 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring future revenue streams as well as the specialised knowledge acquired. Acquisition costs totalling \$7.0 million were recognised in the income statement.

Entity / business acquired 2011	Principal activity	Date of acquisition	Proportion of ownership acquired	Cost of acquisition \$m
o Cellarmasters	Liquor Retail	29 April 2011	100%	343.6
o Miscellaneous businesses	Supermarkets, Home Improvement, Hotels and Liquor Retail	various	100%	106.8
Total				450.4

Further detail in respect of the above acquisitions (represented primarily by the acquisition of the Cellarmasters Group) are included in the consolidated cash flow statement, Note 10 and Note 11.

In 2010, the group acquired various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was \$203.4 million comprising plant and equipment (\$77.6 million); liquor and gaming licences (\$23.4 million) and other working capital balances (\$54.7 million), with goodwill on acquisition of \$47.7 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future. Acquisition costs totalling \$9.9 million were recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30 BUSINESS ACQUISITIONS continued

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

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

The provisional accounting in respect of the 2010 acquisitions was finalised in the 2011 financial year.

Acquisition of the Cellarmasters Group

On 29 April 2011, the Group acquired 100% of the issued capital of the Cellarmasters Group for \$343.6 million in cash. The Cellarmasters Group is comprised of Kennedy Corporation Holdings Pty Limited and Kennedy Corporation NZ Limited and their controlled entities.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$m
Cash	5.0
Trade and other receivables	42.1
Inventories	59.8
Property, plant and equipment	55.8
Intangibles – brand names ⁽¹⁾	4.5
Intangibles – other ⁽¹⁾	5.5
Deferred tax assets	3.4
Trade and other payables	(50.8)
Current tax liabilities	(0.3)
Provisions	(6.7)
Net identifiable assets and liabilities	118.3
Goodwill on acquisition	225.3
Consideration paid	343.6
Cash acquired	(5.0)
Net cash outflow	338.6

⁽¹⁾ An independent firm was engaged to conduct an external valuation of the brand names and other intangibles acquired.

The goodwill is attributable to the capacity of the Cellarmasters Group to generate recurring future revenue streams as well as the specialised knowledge acquired.

31 SUBSEQUENT EVENTS

On 11 August 2011, the Group announced its intention to redeem, in whole, the A\$600 million of Woolworths Notes. The redemption took place on 15 September 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32 PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

Balance Sheet	2011 \$m	2010 \$m
Assets		
Current assets	5,234.7	4,372.2
Non-current assets	15,335.5	14,080.3
Total assets	20,570.2	18,452.5
Liabilities		
Current liabilities	10,440.2	9,247.4
Non-current liabilities	4,536.3	3,362.5
Total Liabilities	14,976.5	12,609.9
Equity		
Issued capital	3,988.6	3,784.4
Shares held in trust	(56.1)	(41.2)
Reserves		
Hedging reserve	3.5	107.6
Remuneration reserve	220.4	200.6
Equity investment reserve	(20.6)	(16.8)
Retained earnings	1,457.9	1,808.0
Total equity	5,593.7	5,842.6
Statement of Comprehensive Income	2011 \$m	2010 \$m
Profit for the period	1,731.7	1,617.2
Other comprehensive (loss)/income	(112.2)	65.6
Total comprehensive income for the period	1,619.5	1,682.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32 PARENT ENTITY INFORMATION continued

(a) Guarantees entered into by the parent entity

	2011 \$m	2010 \$m
Guarantees		
Bank guarantees ⁽¹⁾	15.6	6.1
Workers' compensation self-insurance guarantees ⁽²⁾	522.4	474.2
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group	731.0	610.9
	1,269.0	1,091.2

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

(2) State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability. Guarantees held at each balance date do not equal the liability at these dates due to delays in issuing the guarantees.

In addition, Woolworths Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross guarantee and the subsidiaries subject to the deed are disclosed in Note 28.

(b) Contingent liabilities of the parent entity

The details and estimated maximum amounts of contingent liabilities which may become payable are shown below. No provision has been made in the financial statements in respect of these contingencies.

