

WOOLWORTHS LIMITED

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27 September 2013

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 2013 – Listing Rule 4.5.1

Attached is a copy of the Woolworths Limited Annual Report 2013.

Printed copies of the Annual Report and Notice of Meeting for the Annual General Meeting to be held on 26 November 2013 will be mailed to shareholders shortly.

**For and on behalf of
WOOLWORTHS LIMITED**



**PETER J HORTON
GROUP GENERAL COUNSEL AND COMPANY SECRETARY**

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WOOLWORTHS LIMITED

ABN 88 000 014 675

ANNUAL REPORT 2013

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CHAIRMAN'S REPORT

On behalf of the Board and management team I am pleased to present to shareholders our detailed reports. The 2013 financial result delivered by the Company is a solid one and I believe that Woolworths is well placed to continue to reward both its shareholders and its customers into the future.

Financial Results

Group net profit after tax was \$2.26 billion, up 24.4%. Net profit after tax from continuing operations before significant items increased 8.0% on the previous year (6.1% on a normalised 52 week basis) to \$2.35 billion on total Group sales from continuing operations of \$58.5 billion, up 6.8% on the previous year (4.8% on a normalised 52 week basis).

The result reflects the underlying strength and resilience of each of the businesses and an ability to deliver solid results against a backdrop of broader economic and market uncertainty that prevailed throughout the year.

It is particularly pleasing that all established divisions returned a positive earnings result and that good progress has been made on initiatives to deliver sustainable, profitable growth into the future.

Dividends

The Board has announced a 5.6% increase in dividends per share to 133 cents for the 2013 financial year, up from 126 cents last year. In total, \$2.2 billion was returned to shareholders in 2013, including \$0.5 billion from the divestment of the SCA Property Group.

Your Board

Sir Roderick Deane and Mr John Astbury retired from the Board on 31 August 2013. Mr Astbury will remain as a Director of the Home Improvement joint venture company, Hydrox Holdings Pty Ltd.

The retirements were part of the Board succession process and had enabled a suitable transition period following the appointment of three Directors in January 2012.

I would like to recognise the long term contributions made by Sir Roderick Deane and Mr Astbury during a period of significant growth, transformation and financial success for the Company.

Management

Woolworths remains a well-managed company that is committed to growth and improvement.

Importantly, there has been good progress towards assembling a world class retail team blending the best local and international talent at all levels of the organisation.

I pay tribute to Grant O'Brien in his second year as CEO. Grant has demonstrated the enduring Woolworths culture of a practical, down to earth approach to achieving results. The senior management team should also be recognised for their work this year.

CHAIRMAN'S REPORT continued

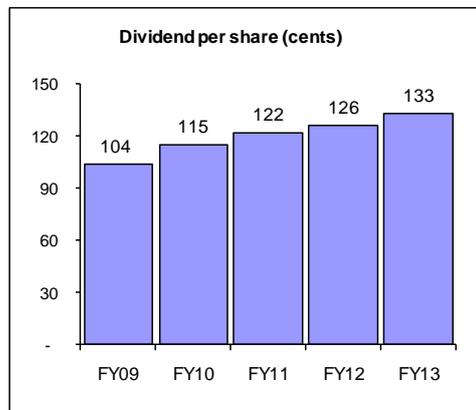
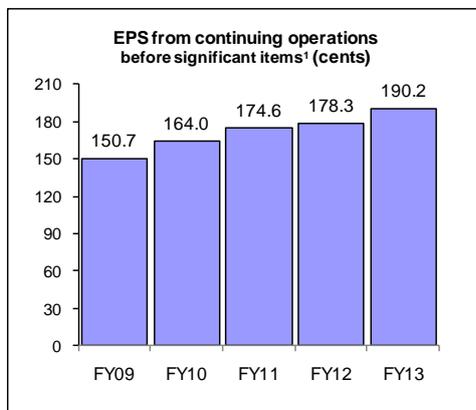
People

It is a credit to the entire Woolworths team that they have navigated an uncertain consumer and economic environment. The Board acknowledges the hard work and commitment from more than 197,000 staff members across the business for their part in delivering a pleasing result.



Ralph Waters

Chairman



1 Refer page 40 for details of significant items

MANAGING DIRECTOR'S REPORT

I am pleased to report real progress against our Strategic Priorities in the 2013 financial year to ensure Woolworths Limited is well placed to generate profitable growth into the future.

Highlights of 2013

In summary, Woolworths delivered solid returns to shareholders, lower prices and great offers to our customers and increased volumes to our suppliers courtesy of our record sales.

Our net profit after tax was up 24.4% and on a continuing operations basis, before significant items, it was \$2.35 billion, up 8.0%, or 6.1% on a normalised 52 week basis.

I am very pleased that all established divisions delivered a positive earnings result and are demonstrating good momentum going forward.

I am particularly pleased that we have been able to return \$2.2 billion to you, our shareholders, via dividends and the in-specie distribution on the divestment of the SCA Property Group.

While encountering challenging and uncertain economic conditions, we saw good momentum across the Group with higher comparable sales and stronger profit growth.

Demonstrating that we are a significant contributor to the Australian and New Zealand economies, we continued to invest and added more than 7,000 staff members to the Woolworths team over the year. We delivered a strong pipeline of new store openings across the divisions, providing further access to our market leading offers right across Australia and New Zealand.

In 2013 we opened 34 supermarkets in Australia, 6 BIG W's, 16 Masters, 16 Dan Murphy's and a net additional 14 BWS stores.

The record 28.4 million customers we served on average every week benefitted from lower prices – down 2.9% in our Australian supermarkets.

Through our market leading customer insights capability we have enhanced our offer to meet our customers' needs, delivering a better shopping experience and more relevant ranges, resulting in more customers shopping with us. Without doubt we are working harder - and smarter - as we compete everyday for every single customer.

Good progress against our Strategic Priorities

All established divisions delivered a positive earnings result. This good momentum, and the progress we are making against our four Strategic Priorities, is mirrored in this year's result.

1. **We are extending our leadership in Food and Liquor.** This has been demonstrated through strong sales, market share gains, earnings growth and higher volumes.

In Australian Supermarkets we continue to be the price leader, reinforced through the More Savings Every Day campaign. As Australia's Fresh Food People, we are connecting our customers directly with farmers and producers, and introducing exciting offers to inspire shoppers with fresh ideas.

Our New Zealand Supermarkets are the leading brand in New Zealand and have continued to grow their market share.

The Woolworths Liquor Group has clear leadership across all customer segments and channels. Dan Murphy's, BWS, Cellarmasters, Langton's and winemarket.com.au have winning formulas both in store and online.

MANAGING DIRECTOR'S REPORT continued

2. **We have acted on our portfolio to maximise shareholder value.** We sold the consumer electronics businesses and created the SCA Property Group, transferring \$1.4 billion in property to this listed vehicle. The strategic repositioning of BIG W is underway and we are working hard to run Australia's best and most responsible hotels.
3. **We have maintained our successful track record of building new businesses.** We are now the largest Australian and Kiwi online retailer and we are aiming for more than \$1 billion in online sales in 2014.

We have a strong pipeline of Masters' store openings, setting up a clear pathway for future profits for Woolworths and our shareholders.

4. **We have put in place the fundamentals that will enable future growth.** We have consistently driven our business to be more efficient and smarter. Our 50% stake in Quantum means we lead the field in customer insights and understand our customers better than ever before.

Our Leadership Team strikes the right balance between new energy and experience, bringing together home grown talent with some of the world's best retailers.

Sustainable, profitable growth into the future

The work we have undertaken to focus Woolworths on delivering sustainable, profitable future growth through our Strategic Priorities is delivering results. But there is a lot more to do and I am excited about our future.

We will continue to focus on delivering shareholder value through our existing portfolio whilst also looking to the future with new growth businesses. This is the path to a sustainable future for Woolworths.

While there is more to do to realise our ambition of double digit profit growth in the future, the evidence shows we are heading in the right direction.

Thank you for your support in 2013 and be assured that we are working hard to deliver a successful and profitable 2014 financial year.



Grant O'Brien

Managing Director and Chief Executive Officer

MANAGING DIRECTOR'S REPORT continued

For footnote references within the Managing Director's report, refer pages 40 to 41

KEY FINANCIAL HIGHLIGHTS FOR THE 2013 FINANCIAL YEAR

Sales

- Sales from continuing operations of \$58.5 billion, up 6.8% or 4.8% on a normalised 52 week basis² (total Group sales up 4.3%)

Earnings Before Interest and Tax (EBIT)

- EBIT from continuing operations before significant items¹ and the investment in Home Improvement up 10.1% or 8.1% on a normalised 52 week basis²
- EBIT from continuing operations before significant items¹ of \$3,653.2 million, up 9.2% or 7.2% on a normalised 52 week basis² (total Group EBIT up 22.0%)

Net Profit After Tax (NPAT) and Earnings per Share (EPS)

- Group NPAT of \$2,259.4 million, up 24.4% with corresponding EPS up 22.8% to 182.6 cents
- NPAT from continuing operations before significant items¹ of \$2,353.9 million, up 8.0% or 6.1% on a normalised 52 week basis² with corresponding EPS up 6.7% or 4.8% on a normalised 52 week basis² to 190.2 cents

Return on Average Funds Employed (ROFE)

- Group ROFE of 27.6%, up 353 bps
- ROFE from continuing operations before significant items¹ of 28.0%, up 24 bps

This result demonstrates increased momentum across the Group that shows Woolworths will continue to generate sustainable profit growth into the future.

Customers are benefiting from lower prices and suppliers are benefiting from higher volumes. Combined with our strong cost discipline, we are also able to reward our shareholders through higher returns.

We are seeing good early results from the four Strategic Priorities that were laid out in 2011:

1. Extending leadership in Food and Liquor;
2. Acting on our portfolio to maximise shareholder value;
3. Maintaining our track record of building new growth businesses; and
4. Putting in place the enablers for a new era of growth.

This strong result has been delivered against a backdrop of challenging retail conditions and high levels of consumer uncertainty. Notwithstanding these conditions, we have seen good momentum across the Group with higher comparable sales and stronger profit growth. In 2013, we served an average of 28.4 million customers per week, an increase of 3.6% on the previous year.

We know more about our customers than ever before and as we enhance our offer to meet their needs, delivering a better shopping experience and more relevant ranges, more customers are shopping with us.

We continued to invest heavily in price during the year with our 'More Savings Every Day' campaign the latest initiative to help ease customers' cost of living pressures. Throughout the year, value improvement programs have reinforced Woolworths' position as Australia's lowest priced full range supermarket.

MANAGING DIRECTOR'S REPORT continued

KEY FINANCIAL HIGHLIGHTS FOR THE 2013 FINANCIAL YEAR continued

We continue to work on our Strategic Priorities to maximise the value delivered to shareholders through our existing portfolio whilst also looking to the future with new growth businesses. This is the path to a sustainable future for Woolworths. While there is more to do to realise our ambition of double digit profit growth in the future, the evidence shows we are heading in the right direction.

The Board has announced a 5.6% increase in dividends per share to 133 cents for the 2013 financial year, up from 126 cents last year. This is in addition to the return of \$0.5 billion to shareholders on divestment of the SCA Property Group during the year.

The 2013 financial results delivered by the Company are pleasing and Woolworths is well placed to continue to reward both its customers and its shareholders into the future.

THE RESULTS IN BRIEF

	FY13	FY12	Change	Change
	53 weeks	52 weeks		Normalised ²
	\$m	\$m	%	%
Sales				
Continuing Operations				
Australian Food and Liquor	40,031	37,549	6.6%	4.7%
Petrol	6,794	6,714	1.2%	(0.8)%
Australian Food, Liquor and Petrol	46,825	44,263	5.8%	3.9%
<i>New Zealand Supermarkets (NZD)</i>	<i>5,749</i>	<i>5,522</i>	<i>4.1%</i>	<i>2.3%</i>
New Zealand Supermarkets	4,600	4,302	6.9%	5.0%
BIG W	4,383	4,180	4.9%	2.0%
Hotels	1,469	1,204	22.0%	19.7%
Home Improvement	1,239	828	49.6%	46.7%
Group Sales – Continuing Operations	58,516	54,777	6.8%	4.8%
<i>Group Sales – Continuing Operations (excl Petrol)</i>	<i>51,722</i>	<i>48,063</i>	<i>7.6%</i>	<i>5.6%</i>
Discontinued Operations				
Group Sales – Discontinued Operations	642	1,923	n.c³	n.c³
Total Group Sales	59,158	56,700	4.3%	2.4%

MANAGING DIRECTOR'S REPORT continued

THE RESULTS IN BRIEF continued

	FY13	FY12	Change	Change Normalised ²
	53 weeks	52 weeks		
	\$m	\$m	%	%
Earnings Before Interest and Tax (EBIT)				
<i>Continuing Operations (before significant items¹)</i>				
Australian Food and Liquor	3,061.6	2,817.2	8.7%	6.7%
Petrol	137.7	127.1	8.3%	6.2%
Australian Food, Liquor and Petrol	3,199.3	2,944.3	8.7%	6.7%
<i>New Zealand Supermarkets (NZD)</i>	302.7	287.4	5.3%	3.5%
New Zealand Supermarkets	236.2	224.5	5.2%	3.3%
BIG W	191.3	178.4	7.2%	5.5%
Hotels	263.7	195.7	34.7%	32.2%
Group EBIT – Continuing Operations before Central Overheads and Home Improvement	3,890.5	3,542.9	9.8%	7.8%
Central Overheads	(98.4)	(99.8)	(1.4)%	(3.3)%
Group EBIT – Continuing Operations before Home Improvement	3,792.1	3,443.1	10.1%	8.1%
Home Improvement	(138.9)	(96.7)	43.6%	40.8%
Group EBIT – Continuing Operations	3,653.2	3,346.4	9.2%	7.2%
<i>Discontinued Operations (before significant items¹)</i>				
Consumer Electronics Australia, New Zealand and India	2.5	30.3	n.c ³	
Group EBIT – Discontinued Operations	2.5	30.3	n.c³	
Total Group EBIT (before significant items¹)	3,655.7	3,376.7	8.3%	
Significant Items¹ (before tax)				
One-off loss on SCA Property Group transaction	(32.8)	-	n.c	
Net gain on disposal of Consumer Electronics businesses/ Consumer Electronics provision	9.9	(420.0)	n.c	
Victorian transport fleet redundancies	(25.8)	-	n.c	
Total Group EBIT (after significant items¹)	3,607.0	2,956.7	22.0%	

MANAGING DIRECTOR'S REPORT continued

THE RESULTS IN BRIEF continued

	FY13	FY12	Change	Change Normalised ²
	53 weeks	52 weeks		
	\$m	\$m	%	%
Group Profit				
Continuing Operations (before significant items¹)				
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	6,382.9	5,789.4	10.3%	
Rent	(1,764.2)	(1,559.5)	13.1%	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,618.7	4,229.9	9.2%	
Depreciation and amortisation	(965.5)	(883.5)	9.3%	
Earnings before interest and tax (EBIT)	3,653.2	3,346.4	9.2%	7.2%
Net financial expenses ⁽ⁱ⁾	(297.5)	(282.2)	5.4%	
Income tax expense	(996.6)	(885.0)	12.6%	
Net profit after income tax	2,359.1	2,179.2	8.3%	
Non-controlling interests	(5.2)	(0.5)	940.0%	
Net profit from continuing operations after income tax and non-controlling interests	2,353.9	2,178.7	8.0%	6.1%
Discontinued Operations (before significant items¹)				
Net profit from discontinued operations after income tax	1.8	21.7	n.c³	
Total group net profit after income tax and non-controlling interests before significant items¹	2,355.7	2,200.4	7.1%	
Significant Items¹ (after income tax)				
One-off loss on SCA Property Group transaction	(28.5)	-	n.c	
Net gain on disposal of Consumer Electronics businesses/ Consumer Electronics Provision	7.9	(383.7)	n.c	
Victorian transport fleet redundancies	(18.1)	-	n.c	
US 144A bond redemption costs	(57.6)	-	n.c	
Group net profit after income tax and non-controlling interests (after significant items¹)	2,259.4	1,816.7	24.4%	
Margins – Continuing Operations (before significant items¹)				
Gross Profit	26.94%	26.40%	54 bps	
Cost of Doing Business	20.70%	20.29%	41 bps	
EBIT to Sales	6.24%	6.11%	13 bps	
(i) Breakdown of net financial expenses – continuing operations (before significant items ¹)				
Interest expense (net of interest income)	(377.5)	(379.8)		
Less interest capitalised	77.4	90.1		
Net interest expense	(300.1)	(289.7)		
Dividend income	8.1	7.8		
Foreign exchange (loss)	(5.5)	(0.3)		
Net financial expenses - continuing operations (before significant items¹)	(297.5)	(282.2)		

MANAGING DIRECTOR'S REPORT continued

THE RESULTS IN BRIEF continued

	FY13	FY12	Change	Change Normalised²
	<i>53 weeks</i>	<i>52 weeks</i>		
Returns				
Funds employed (period end) ⁽ⁱ⁾ – Continuing Operations	13,373.6	12,753.1	4.9%	
ROFE (average) ⁽ⁱ⁾	27.6%	24.1%	353 pts	
ROFE (average) ⁽ⁱ⁾ – Continuing Operations before significant items ¹	28.0%	27.8%	24 pts	
Weighted average ordinary shares on issue (million)	1,237.4	1,222.0	1.3%	
Ordinary earnings per share (cents) – Continuing Operations before significant items ¹	190.2	178.3	6.7%	4.8%
Diluted earnings per share (cents) – Continuing Operations before significant items ¹	189.4	177.4	6.8%	4.8%
Ordinary earnings per share (cents) – total Group	182.6	148.7	22.8%	
Diluted earnings per share (cents) – total Group	181.8	147.9	22.9%	
Interim dividend per share (cents)	62	59	5.1%	
Final dividend per share (cents) ⁽ⁱⁱ⁾	71	67	6.0%	
Total dividend per share (cents)	133	126	5.6%	

(i) Refer page 116 for definitions

(ii) Final dividend payable on 11 October 2013 will be fully franked at 30%

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MANAGING DIRECTOR'S REPORT continued

PROGRESS AGAINST STRATEGIC PRIORITIES

In November 2011, Woolworths' Strategic Priorities to deliver future growth and enhance shareholder value were outlined to investors. During the 2013 financial year, pleasing progress has been made against each of these, with the key highlights as follows:

1. Extend leadership in Food and Liquor

- ✓ **Increasing momentum in Food and Liquor** with higher comparable sales and EBIT growth, strong volume growth, increased market share and strong trading area growth
- ✓ **Continued value leadership** has reinforced our position as Australia's lowest priced full range supermarket with our customers saving through a range of initiatives such as the 'More Savings Every Day' campaign and 'Extra Special' offers for our loyal Everyday Rewards customers. Average prices in Australian Food and Liquor were 2.9% lower than the previous year
- ✓ **Driving Fresh market share growth** with new innovations such as direct from farmer initiatives, new bakeries and Meat Standards Australia (MSA) lines of beef and lamb leading to solid market share growth
- ✓ **Australia's leading liquor destination, in-store and online** with strong sales and market share growth. Consolidation of our convenience offer under the BWS banner resulting in a refreshed and re-focused offer. We continued our expansion of Dan Murphy's and our direct and online channels via danmurphys.com.au, Langton's and Cellarmasters. Dan Murphy's was recently awarded Online Retailer of the Year at the Online Retail Industry Awards (ORIs)
- ✓ **New Zealand market share growth** continued the strong performance of the last few years with the next stage of our New Zealand Supermarkets growth strategy in progress

2. Act on our portfolio to maximise shareholder value

- ✓ **Property divestment and capital management** through the creation of the Shopping Centres Australasia Property Group (SCA Property Group), a new ASX listed Real Estate Investment Trust. This resulted in the sale of property independently valued at \$1.4 billion and a \$0.5 billion return to Woolworths shareholders
- ✓ **Australia's best and most responsible hotels** underpinned by an industry leading hotel and gaming charter with our commitment to establishing voluntary pre-commitment technology ahead of any state legislation. The FY13 Victorian gaming regulatory changes presented clear benefits but also some interim challenges which we navigated well during the year. We successfully expanded our hotel business with 34 hotels and their associated retail liquor outlets acquired by our Australian Leisure and Hospitality Group (ALH), including 29 as part of the acquisition of hotels from the Laundry Hotel Group, Waugh Hotel Group, DeAngelis Hotel Group and Bayfield Hotel Group (the Laundry transaction)
- ✓ **BIG W's customer offer continues to evolve** with a strategic repositioning of BIG W now underway which will see an increased focus on categories of high customer importance and a move away from lower returning categories. We are focused on maintaining profitable growth despite changes to the sales mix possibly resulting in lower sales growth during transition
- ✓ **Consumer Electronics divestment complete** with the sale of the Dick Smith Electronics business in Australia and New Zealand and our Consumer Electronics business in India

MANAGING DIRECTOR'S REPORT continued

PROGRESS AGAINST STRATEGIC PRIORITIES continued

3. Maintain our track record of building new growth businesses

- ✓ **Growing our leadership as Australia's largest domestic online retailer** with 42% growth in online sales from continuing operations for the year. We are on track to deliver over \$1 billion of online sales in FY14. Transactional mobile sites are now used for all our brands, more than 3.2 million apps have been downloaded by our customers and Click & Collect is being rolled out across all our businesses
- ✓ **Acquisition of EziBuy** a leading direct retailer of apparel and homewares in Australia and New Zealand will accelerate our multi-option capabilities in general merchandise and act as a launch pad for our next phase of growth. We expect EziBuy to be EPS accretive in FY14, with numerous synergies to be realised in the future
- ✓ **Building Australia's best Home Improvement offer** with 31 Masters stores trading at the end of the financial year. The customer response to our differentiated product range, service guarantee and pricing strategy gives us confidence that we are building a sustainable future for Masters which will become a long term profit contributor for the Group. We have a strong property pipeline and are targeting to have approximately 90 stores open by the end of the 2016 financial year

4. Put in place the enablers for a new era of growth

- ✓ **Building on our world class supply chain** continues with our state of the art Hoxton Park distribution centre (DC), the most advanced retail general merchandise DC in Australia delivering significant efficiency improvements in our BIG W and Home Improvement businesses. We have commenced the planning and implementation of the next generation of capability enhancements
- ✓ **Driving continued efficiencies in stores** has delivered significant cost reductions in areas of our Australian Supermarkets business with more savings planned for FY14. We will leverage these initiatives across the Group
- ✓ **Customer data improving our offer** with the acquisition of 50% of The Quantum Group Holdings Pty. Limited (Quantium), Australia's leading data-driven strategy business. This has increased our capability in using our data to deliver insights to enhance our market leading position and further help us to satisfy our customers' needs
- ✓ **Assembling a world class retail team** blending the best local and international talent at all levels of the organisation

MANAGING DIRECTOR'S REPORT continued

BUSINESS PERFORMANCE

The 8.0% increase in net profit after tax from continuing operations before significant items¹ (6.1% on a normalised 52 week basis²) was a very pleasing result which was underpinned by growth in EBIT from continuing operations before significant items¹ of 9.2% (7.2% on a normalised 52 week basis²).

The result reflects the underlying strength and resilience of each of our businesses and our ability to deliver solid results despite the broader economic and market challenges prevailing throughout the year.

Our work to continue to enhance our offer is good for customers as we deliver a better shopping experience, more relevant ranges and lower prices. Our suppliers benefit through increased volumes and our shareholders are rewarded through higher returns.

Sales from continuing operations increased 6.8% on the previous year (4.8% on a normalised 52 week basis²) to \$58.5 billion. Momentum continues to increase for Australian Food and Liquor, with comparable sales growth for the second half of the financial year higher than the first half and prior year.

Gross margin as a percentage of sales for continuing operations increased 54 bps on the prior year reflecting better buying, increased direct global sourcing, reduced shrinkage, positive changes in sales mix and efficiency improvements from new DCs. Gross margins were also impacted by the Victorian gaming regulatory changes which became effective in August 2012. These changes increase the share of gaming revenue retained by our Hotels business, which attracts a higher margin than food and bar sales.

Throughout the year, we have continued to reinvest in lower prices, delivering greater value to customers as evidenced by continued price deflation in Australian Food and Liquor and BIG W as well as low inflation in New Zealand Supermarkets.

Cost of Doing Business (CODB) as a percentage of sales for our Australian Food and Liquor business decreased on the prior year. This is a strong result given higher utility costs and costs associated with a large number of new stores yet to reach mature trading levels.

CODB as a percentage of sales for continuing operations before significant items¹ increased 6 bps after excluding our new Masters business, Hotels where FY13 was impacted by acquisition costs (primarily associated with the Laundry transaction) and the Victorian gaming regulatory changes and additional net rental costs following the sale of properties to the SCA Property Group. This result was achieved despite higher utility costs, a large number of new immature stores and costs associated with the operation of the new DC at Hoxton Park.

CODB as a percentage of sales for continuing operations before significant items¹ increased 41 bps on the prior year to 20.70%.

Costs have been well controlled in dollar terms, with areas of price deflation limiting the ability to fractionalise costs.

EBIT from continuing operations before significant items¹ increased 9.2% on the previous year (7.2% on a normalised 52 week basis²) driven by strong results in our Australian Food and Liquor and Hotels businesses. The EBIT margin for continuing operations before significant items¹ increased 13 bps.

MANAGING DIRECTOR'S REPORT continued

BUSINESS PERFORMANCE continued

Interest expense excluding one-off costs associated with the US 144A bond redemption was broadly in line with the prior year.

Income tax expense was higher than the prior year as a result of larger non-deductible expenses including amortisation of the ALH gaming entitlements resulting from the recent changes to the Victorian gaming regulations and business acquisition costs relating to the Laundry transaction.

NPAT from continuing operations before significant items¹ increased 8.0% on the previous year (6.1% on a normalised 52 week basis²) to \$2,353.9 million, with corresponding EPS up 6.7% (4.8% on a normalised 52 weeks basis²) to 190.2 cents. Total Group NPAT was up 24.4% on the previous year.