	2011 \$m	2010 \$m
Contingent liabilities		
Outstanding letters of credit issued to suppliers	2.0	1.2
Other	6.5	-
	8.5	1.2

(c) Capital commitments of the parent entity for the acquisition of property, plant and equipment

	2011 \$m	2010 \$m
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than one year	317.1	308.3
	317.1	308.3

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 to the financial statements;
- (c) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 28 to the Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



James Strong

Chairman



Michael Luscombe

Managing Director and Chief Executive Officer

23 September 2011



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Independent Auditor's Report to the Members of Woolworths Limited

Report on the Financial Report

We have audited the accompanying financial report of Woolworths Limited (the "Company"), which comprises the balance sheet as at 26 June 2011, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the 52 weeks ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the financial period as set out on pages 91 to 187.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Woolworths Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 26 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 62 of the directors' report for the 52 weeks ended 26 June 2011. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Woolworths Limited for the 52 weeks ended 26 June 2011, complies with section 300A of the *Corporations Act 2001*.

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

DELOITTE TOUCHE TOHMATSU

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

A V Griffiths
Partner
Chartered Accountants
Sydney, 23 September 2011

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 September 2011.

Number of shareholders

There were 417,698 shareholders, holding 1,219,780,799 fully paid ordinary shares.

Distribution of equity securities

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

Range of fully paid ordinary shares/options			Number of (FPO) Holders	Number of FPO Shares	Number of FPO Option holders
1	–	1,000	261,472	105,613,039	11
1,001	–	5,000	137,067	278,269,507	915
5,001	–	10,000	13,009	91,745,786	1,320
10,001	–	100,000	5,985	117,858,896	210
100,001	–	and over	165	626,293,571	10
Total			417,698	1,219,780,799	2,466

(b) There were 4,798 holders of less than a marketable parcel of ordinary shares.

20 Largest Shareholders

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

Name		No of fully paid ordinary shares	Percentage of Issued Capital (%)
1	HSBC Custody Nominees (Australia) Limited	195,061,469	15.99
2	JP Morgan Nominees Australia Limited	132,467,775	10.86
3	National Nominees Limited	118,834,158	9.74
4	Citicorp Nominees Pty Limited	42,696,802	3.50
5	Cogent Nominees Pty Limited	16,648,559	1.36
6	AMP Life Limited	9,310,136	0.76
7	JP Morgan Nominees Australia Limited <Cash Income A/C>	9,040,417	0.74
8	Australian Foundation Investment Company Limited	6,203,729	0.51
9	Australian Reward Investment Alliance Australia Limited	4,834,318	0.40
10	UBS Wealth Management Australia Nominees Pty Ltd	4,703,564	0.39
11	Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	4,513,699	0.37
12	Queensland Investment Corporation	4,509,999	0.37
13	Argo Investments Limited	4,083,026	0.33
14	RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	3,724,212	0.31
15	Perpetual Trustee Company Limited	3,645,269	0.30
16	Navigator Australia Ltd <Navigator Pers Plan Sett A/C>	2,903,356	0.24
17	RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	2,743,673	0.22
18	Milton Corporation Limited	2,574,473	0.21
19	Cogent Nominees Pty Limited <SMP account> Tasman Asset Management Limited <Tyndall Australian Share	2,551,200	0.21
20	Wholesale Portfolio A/C>	2,314,646	0.19

SHAREHOLDER INFORMATION continued

Substantial shareholders

As at 20 September 2011, there were no substantial shareholders in the Company that had provided substantial shareholding notices.

Unquoted equity securities

As at 20 September 2011, there were 18,706,164 options granted over unissued ordinary shares in the Company to employees.

Annual General Meeting

The Annual General Meeting of Woolworths Limited will be held on Thursday, 24 November 2011 at 11am (Sydney time) at the Parkside Auditorium, Sydney Convention & Exhibition Centre, Darling Harbour, Sydney, NSW. Full details are contained in the Notice of Meeting which has been sent to all shareholders.

Voting rights

On a show of hands at a General Meeting of the Company, every member present in person or by proxy shall have one vote and upon a poll each person present in person or by proxy shall have one vote for each ordinary share held.