Closing inventory days for continuing operations increased 3.4 days on the previous year to 36.5 days. This increase is largely a result of inventory in our growing Home Improvement business as well as incremental inventory as a result of increased direct global sourcing. Excluding Home Improvement and incremental global sourced inventory, closing inventory increased 1.1 days on the previous year. This increase is in line with expectations, given the number of new stores opened in FY13, a focus on in-store stock availability in Supermarkets, increasing sales of own and exclusive brands in Liquor and increased utilisation of our own liquor production facilities.

Excluding the impact of Home Improvement and incremental global sourced inventory, average inventory days declined by 0.2 days, reflecting strong inventory control throughout the year.

Free cash flow generated by the business after the payment of dividends was \$525.1 million (FY12: net outflow of \$206.8 million) or \$945.1 million after excluding the impact of the difference in the timing of the reporting date relative to the prior year and the effect of this on creditor payments. The positive free cash flow generated excluding proceeds from the sale of properties to the SCA Property Group and after adjusting for the timing of creditor payments was \$142.3 million and demonstrates our ability to generate strong cash flows from our operations.

The **cash realisation ratio**⁴ was 84% or 97% after excluding the difference in the timing of the reporting date relative to the prior year and the impact of this on creditor payments, compared to 94% in the prior year. This is a strong result despite the build in inventory, including inventory in our Home Improvement business.

We have maintained our financial strength and flexibility as reflected by the maintenance of our strong investment grade credit ratings by Standard & Poor's (A- since 2001) and Moody's (A3 since 2005)⁵. Our **fixed charges cover ratio**⁶ before significant items¹ of 3.0 times remains strong (FY12: 2.9 times). We continue to seek to optimise our returns on capital over time.

We are focused on enhancing long term **shareholder value** by disciplined investment of capital in core and growth opportunities such as our new store pipeline, our multi-option offer, our Home Improvement business and bolt on acquisitions, such as the Laundry transaction and EziBuy, as well as optimising existing operations.

MANAGING DIRECTOR'S REPORT continued

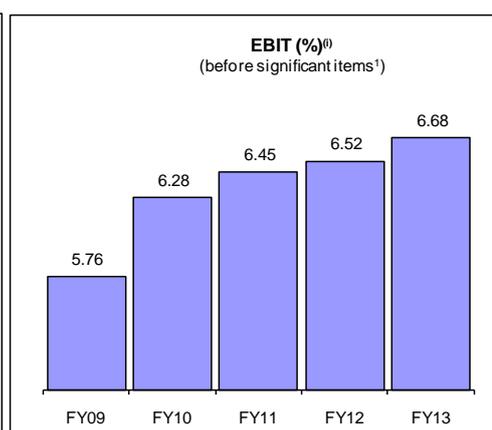
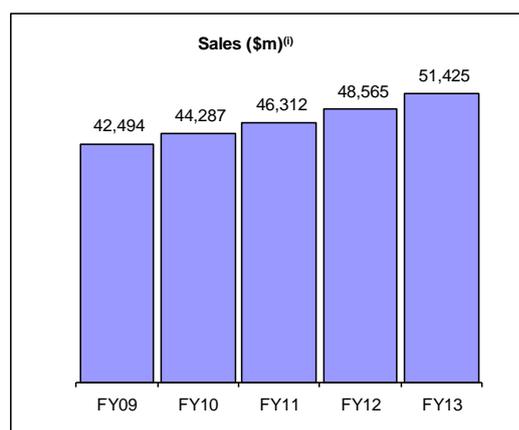
FOOD, LIQUOR AND PETROL

Key highlights for the year

- **Australian Supermarkets** Lower costs have allowed us to reduce prices driving higher volumes resulting in sustainable profit growth. We served an additional 0.7 million customers per week during the year, an increase of approximately 4.2% on the previous financial year. 34 (net 25) Australian Supermarkets were opened during the year. We are extending our leadership in Fresh
- **Liquor** Continued increase in sales growth across all brands. All Woolworths Supermarket Liquor sites re-branded to BWS. Dan Murphy's continues to deliver strong growth. Multi-option continues to perform strongly, producing double digit sales growth with Dan Murphy's recently awarded Online Retailer of the Year at the ORIA's
- **New Zealand Supermarkets** Increased market share, customer numbers and items sold drove the increase in sales and EBIT, despite challenging retail trading conditions

Australian Food, Liquor and Petrol

	FY13 (53 weeks)	FY12 (52 weeks)	Change	Change Normalised ²
Sales – Food and Liquor (\$ million)	40,031	37,549	6.6%	4.7%
Sales – Petrol (\$ million)	6,794	6,714	1.2%	(0.8)%
Sales – Total (\$ million)	46,825	44,263	5.8%	3.9%
Gross Margin (%)	25.10	24.80	30 bps	
Cost of Doing Business (%)	18.27	18.15	12 bps	
EBIT to Sales (%)	6.83	6.65	18 bps	
EBIT (\$ million)	3,199.3	2,944.3	8.7%	6.7%
Funds Employed (\$ million)	4,326.4	4,019.3	7.6%	
Return on Average Funds Employed (%)	76.7	73.7	294 bps	



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

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

Key highlights for the year - Australian Food and Liquor (excluding Petrol)

Australian Food and Liquor sales for the year were \$40.0 billion, an increase of \$2.5 billion or 6.6% on the previous year (4.7% on a normalised 52 week basis²).

Comparable store sales in Australian Food and Liquor increased 2.7% for the year². Momentum has been building throughout the year with comparable sales growth for the second half of the financial year of 3.0%², which compares to a 2.4% increase in the first half and a 1.1% increase in the previous year.

During the year, the Australian Food and Liquor business continued to increase market share, customer numbers and basket size with strong volume growth a key highlight.

Average prices experienced deflation of 2.9% for the year when the effects of promotions and volumes are included.

The standard shelf price movement index⁷ for the year was inflation of 1.0% (FY12: zero) with inflation levels being consistent across the first and second half of the year. Throughout the year, inflation has been low across most significant categories as we have continued to lower prices across a wide range of products for the benefit of our customers.

We continue to compete on value as evidenced by the continued decrease in our average prices. The launch of our 'More Savings Every Day' marketing campaign at the end of the fourth quarter has been well received by customers with hundreds of prices reduced on branded and own brand products.

We opened 34 Australian Supermarkets during the year, a net increase of 25 stores, bringing the total to 897. We also opened 16 Dan Murphy's (15 net) during the year, bringing the total to 175 and a net additional 14 BWS stores, bringing the total to 690.

Australian Food and Liquor EBIT of \$3,061.6 million increased 8.7% on the previous year (6.7% on a normalised 52 week basis²), with EBIT margin increasing 15 bps. It was pleasing to see EBIT growth in Australian Food and Liquor increase in both the first and second half of the financial year despite our investment in lower prices which accelerated during the second half. The result was underpinned by good cost control.

Gross margins continued to improve, reflecting better buying, increased freight efficiencies, more effective promotions and reduced shrinkage. Much of the benefit obtained from these initiatives has been reinvested into price for the benefit of our customers.

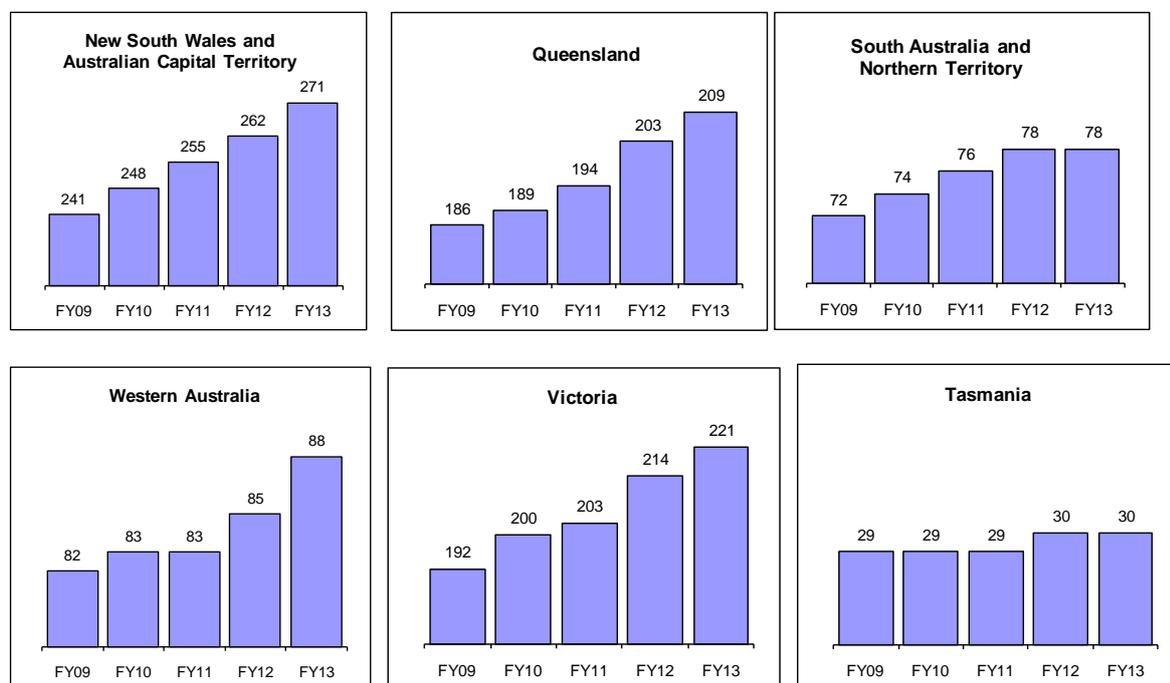
As a percentage of sales, Australian Food and Liquor CODB decreased on the prior year. This is a strong result given higher utility costs and costs associated with a large number of new stores yet to reach mature trading levels. The number of stores yet to reach mature trading levels is higher than previous years given the large number of store openings undertaken in the last two financial years.

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

Key highlights for the year - Australian Food and Liquor (excluding Petrol) continued

Store numbers



Key highlights for the year - Petrol

Petrol sales for the year, including Woolworths/Caltex alliance sites, were \$6.8 billion, an increase of 1.2% on the previous year (a decrease of 0.8% on a normalised 52 week basis²). This was impacted by lower average fuel sell prices for the year (FY13: 142.4 cpl, FY12: 142.9 cpl).

Petrol volumes increased 0.5% for the year (decreased 1.4% on a normalised 52 week basis²). Throughout the year, volumes have been impacted by a flat fuel market and the move towards more fuel efficient vehicles. Additionally, our focus on targeted fuel promotions and providing customers with leading offers within our Supermarkets reduced our reliance on fuel discounts, resulting in lower fuel volumes but providing positive benefits overall. The diesel conversion program continues to increase the range and availability of fuels across sites delivering solid growth and capturing changing market demand.

Comparable (dollar) sales decreased 2.3% and comparable volumes decreased 2.9% for the year².

Total merchandise (non-fuel) sales increased 8.3% for the year (6.4% on a normalised 52 week basis²). Comparable merchandise (non-fuel) sales increased 2.4% for the year². The solid performance in merchandise sales has been driven by improved ranging and promotional activity.

Petrol EBIT increased 8.3% on the previous year (6.2% on a normalised 52 week basis²) to \$137.7 million attributable to improved gross profit margins as consumers continue to shift towards premium unleaded and diesel fuels, buying benefits achieved with our supply partner Caltex as well as stronger merchandise sales. This was partially offset by higher CODB largely attributable to costs associated with the new petrol canopies opened during the year.

We opened 16 petrol canopies during the year and closed one Woolworths and one Woolworths/Caltex alliance site bringing the total to 613, including 131 Woolworths/Caltex alliance sites.

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

Australian Supermarkets – Progress against strategic objectives

1. First choice for fresh food

- ✓ As Australia's Fresh Food People, we are extending our leadership in Fresh with significant improvements to our offer, quality and freshness across the store, resulting in increased market share
- ✓ We achieved record levels of produce sales supported by a faster supply chain to deliver fresher food with a longer shelf life to our stores which has seen a reduction in Fresh days stock on hand during the year
- ✓ We introduced a number of new products including sweet Solanato tomatoes, sweet crunch lettuce and perfectly ripe stone fruit (peaches and nectarines) with a good customer response
- ✓ Our MSA beef continues to be a favourite with customers, with double digit volume growth over last year, leading to strong market share growth. We remain the only supermarket offering MSA certified lamb
- ✓ We opened 11 meat serveries in FY13 providing specialty fresh meat cuts and specialist advice. We plan to roll this out to 150 stores by FY16
- ✓ We also opened 91 new bakeries during the year and broadened our range in artisan style breads, patisserie and premium cakes. We now have bakeries in 78% of our Supermarkets with an ambition to have a fresh bakery in every store
- ✓ We are trialling a new premium deli counter concept and have added 38 speciality cheese counters with the potential to roll this out to 250 stores
- ✓ Our new hot food offer is currently available in over 350 stores with the potential for a roll out to 600 stores
- ✓ Ready to go roast beef, pork and lamb hot food offers are being trialled in 22 stores

2. Unbeatable value

- ✓ We reinforced our price leadership with the best value for customers across a comparable basket of goods
- ✓ 'More Savings Every Day' has cut prices on essential items customers buy most often with more than 1,000 products undergoing a long term reduction in price called 'Every Day Value'
- ✓ The launch of 'Extra Special' offers in June provides savings of up to 50% on more than 1,000 lines exclusively to our Everyday Rewards loyalty program customers
- ✓ We have reinvigorated our specials program targeted at families including buy one get one free, half price specials and 'Big Family Special'
- ✓ Customer tracking has shown improved price perception since the launch of 'More Savings Every Day'
- ✓ Our focus on value with price cuts across the store on everyday lines has seen average prices in deflation of 2.9% for the year

3. Customer insights transforming our business

- ✓ In April 2013, Woolworths acquired a 50% stake in Quantum, Australia's leading data-driven strategy business with world leading capability in retail data and big data analytics. The investment will help Woolworths and our suppliers leverage our Everyday Rewards data to deliver insights and better decisions across pricing, ranging and promotions
- ✓ Insights have enabled targeted campaigns by customer groups. Our 'Cash for Easter' campaign, for example, offered targeted stretch offers to customers based on Everyday Rewards insights
- ✓ The innovative 'Category Lab' is now fully embedded in our category review process aimed at enhancing the offer for customers
- ✓ We rolled out the 'Net Promoter Score' customer satisfaction program to stores which involves asking customers for feedback on their most recent shopping experience
- ✓ Everyday Rewards has reinforced its position as Australia's leading retail loyalty program with membership up by 11% to over 7 million members and card scan rates noticeably increasing following the introduction of 'Extra Special' offers

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

Australian Supermarkets – Progress against strategic objectives continued

4. Exciting new offers

- ✓ Over 90,000 'Caffitaly' coffee machines were sold in the second half, making ours among Australia's most popular, and helping us gain share in the overall coffee capsule market
- ✓ We launched a range of sandwiches and salads as part of a high quality 'food to go' offer
- ✓ In grocery, we expanded our range of gift cards and our kitchen and home office ranges and also introduced the sale of bus tickets in 60 New South Wales stores to provide customers with greater convenience
- ✓ In South Australia, we have piloted a program to increase the range of local produce and products
- ✓ Innovation continues across the network with 49 sushi counters (targeting 200), 19 fresh pizza bars (targeting 300) and freshly made barista coffee
- ✓ We launched our new premium Gold range and a new Australian sourced Select tinned fruit range. 76% of Homebrand, 59% of Select and 92% of Macro products are Australian sourced
- ✓ The Macro range continues to grow, satisfying our customers' desire for more choice in healthy eating with sales up more than 40% for the year

5. Multi-option

- ✓ We are evolving our offer to the channels that suit customers best. Our online sales grew more than 50% compared to the previous year, further strengthening our leading market position in the online food market
- ✓ We now have 135 stores offering Click & Collect, including three drive throughs
- ✓ Home delivery is now available to over 90% of Australian households
- ✓ During the year we updated our truck fleet, implemented intelligent route scheduling software and introduced multi-order picking which led to significant distribution efficiencies
- ✓ Our app was further enhanced during the year including adding the ability to compare local fuel prices, provide expert information on seasonal fresh food and an easier login for Everyday Rewards members
- ✓ We opened a further 34 Australian Supermarkets in FY13, employing an additional 2,000 people. Formats evolve with each store as we introduce a range of new innovations and categories

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

Liquor

Woolworths Liquor Group continued its clear leadership across all customer segments and channels. Group liquor sales (including ALH Group on premise liquor sales) for the year totalled \$7.2 billion, an increase of 8.9% on the previous year (7.0% on a normalised 52 week basis²) reflecting strong success in BWS, Dan Murphy's, Cellarmasters and online channels.

Progress against strategic objectives

1. Enhance our leading multi-option offer

- ✓ We opened 16 (15 net) Dan Murphy's and 38 (14 net) BWS stores during the year. Total liquor outlets were 1,355 at the end of the year
- ✓ During FY13, we implemented Click & Collect in all Dan Murphy's stores nationwide – a first for a major Australian national retailer. The fusion of Dan Murphy's online and the physical stores through Click & Collect is proving popular with customers
- ✓ danmurphys.com.au delivered strong growth over the year and continues to lead the very competitive online liquor market
- ✓ Dan Murphy's was recently awarded Online Retailer of the Year at the ORIA's reflecting the success of our mobile site, gifting solutions and Click & Collect
- ✓ Strong double digit sales growth was also delivered by our other 'direct to consumer' businesses Cellarmasters, Langton's and winemarket.com.au

2. Improve our store formats

- ✓ We have completed the re-branding of all 475 Woolworths Supermarket Liquor sites to BWS, making BWS the single largest chain of liquor stores in Australia with a network of 1,180 stores
- ✓ The rebranding involved refreshed BWS signage, aligned promotional programs, layout improvements and investment in staff training and service - the results are achieving good customer recognition and acceptance

3. Grow own and exclusive brand share

- ✓ We formally launched Pinnacle Liquor in August 2012 which aligns production, marketing and product development teams for our own and exclusive brands under an integrated management structure
- ✓ We saw continued growth in our own and exclusive brands, including our exclusive imported wine range. Major launches during FY13 include the Sail & Anchor Craft Beer range (produced by Gage Roads) and Riddoch of Coonawarra
- ✓ For the fifth year in a row, our Dorrien Estate winemaking facility has achieved an outstanding overall 5 stars rating in the James Halliday Australian Wine Companion with the star-rating elevated from 'black' to 'red' this year to reflect a consistent record of excellence over many years

Funds Employed – Australian Food, Liquor and Petrol

Return on average funds employed (ROFE) for Australian Food, Liquor and Petrol for the year was 76.7%, up from 73.7% in the prior year. The increase reflects strong EBIT growth (8.7% or 6.7% on a normalised 52 week basis²) and the continued investment in the roll out of new supermarkets, liquor outlets and petrol canopies and higher inventory.

Australian Food, Liquor and Petrol closing inventory increased 2.0 days, which was in line with expectations. The increase is attributable to inventory in new stores opened during the financial year, a focus on in-store stock availability in Supermarkets, increasing sales of own and exclusive brands in Liquor and increased utilisation of our own liquor production facilities.

MANAGING DIRECTOR'S REPORT continued

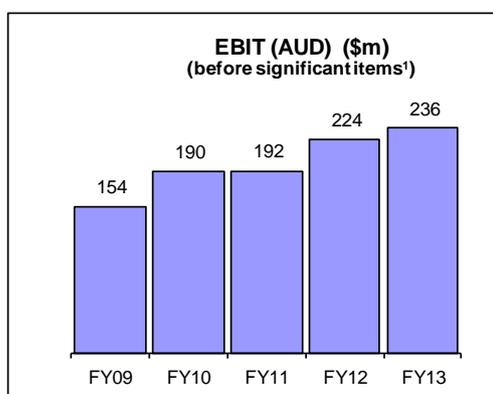
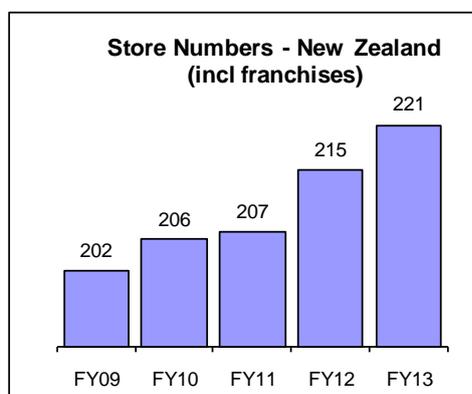
FOOD, LIQUOR AND PETROL continued

New Zealand Supermarkets

Key highlights for the year

- **Sustained growth** in market share, customer numbers and items sold
- **Double-digit sales growth** from our online business as customers continue to look for new ways to shop with New Zealand's leading online food retailer
- **New categories** showing strong potential with five pilot pharmacies operating in Countdown stores at year end
- **Pleasing profit growth** despite challenging retail trading conditions and low inflation

\$NZD	FY13 (53 weeks)	FY12 (52 weeks)	Change	Change Normalised ²
Before Significant Items¹				
Sales (\$ million)	5,749	5,522	4.1%	2.3%
Gross Margin (%)	23.30	23.27	3 bps	
Cost of Doing Business (%) ⁸	17.96	17.97	(1) bp	
EBIT to Sales (%) ⁸	5.34	5.30	4 bps	
Trading EBIT (\$ million)⁸	307.0	292.5	5.0%	3.1%
Less Intercompany Charges (\$ million) ⁸	(4.3)	(5.1)	(15.7)%	
Reported EBIT (\$ million)	302.7	287.4	5.3%	3.5%
Funds Employed (\$ million)	3,221.4	3,222.8	-	
Return on Average Funds Employed (%)	9.4	8.9	45 bps	



New Zealand Supermarkets' sales for the year were NZ\$5.7 billion, an increase of 4.1%⁹ on the previous year (6.9% increase in AUD) or 2.3%⁹ on a normalised 52 week basis² (5.0%² in AUD). Comparable sales for the year were flat^{2,9}.

Lower prices for milk, butter and cheese which were passed onto our customers, as well as an increased frequency of customer promotions across a number of trading departments have resulted in a low level of inflation. The Countdown Supermarkets food price index showed retail price inflation of just 0.2% for the year (FY12: 1.1%).

We opened eight and closed three Countdown Supermarkets during the year, bringing the total to 166. We also opened three and closed two franchise stores bringing the total to 55 franchise stores at the end of the year.

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

New Zealand Supermarkets continued

Key highlights for the year continued

Trading EBIT before significant items¹ increased 5.0%^{8,9} (3.1%^{8,9} on a normalised 52 week basis²), with EBIT margin before significant items¹ up 4 bps^{8,9} on the previous year. The result in the second half of the year has been impacted by NZ\$7.7 million of additional rental expense (net of depreciation) following the divestment of the SCA Property Group. Excluding this, trading EBIT before significant items¹ increased 7.6%^{8,9} (5.7%^{8,9} on a normalised 52 week basis²). This is a solid result given the New Zealand retail environment has been characterised by low growth and low inflation with retail trading conditions becoming increasingly challenging during the year.

The increase in gross margin of 3 bps⁹ on the previous year is attributable to a variety of initiatives including partnering with suppliers, reductions in shrinkage and waste in stores and reduced direct to store deliveries. We have continued to be competitive in the market with a number of cost savings passed on to customers through lower shelf prices.

CODB as a percentage of sales before significant items¹ decreased 1 bp^{8,9} on the prior year despite the additional costs incurred as a result of the creation of the SCA Property Group. Excluding these costs, CODB as a percentage of sales before significant items¹ decreased 15 bps^{8,9}, reflecting continued cost savings and efficiencies gained in support offices and DCs.

Return on average funds employed (ROFE) increased 45 bps⁹ reflecting the 5.3%⁹ increase in reported EBIT (3.5%⁹ increase on a normalised 52 week basis²) and a consistent level of funds employed, representing the sale of 13 New Zealand properties to the SCA Property Group during the period offset by continued investment in new stores and refurbishments and higher inventory as a result of new stores opened during the year. ROFE in FY13 was negatively impacted by the timing of the reporting date relative to the prior year and the impact of this on creditor payments.

MANAGING DIRECTOR'S REPORT continued

FOOD, LIQUOR AND PETROL continued

New Zealand Supermarkets continued

Progress against strategic objectives

1. Grow Countdown network

- ✓ During FY13 there were eight new stores opened, and three closed. The network now stands at 166 stores
- ✓ The Wellington region, which has been under represented in the past, opened three new stores during the year, which have been positively received by our customers
- ✓ Five new and replacement stores are currently under construction including Countdown Ferrymead, which is the last remaining store to be rebuilt following the February 2011 Christchurch earthquake
- ✓ 80% of all stores have now been converted to the latest Countdown format, providing an enhanced shopping experience for our customers
- ✓ Five refurbishments to the latest format were completed during the year

2. Customer value and innovative offers

- ✓ Focus continues on new and more effective promotions with 'Door Blaster Deals', for example, and themed promotions with trade partners such as 'Win a house with Unilever'
- ✓ Five pilot pharmacies are now operating in Countdown stores with an early and very favourable customer reaction
- ✓ Rollout of the new 'Bulk Foods' (variable quantity dry goods) offer to 10 stores has received a great response from customers

3. Multi-option

- ✓ As New Zealand's leading online food retailer, we grew online sales 32%⁹ on the previous year (29% on a normalised 52 week basis^{2,9}) with 12 new fulfilment centres opened
- ✓ Click & Collect is being rolled out progressively – now offered at 43 stores
- ✓ Pharmacy only lines are now available online through three stores with an in-store pharmacy
- ✓ We now have 1.8 million Onecard members

4. Supply chain

- ✓ Reconfigured National and Regional DC operations continue to improve supply chain service and efficiency across the network reducing the cost to serve
- ✓ As a result of the reconfigured network, supply chain costs decreased by 7%⁹ in FY13

5. Grow franchise network

- ✓ We have developed our franchise network strategy plan with a focus on rural New Zealand and in-fill opportunities
- ✓ Our franchisees are investing in their stores recognising the momentum in the business. 20% of the franchise network is now trading in the new format
- ✓ Two new format FreshChoice and one SuperValue franchise store opened during the year taking our franchise store network to 55. A further two new stores are under construction for FY14
- ✓ Improving the customer experience continued during the year with five stores refurbished or extended

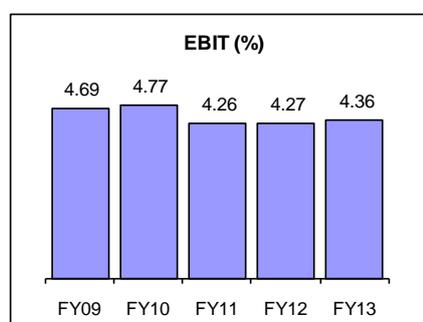
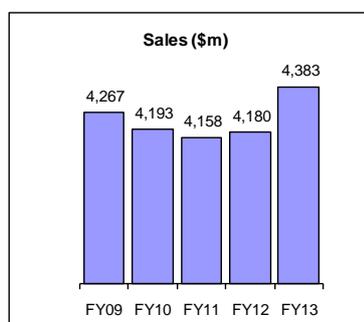
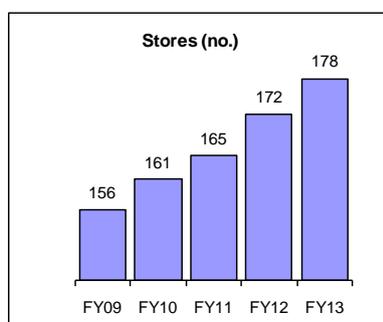
MANAGING DIRECTOR'S REPORT continued

BIG W

Key highlights for the year

- **Pleasing sales growth** for the year with Home, Leisure, Toys & Sporting and Apparel categories the highlights, leading to increased market share in the discount department store sector driven by increased items sold (+9%) and customer numbers
- **Increase in profitability** reflecting the successful execution of our strategic initiatives and relevance of our merchandise offer
- **Gross margin improvement** delivered through better buying, freight savings, less markdowns, strong control of promotional activity and positive changes in sales mix
- **Launch of new brand campaign** 'Everyone's a Winner with Australia's Lowest Prices – Cha-Ching!', and the introduction of BIG W's brand ambassador, Eric Stonestreet, have resonated well with customers, reconfirming our strong value proposition
- **Integration of BIG W online channels** with the store network to provide customers with options in how they research and shop

	FY13 (53 weeks)	FY12 (52 weeks)	Change	Change Normalised ²
Sales (\$ million)	4,383	4,180	4.9%	2.0%
Gross Margin (%)	32.74	31.72	102 bps	
Cost of Doing Business (%)	28.38	27.45	93 bps	
EBIT to Sales (%)	4.36	4.27	9 bps	
EBIT (\$ million)	191.3	178.4	7.2%	5.5%
Funds Employed (\$ million)	992.8	897.4	10.6%	
Return on Average Funds Employed (%)	20.2	20.8	(51) bps	



BIG W sales for the year were \$4.4 billion, an increase of 4.9% on the previous year (2.0% on a normalised 52 week basis²).

Strong comparable sales growth in the first half was offset by a weaker second half impacted by unseasonable warm weather which softened sales of winter apparel relative to expectations, ongoing price deflation (FY13: 4.2%) and strong sales growth in May and June last year supported by government stimulus programs.

MANAGING DIRECTOR'S REPORT continued

BIG W continued

Key highlights for the year continued

The Home Entertainment category was impacted not only by prior year stimulus programs but also by 11.8% deflation for the year. Excluding Home Entertainment sales, comparable sales growth for the year was positive, driven by strong sales in the Home, Leisure, Toys & Sporting and Apparel categories.

Customer numbers and items sold increased both for the second half as well as for the full year, reflecting our strong brand proposition, offering the lowest prices on the widest range of quality and branded merchandise every day.

We opened six new stores during the year (including two which opened in the last two weeks of the year), bringing the total to 178.

EBIT of \$191.3 million increased 7.2% on the previous year (5.5% on a normalised 52 week basis²), with the EBIT margin improving 9 bps reflecting the successful execution of our strategic initiatives and the relevance of our merchandise offer.

The 102 bps increase in gross margin reflects better buying (including increased direct global sourcing), freight savings from the operation of the new Hoxton Park DC, less markdowns, strategic decisions around the use of promotional activity and a positive shift in sales mix.

CODB as a percentage of sales increased 93 bps on the prior year, reflecting the costs of operating six additional stores compared to the same time last year and costs associated with the operation of the new DC at Hoxton Park. Excluding these costs, COB dollars were in line with the prior year on a normalised 52 week basis².

The increase in funds employed of 10.6% reflects the impact of the difference in the timing of the reporting date relative to the prior year and the impact of this on creditor payments. Excluding this, funds employed increased by 4.7%, reflecting continued investment in the BIG W business including six new stores and two refurbishments since the prior year as well as higher inventory which was impacted by direct global sourcing and new store openings.

Excluding the impact of increased direct global sourcing and new stores, average inventory increased 0.6 days. We have been successful in clearing winter stock during the start of the 2014 financial year.

Progress against strategic objectives

The strategic focus areas for the business are as follows:

1. Win on value everyday

- ✓ Good progress with our new brand campaign launched in July 2012 – 'Everyone's a Winner with Australia's Lowest Prices – Cha-Ching!', and the use of our Brand Ambassador, Eric Stonestreet, which has excellent customer recall and an opportunity to build further momentum
- ✓ 'Brands at the lowest prices' continues to resonate with our customers. We have worked closely with our brand partners to deliver newness and innovation at the lowest prices
- ✓ Strong growth in units sold and customers in FY13. Examples include:
 - Our high volume value apparel program is up 43% in unit sales for the full year
 - Our Smart Value brand has continued to grow, experiencing 110% unit growth over the full year

MANAGING DIRECTOR'S REPORT continued

BIG W continued

Progress against strategic objectives continued

2. Growing our store footprint whilst realising our multi-option ambition

- ✓ The vision is for BIG W to be Australasia's leading multi-option discretionary retailer and we are focused on integrating our digital channels with our store network to provide options for our customers in how they shop
- ✓ The BIG W transactional app has been downloaded more than 500,000 times and is used monthly by more than 80,000 customers. Over 13% of our online sales now come from mobile devices
- ✓ We have continued our focus on delivering a profitable range online. In January, we introduced apparel online with our Back to School range and in May we added Industrial Wear. We now have more than 30,000 SKUs online and have further expanded our apparel and footwear online range in August, including the addition of items from our Morrissey, Mambo, Emerson and Avella ranges
- ✓ We opened six new stores in FY13 and plan to open a further four in FY14
- ✓ Click & Collect was implemented in ten Sydney stores during August 2013

3. Differentiate our offer through merchandising and range innovation

- ✓ We have 10 stores in our latest format, all of which reflect improved adjacencies, merchandising and space allocations. This includes changes to Womenswear, Menswear and Footwear, flexible fixturing and space, improved sight lines and directional signage and a reduced cost to build
- ✓ We introduced Peter Morrissey home and apparel ranges, Michelle Bridges and Guy Leech activewear ranges, Samsung tablets and phones, coffee machines and pods
- ✓ Our own Emerson brand (women's apparel) is now the number one brand in our business with sales outperforming expectations

4. Transforming our business for the future

- ✓ We have identified a number of opportunities to refine and align our offer with our core customers' needs, whilst delivering improved financial outcomes
- ✓ A strategic repositioning of BIG W is now underway which will see an increased focus on categories of high customer importance and a move away from lower returning categories. We are focused on maintaining profitable growth despite changes to the sales mix possibly resulting in lower sales growth during transition
- ✓ We continue to focus on driving gross margin improvement through expanding our direct global sourcing capability and working with our suppliers to deliver the lowest prices
- ✓ We commenced a review to identify and implement more productive and cost effective processes and systems. We have made further investments in implementing a new allocations system in April this year, and a new merchandise system, due for completion in the 2014 financial year

Combined, all of these initiatives will enable BIG W to continue to deliver sustainable profit growth in the future.

MANAGING DIRECTOR'S REPORT continued

HOTELS

Key highlights for the year

- **Good momentum** Sales and EBIT growth in a challenging trading environment with Victorian gaming regulatory changes presenting clear benefits but also some interim challenges
- **Growth through acquisition** Acquired 34 hotels and 16 retail liquor outlets (inclusive of one Dan Murphy's). 29 of these hotels and 10 retail liquor outlets were acquired as part of the Laundry transaction, which included one retail outlet re-branded as Dan Murphy's
- **Commitment to responsible gaming** As part of our commitment to implementing gaming pre-commitment technology, we have initiated a project to replace our back of house gaming systems. Trials in four sites have been completed with a plan to roll out remaining sites ahead of any planned state legislation

	FY13 (53 weeks)	FY12 (52 weeks)	Change	Change Normalised²
Sales (\$ million)	1,469	1,204	22.0%	19.7%
Gross Margin (%)	82.55	81.26	129 bps	
Cost of Doing Business (%)	64.60	65.01	(41) bps	
EBIT to Sales (%)	17.95	16.25	170 bps	
EBIT (\$ million)	263.7	195.7	34.7%	32.2%

Hotel sales for the year were \$1.5 billion, an increase of 22.0% on the previous year or 19.7% on a normalised 52 week basis². Comparable sales for the year increased 10.5%².

Growth was driven by hotel acquisitions during the first half of the financial year and the Victorian gaming regulatory changes, which came into effect in August 2012.

There have been a number of regulatory changes in Victoria. From 1 July 2012, ATMs were no longer permitted in venues operating electronic gaming machines (EGMs). The removal of ATMs has had a negative effect, not only on gaming turnover, but also on bar and food revenue. This impact was expected.

From 16 August 2012, new arrangements came into effect in Victoria, which allow venue operators to own and operate EGMs in their own right. Under the new arrangements, venues acquired machines and licence entitlements to operate machines and pay monitoring fees and other costs associated with operating them. In return the venues receive a greater share of revenue derived from these machines. Additionally, a restriction was placed on the total number of hotel EGMs that may be held by any one operator. This restriction resulted in ALH being required to reduce the number of EGMs from its existing network.

Leading into the commencement of the new arrangements, ALH removed more than 1,000 EGMs in order to rebalance the network to meet this requirement. The net positive contribution resulting from these changes is in line with expectations.

Our Hotel business continues to be resilient. The diversified and geographic spread of ALH income streams has assisted during the year to counter dampened bar sales experienced across most states. Our food offer remains a focus and continues to produce good results.

MANAGING DIRECTOR'S REPORT continued

HOTELS continued

Key highlights for the year continued

The Hotel business is a key enabler of Dan Murphy's and BWS, with 68 Dan Murphy's stores on hotel sites and 458 BWS stores affiliated with hotels.

We have a commitment to be Australia's most responsible hotel and gaming operator – going above and beyond what is required by legislation. Our plan is for all EGMs to have voluntary pre-commitment limits installed ahead of any planned state legislation with four trial sites already in place.

Additionally, our Hotel and Gaming Charter is subject to rigorous internal and external audits, all management and key hotel staff are given comprehensive ongoing training and we have well established partnerships with expert groups including Gambler's Help and the Salvation Army.

During the year, 29 hotels and 10 retail outlets (including one re-branded as Dan Murphy's) were acquired as part of the Laundry transaction. We also acquired a further five hotels with seven associated retail liquor outlets, re-opened one new hotel following a re-build and closed three venues. This takes the total number of venues to 326 (a net increase of 32 hotels for the year).

EBIT of \$263.7 million increased 34.7% on the previous year (32.2% on a normalised 52 week basis²). This growth was driven by incremental EBIT as a result of the Victorian gaming regulatory changes as well as sales growth and good cost control in the existing business. FY13 EBIT includes \$14.2 million of acquisition costs (largely stamp duty), mainly related to the Laundry transaction, which are required to be expensed through the profit and loss.

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MANAGING DIRECTOR'S REPORT continued

HOME IMPROVEMENT

Key highlights for the year

- **Delivering on our commitment to bring competition to the Australian Home Improvement market** with 31 Masters stores trading at the end of the financial year, up from 15 in the prior year driving a significant increase in sales
- **Pleasing customer response** to Masters' differentiated offering and pricing strategy
- **Growing network of HoME Timber & Hardware stores** with 15 stores added during the financial year (including those re-branded from Thrifty Link) bringing the total to 267, the largest representation ever
- **Successful promotional campaigns building national exposure** Masters' major sponsorship of Seven's 'House Rules' program has provided national exposure for the brand

(\$ million)	FY13 (53 weeks)	FY12 (52 weeks)	Change	Change Normalised ²
Sales – Masters	529	146	262%	
Sales – Danks	710	682	4.1%	
Sales – Total	1,239	828	49.6%	46.7%
EBIT – Masters	(156.6)	(117.4)	33.4%	
EBIT – Danks	17.7	20.7	(14.5)%	
EBIT – Total	(138.9)	(96.7)	43.6%	40.8%

Home Improvement sales for the year were \$1.2 billion, an increase of 49.6% on the previous year (46.7% on a normalised 52 week basis²). Masters sales were up 262% on the previous year to \$529 million and Danks sales were up 4.1% to \$710 million on a 53 week basis.

Masters opened 16 stores across the country in FY13, giving us 31 stores trading at the end of the financial year. Store roll outs are critical to our success and have been delivered on schedule with a further 18 stores planned for FY14. The 15 Masters stores opened for more than 12 months were in line with the business case sales target.

The customer response to our differentiated product range, great service and online convenience as well as our pricing strategy gives us confidence that we are building a sustainable future for Masters which will become a long term profit contributor for the Group. We will continue to build on the solid base we have established, refining our offer as required and working closely with our partner Lowe's who is providing us with invaluable support.

Our range across all departments from hardware to gardening to décor to kitchen and flooring installations has resonated well with customers. We also continue to offer superior service in-store with our 'Blue Buttons' that bring a service associate to the customer within 60 seconds, and online with our 'Chat Now' service. The recent Masters' sponsorship of Seven's 'House Rules' program has provided national exposure for our brand and returned positive results along with the affiliated 'Masters Price Rules' marketing campaign.

MANAGING DIRECTOR'S REPORT continued

HOME IMPROVEMENT continued

Key highlights for the year continued

Masters was the first Home Improvement chain to launch online and mobile shopping, enabling our customers to conveniently buy Home Improvement items anytime, anywhere. This was recognised with Masters recently being awarded the ORIA for 'Best New Online Retailer' 2013. Masters.com.au has more than 25,000 unique visitors a day with more than 40,000 app downloads to date and 30,000 products available online. Customers can also check availability of stock and have multiple convenient delivery options including Click & Collect in every store.

We are committed to securing 150 sites in 5 years. Currently there are 120 active sites with around 90 stores planned to open by FY16.

Danks' high reliance on the trade and building sectors and the softness of these segments has impacted our performance with sales for the 2013 financial year below budgeted levels.

Despite this challenging environment, HoME Timber & Hardware continues to attract new stores. Growth has been driven by:

- ✓ An improved business value proposition providing additional value to stores through both improved product pricing and services
- ✓ The 'Go Where the Tradies Go' brand campaign exhibiting significantly enhanced effectiveness amongst our target customers
- ✓ The acquisition of Hardings Hardware, adding six stores to the company store network in Victoria, Queensland and South Australia (the latter two states where company stores were not previously represented). There are now 26 company stores in total

Home Improvement losses before interest and tax of \$138.9 million were more than initially anticipated mainly due to optimistic sales budgets for Masters and Danks, relatively higher wage costs for new store openings, and lower gross margins due to the Masters' sales mix and the highly competitive trade segment in which Danks operates. Masters' losses per store have declined compared to the prior financial year as fixed overheads are absorbed over a larger number of stores.

Based on our planned store rollout profile and current forecasts (targeting approximately 90 stores opened by the end of FY16), we expect Masters to break even during FY16. This forecast assumes moderate growth in sales per store for a start up business, improvements in gross margin as the sales mix stabilises, efficiencies in store and increased fractionalisation of costs in the distribution and support network as sales levels increase. Given the greenfields nature of the Masters business, short term results will continue to vary. However, we expect the losses for FY14 not to exceed this year's level.

MANAGING DIRECTOR'S REPORT continued

DISCONTINUED OPERATIONS - CONSUMER ELECTRONICS AUSTRALIA, NEW ZEALAND AND INDIA

The sale of the Consumer Electronics business in India to Infiniti Retail Limited was completed on 15 October 2012 and the sale of the Dick Smith Electronics business to Anchorage Capital Partners (Anchorage) was completed on 26 November 2012.

During the second half of the financial year, Woolworths agreed to release Anchorage from its obligation to provide agreed benefits to Woolworths from any upside resulting from a future sale of Dick Smith by Anchorage. In return, Woolworths will receive payments totalling \$74 million (\$50 million received in FY13 and a further \$24 million receivable in 12 equal monthly instalments commencing in July 2013). The additional \$74 million has been recorded as income in the 2013 financial year, within our results from discontinued operations.

The total net gain on disposal on the Consumer Electronics businesses (including the additional \$74 million proceeds from the sale of Dick Smith Electronics), is \$9.9 million before tax (\$7.9 million after tax¹⁰). This has been recorded in FY13. Lease commitments to the value of approximately \$300 million (unexpired lease term) were transferred with the sale of the Dick Smith business.

The trading results from the Consumer Electronics businesses have been disclosed as a discontinued operation up until the dates of sale.

	FY13 (53 weeks)	FY12 (52 weeks)	Change
Sales (\$ million)	642	1,923	n.c³
EBIT before significant items¹ (\$ million)	2.5	30.3	n.c³
Less: Net Gain on Disposal/ Restructure Provision (\$ million)	9.9	(420.0)	n.c ³
EBIT after significant items¹ (\$ million)	12.4	(389.7)	n.c³

Consumer Electronics sales for the year were \$436 million in Australia and NZ\$115 million in New Zealand for the period the Dick Smith business was under the ownership of Woolworths.

Consumer Electronics India sales for the year were \$116 million during the period this business was under the ownership of Woolworths.

MANAGING DIRECTOR'S REPORT continued

OVERHEADS, EXPENSES AND BALANCE SHEET

Central Overheads

Central overheads have decreased 1.4% to \$98.4 million for the year. The decrease reflects gains on the sale of several properties across the Group (particularly, in our Hotels business) offset by additional (net) costs in our property division following the sale of properties to the SCA Property Group (reduction in rental income net of savings in depreciation and outgoings expenses).

Corporate costs were well controlled throughout the year.

Balance Sheet and Cash Flow

Our balance sheet and cash flow remain strong.

Balance Sheet

Key balance sheet movements for the continuing operations¹¹ of the Group relative to the prior year are explained as follows:

- Inventory increased 13.7% on the previous year, driven by an increase in Masters inventory with the roll out of new stores, increased direct global sourcing, new stores opened during FY13, a focus on in-store stock availability in Supermarkets, increasing sales of own and exclusive brands in Liquor and increased utilisation of our own liquor production facilities. Excluding Home Improvement, incremental direct global sourcing and the Pinnacle Liquor Group, inventory increased 6.1% on the previous year
- Net investment in inventory was impacted by the difference in the timing of the reporting date relative to the prior year and the impact of this on creditor payments (\$420 million)
- Receivables increased 10.2% reflecting growth in Danks resulting from the acquisition of Hardings Hardware and receivables from property divestments and the sale of Dick Smith
- Fixed assets and investments decreased by \$281.7 million to \$9,564.8 million, reflecting the sale of property offset by ongoing capital expenditure and property development (net of depreciation)
- Intangible assets increased \$502.3 million to \$5,784.3 million primarily reflecting intangibles related to the acquisition of hotels as part of the Laundry transaction and the acquisition of Hardings Hardware as well as the purchase of gaming entitlements as a result of the changes to the Victorian gaming regulations which came into effect in August 2012
- Other financial liabilities increased \$317.5 million to \$751.4 million primarily reflecting the ALH gaming entitlement liability of \$109.0 million resulting from the FY13 changes to the Victorian gaming regulations and an increase in the value of the Lowe's put option in our Home Improvement business to \$631.2 million
- Net repayable debt (which includes cash, borrowings, hedge assets and liabilities) has decreased \$569.2 million to \$3,746.9 million primarily reflecting a reduction in borrowings as a result of the US 144A bond redemption
- Shareholders' equity for the Group increased \$840.2 million to \$9,028.4 million. This is net of a \$0.5 billion reduction reflecting the in-specie distribution to shareholders on creation of the SCA Property Group
- Return on average funds employed before significant items¹ increased 24 bps to 28.0%¹² or 69 bps excluding the impact of the difference in the timing of the reporting date relative to the prior year and the impact of this on creditor payments.

MANAGING DIRECTOR'S REPORT continued

OVERHEADS, EXPENSES AND BALANCE SHEET continued

Cash Flow

Free cash flow generated by the business after the payment of dividends was \$525.1 million (FY12: net outflow of \$206.8 million) or \$945.1 million after excluding the impact of the difference in the timing of the reporting date relative to the prior year and the effect of this on creditor payments. The positive free cash flow generated excluding proceeds from the sale of properties to the SCA Property Group and after adjusting for the timing of creditor payments was \$142.3 million and demonstrates our ability to generate strong cash flows from our operations.

Cash from operating activities before interest and tax decreased 0.8%, however increased 9.3% after excluding the impact of the difference in the timing of the reporting date relative to the prior year and the effect of this on creditor payments. Net interest paid of \$454.5 million was consistent with the prior year after excluding the additional costs associated with the US 144A bond redemption of \$82.3 million. Tax payments increased to \$977.3 million in FY13 (FY12: \$941.4 million).

Cash used in investing activities decreased \$878.6 million to \$1,201.7 million. Cash proceeds of \$802.8 million were received on the sale of properties to the SCA Property Group. A further \$100.3 million was received on the sale of other property across the Group and \$105.8 million was received from the sale of the Consumer Electronics businesses (with a further \$24 million to be received in FY14).

Payments for the purchase of businesses and investments were \$263.4 million which largely represented the acquisition of Hotels as part of the Laundry transaction, the acquisition of the Hardings Hardware business and the acquisition of 50% of the Quantum Group.

Expenditure on property development of \$752.6 million was lower than the prior year (FY12: \$1,166.9 million) given a decrease in the level of development activity.

Expenditure on property, plant and equipment of \$1,136.0 million (FY12: \$968.7 million) was higher as a result of increased expenditure on store refurbishments.

Cash contributions from Lowe's in relation to our Home Improvement business were \$230.0 million (FY12: \$203.0 million).

The cash realisation ratio⁴ was 84% or 97% after excluding the difference in the timing of the reporting date relative to the prior year and the impact of this on creditor payments, compared to 94% in the prior year. This is a strong result despite the build in inventory, including inventory in our Home Improvement business.

We have maintained our financial strength and flexibility as reflected by the maintenance of our strong investment grade credit ratings by Standard & Poor's (A- since 2001) and Moody's (A3 since 2005)⁵. Our fixed charges cover ratio⁶ before significant items¹ of 3.0 times remains strong (FY12: 2.9 times). We continue to seek to optimise our returns on capital over time.

MANAGING DIRECTOR'S REPORT continued

CAPITAL MANAGEMENT⁵

Objectives

Woolworths manages its capital structure with the objective of enhancing long term 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 long standing strong investment grade credit ratings from Standard & Poor's and Moody's.

Capital management

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, more than \$14 billion has been returned to shareholders through dividends (including the final dividend for the 2013 financial year), on-market and off-market share buy backs and the in-specie distribution on the divestment of the SCA Property Group.

There was no share buy back activity in the 2013 financial year and none is anticipated in the 2014 financial year.

The payment of the April 2013 and October 2013 dividends, as well as the in-specie distribution associated with the SCA Property Group, will return \$2.2 billion (including the capital and dividend components of the in-specie distribution) and \$0.8 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately \$1.6 billion of franking credits available for future distribution.

Debt financing

Debt Financing Policy

Woolworths has a long term debt financing policy, which involves:

- A bias towards longer term debt to match longer term assets;
- Minimising re-financing risks by staggering debt maturities and using diversified sources of debt; and
- Fully hedging interest rate and foreign currency exposure to provide certainty around funding costs (with the exception of working capital funding).

The Board considers the benefits of certainty in liquidity and funding costs to outweigh potential benefits of increased exposure to financial markets. This may result in weighted average funding costs at any point in time being higher or lower than current spot funding rates.

This policy proved very successful during the recent global financial crisis.

US 144A bond redemption

In June 2013, Woolworths conducted a tender process whereby the company redeemed a total of US\$614.8 million of its outstanding US144A bonds prior to their original maturity dates, which range between November 2015 and April 2021.

The bond buy back was funded primarily with proceeds from the sale of properties to the SCA Property Group and proceeds from the sale of the Consumer Electronics businesses.

MANAGING DIRECTOR'S REPORT continued

CAPITAL MANAGEMENT⁵ continued

Debt financing (continued)

A one-off cost of \$82.3 million before tax (\$57.6 million after tax) was incurred, representing a premium paid on the bonds to redeem them early and termination of associated derivatives. This one-off cost will be more than offset by future net interest savings in both nominal and present value terms due to a reduction in the weighted average cost of Woolworths' remaining debt. Future gross interest expense savings attributable to the redeemed bonds total \$207 million, which would have been partially offset by interest income had the above mentioned proceeds been placed on deposit.

Upcoming maturities

There are no maturities of debt in the immediate term. At the end of FY13, Woolworths had \$3.5 billion in undrawn bank loan facilities.

Property sales program

Woolworths has a history of developing marketplace style retail centres through its property development arm. In recent times, Woolworths increased its involvement in the development of sites using its own balance sheet due to the significant decline in third party property development since the global financial crisis. This resulted in Woolworths' ownership of a larger (than historical) portfolio of retail centres which has allowed us to continue to invest in our new store pipeline.