Shareholder enquiries

Enquiries and correspondence regarding shareholdings should be directed to Woolworths Limited Share Registrar, Computershare Investor Services Pty Limited, by telephone on 1300 368 664, by facsimile on (02) 8235 8150 or online via the Shareholder Centre on the Woolworths Limited website at www.woolworthslimited.com.au or by visiting the Computershare website at www.computershare.com.au.

Employee shareholder information

For information on Woolworths Limited employee shareholdings please contact:

Woolworths Shareholder Relations

1 Woolworths Way

Bella Vista NSW 2153

Telephone: (02) 8885 1066, (02) 8885 1068 or (02) 8885 3081

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

Final dividend

The final dividend of 65 cents per share will be paid on 14 October 2011 to shareholders entitled to receive dividends and registered on 16 September 2011 (Record Date).

Direct payment to shareholders' accounts

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

Redemption of Woolworths Notes

On 15 September 2011, the Woolworths Notes were redeemed in accordance with the terms of issue set out in the Trust Deed dated 3 April 2006.

Dividend Reinvestment Plan (DRP)

The Rules of the Dividend Reinvestment Plan (DRP) remain in place and residual balances recorded in a participant's DRP account are carried forward and applied to the next dividend. There is no DRP discount and there is a limit on DRP participation of 20,000 shares. There is currently no minimum number of shares required for participation.

Stock Exchange listings

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

SHAREHOLDER INFORMATION continued

American Depositary Receipts

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

History of dividends paid

Date of dividend	Type	Cents per share	Franking Rate	DRP Price
30 November 1993	Final	6 cents	39%	\$2.95
29 April 1994	Interim	6 cents	39%	\$2.89
30 November 1994	Final	6 cents	39%+33%	\$2.60
28 April 1995	Interim	6 cents	33%	\$2.72
17 November 1995	Final	8 cents	39%+33%	\$2.90
26 April 1996	Interim	7 cents	33%	\$2.87
12 November 1996	Final	8 cents	36%	\$2.58
24 April 1997	Interim	7 cents	36%	\$3.22
15 October 1997	Final	9 cents	36%	\$3.94
24 April 1998	Interim	8 cents	36%	\$5.35
9 October 1998	Final	9 cents	36%	\$5.18
30 April 1999	Interim	8 cents	36%	\$4.83
5 October 1999	Final	10 cents	36%	\$5.19
28 April 2000	Interim	10 cents	36%	\$4.92
5 October 2000	Final	13 cents	34%	\$6.61
27 April 2001	Interim	12 cents	34%	\$7.99
5 October 2001	Final	15 cents	30%	\$10.98
30 April 2002	Interim	15 cents	30%	\$12.23
8 October 2002	Final	18 cents	30%	\$11.78
30 April 2003	Interim	18 cents	30%	\$11.71
3 October 2003	Final	21 cents	30%	\$11.37
30 April 2004	Interim	21 cents	30%	\$11.49
8 October 2004	Final	24 cents	30%	\$13.16
29 April 2005	Interim	24 cents	30%	\$15.50
7 October 2005	Final	27 cents	30%	\$15.77
28 April 2006	Interim	28 cents	30%	\$18.26
06 October 2006	Final	31 cents	30%	\$19.73
27 April 2007	Interim	35 cents	30%	\$27.05
05 October 2007	Final	39 cents	30%	\$29.82
24 April 2008	Interim	44 cents	30%	\$30.08
3 October 2008	Final	48 cents	30%	\$27.79
24 April 2009	Interim	48 cents	30%	\$25.21
9 October 2009	Final	56 cents	30%	\$29.00
23 April 2010	Interim	53 cents	30%	\$28.17
15 October 2010	Final	62 cents	30%	\$29.23
29 April 2011	Interim	57 cents	30%	\$26.88

SHAREHOLDERS' CALENDAR

2011

October

14 Payment date for final dividend
Announcement of first quarter sales results

November

24 Annual General Meeting Sydney

2012

January/February

Announcement of second quarter sales results
Half-Year Results announcement

March

Record Date for interim dividend

April

Payment of interim dividend

July

Announcement of fourth quarter sales results

August

Preliminary full year results and final dividend announcement

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

COMPANY DIRECTORY

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