Woolworths is generally not a long term holder of property assets and will continue its strategy of divesting property assets as appropriate market opportunities arise.

Creation of the SCA Property Group

During the year, we created a new ASX listed Real Estate Investment Trust, the SCA Property Group, through an in-specie distribution of stapled units in this entity to all Woolworths shareholders. The transaction involved the sale of 69 properties, independently valued at approximately \$1.4 billion, to the SCA Property Group and has reduced the quantum of property on the Woolworths balance sheet, releasing capital to enable a greater focus on growth in our core retail businesses.

As envisaged, a one-off loss of \$28.5 million after tax (\$32.8 million before tax) was incurred on the sale of assets to the SCA Property Group. As disclosed in the Woolworths Explanatory Memorandum dated 5 October 2012, this primarily represents provisions for rental guarantees provided by Woolworths in relation to specialty leasing risk.

As at 30 June 2013, 68 properties had been sold to the SCA Property Group, with one further New Zealand property to be sold in early FY14. Three properties remain under development and Woolworths will complete the construction of these assets for consideration agreed with the SCA Property Group.

Cash consideration of \$802.8 million was received by Woolworths, resulting from equity and debt raising in the SCA Property Group.

As a result of the transaction, shareholders' equity decreased by \$0.5 billion representing the in-specie distribution to shareholders which was comprised of an income component of \$0.2 billion and a capital component (including related transaction costs) of \$0.3 billion.

On a recurring basis, this transaction will add additional net costs representing additional rental expense and reduced specialty rental income offset by lower depreciation and outgoings expenses and lower net interest costs. As anticipated, this transaction is forecast to reduce reported EPS for FY14 by less than 1%.

MANAGING DIRECTOR'S REPORT continued

DEFINED PLANS TO CONTINUE SPACE ROLL-OUT

Space roll out is supported by detailed plans for the next 3 – 5 years identifying specific sites.

	Net Store Openings in FY13 (incl. acquisitions)	Long-Term Target (Net)
Australian Supermarkets	25	20 – 30 new Supermarkets per annum and 3%+ space growth (28 planned for FY14 with approximately 4% space growth)
New Zealand Supermarkets Countdown	5	3 – 5 new Supermarkets per annum (4 planned for FY14)
Franchise Stores	1	4 planned for FY14
Dan Murphy's	15	Plans to open 10 – 15 new stores per annum targeting more than 200 stores (13 planned for FY14)
BWS	14	Plans to open 6 – 10 stores (net) per annum (2 planned for FY14)
Petrol	14	Will grow supporting the Supermarket roll out strategy (17 planned for FY14)
BIG W	6	3 – 5 stores per annum (4 planned for FY14)
Hotels (ALH Group)	32	Acquire selectively as appropriate opportunities arise
Home Improvement	21*	Planning to secure 150 Masters sites in 5 years (from announcement of JV). Plan to open 18 Masters stores in FY14. Targeting approximately 90 stores by the end of FY16

* Represents 16 Masters stores and five Danks Retail stores

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MANAGING DIRECTOR'S REPORT continued

OUTLOOK

We are seeing good results from our Strategic Priorities that were laid out in 2011 which are building momentum across the Group and give us confidence that we can generate sustainable long term profitable growth.

We expect retail conditions to remain subdued in FY14 with ongoing consumer caution reflecting cost of living pressures, a flat job market and uncertainty created by the Federal Election despite historically low interest rates. We are hopeful that we may see a modest improvement in conditions over the course of the financial year.

Subject to the uncertainties noted above, we expect another year of profit growth with FY14 net profit after tax from continuing operations expected to increase 4% - 7% (on a normalised 52 week basis excluding significant items¹).

MATERIAL BUSINESS RISKS

As required by Section 299A(1) of the Corporations Act 2001, and in accordance with ASIC Regulatory Guide 247 Effective Disclosure in an Operating and Financial Review (RG 247) issued in March 2013, material business risks that could adversely affect financial performance include:

Market

- Woolworths faces increasing competition from existing and new competitors which may adversely affect the results from its retail operations
- A decline in economic activity in key markets such as Australia and New Zealand and further disruption in global economies may have an adverse impact on the earnings and profitability of Woolworths
- Damage or dilution to Woolworths' retail brands may adversely affect performance
- There is a risk that Woolworths' retail businesses may be adversely affected if its current or future retail offers do not cater to customer demands
- Failure to hedge appropriately or effectively against adverse fluctuations in interest rates and exchange rates or default by a hedge counterparty could negatively impact Woolworths' results of operations

Regulatory

- As a result of the products it sells, Woolworths faces the risk of exposure to product liability claims, public liability claims and adverse publicity
- There is a risk of non-compliance with, or additional obligations relating to, legal and regulatory obligations and expectations which may have a negative impact on Woolworths' performance
- Regulation by the Australian Competition & Consumer Commission and New Zealand Commerce Commission may impair Woolworths' ability to operate and may expose it to investigations or prosecutions for violations of Australian or New Zealand competition laws
- Occupational health and safety regulations could impose significant costs on Woolworths
- Litigation or legal proceedings could expose Woolworths to significant liabilities and negatively affect its financial results

MANAGING DIRECTOR'S REPORT continued

MATERIAL BUSINESS RISKS continued

Operational

- There is a risk that Woolworths does not achieve expected reductions in its cost of doing business and/or increases in gross margins which may adversely affect earnings before interest and tax and future profitability
- If Woolworths is unable to locate appropriate store sites for purchase or lease, or is unable to effectively refurbish existing stores as planned, it may not be able to deliver future store growth
- Woolworths' retail businesses are dependent upon their ability to source merchandise and transport products to stores and customers
- Inability to effectively manage inventory in Woolworths' retail businesses may impair Woolworths' competitive position
- There is a risk that Woolworths' future performance may be adversely affected by unforeseen system and computer network interruptions or if future system or computer network upgrades are required
- Interruptions at Woolworths' workplaces arising from industrial disputes, work stoppages and accidents may adversely affect the financial position and performance of Woolworths
- There is a risk that Woolworths may not achieve the expected growth in its exclusive brand lines, which may adversely affect future sales growth
- There is a risk that Woolworths' expansion into new lines of business, such as home improvement, may ultimately be unsuccessful and may have an adverse impact on Woolworths' results of operations
- An inability to attract or retain key management could have a material impact on Woolworths' financial performance
- Woolworths' earnings could be adversely affected by acquisition and divestment activities and Woolworths may face unforeseen liabilities arising from any future acquisitions and disposals of assets and/or businesses
- Breaches of security or privacy measures, unauthorised access to or disclosure of data relating to Woolworths' customers and fraudulent activity could adversely affect Woolworths' reputation or harm Woolworths' business
- Operation of certain Woolworths' businesses through joint ventures and strategic alliances creates additional risks and uncertainties in its business

Environmental

- Woolworths' operations, in particular its petrol and winemaking businesses, expose it to potential environmental liability for contamination, which could have an adverse effect on Woolworths' results of operations
- Woolworths is subject to risks from natural disasters and adverse weather conditions that could adversely affect Woolworths' results of operations

MANAGING DIRECTOR'S REPORT continued

Footnotes

n.c – not comparable

1 Significant items include the following:

Continuing Operations

One-off loss associated with SCA Property Group transaction

- In FY13, a one-off loss of \$32.8 million before tax (\$28.5 million after tax) was incurred on the sale of assets to the SCA Property Group. This was in line with the loss anticipated at the time the transaction was announced. The loss primarily represents provisions for rental guarantees provided by Woolworths in relation to specialty leasing risk. Woolworths will provide a rental guarantee for a period of two years over specialty tenancies vacant as at the Implementation Date until they are first let for properties in the Completed Portfolio and for a period of two years from completion of development over all specialty income for the properties in the Development Portfolio. Refer to the Woolworths Limited Explanatory Memorandum dated 5 October 2012 for further detail
- The sale of New Zealand properties impacts the New Zealand Supermarkets result whereas the sale of Australian properties is reflected in Central Overheads

Victorian transport fleet redundancies

- During the second half of FY13, Woolworths entered into arrangements with Linfox to outsource its Victorian transport fleet. The Victorian trucking fleet was the last in the network to be owned and operated by Woolworths and the change brings arrangements into line with all other areas. This incurred a one-off redundancy cost of \$25.8 million before tax (\$18.1 million after tax)

US 144A bond redemption

- In June 2013, US\$614.8 million of US 144A bonds were redeemed with a one-off cost to the profit and loss (within net financial expenses) of A\$82.3 million before tax (A\$57.6 million after tax) representing a premium paid on the bonds to redeem them early and termination of associated derivatives. This one off cost will be more than offset by future net interest savings in both nominal and present value terms due to a reduction in the weighted average cost of Woolworths' remaining debt. Future gross interest expense savings attributable to the redeemed bonds total \$207 million, which would have been partially offset by interest income had the proceeds from the sale of property to the SCA Property Group and the Consumer Electronics businesses been placed on deposit

Discontinued Operations

Sale of Consumer Electronics businesses

- The sale of the Dick Smith Electronics business to Anchorage Capital Partners (Anchorage) was completed on 26 November 2012 and the sale of the Consumer Electronics business in India to Infiniti Retail Limited was completed on 15 October 2012
- In relation to the sale of these businesses in FY13, a net gain of \$9.9 million before tax (\$7.9 million after tax) was recorded. Given the structure of the sale transactions, there was no material tax expense or benefit recorded from the disposal of the Consumer Electronics businesses
- In FY12, a \$420.0 million provision before tax (\$383.7 million after tax) was raised in relation to the restructure and divestment of the Dick Smith Electronics business
- As these businesses have been sold, no further losses are anticipated

2 For comparability, full year growth has been adjusted to remove the impact of the 53rd week in the 2013 financial year. Comparable sales growth has been calculated on a 53 week basis

3 FY12 and FY13 Consumer Electronics results are not for comparable periods given the divestment of the Consumer Electronics businesses during FY13

4 Operating cash flow as a percentage of total group net profit after tax before depreciation and amortisation

5 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

6 Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/ losses and dividend income

MANAGING DIRECTOR'S REPORT continued

Footnotes

- 7 The standard 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
- 8 Excludes intercompany charges. Intercompany charges represent management fees and royalties paid to the Australian Group
- 9 Growth for New Zealand Supermarkets is quoted in New Zealand Dollars
- 10 Given the structure of the transactions, there is no material tax benefit or expense recorded from the disposal of the Consumer Electronics businesses
- 11 In line with statutory reporting requirements for balance sheet items, the continuing operations balance sheet for FY12 includes Consumer Electronics India on the basis that this entity was not classified as a discontinued operation until FY13. Discontinued operations balances at FY12 reflect Consumer Electronics Australia and New Zealand
- 12 For comparability, ROFE for both FY13 and FY12 excludes Consumer Electronics Australia, New Zealand and India

BOARD OF DIRECTORS

Ralph Graham Waters

Chairman

CPEng, FIE Aust, M Bus

Ralph Waters is a member of the People Policy Committee (Chairman December 2011 to November 2012), Member of the Audit, Risk Management & Compliance Committee and Member of the 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 Chairman of Fletcher Building Limited (Director since 2001) and Chairman of Cricket World Cup 2015 Ltd. He is also a Director of Asciano Limited (since August 2012). In the past, Mr Waters was Chairman and Director of Fisher and Paykel Appliances Holdings Limited (Director 2001 to 2011), Director of Fonterra Co-operative Group Limited (2006 to April 2013) and Westpac New Zealand Limited (2006 to Sept 2012).

Mr Waters was appointed a Director of Woolworths Limited in January 2011 and Chairman at the conclusion of the Annual General Meeting in November 2012.

Age: 64

Grant O'Brien

Managing Director and Chief Executive Officer

Grant O'Brien's career extends more than 25 years with Woolworths, starting as an accountant in Purity Supermarkets in Tasmania, a division of Woolworths Limited. He was appointed Managing Director and Chief Executive Officer on 1 October 2011. He has held the roles of Deputy Chief Executive Officer and CEO Designate, Chief Operating Officer Australian Food and Petrol, Director New Business Development, General Manager Woolworths 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 and grocery retailers and manufacturers. Mr O'Brien is a member of the Business Council of Australia. He is also a Director of the Avner Nahmani Pancreatic Cancer Research Fund.

Mr O'Brien was appointed a Director of Woolworths Limited in April 2011.

Age: 52

John Frederick Astbury

FAICD

John Astbury was a member of the Audit, Risk Management and Compliance Committee (previously Chairman from July 2010 to February 2012 and February 2006 to November 2007) and the Nomination Committee until 31 August 2013. He is also a Director of Hydrox Holdings Pty Ltd and Chairman of its Audit Committee (since 2009).

Mr Astbury was a Director of AMP Limited from 2004 to 2007, Insurance Australia Group Limited from 2000 to 2007 and M.I.M. Holdings Limited (now Xstrata Queensland Limited) from 1998 to 2003. He was also the Finance Director of Lend Lease Corporation Limited and a Chief General Manager, National Australia Bank Limited. He has had a long career in banking and financial services in both the United Kingdom and Australia.

Mr Astbury was appointed a Director of Woolworths Limited in January 2004. Mr Astbury retired as a Director of Woolworths Limited on 31 August 2013. He will remain a Director of Hydrox Holdings Pty Ltd.

Age: 69

BOARD OF DIRECTORS continued

Jillian Rosemary Broadbent, AO

BA, HonDLitt (UWS)

Jillian Broadbent is a member of the Audit, Risk Management and Compliance Committee (since February 2011) and the Nomination Committee.

Ms Broadbent has a Bachelor of Arts degree (economics and maths majors) from the University of Sydney and an Honorary PhD 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 Chair of the Clean Energy Finance Corporation. She is also Chancellor of the University of Wollongong.

Ms Broadbent was a Member of the Board of the Reserve Bank of Australia (1998 to 2013). She was a Director of ASX Limited (February 2010 to October 2012), Coca-Cola Amatil Limited (1999-2010), Special Broadcasting Service Corporation (SBS), Qantas Airways Limited, Westfield Property Trusts and Woodside Petroleum Ltd.

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

Age: 65

Christine Cross

BEd and MSc in Food Science and a Diploma in Management

Christine Cross is Chair of the People Policy Committee (Chair since November 2012 and Member since January 2012) and a Member of the Nomination Committee.

Ms Cross has a Bachelor Education from Newcastle University, a Master of Science in Food Science from Reading University and a Diploma in Management from the Open University. She is a food scientist by background and previously lectured at Edinburgh and Bath Universities.

Ms Cross has extensive experience in international retail and consumer goods and now runs a retail advisory consultancy business. She started her executive career with Tesco PLC in 1989 holding many key positions throughout the company, including the Group Business Development Director for Tesco PLC from April 2002 to June 2003. Ms Cross was variously responsible for Own Brand development, establishment of the Global Sourcing Function and finally Business Development focused on international and small format expansion. She has previously held the role of Chief Retail and Consumer Advisor and was a member of the Advisory Board of Pricewaterhouse Coopers LLP.

Ms Cross has been a Director of Next Group plc (formerly known as Next PLC) (since 2005), of Sonae SGPS SA (since 2009), Plantasgen (since 2009) and Kathmandu Holdings Limited (since December 2012). She was formerly a Director of Fairmont Hotels & Resorts Inc, of Empire Company Limited (2003 to 2011), of Taylor Wimpey plc and of Premier Foods plc (January 2008 to January 2010). Ms Cross is a Retail Advisor to Apex Partners Venture Capital & Private Equity (since January 2005) and Warburg Pincus LLC.

Ms Cross was appointed a Director of Woolworths Limited in January 2012.

Age: 62

BOARD OF DIRECTORS continued

Sir Roderick Sheldon Deane

KNZM, PhD, BCom (Hons), FACA, FCIM, FNZIM Hon LLD (VUW)

Sir Roderick was a member of the People Policy Committee (previously Chairman until November 2011) and the Nomination Committee until 31 August 2013.

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

Sir Roderick Deane is the Chairman of the New Zealand Seed Fund (since 2000), and Chairman and Patron of New Zealand's largest charitable organisation, the IHC Foundation (since 2006) and is an Advisor to Pacific Road Group Pty Limited (Chairman 2010 to August 2012). He was appointed to the Board of the Anaesthesia and Pain Medicine Foundation in May 2011. He was previously Chairman and Director of Fletcher Building Limited (2001 to 2010), Telecom Corporation of New Zealand Limited (1999 to 2006, having been CEO 1992 to 1999), Te Papa Tongarewa, The Museum of New Zealand (2000 to 2006) and ANZ National Bank Limited (1999 to 2006), a Director of ANZ Banking Group Limited (1994 to 2006) and TransAlta Corporation (2000 to 2003), Chief Executive of the Electricity Corporation of New Zealand Limited (1987 to 2002), Chairman of the State Services Commission (1986 to 1987), Deputy Governor of the Reserve Bank of New Zealand (1982 to 1986), Chairman of the City Gallery Wellington Foundation (1998 to 2006) and Professor of Economics & Management at Victoria University of Wellington (2000 to 2003).

Sir Roderick Deane was appointed a Knight Companion of the New Zealand Order of Merit in June 2012 for his services to business and the community.

Sir Roderick Deane was appointed a Director of Woolworths Limited in April 2000. He retired as a Director on 31 August 2013.

Age: 72

Carla (Jayne) Hrdlicka

BA, MBA

Jayne Hrdlicka is a member of the People Policy Committee and the Nomination Committee.

Ms Hrdlicka holds a Bachelor of Arts degree (honours) 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 eight 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. She was also a member of the Sydney Medical School Dean's Advisory Board.

Earlier in her career, Ms Hrdlicka left consulting to spend six years running businesses in the publishing and marketing industry. She ran two significant transformations as an operations executive and ultimately as Chief Executive Officer.

In August 2010, she joined Qantas Airways as Group Executive Strategy and Information Technology and in July 2012 Ms Hrdlicka was appointed as Chief Executive Officer of Jetstar Group.

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

Age: 51

BOARD OF DIRECTORS continued

Ian John Macfarlane, AC

BEC (Hons), MEd

Ian Macfarlane is a member of the Audit, Risk Management and Compliance Committee and the 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) 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). He was a Director of Leighton Holdings Limited from 2007 to March 2013.

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

Age: 67

Allan Douglas (David) Mackay

BBA

David Mackay is a member of the People Policy Committee (since January 2012) and the Nomination Committee.

Mr Mackay has a Bachelor of Business Administration from Charles Sturt University.

Mr Mackay has extensive Australian and international retail and consumer goods experience. He had a long career with Kellogg Company in America and internationally, retiring as Chief Executive Officer and President of Kellogg Company in January 2011 after holding a number of key positions within the company in the United Kingdom and the United States of America. Throughout his time at Kellogg, Mr Mackay was a member of Kellogg Company's Board and the Company's global leadership team.

Mr Mackay was also Managing Director of Sara Lee Bakery in Australia (1992 to 1998) and a former Director and Board Member of the Grocery Manufacturers of Australia, the Australian Food Council, the Industry Affairs Council of the Grocery Manufacturers of America, the Executive Committee of the Biscuit and Cracker Manufacturers' Association and a member of the Global Consumer Goods Forum.

Mr Mackay is a Director of Fortune Brands Home & Security Inc. (since 2011) and Green Mountain Coffee Roasters, Inc. (since December 2012). He is an Independent Director and Non-executive Chairman of Beam, Inc (since 2011) and is a member of the Kalamazoo Institute of Arts (Trustee) (since 2009).

Mr Mackay was appointed a Director of Woolworths Limited in January 2012.

Age: 58

BOARD OF DIRECTORS continued

Thomas (Tom) William Pockett

Finance Director

Tom 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.

Mr Pockett 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.

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: 55

Michael James Ullmer

BSc (Maths) (Hons), FCA, SF Fin

Michael Ullmer is Chair of the Audit, Risk Management and Compliance Committee (since March 2012 and a member since January 2012). He is also a member of the Nomination Committee.

Mr Ullmer has a degree in mathematics from the University of Sussex. He is a Fellow of the Institute of Chartered Accountants and a Senior Fellow of the Financial Services Institute of Australasia.

Mr Ullmer has extensive experience in the accounting and banking sectors. He was the Deputy Group Chief Executive at National Australia Bank (NAB) from October 2007 until he stepped down from the Bank in August 2011. He joined NAB in 2004 as Finance Director and held a number of key positions including Chairman of the subsidiaries Great Western Bank (US) and JBWere.

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

Mr Ullmer was previously a Director of National Australia Bank (2004 to 2011), Fosters Group Limited (2008 to 2011), and Bank of New Zealand (2007 to 2011). He is currently a Director of Lend Lease (since December 2011) and sits on the Boards of the National Gallery of Victoria and the Melbourne Symphony Orchestra and Chairs Schools Connect Australia. On 1 September 2012 he became a member of the Nomura Australia Advisory Board.

Mr Ullmer was appointed a Director of Woolworths Limited in January 2012.

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 30 June 2013.

THE DIRECTORS

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

Non-executive Directors

J A Strong	Chairman (retired 22 November 2012)
R G Waters	Director (until 21 November 2012), Chairman (appointed 22 November 2012)
J F Astbury	(retired 31 August 2013)
J R Broadbent	
C Cross	
R S Deane	(retired 31 August 2013)
C J Hrdlicka	
I J Macfarlane	
A D D Mackay	
M J Ullmer	

Executive Directors

G O'Brien	Managing Director and Chief Executive Officer
T W Pockett	Finance Director

Details of the experience, qualifications, special responsibilities and other directorships of listed companies in respect of each of the Directors are set out against their respective names from pages 42 to 46.

COMPANY SECRETARY

Mr Peter John Horton BA LLB.

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

PRINCIPAL ACTIVITIES

Woolworths Limited operates in Australia and New Zealand with 3,113 stores and more than 197,000 employees. The Company operates 1,063 Supermarkets under the Woolworths and Safeway brands in Australia and under the Countdown brand 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 its primary trading divisions.

The petrol retailing division has 613 canopies at year end across Australia of which 131 are co-branded Woolworths/Caltex. BIG W services customers' everyday needs through 178 stores. The Hotel division includes 326 premium hotels, including bars, dining, gaming, accommodation and venue hire operations. The Home Improvement division includes 26 hardware stores and 31 Masters stores.

Following a strategic review, Woolworths announced on 31 January 2012 that the Dick Smith business would be restructured and divested as a going concern in a staged and managed process. The sale of this business to Anchorage Capital Partners completed in November 2012. During October 2012 we completed the sale of our Consumer Electronics business in India to Infiniti Retail Limited.

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 \$2,259.4 million (2012: \$1,816.7 million).

A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Managing Director's Report from pages 3 to 41 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 2012 Dividend Paid on 12 October 2012	30	67	826.9
Interim 2013 Dividend Paid on 26 April 2013	30	62	770.6
Final 2013 Dividend Payable on 11 October 2013	30	71	887.7*

* Represents the anticipated dividend based on the shares on issue as at 28 August 2013. This value will change if there are any shares issued between 28 August 2013 and the ex-dividend date

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

A net increase in the issued share capital of the Company of 18,257,679 fully paid ordinary shares as a result of:

- (i) the issue on 12 October 2012 of 3,606,377 fully paid ordinary shares and the issue on 26 April 2013 of 2,774,733 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan. Neither the 2012 final dividend nor the 2013 interim dividend was underwritten and a cap of 20,000 maximum share participation in the Dividend Reinvestment Plan was in operation for both dividends;
- (ii) the issue on various dates, for cash at the relevant exercise price, of 7,344,562 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Long Term Incentive Plan (LTIP); and
- (iii) the issue of 4,532,007 fully paid ordinary shares to the Woolworths Custodian Share Trust to satisfy future LTIP requirements.

GRANT OF OPTIONS AND PERFORMANCE RIGHTS

During the year, offers were made under the Long Term Incentive Plan (LTIP) of performance rights with stringent performance measures. This includes:

- On 7 December 2012 offers were made granting 428,813 performance rights with an effective date of 1 July 2012 with performance measures relating to cumulative earnings per share (EPS) growth and relative total shareholder return (TSR) hurdles and 2,172,676 performance rights with performance measures relating to NPAT hurdles
- On 22 March 2013 an offer was made granting 10,000 performance rights with an effective date of 1 July 2012 with performance measures relating to EPS and TSR hurdles and 8,229 performance rights with performance measures relating to NPAT hurdles

A further 867,950 retention performance rights were offered with effective dates of 1 July 2012, 3 September 2012, 9 October 2012, 23 October 2012, 1 December 2012, 1 January 2013, 7 January 2013, 4 February 2013, 25 February 2013, 11 March 2013, 18 March 2013 and 3 April 2013.

Between 1 July 2013 and 20 September 2013, 2,339,899 shares were allotted as a result of the exercise of options granted under the LTIP in July 2008 and July 2009 and the maturity of performance rights.

DIRECTORS' STATUTORY REPORT continued

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 30 August 2013, Woolworths New Zealand Group Limited, a 100% owned subsidiary of Woolworths Limited completed the acquisition of New Zealand-based direct retailer EziBuy Holdings Limited (EziBuy). EziBuy is a leading direct-to-customer retailer of apparel and homewares in Australia and New Zealand operating primarily via an online platform, catalogues and contact centres. Purchase consideration was NZ\$350 million.

FINAL DIVIDEND

On 28 August 2013, the Directors declared a final dividend of 71 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 11 October 2013.

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 \$3,542 (2012: \$766,804) 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 \$2,274,722 (2012: \$nil) 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 \$415,838 (2012: \$415,860) 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 \$700,473 (2012: \$880,281) 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 are subject to review and testing on a sample basis by Woolworths' Business Review (internal audit). Significant construction activity is also subject to a competitive tender.

TRANSACTIONS WITH THE CELLARMASTERS GROUP AND RELATED COMPANIES

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

A subsidiary in the Cellarmasters Group, New Zealand Wine Cellars Limited purchased grapes totalling NZ\$125,748 (FY12: NZ\$312,504) from the Aurora Vineyard Limited, a company with which Mr Brad Banducci is a related party. Amounts were billed based on commercial market rates for such supplies and were due and payable under commercial payment terms.

DIRECTORS' STATUTORY REPORT continued**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 2013 are set out below:

Director	Shares	Options	Performance rights
R G Waters	42,300	-	-
G O'Brien	52,233	-	212,648
J F Astbury	12,797	-	-
J R Broadbent	65,138	-	-
C Cross	2,300	-	-
R S Deane	40,000	-	-
C J Hrdlicka	3,265	-	-
I J Macfarlane	14,200	-	-
A D D Mackay	3,790	-	-
T W Pockett	175,939	-	183,146
M J Ullmer	11,000	-	-

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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 30 June 2013 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. Directors also attend special purpose committees, as required for significant one-off transactions or projects. During the year this included the Board and SCA due diligence committee meetings associated with the divestment and listing on the ASX of the SCA Property Group. 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, 4}	4/4	1/1	3/3	3/3
R G Waters ^{1c, 2a, 3}	10/10	1/2	3/6 ^{1c}	5/5
G O'Brien	10/10	2/2	6/6	5/5
J F Astbury ^{1, 3, 5}	10/10	0/2	6/6	1/5 ⁸
J R Broadbent ^{1, 3}	10/10	0/2	6/6	-
C Cross ^{2b, 3}	10/10	0/2	6/6 ⁷	5/5
R S Deane ^{2, 3}	10/10	0/2	-	5/5
C J Hrdlicka ^{2, 3}	10/10	0/2	-	5/5
I J Macfarlane ^{1, 3, 6}	10/10	0/2	5/6	-
A D D Mackay ^{2, 3}	10/10	0/2	3/6 ⁷	5/5
T W Pockett	10/10	2/2	6/6	5/5
M J Ullmer ^{1a, 3}	10/10	2/2	6/6	2/5 ⁸

1 Member of the Audit, Risk Management and Compliance Committee

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

1c Member of the Audit, Risk Management and Compliance Committee from 22 November 2012

2 Member of the People Policy Committee

2a Chairman of the People Policy Committee until 22 November 2012. From 22 November 2012 was a Member of the People Policy Committee

2b Appointed Chair of the People Policy Committee 22 November 2012. Until 22 November 2012 was a Member of the People Policy Committee

3 Member of the Nomination Committee which meets at the same time as the Board meetings

4 Retired 22 November 2012

5 Director of Hydrox Holdings Pty Ltd and Chairman of its Audit Committee

6 Leave of absence granted

7 Attended meetings of the Audit, Risk Management and Compliance Committee however not a Committee member

8 Attended meetings of the People Policy Committee however not a Committee member

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT

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

It was with pleasure that I accepted the appointment to Chair the People Policy Committee (PPC), which took effect on 22 November 2012. On behalf of the Board of Woolworths Limited and the PPC, I present the 2013 financial year (FY13) remuneration report.

In response to the positive shareholder feedback to the FY12 report we have retained the report format this year, which provides clarity to shareholders on Woolworths' executive remuneration.

In terms of remuneration outcomes for Woolworths' key management personnel (KMP):

1. On average, at least 60% of the target remuneration mix is at risk, with the actual value of these at risk components in FY13 ranging between 22% and 69% (see page 57);
2. Short term incentives in total are at a similar level to recent years, as a percentage of net profit after tax (NPAT) before significant items (see page 64); and
3. On a cash basis, over a number of years the long term incentives granted via performance rights returned a much lower value than previously delivered via options due to share price volatility and earnings per share performance. However, recent vesting of long term incentive plans in July 2013 saw an improved vesting outcome due to a higher relative total shareholder return (TSR) ranking against peer companies.

These outcomes evidence a strong link between performance incentives and shareholder returns, whilst maintaining total remuneration within our targeted market position, which is detailed in section 1.3.

Regular reviews of remuneration strategy are undertaken to ensure there is alignment to business outcomes and shareholder interests. In particular, we focus on achieving the outcomes of our remuneration strategy: to attract and retain key talent, and provide demanding measures that reward high performance and deliver shareholder value. Achieving the right balance aligns our remuneration strategy to past performance and will continue to underpin future performance.

The long term incentive plan design has not changed, with the circa top 50 most senior executives participating in a five year equity plan. To be effective in retaining key talent, a Deferred Short Term Incentive plan continues to be offered to around 2,500 employees; and is linked to a one year performance measure followed by a requirement to remain employed for a further two years in order for the performance rights to vest.

The Board is vigilant to ensure that the structure and governance of remuneration at Woolworths will continue to support business outcomes as well as shareholder and investment community expectations.

On behalf of the Board



Christine Cross

Chair – People Policy Committee

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

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DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

1 EXECUTIVE REMUNERATION SUMMARY

1.1 Our Key Management Personnel (KMP)

This section of the remuneration report details the remuneration of our KMP upon which Woolworths believe shareholders want disclosure. The statutory disclosures are contained in section 4 of the report.

Name	Position
Executive Directors	
Grant O'Brien	Managing Director and Chief Executive Officer
Thomas (Tom) Pockett	Finance Director
Key Management Personnel	
Bradford (Brad) Banducci	Director of Liquor
Julie Coates	Director of BIG W
Steven Greentree	Chief Operating Officer Australian Supermarkets and Petrol
David Guise	Director of Human Resources (appointed 8 October 2012)
Peter Horton	Group General Counsel and Company Secretary
Gerardus (Tjeerd) Jegen	Managing Director of Australian Supermarkets and Petrol
Kurt Kamp	Group Marketing Director (appointed 9 October 2012)
Penelope (Penny) Winn	Director Multi Channel and Supply Chain
Former Key Management Personnel	
Catherine Flynn	Acting Director of Human Resources (5 March 2012 to 5 October 2012)
Andrew Hall	Director of Corporate and Public Affairs (resigned effective 5 April 2013)

Name	Position
Non-executive Directors	
John Frederick Astbury	Non-executive Director (retired effective 31 August 2013)
Jillian Rosemary Broadbent	Non-executive Director
Christine Cross	Non-executive Director
Sir Roderick Sheldon Deane	Non-executive Director (retired effective 31 August 2013)
Carla (Jayne) Hrdlicka	Non-executive Director
Ian John Macfarlane	Non-executive Director
Allan Douglas (David) Mackay	Non-executive Director
Michael James Ullmer	Non-executive Director
Ralph Graham Waters	Non-executive Director and Chairman of the Board (appointed 22 November 2012)
Former Non-executive Directors	
James Alexander Strong	Chairman of the Board (retired 22 November 2012)

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

1.2 Executive remuneration framework

The executive remuneration framework is designed and continually reviewed to ensure that reward is:

1. Aligned to the broader business strategy;
2. Consistent with the remuneration strategy and principles; and
3. Driving the behaviours required to promote sustainable long term value for shareholders.

REMUNERATION STRATEGY

- Align reward to shareholder value creation
- Attract, motivate and retain key talent with market competitive reward
- Provide demanding measures for high performance, which link reward to the Company's strategic and financial goals
- Deliver reward that is differentiated by business and individual performance



REMUNERATION PRINCIPLES

Market Competitive
to ensure talent is attracted and retained with remuneration that reflects the seniority and complexity of roles

Demanding Measures
reflect both business strategy and the external environment

Performance Based
outcomes are linked to the achievement of financial, strategic, non financial and individual measures

Aligned to Shareholders
short term and long term incentives are linked respectively to profit, earnings per share and relative total shareholder return



APPLICATION OF REMUNERATION PRINCIPLES

External market data and benchmarking is undertaken to ensure remuneration levels are competitively set

Incentive targets are stretch in nature to drive upper quartile performance

A group gateway must be met to qualify for any short term incentive

Short term incentives are based on group and division results; and are differentiated based on individual performance

Individuals with unsatisfactory performance are not eligible to participate in any reward program

Short and long term incentives are based on performance measures that have been chosen to drive mid to long term shareholder value creation

LTIP participants do not receive dividends on unvested equity

Unvested equity is generally forfeited on resignation

Employment contracts have limits on termination payments and restrictive covenants delaying future employment by major competitors

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DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

1.3 Remuneration structure

Woolworths' current remuneration structure for our KMP is comprised of two elements as follows and described in more detail in section 2.3:

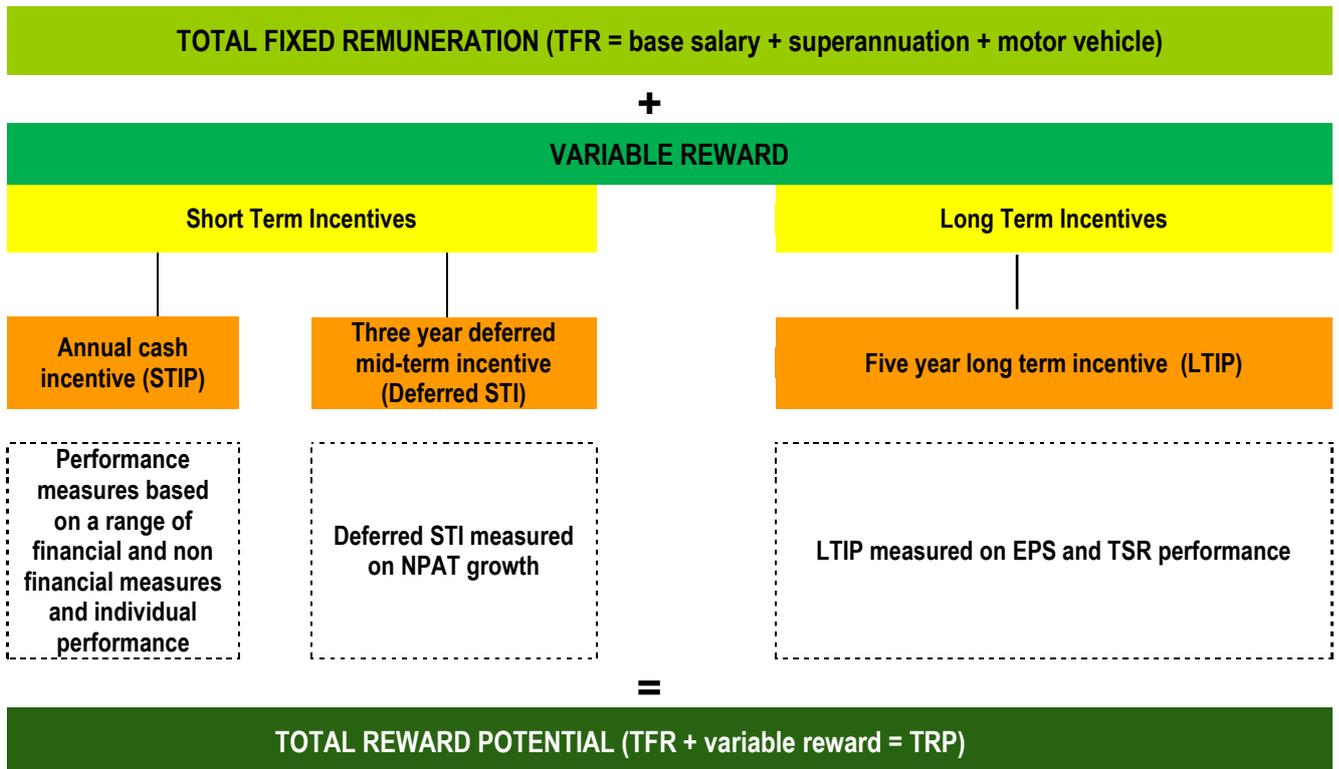
1. Total Fixed Remuneration ('TFR'), comprised of base salary, superannuation and motor vehicle allowance or the notional value of a motor vehicle (based on the cost to the Company including fringe benefits tax); and
2. Variable or "at risk" reward which is performance based and comprised of short and long term incentives; which combined with TFR makes up the individual's Total Reward Potential ('TRP').

The remuneration structure for 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 variable component increases with accountability, and is set in regard to appropriate market practice and in order to align reward to delivering upper quartile performance.

Woolworths requires a significant proportion of the KMP's remuneration package to be at risk. To ensure alignment, Woolworths generally aims to position all KMP remuneration at the:

1. Median of the relevant market for Total Fixed Remuneration; and
2. Stretch targets for variable components are set around the 75th percentile of the relevant remuneration market data to drive upper quartile business performance.

The structure can be summarised as follows:



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DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

1.4 What we paid our KMP

The following table sets out the details of the fixed (annualised) remuneration against the actual remuneration earned during the period for Woolworths' executives who are KMP at the financial year ended 30 June 2013. It has been included to provide shareholders with a clearer understanding of the actual remuneration paid to the Company's KMP and is in addition to the required statutory disclosures which can be found in section 4.

Executive Role	Date Started in Role	Target Fixed Remuneration ^{1,4}	Actual Salary & Benefits Paid ²	Non-monetary Benefits ³	Total Salary & Benefits ⁴	FY13 Short Term Incentive ⁵	Vested Equity ⁶	Total Remuneration ⁷	At Risk Remuneration ⁸	
									% of Total Rem	% of Max at Risk
Grant O'Brien MD & CEO	01/10/11	2,150,000	2,123,000	33,639	2,156,639	2,089,478	527,058	4,773,175	55%	69%
Tom Pockett Finance Director	01/06/06	1,460,167	1,433,167	21,917	1,455,084	1,720,890	1,558,169	4,734,143	69%	72%
Brad Banducci Director of Liquor	01/05/12	712,183	726,959	1,108	728,067	476,251	-	1,204,318	40%	56%
Julie Coates Director of Big W	29/06/09	955,000	930,000	23,155	953,155	365,951	527,058	1,846,164	48%	53%
Steven Greentree Chief Operating Officer Australian Supermarkets & Petrol	01/05/12	828,167	825,536	13,383	838,919	304,775	409,608	1,553,302	46%	55%
David Guise ^{1,3,4,5} Director of Human Resources	08/10/12	522,488	502,619	85,537	588,156	278,905	-	867,061	32%	65%
Peter Horton Group General Counsel & Co Secretary	28/11/05	686,666	668,205	20,563	688,768	264,356	409,608	1,362,732	49%	57%
Tjeerd Jegen ^{3,4} Managing Director of Australian Supermarkets & Petrol	10/10/11	1,077,000	1,078,653	86,742	1,165,395	975,845	-	2,141,240	46%	63%
Kurt Kamp ^{1,3,4,5} Group Marketing Director	09/10/12	503,077	482,308	62,716	545,024	155,040	-	700,064	22%	69%
Penny Winn Director Multi Channel and Supply Chain	12/12/11	825,000	798,000	30,390	828,390	525,965	-	1,354,355	39%	55%

- 1 Target Fixed Remuneration is comprised of base salary, superannuation contribution, and motor vehicle allowance or the notional value of a fully maintained motor vehicle. It includes remuneration increases from 1 September 2012. Target fixed remuneration is on a prorated basis for Messrs. Guise and Kamp
- 2 Actual Salary & Benefits Paid is comprised of base salary, superannuation contribution, and motor vehicle and other allowances. Unlike the statutory disclosure in section 4.1, no adjustment has been made for the movement in the KMP's annual leave liability balance during FY13, or the actuarial determined superannuation expense in addition to superannuation contributions made for KMP in the defined benefits superannuation plan
- 3 Non-monetary Benefits are comprised of the cost to the Company of fully maintained motor vehicles and the associated fringe benefits tax, and the deemed premium in respect of the Directors' and Officers' Indemnity Insurance. In the case of Messrs. Guise, Jegen and Kamp, it includes one-off relocation costs
- 4 The difference between the Target Fixed Remuneration and Total Salary & Benefits is generally due to the difference between the notional value of the fully maintained motor vehicle (included in Target Fixed Remuneration) and the cost to the Company of motor vehicles and the associated fringe benefits tax (included in Total Salary & Benefits). In the case of Messrs. Guise, Jegen and Kamp, it was also due to one-off relocation costs and associated fringe benefits tax (with increased cost due to the change in tax treatment of Living Away From Home 'LAFH' expenses); which are not Target Fixed Remuneration components and have been provided for a fixed period due to international relocation
- 5 The FY13 Short Term Incentive represents the actual short term incentive for the financial year ended June 2013 which was paid in September 2013. Messrs. Guise's and Kamp's values relate to a prorated payment for the period they were employed
- 6 The Vested Equity (long term incentive) relates to the value of all options and performance rights grants that vested in full or in part relating to the financial year and is based on the volume weighted average share price (VWAP) of Woolworths Limited shares traded in the 5 days prior to 1 July 2013 which was \$30.25. Options may be exercised up to 31 December 2014
- 7 Total Remuneration is comprised of Total Salary & Benefits, FY13 Short Term Incentive and Vested Equity
- 8 At Risk Remuneration is the variable performance based components of remuneration and includes the short term incentive, deferred short term incentive and long term incentive

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

1.5 Target remuneration mix

Woolworths' target remuneration mix highlights the link between variable pay to company performance. The target short and long term incentives percentages will only be met if the underlying performance measures are met to the fullest extent possible for upper quartile performance. The actual percentage of variable performance related remuneration can be found in the table on page 74 to 76. Details of the accounting valuation for equity granted during the financial year may be found in section 4.

Executive		Fixed Remuneration %	Cash Short Term Incentive %	Equity Based ¹	
				Deferred Short Term Incentive %	Long Term Incentive %
Grant O'Brien ² <i>MD & CEO</i>	Target	33%	33%	17%	17%
Tom Pockett <i>Finance Director</i>	Target	30%	38%	16%	16%
Other KMP average	Target	40%	30%	15%	15%

- 1 Actual equity based remuneration calculated in accordance with the Accounting Standards is likely to differ to targeted equity based remuneration given the requirements for determining the fair value of equity grants
- 2 A change to the target remuneration mix for Mr O'Brien is proposed for FY14 (see section 2.4.3), to address market relativity of his remuneration

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2 EXECUTIVE REMUNERATION IN MORE DETAIL

The remuneration report sets out the remuneration details of Woolworths' key management personnel (KMP) in accordance with section 300A of the Corporations Act 2001.

2.1 Role of the People Policy Committee

The People Policy Committee (PPC) during FY13 consisted of the following independent non-executive directors:

Name	Position
Christine Cross	Chair of PPC (appointed 22 November 2012) and Non-executive Director
Sir Roderick Sheldon Deane	Non-executive Director (retired effective 31 August 2013)
Carla (Jayne) Hrdlicka	Non-executive Director
Allan Douglas (David) Mackay	Non-executive Director
James Alexander Strong	Chairman of the Board and Non-executive Director (retired 22 November 2012)
Ralph Graham Waters	Chairman of the Board (from 22 November 2012) and Non-executive Director (Chairman of PPC from 1 December 2011 to 22 November 2012)

The members' attendance at committee meetings is set out on page 51.

Further details on the role of the PPC may be found in the PPC Charter on the Company's website. The key objective of the PPC is overseeing management activities on behalf of the Board and shareholders in the following areas:

Area	Objectives
Human Resources Strategy	Establishing and implementing a human resources strategy to ensure that appropriately talented and trained people are available to achieve the business strategy
Safety and Health	Protecting the safety and health of employees, customers, contractors and visitors. Ensuring that goods sourced for the Company comply with legislative and ethical standards as set out in the Company Code of Practice as contained on our website
Performance Management and Succession Planning	Undertaking the appropriate performance management, succession planning and development activities and programs
Remuneration Policies	Providing effective remuneration policies having regard to the creation of value for shareholders and benchmarking against the external remuneration market
Compliance	Complying with relevant legal and regulatory requirements and principles of good governance Assisting the Board to comply with legal and regulatory requirements related to human resources and remuneration matters
Shareholder Reporting	Reporting to shareholders in line with required standards

The PPC meets at least four times a year to review remuneration strategy, policy and practice to ensure that:

1. Remuneration is appropriately positioned to the market for the:
 - a. Executive Directors whose remuneration is ultimately the responsibility of the Chairman of the Board in direct consultation with the full Board;
 - b. Key Management Personnel; and
 - c. Non-executive Directors.
2. Variable reward for all executives continues to be linked to business targets and strategy.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.1 Role of the People Policy Committee continued

The PPC remuneration responsibilities and decision making include:

PPC Remuneration Responsibilities

- Reviewing and approving the structure, participation levels, implementation and outcome of short term incentive plans to ensure they are designed to effectively reward the achievement of Company and individual objectives;
- Reviewing the design of all long term incentive and equity plans to determine:
 - If Company objectives will be met;
 - Compliance with the legislative and regulatory environment;
 - Alignment to industry standards;
 - Overall cost effectiveness; and
 - Participation, including categories of employees, structure and level
- Reviewing and approving, having regard to the CEO's recommendations, the total remuneration, including short and long term incentives for Key Management Personnel;
- Reviewing the objectives and performance assessments of Key Management Personnel;
- Reviewing and recommending to the Board the remuneration structure for the CEO, including short and long term incentives;
- Reviewing and recommending to the Board, the remuneration structure for Non-executive Directors having regard to the maximum amount approved by shareholders;
- Reviewing and recommending to the Board, the provision of superannuation to employees;
- Reviewing and recommending to the Board for approval, the remuneration report; and
- Establishing the process and directly engaging remuneration advisors.

2.2 Use of remuneration advisors

The Board and PPC engage remuneration advisors to provide remuneration and market practice advice and information to the Board.

During FY13, the PPC continued to engage Ernst & Young to provide independent advice to the Board in its review of remuneration arrangements. Remuneration advisors are engaged by the Chair of the PPC with an agreed set of protocols to be followed by the advisors, the PPC and management that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there could be no undue influence by KMP for whom any recommendations may relate.

Remuneration information for the CEO and Finance Director is provided directly to the PPC Chair who determines a recommendation, in consultation with the PPC and the Board Chairman.

Market data provided by Ernst & Young is also used to inform the CEO in order to propose increases for our KMP to the PPC for their approval. No remuneration recommendations, as defined by the Corporations Act, were made by the remuneration advisors.

The Board is satisfied that the remuneration information received from Ernst & Young was free from undue influence by Board members or any of the KMP to whom the information relates.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.3 Executive remuneration structure explained

2.3.1 Total fixed remuneration (TFR)

TFR refers to base salary, superannuation and motor vehicle allowance or the notional value of a motor vehicle (based on the cost to the Company including fringe benefits tax). Reviewed annually, the focus is ensuring that appropriate remuneration is paid to KMP and senior managers. Salaries are considered in the context of total TFR with reference to:

- market data for ASX companies and global comparators;
- individual experience and performance;
- the level and structure of remuneration for peers;
- the external environment; and
- external benchmarking is also undertaken as required.

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 group drawn from the heads of business units or functional areas in the ASX50.

Whilst remuneration reviews are conducted annually, there are no guaranteed remuneration increases. Any increases are determined by individual performance, economic indicators and market data.

2.3.2 Short term incentives

The Company has two short term incentives which are designed to reward outstanding company performance:

1. The short term incentive plan (STIP) provides an annual cash incentive that is:
 - a. Capped at a maximum percentage of the executive's base cash salary, except for the CEO and Finance Director STIPs which are capped at a percentage of TFR;
 - b. Based on achieving certain performance criteria in a financial year as detailed in the next section; and
 - c. Determined by the level of achievement against the set criteria.
2. The deferred short term incentive (Deferred STI) which is a mid-term incentive granted annually on the achievement of a year's net profit after tax (NPAT) growth target, with access deferred for a further two years subject to continued employment. If achieved, the incentive is provided by a grant of performance rights in accordance with the Company's Long Term Incentive Plan Rules. Deferred STI and performance rights are described in more detail under the equity based incentives section.

2.3.2.1 STIP performance criteria

In terms of the annual cash component of short term incentives, all KMPs participating in FY13 STIP have the following key measures and weightings:

Executive	Sales (1)	Profit (2)	ROFE (3)	CODB (4)	Safety (5)	Non Financial Strategic (6)
Grant O'Brien <i>MD & CEO</i>	20%	10%	10%	10%	1	50%
Tom Pockett <i>Finance Director</i>	20%	20%	10%	10%	10%	30%
Tjeerd Jegen <i>Director of Aust Supermarkets & Petrol</i>	20%	20%	10%	2	2	50%
Other KMPs	20%	20%	10%	10%	10%	30%

1 For Mr O'Brien, Safety is incorporated as part of the non financial strategic weighting

2 For Mr Jegen, CODB and Safety are incorporated as part of the non financial strategic weighting

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.3 Executive remuneration structure explained continued

1. Sales for the total group or for a business unit, depending on the KMP's role;
2. Profit (which may be earnings before interest and tax, gross profit or controllable profit depending on the role and for FY13 profit at a group level excluded the discontinued operations and was before significant items (refer page 40));
3. Return on funds employed (ROFE), which is EBIT as a percentage of average (opening and closing) funds employed for the year. 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. Cost of doing business (CODB) improvements. CODB consists of operational expenses and administration expenses. It does not include cost of sales, financial expense, income tax expense or significant items (refer page 40);
5. Safety which refers to achieving targeted reductions in the level of accidents and injuries, for example new claims frequency rate (NCFR); and
6. Non financial and strategic measures which may include:
 - Improving the Company's competitive position;
 - Improving customer service;
 - Growing the business;
 - Price leadership;
 - Enhancing Woolworths' public image and reputation in community involvement, government relations, environmental sustainability and regulatory compliance; or
 - Other links to strategic initiatives.

The measures that relate to KMP are cascaded through each business within the Woolworths Group down to department level so that all STIPs are directly linked to both business and individual performance.

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

All measures including weightings are reviewed and adjusted at the beginning of the financial year to reflect the specific financial objectives of each business within the Woolworths Group for that financial year. This results in each executive having STIP performance criteria that are directly linked to their annual business objectives.

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

1. Deliver Company performance objectives based on improvements to the prior year; and
2. Align individual objectives to Company and business-specific objectives.

For FY13, as in FY12, a group-wide performance gateway was used linking STIP to market guidance based on attaining NPAT growth over FY12. This ensures that threshold Company performance must be met before any employee qualifies for STIP. This gateway was NPAT from continuing operations and was before significant items (refer page 40) on a normalised 52 week basis.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.3 Executive remuneration structure explained continued

How STIP is calculated

There are three levels of targeted performance for each measure for the FY13 STIP:

1. Threshold, which is the minimum required to qualify for any incentive payment;
2. Target, where established performance targets have been achieved; and
3. Stretch, where performance targets have been exceeded.

The financial components of STIP are measured as follows:

STIP Financial Measures			
	Threshold	Target	Stretch
Percentage of criteria required	95%	98%	100%
Percentage of measure payable	25%	70%	100%

Short term incentives are based on group and division results; and are differentiated based on individual performance. For KMP, the ranges of the capped maximum percentages payable are 80% of base salary up to 130% of TFR. Individuals with unsatisfactory performance are not eligible to participate in STIP.

The following table summarises the results for FY13 expressed as a percentage of maximum:

STIP Results Ranges					
	Financials	Safety	Non Financial Strategic	Individual Performance	Total
Lower to upper range	37% - 96%	100%	78%	60% - 115%	48% - 100%

The PPC is able to apply discretion in allowing or disallowing STIP payments. In the event of unforeseen circumstances, the PPC is able to approve discretionary bonuses. This occurs in exceptional situations where significant events have taken place that were not factored into budgeted results.

2.3.2.2 Short term incentives link to performance

Following is a summary of business performance over the past five years and actual STIP payments made. The table highlights that:

1. Sales and EBIT have experienced year on year growth; and
2. Return on Funds Employed (ROFE) has declined in recent years predominately reflecting investment in the start up phase of our Masters business and property development undertaken to facilitate ongoing store roll outs.

Five year performance table					
	FY09	FY10	FY11	FY12	FY13
Sales (\$m) ¹	49,595	51,694	54,143	56,700	59,158
EBIT (\$m) ²	2,816	3,082	3,276	3,377	3,656
ROFE (%) ³	31.9	31.0	29.3	24.1	27.6
STIP paid (\$m) ⁴	194	171	169	176	226
STIP/ EBIT (%)	6.9	5.5	5.2	5.2	6.2

1 Total Group sales

2 Total Group EBIT before significant items (refer page 40)

3 Total Group ROFE and as such, has been impacted by the significant items in FY12 and FY13. Refer page 116 for explanation of ROFE

4 STIP paid includes the applicable superannuation and payroll tax. FY13 STIP paid reflects accrued STIP as STIPs for the broader group are not finalised until October which is too late for print purposes

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

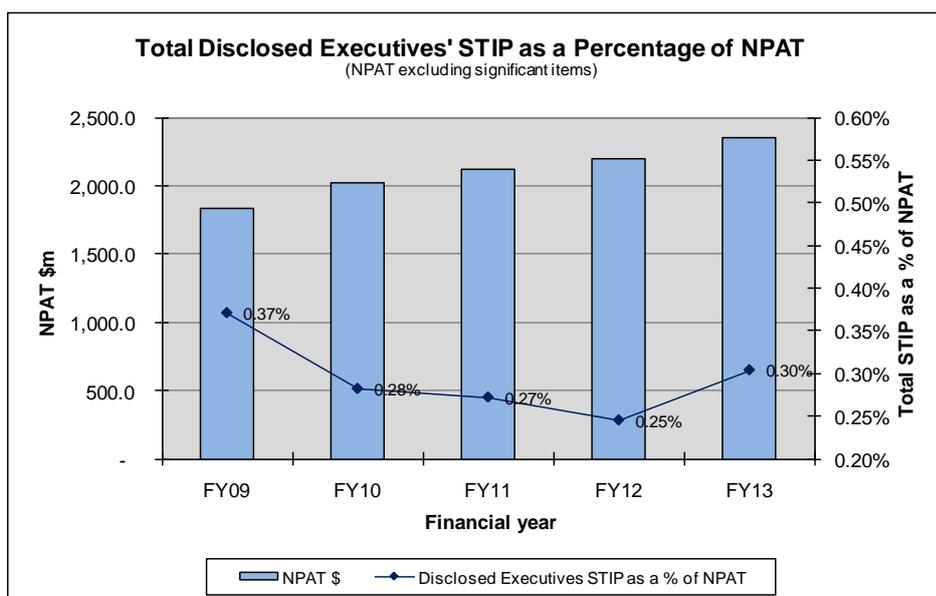
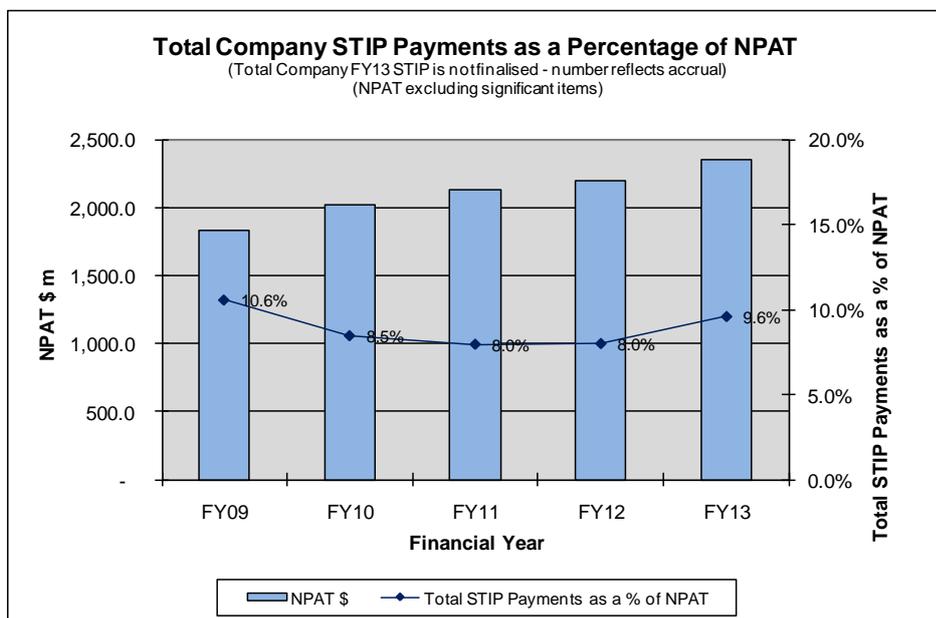
2.3 Executive remuneration structure explained continued

The following series of charts depicts the link between Company NPAT performance and:

1. Short term incentive outcomes across the group; and
2. Short term incentive outcomes for KMP.

The decline in short term incentive payments over recent years is directly linked to slowing NPAT growth, coming off double digit growth in FY09 to single digit growth in the current economic and trading environment post the global financial crisis. However, in FY13, STIP payments have increased in line with a 7.1% increase in NPAT after NCI and before significant items.

The latter chart highlights that short term incentives for KMP are a minor percentage (0.3% for FY13) of the Group NPAT.



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DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.3 Executive remuneration structure explained continued

2.3.3 Equity based incentives

2.3.3.1 Background

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

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

From FY00 through to FY05 long term incentives were provided through the Executive Option Plan (EOP) and there are no longer any outstanding options related to this plan.

At the 2004 Annual General Meeting shareholders approved the introduction of the Woolworths Long Term Incentive Plan (LTIP) which provides the Board with greater flexibility to determine whether to use options, performance rights, performance shares or cash in order to deliver the overall LTIP objectives. Following is a summary of the sub-plans:

Long Term Incentive Plan 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

The treatment of vested and unvested equity, in all instances of separation, remains subject to the discretion of the Board in accordance with the Plan rules.

The following table summarises the vesting and exercise periods and the type of instruments granted since FY06, with grants since FY11 issued under the 'Performance Rights Sub-Plan'. The exercise period, determined by the LTIP Rules, is 5.5 years.

Summary of LTIP					
Grant Year	Vesting Period (years) ¹	Exercise Period (years) ²	Options	Performance Rights	Total
FY06 – FY08	5	5.5	100%	-	100%
FY09 – FY10 ²	4	5.5	50%	50%	100%
FY11 ²	4	5.5	-	100%	100%
FY12	5	5.5	-	100%	100%
FY13	5	5.5	-	100%	100%

1 Measured from the effective grant date, generally 1 July

2 The plans that vest after four years could be exercised after three years if the performance measures were met early

The movement from options to performance rights over time reflects changes in general market conditions and trends in reward practices in the employment market.

No grants have been made under the Performance Shares or Cash Award Sub-Plans.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.3 Executive remuneration structure explained continued

FY13 LTIP

During FY11 the long term incentives were restructured into a five year plan with the addition of a three year Deferred STI plan detailed below.

Only the circa top 50 most senior executives participate in the five year plan. The move to a five year plan created a two year gap where no equity will vest for these executives, so they were also permitted to participate in the Deferred STI to address the two year gap in equity grant. The transitional gap is depicted in the following table:

Summary of Vesting for Current LTIP Grants						
Grant Year (effective date)	Vesting 01/07/12	Vesting by 31/08/13	Vesting by 31/08/14	Vesting by 31/08/15	Vesting by 31/08/16	Vesting by 31/08/17
FY08 (01/07/07) ¹	X					
FY09 (01/07/08) ^{2,3}	-					
FY10 (01/07/09) ^{2,4}	-	X				
FY11 (01/07/10) ^{2,5}		X				
FY12 (01/07/11)			<i>Transitional vesting risk mitigated by Deferred STI in FY12 and FY13</i>		X	
FY13 (01/07/12)						X

1 The FY08 grant comprised four equal EPS tranches and one TSR tranche. The performance test date was either at the end of four years (EPS tranches one and two) or at the end of five years (EPS tranches three and four and TSR tranche). The test at four years resulted in full vesting (EPS component tranches one and two) and the test at five years resulted in partial vesting (EPS component tranche three and TSR tranche five)

2 For the grants in FY09 - FY11, where any minimum performance measure was met at the end of three years, nothing further vested at the end of four years. However, if the minimum performance measure was not met when early tested after three years, the performance measures were tested at the end of four years

3 For the FY09 grant, the first test at three years resulted in partial vesting (TSR component), and the four year test resulted in no vesting

4 For the FY10 grant, the first test at three years resulted in no vesting, and the four year test resulted in partial vesting (TSR component)

5 For the FY11 grant, the first test at three years resulted in partial vesting (TSR component)

The replacement long term incentive plan (LTIP) that vests over five years is linked to EPS and TSR and only applies to the circa top 50 most senior executives, including KMP. All other participants were moved to the Deferred STI detailed below.

There was no additional cost to the Company incurred as a result of the changes as the circa top 50 most senior executives had the existing value of their LTIP split equally into the three and five year plans for the equity grants in FY12 and FY13, i.e. during the transitional period.

FY13 Deferred STI

During FY12 a new three year Deferred STI plan comprised of performance rights was implemented. The plan has a stronger link to retention than the previous long term incentive plan, as participants are advised the number of rights set aside at the end of one year rather than waiting for the three year vesting period previously required.

Following are the plan features:

1. The performance rights are issued in accordance with the Company's long term incentive plan rules approved by shareholders in 2004 and described in more detail in the long term incentives section;
2. The plan has a one year performance measure linked to NPAT market guidance. NPAT is measured as the reported net profit from continuing operations after income tax expense of the consolidated entity after non-controlling interests, and in FY13, was before significant items;
3. NPAT was chosen as a measure due to its link to shareholder returns and transparency;
4. Once the NPAT hurdle is met, participants are required to remain employed for a further two years to gain access to the performance rights or otherwise forfeit the performance rights, unless the Board exercises its discretion in accordance with the long term incentive plan rules; and
5. Participants do not receive dividends on unvested equity, which is a consideration in the accounting valuation of equity grants.

DIRECTORS' STATUTORY REPORT continued**REMUNERATION REPORT continued****2.3 Executive remuneration structure explained continued*****Deferred STI continued***

A summary of the participation levels follow:

Number of instruments granted under Deferred STI		
Financial Year	FY12	FY13
No. of performance rights granted to individuals (million)	2.1	2.2
No. of individuals granted Deferred STI performance rights	2,388	2,439

Retention rights

The Performance Rights Sub-Plan has also been used to attract new talent to the business, compensate new hires for foregone equity, and ensure that key employees are retained to protect and deliver on the Company's strategic direction. It has been offered to:

1. Executives deemed to be top talent who had either no or relatively small grants scheduled to vest over the ensuing two years; or
2. Executives of newly acquired businesses in order to retain intellectual property during transition periods; or
3. Attract new 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, generally for a two or more year period. It is intended that this plan be used only in special circumstances.

LTIP grant summary

The following table details the total number of options and performance rights and their fair value granted to employees over the previous five years (excluding the rights detailed in the Deferred STI table above):

Number of instruments granted under LTIP					
Financial Year	FY09	FY10	FY11	FY12	FY13
No. of options granted to individuals (million)	5.6	4.1	-	-	-
No. of individuals granted options	2,410	2,262	-	-	-
Fair value per option (\$) – Total weighted	4.96	4.02	-	-	-
Fair value per option (\$) – TSR	4.76	3.27	-	-	-
Fair value per option (\$) – EPS	5.15	4.77	-	-	-
No. of performance rights granted to individuals (million)	1.1	1.0	2.9	0.3	0.4
No. of individuals granted performance rights	2,416	2,267	2,416	39	45
No. of retention rights granted to individuals (million)	0.1	0.1	0.6	0.2	0.9
No. of individuals granted retention rights	13	6	127	16	146
Fair value per right (\$) – Total weighted	21.55	19.42	20.92	21.63	24.35
Fair value per right (\$) – TSR	18.83	13.17	16.73	12.33	14.08
Fair value per right (\$) – EPS	23.66	24.74	23.73	20.05	22.69
Fair value per right (\$) – NPAT	-	-	-	22.39	25.47
Fair value per right (\$) – Retention rights	24.89	24.49	23.87	21.83	24.54

The following table details the number of instruments that have been granted but remain outstanding as at the end of the financial year:

Summary of outstanding instruments as at 30 June 2013						
	FY09	FY10	FY11	FY12	FY13	Total
Options	434,446	3,112,900	-	-	-	3,547,346
Performance rights	-	725,938	2,319,311	1,367,527	2,531,782	6,944,558
Retention rights	-	-	76,500	173,500	829,450	1,079,450

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.3 Executive remuneration structure explained continued

2.3.3.2 LTIP performance measures

Long term incentives have used the same two performance measures each worth 50% of the total grant for each offer. The performance hurdles must be met before vesting occurs. The two performance hurdles are based on cumulative earnings per share (EPS) growth and relative total shareholder return (TSR) measured over the performance period.

Features of performance measures	
EPS	TSR
Provides balance between an external and internal measure	

Directly linked to Company's objective of sustainable long-term, profit growth

Performance measurement for the purpose of calculating the number of instruments to vest is either calculated or verified by an independent third party

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

Following is a summary of the LTIP performance hurdles for all outstanding grants:

Summary of LTIP performance measures					
Grant Year	Vesting Period	EPS		TSR	
		Weighting	Hurdle	Weighting	Hurdle
FY06 – FY08 ¹	5	50%	10% - 11%	50%	60th - 75th percentile
FY09 – FY11 ²	4	50%	10% - 15%	50%	51st - 75th percentile
FY12 ³	5	50%	8% - 12%	50%	51st - 75th percentile
FY13 ⁴	5	50%	6% – 8%	50%	51st - 75th percentile

- 1 EPS component vests in four equal tranches of 12.5%, dependent on attaining average annual growth of either 10% or 11%. The performance test date for the first and second tranches is at the end of four years and for the third and fourth tranches is at the end of five years. A fifth tranche comprised of the TSR component 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. The performance test date for the fifth tranche is at the end of five years
- 2 EPS component vests progressively upon attaining average annual growth of 10% with the full 50% vesting at an average annual growth of 15%. The TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group up to the full 50% vesting where TSR equals the 75th percentile of the comparator group. Where any minimum performance measure is met at the end of three years, nothing further vests at the end of four years. However if the minimum performance measures are not met when early tested after three years, the measures will be tested at the end of four years
- 3 EPS component vests progressively upon attaining average annual growth of 8% with the full 50% vesting at an average annual growth of 12%. The vesting of the TSR component has not changed from FY11. There is no retest if either performance measure is not met
- 4 EPS component vests progressively upon attaining average annual growth of 6% with the full 50% vesting at an average annual growth of 8%. The vesting of the TSR component has not changed from FY11. There is no retest if either performance measure is not met

DIRECTORS' STATUTORY REPORT continued

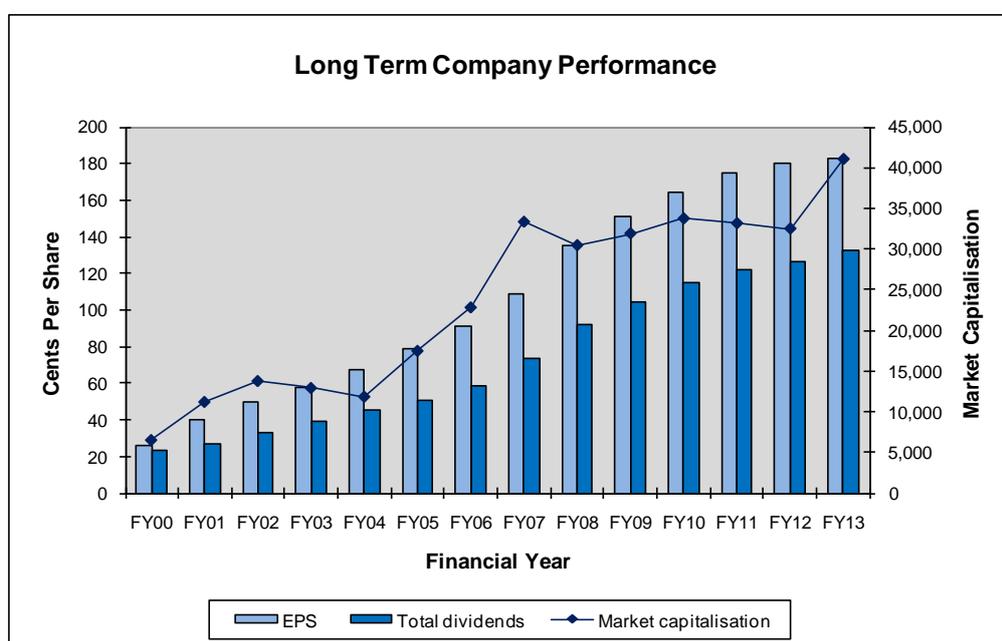
REMUNERATION REPORT continued

2.3 Executive remuneration structure explained continued

2.3.3.3 Link to performance

The performance measures within the long term incentive plan (EPS and TSR) provide a link between executive reward and shareholder wealth. The Company's long term performance in key metrics that contribute to these performance measures are detailed below:

Financial Year	FY09	FY10	FY11	FY12	FY13
Basic EPS - total Group (cents per share)	150.7	164.0	174.6	148.7	182.6
Basic EPS from continuing and discontinued operations before significant items (see page 40) (cents per share)	150.7	164.0	174.6	180.1	190.4
Total dividends (cents per share)	104.0	115.0	122.0	126.0	133.0
Market capitalisation (\$ millions)	31,906	33,733	33,150	32,498	41,019
Share price (closing) (\$)	25.96	27.40	27.25	26.38	32.81



2.3.3.4 Securities dealing policy

The Woolworths Securities Dealing Policy was reviewed in August 2012. As part of the policy all members of the senior management team 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 unvested securities or vested securities that are subject to a disposal restriction, 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.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.4 Managing Director and Chief Executive Officer

2.4.1 Mr G O'Brien

Mr O'Brien was appointed Deputy CEO and CEO Designate effective 4 April 2011 and assumed the CEO role effective 1 October 2011. The CEO's service agreement is a rolling contract.

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 six months written notice.
Where the notice period is worked; <ul style="list-style-type: none">○ Normal remuneration is paid; and○ STIP and LTIP (including Deferred STI) continue to accrue in accordance with relevant plan rules to the end of the notice period.	Where the notice period is worked; <ul style="list-style-type: none">○ Normal remuneration is paid; and○ STIP and LTIP (including Deferred STI) continue to accrue in accordance with relevant plan rules to the end of the notice period.
Where the notice period is paid in lieu: <ul style="list-style-type: none">○ Fixed remuneration and a reasonable estimate of STIP entitlement is paid and employment ceases upon making the payment; and○ LTIP will continue to accrue or be forfeited in accordance with the plan rules.	Where the notice period is paid in lieu: <ul style="list-style-type: none">○ Fixed remuneration and a reasonable estimate of STIP entitlement is paid and employment ceases upon making the payment; and○ LTIP will continue to accrue or be forfeited in accordance with the plan rules.
If termination is with cause: <ul style="list-style-type: none">○ Only accrued and unpaid salary for days worked is paid; and○ 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.

2.4.2 STIP

Mr O'Brien's maximum STIP is 100% of TFR.

2.4.3 Equity plans

The terms and conditions of each grant to Mr O'Brien are aligned with other KMP disclosed earlier in this report and an offer was made to Mr O'Brien under both Deferred STI and LTIP.

Deferred STI

Mr O'Brien was provided with a Deferred STI under the same terms and conditions disclosed earlier in this report. The Deferred STI was not in addition to STIP and LTIP. 50% of the value of LTIP was provided as Deferred STI to ensure there was no additional Company expense.

LTIP

Shareholder approval was gained at the 2011 Annual General Meeting for Mr O'Brien to be provided with an annual grant equivalent to 100% of his TFR to ensure that the CEO's total targeted remuneration is comprised of one third each, TFR, short and long term incentives. This target remuneration mix was applied to Mr O'Brien's remuneration in FY13 (see section 1.5).

Approval is being sought from shareholders at the 2013 Annual General Meeting for an annual LTIP grant in FY14 equivalent to 135% of Mr O'Brien's TFR. The proposed LTIP grant will address market relativity of his remuneration, in comparison to similar roles in ASX25 companies. The proposed LTIP grant will result in a target remuneration mix for FY14 of 30% TFR, 30% short term incentive and 40% long term incentive, and will more closely align the variable components of his remuneration to the 75th percentile of the relevant remuneration market data (see section 1.3).

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

2.5 Terms of executive service agreements

In 2002, eligibility to participate in long term incentives was subject to participants entering into either Service Agreements or revised terms and conditions of employment where the participant was not an executive. The Service Agreements offer:

1. The Company protection;
2. Management stability for shareholders; and
3. Clarity for executives.

All new executives to the Company are employed on Service Agreements that detail the components of remuneration paid to executives but do not prescribe how remuneration levels are to be modified from year to year. The agreements do not provide for a fixed term although the Service Agreements can be terminated on specified notice. Following is a summary of the termination provisions of the Service Agreements for all executives:

Termination by Company	Termination by Executive
If termination is without cause, a minimum two months notice is required (three months for KMP).	The executive is to provide a minimum of four weeks written notice (eight weeks for KMP).
Where the notice period is worked: <ul style="list-style-type: none">o Normal remuneration is paid; ando STIP and LTIP (including Deferred STI) continue to accrue in accordance with relevant plan rules to the end of the notice period.	Where the notice period is worked: <ul style="list-style-type: none">o Normal remuneration is paid; ando STIP and LTIP (including Deferred STI) continue to accrue in accordance with relevant plan rules to the end of the notice period.
Where the notice period is paid in lieu: <ul style="list-style-type: none">o Fixed remuneration and a reasonable estimate of STIP entitlement is paid and employment ceases upon making the payment; ando LTIP will continue to accrue or be forfeited in accordance with the plan rules	Where the notice period is paid in lieu: <ul style="list-style-type: none">o Fixed remuneration and a reasonable estimate of STIP entitlement is paid and employment ceases upon making the payment; ando LTIP will continue to accrue or be forfeited in accordance with the plan rules.
If termination is with cause: <ul style="list-style-type: none">o Only accrued and unpaid salary for days worked is paid; ando STIP and LTIP are forfeited in accordance with the relevant plan rules.	

In addition, for all executives and LTIP participants, the Company may elect to invoke a restraint period not exceeding 12 months.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

3 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

3.1 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 year ended 30 June 2013, the amount of Directors' base fees paid to each Non-executive Director was increased by 3% to \$228,095 per annum effective from 1 September 2012 (in line with the 3% salary review budget for Woolworths' executives). The Chairman receives a multiple of three times the Non-executive Director fee amount.

Following is a summary of board and committee fees for the last two financial years:

Board and committee fees (\$)	FY12		FY13	
	Chair	Member	Chair	Member
Woolworths Limited	664,350	221,450	684,280	228,095
Audit, Risk Management and Compliance Committee	51,500	25,750	53,045	26,525
People Policy Committee	51,500	25,750	53,045	26,525
Woolworths Group Superannuation Plan	-	27,315	-	28,135
ALH Group Pty Ltd	-	87,415	-	90,040
ALH Audit Committee	27,315	-	28,135	-
Hydrox Holdings Pty Ltd	-	87,415	-	90,040
Hydrox Audit Committee	27,315	-	28,135	-

Total Board and Committee Fees paid during FY13 were \$3,272,139 (see pages 74 and 75), which is within the \$4,000,000 aggregate fee level approved by shareholders at the 2010 AGM.

In addition to the above fees, an overseas Directors' Allowance of \$10,610 (effective from 1 September 2012, previously \$10,300) 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.

Ernst & Young provided data on the structure and level of Non-executive Directors' fees. The information considered 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 were consistent with the overall salary increase awarded to non-EBA employees of the Company.

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

3.2 Retirement benefits

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 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.

3.3 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.

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DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4 EXECUTIVE REMUNERATION STATUTORY DISCLOSURES

4.1 KMP remuneration tables

Set out in the following table is the remuneration for the KMP of Woolworths Limited and its subsidiaries during the financial years ended 24 June 2012 and 30 June 2013.

	Financial Year	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		OTHER LONG TERM BENEFITS	SHARE BASED PAYMENTS ²	TOTAL	% OF POTENTIAL CASH INCENTIVE PAID ³	% RELATED TO PERFORMANCE ³	SHARE BASED PAYMENTS AS A % OF TOTAL ³
		Salary and fees	Cash Incentive	Non-monetary benefits ¹	Sub Total	Superannuation and Other						
		\$	\$	\$	\$	\$	\$	\$	\$			
Non-executive Directors												
J Astbury ⁴	FY13	370,984	-	1,108	372,092	16,470	-	388,562	-	-	-	-
	FY12	377,215	-	1,158	378,373	15,775	-	394,148	-	-	-	-
J Broadbent	FY13	253,383	-	1,108	254,491	16,470	-	270,961	-	-	-	-
	FY12	246,000	-	1,158	247,158	15,775	-	262,933	-	-	-	-
C Cross ⁵	FY13	275,042	-	1,108	276,150	16,470	-	292,620	-	-	-	-
	FY12	104,902	-	1,158	106,060	6,694	-	112,754	-	-	-	-
R Deane ⁶	FY13	263,942	-	1,108	265,050	16,470	-	281,520	-	-	-	-
	FY12	266,854	-	1,158	268,012	15,775	-	283,787	-	-	-	-
J Hrdlicka	FY13	253,383	-	1,108	254,491	16,470	-	270,961	-	-	-	-
	FY12	246,000	-	1,158	247,158	15,775	-	262,933	-	-	-	-
I Macfarlane	FY13	253,383	-	1,108	254,491	16,470	-	270,961	-	-	-	-
	FY12	246,000	-	1,158	247,158	15,775	-	262,933	-	-	-	-
D Mackay ⁵	FY13	259,572	-	1,108	260,680	16,470	-	277,150	-	-	-	-
	FY12	104,902	-	1,158	106,060	6,694	-	112,754	-	-	-	-
M Ullmer ⁵	FY13	279,775	-	1,108	280,883	16,470	-	297,353	-	-	-	-
	FY12	113,485	-	1,158	114,643	6,694	-	121,337	-	-	-	-
R Waters	FY13	526,504	-	1,108	527,612	16,470	-	544,082	-	-	-	-
	FY12	261,021	-	1,158	262,179	15,775	-	277,954	-	-	-	-
Executive Directors												
G O'Brien	FY13	1,958,562	2,089,478	33,639	4,081,679	341,000	146,505	5,684,301	1,115,117	95%	56.4%	19.6%
	FY12	1,827,514	1,492,450	29,989	3,349,953	247,000	173,746	4,244,575	473,876	79%	46.3%	11.2%
T Pockett	FY13	1,395,412	1,720,890	21,917	3,138,219	25,000	29,415	4,156,234	963,600	90%	64.6%	23.2%
	FY12	1,317,768	1,295,933	22,044	2,635,745	50,000	27,003	3,341,304	628,556	71%	57.6%	18.8%

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4 EXECUTIVE REMUNERATION STATUTORY DISCLOSURES

4.1 KMP remuneration tables continued

	Financial Year	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG TERM BENEFITS	SHARE BASED PAYMENTS ²	TOTAL	% OF POTENTIAL CASH INCENTIVE PAID ³	% RELATED TO PERFORMANCE ³	SHARE BASED PAYMENTS AS A % OF TOTAL ³
		Salary and fees	Cash Incentive	Non-monetary benefits ¹							
		\$	\$	\$	\$	\$	\$	\$			
Key Management Personnel											
B Banducci	FY13	677,035	476,251	1,108	62,430	13,920	205,267	1,436,011	93%	47.5%	14.3%
	FY12	106,136	67,609	1,158	9,000	7,423	2,048	193,374	86%	36.0%	1.1%
J Coates	FY13	818,403	365,951	23,155	121,304	17,958	237,883	1,584,654	56%	38.1%	15.0%
	FY12	779,528	230,169	22,271	117,391	17,180	178,187	1,344,726	37%	30.4%	13.3%
S Greentree	FY13	728,040	304,775	13,383	121,000	17,152	392,306	1,576,656	52%	44.2%	24.9%
	FY12	606,992	432,514	27,791	95,000	77,926	225,028	1,465,251	89%	44.9%	15.4%
D Guise	FY13	486,157	278,905	85,537	25,000	7,537	231,697	1,114,833	78%	45.8%	20.8%
P Horton	FY13	629,932	264,356	20,563	59,970	12,036	209,825	1,196,682	55%	39.6%	17.5%
	FY12	586,945	331,320	20,894	58,152	11,456	137,368	1,146,135	71%	40.9%	12.0%
T Jegen	FY13	1,069,149	975,845	86,742	25,000	17,760	565,270	2,739,766	100%	56.2%	20.6%
	FY12	681,965	373,771	19,553	25,000	10,276	251,879	1,362,444	62%	45.9%	18.5%
K Kamp	FY13	472,268	155,040	62,716	39,681	6,893	412,989	1,149,587	48%	49.4%	35.9%
P Winn	FY13	804,973	525,965	30,390	25,000	12,407	290,393	1,689,128	90%	48.3%	17.2%
	FY12	421,740	228,094	7,851	39,191	6,476	126,913	830,265	75%	42.8%	15.3%
Former Non-executive Directors and Key Management Personnel^{7,8}											
J Strong	FY13	281,795	-	89,311	6,863	-	-	377,969	-	-	-
	FY12	661,125	-	1,158	15,775	-	-	678,058	-	-	-
C Flynn	FY13	112,540	-	6,756	13,000	1,050	81,226	214,572	-	n.m. ⁹	n.m. ⁹
	FY12	122,157	76,840	8,958	12,000	1,992	26,566	248,513	78%	41.6%	10.7%
A Hall	FY13	326,240	-	36,120	19,542	6,389	(250,613)	137,678	-	n.m. ⁹	n.m. ⁹
	FY12	401,787	225,690	33,552	25,000	7,569	137,368	830,966	71%	43.7%	16.5%
Total	FY13	12,496,474	7,157,456	521,309	1,033,020	289,022	4,454,960	25,952,241	-	-	-
	FY12	9,480,036	4,754,390	205,641	808,241	341,047	2,187,789	17,777,144	-	-	-

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4 EXECUTIVE REMUNERATION STATUTORY DISCLOSURES

4.1 KMP remuneration tables continued

Notes attaching to the remuneration tables

- 1 Non-monetary benefits include the cost to the Company of motor vehicles, one-off relocation benefits and fringe benefits tax where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance. For Mr Strong, this includes a retirement gift. For Mr Jegen in 2012, non-monetary benefits did not include one-off relocation benefits
- 2 These numbers represent the current year employee benefits charge, recognised in accordance with Australian Accounting Standards, for all Performance Rights and Options over the three or five year vesting period
- 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 Astbury received an additional fee of \$90,040 per annum as a Director of Hydrox Holdings Pty Ltd and \$28,135 per annum as Chair of its Audit Committee
- 5 Ms Cross, and Messrs. Mackay and Ullmer were appointed directors on 30 January 2012
- 6 Sir Roderick Deane is also entitled to a retirement allowance. As set out in the 2006 Woolworths Annual Report, director retirement allowances were calculated and 'frozen' as at 1 August 2006. Australian based directors who were entitled to receive a retirement allowance at that time had the amount rolled into a defined benefit superannuation fund. Sir Roderick Deane, being a New Zealand citizen was not able to roll the amount into a defined benefits superannuation fund. Instead his entitlement was calculated as at 1 August 2006 and has been indexed annually applying the bank bill rate. The allowance had an opening balance of \$660,564 at 24 June 2012, an indexation adjustment during the year of \$17,658 and a closing balance of \$578,222 at 30 June 2013
- 7 Amounts represent the payments relating to the period during which the individuals were in their position
- 8 When employees have terminated employment during the period, options and performance rights that had not vested prior to being forfeited have been credited back to the income statement
- 9 Not measureable given that these individuals ceased to be key management personnel during the year

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4 EXECUTIVE REMUNERATION STATUTORY DISCLOSURES

4.2 Conditional entitlement to, and share holdings of KMP

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

	Opening balance	Options and performance rights granted as remuneration ¹		Options exercised/ performance rights matured ^{2,3,4}		Options lapsed due to non-vesting ⁵		Closing balance options & performance rights holding ⁶		Options vested at end of year			Options and performance rights vested during the year	
		No.	\$	No.	\$	No.	%	Total	Exercisable	Unexercisable	No.	No.		
Executive Directors														
G O'Brien	FY13	271,494	122,470	2,606,247	163,314	(65,665)	163,314	(50,351)	47%	277,948	24,901	-	24,901	56,151
	FY12	225,600	96,479	1,819,308	364,210	(49,870)	364,210	(715)	1%	271,494	34,415	21,915	12,500	73,035
T Pockett	FY13	790,974	88,401	1,881,235	1,956,362	(340,500)	1,956,362	(169,592)	49%	369,283	20,013	-	20,013	176,263
	FY12	966,685	77,539	1,462,157	1,447,500	(250,000)	1,447,500	(3,250)	1%	790,974	184,250	121,750	62,500	371,750
Key Management Personnel														
B Banducci	FY13	3,100	25,817	551,800	-	-	-	(1,240)	40%	27,677	1,860	-	1,860	1,860
	FY12	-	3,100	69,409	-	-	-	-	-	3,100	-	-	-	-
J Coates	FY13	168,384	19,817	421,720	275,925	(54,708)	275,925	(23,110)	39%	110,383	4,666	-	4,666	35,916
	FY12	198,100	18,076	340,862	324,980	(47,435)	324,980	(357)	1%	168,384	23,458	10,958	12,500	59,643
S Greentree	FY13	145,288	19,817	421,720	101,993	(30,170)	101,993	(26,374)	65%	108,561	4,666	-	4,666	14,041
	FY12	131,556	33,076	675,362	182,880	(18,788)	182,880	(556)	2%	145,288	20,795	17,045	3,750	35,833
D Guise	FY13	-	34,817	812,320	-	-	-	-	-	34,817	-	-	-	-
P Horton	FY13	124,779	19,817	421,720	56,438	(26,250)	56,438	(18,388)	45%	99,958	13,363	9,740	3,623	22,373
	FY12	133,223	14,039	264,733	176,886	(22,165)	176,886	(318)	1%	124,779	17,240	9,740	7,500	34,405
T Jegen	FY13	48,076	38,046	878,450	144,750	(5,000)	144,750	(3,110)	24%	78,012	4,666	-	4,666	9,666
	FY12	-	48,076	979,862	-	-	-	-	-	48,076	-	-	-	-

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4 EXECUTIVE REMUNERATION STATUTORY DISCLOSURES

4.2 Conditional entitlement to, and share holdings of KMP continued

	Opening balance	Options and performance rights granted as remuneration ¹		Options exercised/ performance rights matured ^{2, 3, 4}		Options lapsed due to non-vesting ⁵		Closing balance options & performance rights holding ⁶		Options vested at end of year		Options and performance rights vested during the year
		No.	\$	No.	\$	No.	%	Total	Exercisable	Unexercisable	No.	
Key Management Personnel												
K Kamp	FY13	-	41,817	1,013,610	-	-	-	41,817	-	-	-	-
P Winn	FY13	33,076	19,817	421,720	-	(3,110)	40%	49,783	4,666	-	4,666	4,666
	FY12	-	33,076	670,712	-	-	-	33,076	-	-	-	-
Former Key Management Personnel												
C Flynn ⁷	FY13	28,238	24,391	566,211	(3,166)	13,930	53%	-	-	-	-	5,010
	FY12	32,945	2,100	47,019	(6,704)	54,508	1%	28,238	4,666	3,166	1,500	9,870
A Hall ⁸	FY13	124,779	19,817	421,720	(35,990)	144,368	45%	-	-	-	-	22,373
	FY12	113,223	14,039	264,733	(2,165)	57,286	2%	124,779	17,240	9,740	7,500	19,405
Total	FY13	1,738,188	474,844	10,418,473	(561,449)	2,857,080	-	1,198,239	78,801	9,740	69,061	348,319
	FY12	1,801,332	339,600	6,594,157	(397,127)	2,608,250	-	1,738,188	302,064	194,314	107,750	603,941

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/ performance rights matured 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/ performance rights matured after deducting the price paid to exercise the options. No other options were exercised by key management personnel

3 In 2013, amounts paid per share for options exercised during the year by the above key management personnel was \$25.91, \$24.90 and \$24.61

4 In 2012, the amount paid per share for all options exercised during the year by the above key management personnel was \$19.47

5 The number options/ performance rights which lapsed as a result of failure to meet performance hurdles

6 The number of ordinary shares under option/ performance rights as at 30 June 2013/ 24 June 2012 is equivalent to the option/ performance rights holding at that date

7 Ceased to be key management personnel of the Company during the year. Accordingly, from this time, no further disclosure has been made

8 Ceased employment with the Company during the year. Accordingly, from this time, no further disclosure has been made. 90,218 options/ performance rights were forfeited on termination

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4.3 KMP share movements

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

	Shareholding at 24 June 2012	Shares issued under DRP ¹	Shares received on exercise of options	Shares purchased or (sold) ²	Shareholding at 30 June 2013
	No.	No.	No.	No.	No.
Non-executive Directors					
J Astbury	12,797	-	-	-	12,797
J Broadbent	65,138	-	-	-	65,138
C Cross	2,300	-	-	-	2,300
R Deane	40,000	-	-	-	40,000
J Hrdlicka	1,735	-	-	-	1,735
I Macfarlane	13,200	-	-	1,000	14,200
D Mackay	3,790	-	-	-	3,790
M Ullmer	11,000	-	-	-	11,000
R Waters	14,000	-	-	-	14,000
Executive Directors					
G O'Brien	40,739	-	65,665	(65,665)	40,739
T Pockett	133,000	-	340,500	(340,500)	133,000
Key Management Personnel					
B Banducci	-	-	-	-	-
J Coates	12,470	-	54,708	(67,178)	-
S Greentree	49,376	-	30,170	(39,546)	40,000
D Guise	-	-	-	-	-
P Horton	32,886	364	26,250	(41,550)	17,950
T Jegen	-	-	5,000	-	5,000
K Kamp	-	-	-	-	-
P Winn	3,620	-	-	-	3,620
Former Non-executive Directors and Key Management Personnel					
J Strong ³	70,479	-	-	-	-
C Flynn ⁴	704	-	3,166	(3,166)	-
A Hall ⁵	2,165	-	35,990	(26,250)	-

- 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 Mr Strong retired from the Board of Directors on 22 November 2012. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made
- 4 Ms Flynn ceased to be a Key Management Personnel on 5 October 2012. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made
- 5 Mr Hall resigned effective 5 April 2013. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4.4 Equity grants and outstanding equity for KMP

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 25 June 2012 to 30 June 2013.

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

KMP	Grant date	Effective date	No. of options and rights at 30 Jun 13 ¹	Expiry date	Exercise price	Exercise date ²	Maximum value of award to vest (\$) ³	Fair value per option/ performance right ⁴			
								EPS	TSR	NPAT	Retention
Executive Directors											
G O'Brien	27/11/2009	1/07/2009	45,000	31/12/2014	\$25.59 ⁵	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	31/08/2014 ⁶	416,738	\$23.73	\$16.73	-	-
	12/12/2011	1/07/2011	24,901	31/12/2016	Nil	31/08/2014 ⁷	557,533	-	-	\$22.39	-
	12/12/2011	1/07/2011	54,977	31/12/2016	Nil	31/08/2016 ⁷	890,078	\$20.05	\$12.33	-	-
	7/12/2012	1/07/2012	50,855	31/12/2017	Nil	31/08/2015 ⁷	1,294,260	-	-	\$25.45	-
	7/12/2012	1/07/2012	71,615	31/12/2017	Nil	31/08/2017 ⁷	1,311,987	\$22.60	\$14.04	-	-
				277,948				4,841,046			
T Pockett	27/11/2009	1/07/2009	125,000	31/12/2014	\$25.59 ⁵	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	31/08/2014 ⁶	1,235,992	\$23.73	\$16.73	-	-
	12/12/2011	1/07/2011	20,013	31/12/2016	Nil	31/08/2014 ⁷	448,091	-	-	\$22.39	-
	12/12/2011	1/07/2011	44,184	31/12/2016	Nil	31/08/2016 ⁷	715,339	\$20.05	\$12.33	-	-
	7/12/2012	1/07/2012	36,708	31/12/2017	Nil	31/08/2015 ⁷	934,219	-	-	\$25.45	-
	7/12/2012	1/07/2012	51,693	31/12/2017	Nil	31/08/2017 ⁷	947,016	\$22.60	\$14.04	-	-
				369,283				5,362,953			
Key Management Personnel											
B Banducci	12/12/2011	1/07/2011	1,860	31/12/2016	Nil	31/08/2014 ⁷	41,645	-	-	\$22.39	-
	12/04/2012	12/04/2014	6,000	12/04/2014	Nil	12/04/2014	130,080	-	-	-	\$21.68
	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
				27,677				593,445			
J Coates	27/11/2009	1/07/2009	45,000	31/12/2014	\$25.59 ⁵	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	31/08/2014 ⁶	416,738	\$23.73	\$16.73	-	-
	12/12/2011	1/07/2011	4,666	31/12/2016	Nil	31/08/2014 ⁷	104,472	-	-	\$22.39	-
	12/12/2011	1/07/2011	10,300	31/12/2016	Nil	31/08/2016 ⁷	166,757	\$20.05	\$12.33	-	-
	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
				110,383				1,480,137			

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4.4 Equity grants and outstanding equity for KMP continued

KMP	Grant date	Effective date	No. of options and rights at 30 Jun 13 ¹	Expiry date	Exercise price	Exercise date ²	Maximum value of award to vest ³	Fair value per option/performance right ⁴			
								EPS	TSR	NPAT	Retention
S Greentree	27/11/2009	1/07/2009	35,000	31/12/2014	\$25.59 ⁵	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	31/08/2014 ⁶	323,680	\$23.73	\$16.73	-	-
	12/12/2011	1/07/2011	4,666	31/12/2016	Nil	31/08/2014 ⁷	104,472	-	-	\$22.39	-
	12/12/2011	1/07/2011	10,300	31/12/2016	Nil	31/08/2016 ⁷	166,757	\$20.05	\$12.33	-	-
	24/11/2011	23/11/2011	15,000	23/11/2013	Nil	23/11/2013	334,500	-	-	-	\$22.30
	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
			108,561				1,639,261				
D Guise	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
	1/12/2012	1/12/2012	5,000	1/12/2013	Nil	1/12/2013	138,000	-	-	-	\$27.60
	1/12/2012	1/12/2012	5,000	1/12/2014	Nil	1/12/2014	130,050	-	-	-	\$26.01
	1/12/2012	1/12/2012	5,000	1/12/2015	Nil	1/12/2015	122,550	-	-	-	\$24.51
			34,817				812,320				
P Horton	9/12/2008	1/07/2008	9,740	31/12/2013	\$24.61 ⁵	1/07/2012	48,262	\$5.15	\$4.76	-	-
	27/11/2009	1/07/2009	35,000	31/12/2014	\$25.59 ⁵	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	31/08/2014 ⁶	323,680	\$23.73	\$16.73	-	-
	12/12/2011	1/07/2011	3,623	31/12/2016	Nil	31/08/2014 ⁷	81,119	-	-	\$22.39	-
	12/12/2011	1/07/2011	8,000	31/12/2016	Nil	31/08/2016 ⁷	129,520	\$20.05	\$12.33	-	-
	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
			99,958				1,292,433				

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4.4 Equity grants and outstanding equity for KMP continued

KMP	Grant date	Effective date	No. of options and rights at 30 Jun 13 ¹	Expiry date	Exercise price	Exercise date ²	Maximum value of award to vest ³	Fair value per option/performance right ⁴			
								EPS	TSR	NPAT	Retention
T Jegen	12/12/2011	1/07/2011	4,666	31/12/2016	Nil	31/08/2014 ⁷	104,472	-	-	\$22.39	-
	12/12/2011	1/07/2011	10,300	31/12/2016	Nil	31/08/2016 ⁷	166,757	\$20.05	\$12.33	-	-
	1/12/2011	1/12/2011	10,000	1/12/2013	Nil	1/12/2013	216,800	-	-	-	\$21.68
	1/12/2011	1/12/2011	15,000	1/12/2014	Nil	1/12/2014	307,650	-	-	-	\$20.51
	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	22/3/2013	1/07/2012	8,229 ⁸	31/12/2017	Nil	31/08/2015 ⁷	244,730	-	-	\$29.74	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
	22/3/2013	1/07/2012	10,000 ⁸	31/12/2017	Nil	31/08/2017 ⁷	212,000	\$26.41	\$15.99	-	-
			78,012				1,674,129				
K Kamp	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
	9/10/2012	9/10/2012	10,000	9/10/2013	Nil	9/10/2013	281,300	-	-	-	\$28.13
	9/10/2012	9/10/2012	7,000	9/10/2014	Nil	9/10/2014	185,640	-	-	-	\$26.52
	9/10/2012	9/10/2012	5,000	9/10/2015	Nil	9/10/2015	124,950	-	-	-	\$24.99
			41,817				1,013,610				
P Winn	12/12/2011	1/07/2011	4,666	31/12/2016	Nil	31/08/2014 ⁷	104,472	-	-	\$22.39	-
	12/12/2011	1/07/2011	10,300	31/12/2016	Nil	31/08/2016 ⁷	166,757	\$20.05	\$12.33	-	-
	12/12/2011	12/12/2011	15,000	11/12/2014	Nil	11/12/2014	329,850	-	-	-	\$21.99
	7/12/2012	1/07/2012	8,229	31/12/2017	Nil	31/08/2015 ⁷	209,428	-	-	\$25.45	-
	7/12/2012	1/07/2012	11,588	31/12/2017	Nil	31/08/2017 ⁷	212,292	\$22.60	\$14.04	-	-
			49,783				1,022,799				

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 and rights at 30 June 2013 comprises both options that have vested and have not been exercised and options/ rights yet to vest
- 2 Represents the first day the option can be exercised unless otherwise stated
- 3 The maximum value of award to vest represents the total maximum value of employee benefits expense, as based on the value at grant date that will be recorded in respect of options/ rights 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 See note on page 84 regarding adjustment of exercise price during the year
- 6 Vesting may occur on 1 July 2013 if the performance hurdles are met as outlined on page 68
- 7 Vesting may occur by 31 August in each respective year if the performance hurdles are met as outlined on page 68. Vesting will occur on the day which the full year results are announced to the market
- 8 A subsequent grant of Deferred STI and LTIP was made under the same terms and conditions of the main grant. This was done to align actual remuneration mix with targeted remuneration mix

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4.5 Outstanding options/ rights

The following table summarises movements in the total number of outstanding options/ rights for the financial year ended 30 June 2013:

Offer date	Expiry date	Exercise price ¹ \$	No. of options/ rights at 24 June 2012 ²	Options/ rights granted during year	Options/ rights exercised during year	Options/ rights lapsed during year	No. of options/ rights at 30 June 2013	No. of options/ rights exercisable at 30 June 2013
Options								
1-Jul-07	31-Dec-12	\$25.62	6,702,250	-	(5,583,288)	(1,118,962)	-	-
1-Jul-08	31-Dec-13	\$24.61	4,576,524	-	(1,764,535)	(2,377,543)	434,446	434,446
1-Jul-09	31-Dec-14	\$25.59	3,338,350	-	-	(225,450)	3,112,900	-
Rights								
1-Jul-08	31-Dec-13	Nil	431,719	-	-	(431,719)	-	-
1-Jul-09	31-Dec-14	Nil	777,191	-	-	(51,253)	725,938	-
30-Jun-10	31-Dec-12	Nil	218,910	-	(204,000)	(14,910)	-	-
1-Jul-10	31-Dec-15	Nil	2,462,711	-	(667)	(142,733)	2,319,311	-
1-Jan-11	30-Jun-13	Nil	302,000	-	(266,783)	(35,217)	-	-
1-Feb-11	1-Feb-14	Nil	10,000	-	-	-	10,000	-
28-Feb-11	28-Feb-14	Nil	8,000	-	-	-	8,000	-
1-May-11	1-May-14	Nil	9,000	-	-	(9,000)	-	-
23-May-11	23-May-13	Nil	2,000	-	(2,000)	-	-	-
1-Jun-11	1-Jun-13	Nil	8,000	-	(8,000)	-	-	-
1-Jun-11	1-Jun-14	Nil	64,500	-	-	(6,000)	58,500	-
1-Jul-11	1-Jul-13	Nil	15,000	-	-	-	15,000	-
1-Jul-11	1-Jul-14	Nil	15,000	-	-	-	15,000	-
1-Jul-11	31-Dec-16	Nil	2,036,696	-	(21,041)	(910,339)	1,105,316	-
1-Jul-11	31-Dec-16	Nil	284,211	-	(787)	(21,213)	262,211	-
4-Jul-11	4-Jul-14	Nil	6,000	-	-	-	6,000	-
1-Sep-11	31-Dec-13	Nil	10,000	-	-	-	10,000	-
24-Nov-11	23-Nov-13	Nil	22,000	-	-	-	22,000	-
25-Nov-11	1-Dec-12	Nil	5,000	-	(5,000)	-	-	-
25-Nov-11	1-Dec-13	Nil	10,000	-	-	-	10,000	-
25-Nov-11	1-Dec-14	Nil	15,000	-	-	-	15,000	-
12-Dec-11	11-Dec-14	Nil	45,000	-	-	-	45,000	-
12-Dec-11	11-Dec-13	Nil	7,000	-	-	-	7,000	-
29-Feb-12	28-Feb-14	Nil	3,000	-	-	(3,000)	-	-
1-Mar-12	31-Jan-13	Nil	5,000	-	(5,000)	-	-	-
1-Mar-12	31-Jan-14	Nil	5,000	-	-	-	5,000	-
12-Apr-12	12-Apr-14	Nil	6,000	-	-	-	6,000	-
16-Apr-12	16-Apr-13	Nil	10,000	-	(10,000)	-	-	-
16-Apr-12	16-Apr-14	Nil	10,000	-	-	-	10,000	-
16-Apr-12	16-Apr-15	Nil	5,000	-	-	-	5,000	-
14-May-12	13-May-13	Nil	2,500	-	(2,500)	-	-	-
14-May-12	13-Nov-13	Nil	2,500	-	-	-	2,500	-
1-Jul-12	31-Dec-17	Nil	-	2,172,676	-	(71,229)	2,101,447	-
1-Jul-12	31-Dec-17	Nil	-	8,229	-	-	8,229	-
1-Jul-12	31-Dec-17	Nil	-	428,813	-	(16,707)	412,106	-
1-Jul-12	31-Dec-17	Nil	-	10,000	-	-	10,000	-
1-Jul-12	1-Jul-14	Nil	-	31,000	-	(3,000)	28,000	-
1-Jul-12	1-Jul-14	Nil	-	713,000	(6,041)	(29,459)	677,500	-
3-Sep-12	3-Sep-14	Nil	-	5,000	-	-	5,000	-
9-Oct-12	9-Oct-13	Nil	-	10,000	-	-	10,000	-
9-Oct-12	9-Oct-14	Nil	-	7,000	-	-	7,000	-
9-Oct-12	9-Oct-15	Nil	-	5,000	-	-	5,000	-
23-Oct-12	23-Oct-13	Nil	-	2,000	-	-	2,000	-
1-Dec-12	1-Dec-13	Nil	-	5,000	-	-	5,000	-
1-Dec-12	1-Dec-14	Nil	-	5,000	-	-	5,000	-
1-Dec-12	1-Dec-15	Nil	-	5,000	-	-	5,000	-
1-Jan-13	1-Jan-16	Nil	-	350	-	-	350	-
7-Jan-13	7-Jan-15	Nil	-	5,000	-	-	5,000	-
7-Jan-13	7-Jan-16	Nil	-	5,000	-	-	5,000	-
4-Feb-13	4-Feb-16	Nil	-	6,000	-	-	6,000	-
25-Feb-13	25-Feb-14	Nil	-	8,330	-	-	8,330	-
25-Feb-13	25-Feb-15	Nil	-	8,330	-	-	8,330	-
25-Feb-13	25-Feb-16	Nil	-	8,340	-	-	8,340	-
11-Mar-13	11-Mar-14	Nil	-	11,200	-	-	11,200	-
11-Mar-13	11-Mar-15	Nil	-	11,200	-	-	11,200	-
11-Mar-13	11-Mar-16	Nil	-	11,200	-	-	11,200	-
18-Mar-13	18-Mar-14	Nil	-	1,000	-	-	1,000	-
18-Mar-13	18-Mar-15	Nil	-	1,000	-	-	1,000	-
3-Apr-13	3-Apr-14	Nil	-	1,500	-	-	1,500	-
3-Apr-13	3-Apr-15	Nil	-	1,500	-	-	1,500	-
			21,431,062	3,487,668	(7,879,642)	(5,467,734)	11,571,354	434,446

DIRECTORS' STATUTORY REPORT continued

REMUNERATION REPORT continued

4.5 Outstanding options/ rights continued

- 1 As a result of the capital reduction performed during FY13 in connection with the establishment of the SCA Property Group, and in accordance with ASX listing rule 7.22.3, there was an adjustment of the exercise price of existing options issued under our LTIP plans, effective 11 December 2012. The option exercise price was reduced by \$0.28782 per option
- 2 During FY13, 83,000 performance rights were issued with an offer date in FY12 and FY11

4.6 Remuneration advisors' fees

During FY13, the PPC continued to engage Ernst & Young to advise the PPC and Board in its review of remuneration arrangements. As noted in section 2.2, no remuneration recommendations, as defined by the Corporations Act 2001, were made by the remuneration advisors. The services provided by Ernst & Young in FY13 included the provision of market data related to:

- Short term incentives;
- Long term incentives;
- Remuneration for Key Management Personnel; and
- Remuneration for our Non-executive Directors.

DIRECTORS' STATUTORY REPORT continued

ENVIRONMENTAL REGULATION

Woolworths Limited operations are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its States and Territories.

The Group is subject to, and has complied with, the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 and the Energy Efficiency Opportunities Act 2006.

The Group is not a liable entity under the Clean Energy Act 2011, however the impact of pass through costs from upstream and downstream services has been managed through innovation in low carbon technology, energy efficiency and waste minimisation.

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

The Group has not incurred any significant liabilities under any environmental legislation.

DIRECTORS' AND OFFICERS' INDEMNITY/ INSURANCE

- (i) The Constitution of the Company provides that the Company 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 87 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 27 September 2013.



Ralph Waters

Chairman



Grant O'Brien

Managing Director and Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION



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

27 September 2013

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 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

A V Griffiths
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu.

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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 generally either 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") or 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 30 June 2013.

Website

Full details of Woolworths' corporate governance practices, including its charters and policies, are publicly available in the Corporate Governance section of the Company's website under the tab "Who We Are".

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.

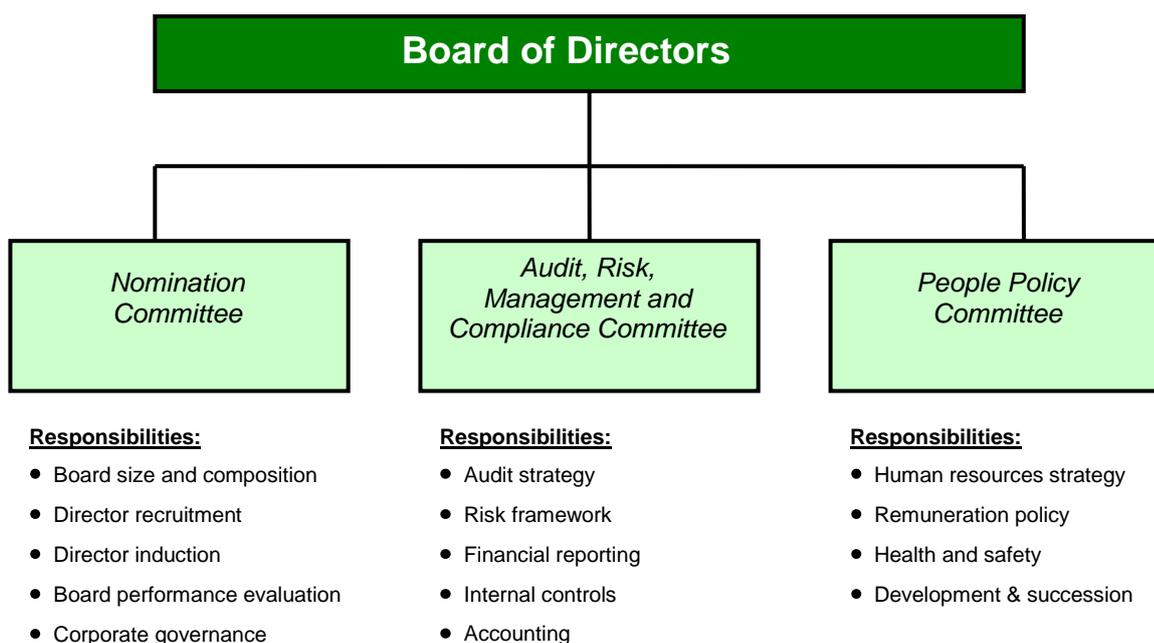
While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, it makes use of Board Committees to perform certain of its functions and to provide it with recommendations and advice.

The Board has established the following committees:

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

The 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.

CORPORATE GOVERNANCE STATEMENT continued



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 42.

The Non-executive Directors are also appointed to at least one of the Audit, Risk Management and Compliance Committee, or the People 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 in the Corporate Governance section of the Company's website under the tab "Who We Are".

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 along with details of the period of office of each Director are included on pages 42-46 of this report and the Director's attendance at Board and Committee meetings are included on page 51.

CORPORATE GOVERNANCE STATEMENT continued

Board process

Typically at Board meetings the agenda will include:

- operational performance;
- financial performance;
- key issues impacting on the business;
- growth and development opportunities and initiatives; and
- a review of market developments.

Further details of the Board process are detailed in Section 6 of the Board Charter. The Charter is available in the Corporate Governance section of the Company's website under the tab "Who We Are".

Responsibilities and objectives

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

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

Overseeing strategy

Strategy – reviewing strategic direction and approving corporate strategic initiatives developed by management;

Major expenditure and capital initiatives – approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;

Leadership selection – selecting and evaluating the performance of the CEO, and selecting the Finance Director and Company Secretary; and

Succession and remuneration planning – planning for Board, CEO and executive succession and remuneration, and setting Non-executive Director remuneration within shareholder approved limits.

Governance processes

Corporate governance – reviewing and monitoring the Company's corporate governance policies and practices;

Board performance and composition – evaluating the performance of the Board and determining its size and composition; and

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.

Risk and reporting

Financial performance – reviewing Woolworths' budget, monitoring management and financial performance;

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;

Risk management – oversight of the effectiveness of risk management and compliance in the organisation, including safety and health governance arrangements; and

External auditor – selecting and recommending to shareholders the appointment of the external auditor.

CORPORATE GOVERNANCE STATEMENT continued

The role of the CEO and management

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

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

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

Responsibilities and objectives

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

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

Review of CEO and management performance

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

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

- the performance evaluation of the CEO was undertaken by the Chairman, in consultation with the Board;
- the performance evaluation of other senior executives was undertaken by the CEO considering their performance against the measures detailed in Section 2.3 of the Remuneration Report on page 61; and
- the People Policy Committee has oversight of the senior executives' objectives and performance assessments.

CORPORATE GOVERNANCE STATEMENT continued

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 procedure for the selection and appointment of new directors and re-election of incumbent directors, and the Board's policy for the nomination and appointment of directors, is available in the Corporate Governance section of the Company's website under the tab "Who We Are" in the Nomination Committee Charter.

The Nomination Committee, when assisting the Board in reviewing potential candidates for Board appointment and assessing retiring directors standing for re-election, 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, aviation, construction, management consultancy and telecommunications, as well as qualifications across a range of fields including business management, economics, accounting and the humanities.

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

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

CORPORATE GOVERNANCE STATEMENT continued

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 would otherwise hold 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 and any Executive Director other than the Managing Director/ Chief Executive Officer 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 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 and the Finance Director, all of the Directors are Non-executive Directors and each is considered to be independent.

To the extent that directors have directorships of companies which have some relationship with Woolworths, directors would not receive Board papers on the relevant matter and would absent themselves from any discussion at a Board meeting in relation to a relevant company.

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, no external assistance was used. The performance review process for Non-executive Directors during the reporting period was comprised of reviews of the Board as a whole, its Committees and its individual Directors. The reviews were based on the individual questionnaires with one on one discussions between the Chairman and each Director, where the performance of each individual Director, each relevant Board Committee, the Board and of the Chairman himself was reviewed and discussed.

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 47 of this Report.

The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and the 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. The key activities performed by the Nomination Committee during the reporting period included:

- assisting in the questionnaires and performance evaluation of Non-executive Directors; and
- Board succession planning.

Membership and Charter

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

The Nomination Committee Charter is available in the Corporate Governance section of the Company's website under the tab "Who We Are".

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 Chairman of the Board;
- 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 Chairman 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 with respect to the oversight of the management of risk and compliance, including areas such as health and safety, privacy and Australian Consumer and Competition Law. Woolworths has specific policies and processes for addressing these and other compliance areas and the Committee receives management reports accordingly.

Membership and Charter

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

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

CORPORATE GOVERNANCE STATEMENT continued

The Audit, Risk Management and Compliance Committee of Directors is currently comprised of Mr R G Waters (joined the Committee in November 2012), Mr I J Macfarlane, Ms J R Broadbent and Mr M J Ullmer (Chairman since March 2012). Mr J A Strong retired from the Committee in November 2012 and Mr J F Astbury in August 2013 (Chairman until February 2012). The qualifications of each member are set out on pages 42 - 46 of this report. The attendance of members at meetings of the Committee is set out on page 51 of the Directors' Report. The Committee met six times during the financial year.

The Committee has a formal Charter which is available in the Corporate Governance section of the Company's website under the tab "Who We Are". The Committee's Charter was reviewed during the year.

Responsibilities

The key 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
- **Compliance:** the Committee assists the Board in overseeing the management of compliance risk, in particular regulatory risk, by way of review of management reports
- **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

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 Group Risk, and the Board and Committee meet with Business Review at least twice a year, without any management present.

Risk in financial reporting

In reviewing (and recommending for approval by the Board) the Company's half-year and annual financial statements, Annual Report and ASX Appendix 4E/D (annual/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.

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. The Committee reviewed and the Board re-appointed Deloitte Touche Tohmatsu as external auditor in 2012
- **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-Woolworths 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

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 periodically by the Committee to ensure its accuracy. The Risk Management Policy is available in the Corporate Governance section of the Company's website under the tab "Who We Are".

Risk management oversight

In the context of overall risk management oversight responsibilities under the Risk Management Framework and Risk Management Policy these 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 strategic, financial, operational and legal/ regulatory 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 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 and Group Risk and Assurance;
 - reviews the appropriate investigation and management reporting of significant risk events and incidents;
 - 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 in the Corporate Governance section of the Company's website under the tab "Who We Are".

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.

CORPORATE GOVERNANCE STATEMENT continued

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 and the Board 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 Company 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 year comply with the relevant accounting standards; and
- the Financial Statements, and the Notes to the Financial Statements, for the financial year give a true and fair view of the financial position and performance of the Company and the Group.

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 30 June 2013 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 Committee of Sponsoring Organisations (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 must be comprised of at least three independent, Non-executive Directors. Currently, the Committee comprises Non-executive Directors Ms C J Hrdlicka, Mr R G Waters (Chairman until November 2012), Mr A D D Mackay and Ms C Cross (Chair since November 2012). Mr J A Strong retired from the Committee in November 2012 and Sir R S Deane in August 2013. The attendance of members at meetings of the Committee is set out on page 51 of the Directors' Report.

The formal Charter of the People Policy Committee is available in the Corporate Governance section of the Company's website under the tab "Who We Are".

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 and programs 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 WGEA, 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 senior executives; 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 the 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 52 - 84.

The remuneration structure includes the entitlement to a non-superannuation based retirement allowance for Non-executive Director Sir Roderick Deane. Under previous arrangements approved by shareholders in 1998, each Non-executive Director appointed prior to January 2004 was entitled to receive an allowance on retirement as a Director after a minimum period of service. From 1 August 2006, the ongoing accrual of benefits under those arrangements was discontinued. As a result, the benefits for all relevant Non-executive Directors other than Sir Roderick Deane were rolled into a defined benefit superannuation fund pending retirement. The benefits accrued to 1 August 2006 for Sir Roderick Deane have been indexed annually by reference to the bank bill rate and, given his 31 August 2013 retirement, have now been paid (in the amount of \$580,853).

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 Company is currently in the process of consultation and implementation of the revised edition for 2013.

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 in the Corporate Governance section of the Company’s website under the tab “Who We Are”.

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.

Speak Up

The Woolworths Limited group of companies is committed to upholding the behaviours, values and expectations reflected in our Code of Conduct.

In line with this commitment, there are long-standing and accepted procedures in place for raising breaches of the Code of Conduct, which are routinely followed across the business.

The Speak Up service was introduced 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.

Dissatisfaction or disagreements of an interpersonal nature that do not breach any policy or law are not within scope.

Woolworths is strongly committed to eliminating workplace misconduct and employees are encouraged to make use of the Speak Up service after following established escalation processes if they encounter anything they believe constitutes serious workplace misconduct.

CORPORATE GOVERNANCE STATEMENT continued

Vendor Speak Up

In addition to the employee Speak Up service there is also a Vendor Speak Up program which is an externally hosted hotline for trade partners of any Woolworths trading division. The service is available to all trading partners and contractors of Woolworths to report matters of a serious nature where the standard escalation procedures have either been exhausted or are not an option.

Issues that can be reported through the Vendor Speak Up service include breaches of the law, in particular restrictive or unconscionable trade practices, or instances where trade partners believe that dealings with a Woolworths business division or employee have created or are likely to create issues such as:

- Fraud, corruption or behaviour that threatens others
- People or product safety risk
- Theft
- Conflict of interest
- Secret commissions, bribes or corruption
- Improper disclosure of confidential information
- Bullying
- Harassment

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.

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 FY14.

Workplace profile

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 53.3% of all employees being women as at the end of this financial year; and
- Women currently hold 30.3%¹ of executive leadership roles, up from 16.7% in 2004.

Three of the nine Non-executive Directors on the Woolworths Board are women. This is the number committed to be reached by 2015.

¹ This data includes Supermarkets, BIG W, Logistics, Petrol, Woolworths Liquor Group, Corporate, BTS, Masters, Thomas Dux, Progressive Enterprises Limited, Hong Kong, India, ALH Group, Cellarmasters, Danks Wholesale and excludes Danks Retail

CORPORATE GOVERNANCE STATEMENT continued

Other representation metrics

- Woolworths does not require its employees to declare whether they are Aboriginal or Torres Strait Islander people. However, 2,506 employees have voluntarily declared that they are Indigenous through our annual Engagement Survey. We continue to work with external partners who provide pre-employment programs across Australia to ensure that there is real access and jobs for Indigenous Australians.
- Woolworths does not require its employees to declare whether they have a disability. However, 3,061 employees have voluntarily declared that they have a disability through the annual Engagement Survey. We continue to work with the NDRC and Disability Employment Services (DES) to ensure access to employment for people with disability.

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: FY13 measurable objectives

Woolworths is committed to supporting a diverse workforce, recognising that our employees should represent the communities we serve. Our commitment was made public through the diversity policy, which can be found in the Corporate Governance section of the Company's website under the tab "Who We Are". We set diversity related objectives from this policy which becomes our annual focus referred to in this report as the 2014 measurables.

The table below sets out Woolworths' objectives, the initiatives taken throughout FY13 to achieve them and relevant outcomes.

Objective	Initiatives and Outcomes
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	<ul style="list-style-type: none"> • Woolworths is making satisfactory progress toward achieving this objective, with women comprising 33% of Non-executive Directors and 30.3% of executive leadership roles
Continue to incrementally grow the number of women performing senior roles	<ul style="list-style-type: none"> • Woolworths was ranked 'Green' in the 2013 Women on Boards Traffic Lights Index on Gender Balance and over the course of FY13, appointed 93 female executives. Many of these appointments were in non-traditional roles including Director of Masters Home Improvement, State manager positions, as well as Heads of trading, Finance, and Marketing in different areas of the business • Woolworths made 243 new senior executive appointments during FY13 of which 38% were women • As at June 2013, Woolworths employed the following numbers of management employees on a part-time basis: <ul style="list-style-type: none"> ◦ 40 executives (of which 38 were women); ◦ 77 senior managers (of which 68 were women); and ◦ 520 managers (of which 412 were women) <p><i>Information excludes Progressive Enterprises Limited, Global Sourcing, Dick Smith Australia, Dick Smith NZ, India, and Cellarmasters</i></p>

CORPORATE GOVERNANCE STATEMENT continued

Objective	Initiatives and Outcomes
	<ul style="list-style-type: none"> • The Managing Director and CEO of Woolworths is a member of the Male Champions of Change group. The group brings together some of Australia’s most influential and diverse male CEOs and Chairpersons with a view to using their individual and collective influence and commitment to ensure the issue of women’s representation in leadership is elevated on the national business agenda. The Male Champions of Change group is collectively working on a number of initiatives, one of which is increasing flexible work practices – a key area of focus for Woolworths • The Managing Director of Progressive Enterprises Limited is a member of the New Zealand 25 Percent Group which comprises chairs and CEOs from a selection of private, publicly listed and multi-national companies committed to achieving diversity of thought at senior management level and in boardrooms. The aim of the group is to have 25% female representation on Boards in New Zealand by 2015
<p>Continue to create programs that prepare women to take on senior roles within the business both in operational and specialist support areas</p>	<ul style="list-style-type: none"> • The development and education programs that were offered to females during FY13 included the following: <ul style="list-style-type: none"> ◦ Four leadership programs commenced in 2013. Currently these programs have 39.2% female participation; and ◦ The Personal Leadership program, which enables employees to develop insights into their leadership styles and develops personal effectiveness and resilience. Currently this program has 38.4% female participation up from 36% in 2012 • Woolworths provides employees with part-time and job-share roles, paid maternity leave, flexible reintegration after parental leave and support during this leave • During FY13, a senior female employee was one of two winners of the Jack Shewmaker scholarship and used her scholarship to attend an innovation program at Stanford. A female graduate won the encouragement award which she used to attend a Technology and Education event (TED) in the United States of America

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CORPORATE GOVERNANCE STATEMENT continued

Objective	Initiatives and Outcomes
<p>As part of Woolworths' ongoing commitment to the reconciliation process, continue to assist Indigenous Australians to access employment opportunities through our business</p>	<ul style="list-style-type: none"> • Woolworths continues to focus on goals set in the Reconciliation Action Plan which was launched June 2011 and focuses on Respect, Relationships and Opportunities • Continue to run cultural competency training and have introduced a diversity awareness program as part of the core skill program for managers • Continue to proactively recruit Indigenous Australians through community based pre-employment programs • Over 2,506 people have declared that they are Indigenous showing continued increase in indigenous employees • Woolworths has again signed with Supply Nation (formally AIMSC) committing to continue to support Indigenous suppliers in dealing with corporate organisations • We have two Indigenous interns and one Graduate appointed through partnership arrangements • 800,000 shopping bags with the reconciliation artwork were distributed through supermarkets • Recognised NAIDOC and celebrated it internally and supported local communities with their celebrations
<p>Provide people with a disability employment opportunities and career advancement</p>	<ul style="list-style-type: none"> • During FY13, Woolworths has continued to look at new and innovative ways of providing people with a disability with employment opportunities. Some 3,061 employees declared that they have a disability through the engagement survey showing continued participation of people with disability in our workforce • Woolworths won the 2013 AHRI (Australian Human Resource Institute) award for the innovative work done to increase employment of people with disability and for the guide produced to support managers • Woolworths and Progressive Enterprises Limited in New Zealand are members of Disability organisations that represent corporate organisations in supporting disability employment. These organisations are AND (Australian Network on Disability) and BE (Be Accessible) in New Zealand • Woolworths has been a member of AND for a number of years. Woolworths' General Manager of Health Safety and Wellbeing is a member of the Board of AND • Woolworths appointed the first Intern with disability through a "step up" program run through AND • The Human Resources General Manager for Progressive Enterprises Limited is a member of the Board of BE

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CORPORATE GOVERNANCE STATEMENT continued

Objective	Initiatives and Outcomes
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"> In recognising and celebrating our diversity, Woolworths notifies employees through the internal website and through Yammer, a social networking tool, of cultural events and activities in which our teams have participated Woolworths continues to be an ambassador of the Taste of Harmony initiative and see annual increases of stores and sites participating in this event. Over 200 stores and sites registered for Taste of Harmony in 2013, with over 4,000 people participating in our support offices
The 'Fresh Start' agreement	<ul style="list-style-type: none"> In April 2012, Woolworths and the Federal Government signed the 'Fresh Start' agreement to enable collaboration in a structured and aligned way in order to help facilitate employment, workplace participation and skills training right across Australia by creating single points of contact for recruitment, pre-employment programs and skills enhancement Through this partnership Woolworths relaunched Certificate III and IV in retail cross divisionally and focused on employment opportunities including recognising diversity opportunity

Looking forward: FY14 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 and support the Business Strategy. 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;
- increase access to flexible work practices. Formally launch a flexibility guideline, toolkit and training for both managers and employees;
- as part of Woolworths' ongoing commitment to the reconciliation process, continue to assist Indigenous Australians to access employment and business opportunities through Woolworths;
- provide people with a disability employment opportunities and career advancement;
- continue to recognise and celebrate our multicultural diversity and grow our workforce to reflect the diversity of our customers; and
- continue to develop our mature aged workforce (45 years plus) who represent 21.7% of our workforce and continue to ensure that mature aged people have access to employment.

CORPORATE GOVERNANCE STATEMENT continued

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 was reviewed during the year. The policy is available in the Corporate Governance section of the Company's website under the tab "Who We Are".

The Securities Dealing 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, annual 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.

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 Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website under the tab "Who We Are". During the year the Policy was reviewed and the Directors decided no amendments were required.

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 in the Corporate Governance section of the Company's website under the tab "Who We Are").

Investor Centre

The Investor Centre is one of the key methods of communicating with the Company's shareholders. The Investor Centre is available on the Company's website under the tab "Invest In Us" 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 five years.

2013 FINANCIAL REPORT TO SHAREHOLDERS

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FIVE YEAR SUMMARY

PROFIT AND LOSS	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010	2009
Weeks	53	52	52	52	52

SALES (\$m)

Australian Food and Liquor ⁽²⁾	40,031.2	37,549.2	36,176.1	34,675.4	32,977.2
Supermarkets NZ	4,599.7	4,301.8	4,110.5	4,130.6	4,034.3
Petrol	6,793.9	6,714.2	6,025.3	5,481.0	5,482.1
Total Supermarkets	51,424.8	48,565.2	46,311.9	44,287.0	42,493.6
BIG W	4,383.4	4,179.6	4,158.3	4,193.1	4,267.3
Consumer Electronics ⁽¹⁾	-	-	1,855.5	1,782.4	1,723.6
General Merchandise	4,383.4	4,179.6	6,013.8	5,975.5	5,990.9
Hotels	1,468.9	1,204.0	1,153.1	1,102.0	1,110.3
Home Improvement ⁽³⁾	1,239.3	828.3	-	-	-
Unallocated ⁽⁴⁾	-	-	664.1	329.8	-
Total continuing operations	58,516.4	54,777.1	54,142.9	51,694.3	49,594.8
Discontinued operations ⁽¹⁾	641.6	1,923.0	-	-	-
Total Group	59,158.0	56,700.1	54,142.9	51,694.3	49,594.8

EARNINGS BEFORE INTEREST AND TAX (\$m)

Continuing operations before significant items ⁽⁵⁾

Australian Food and Liquor ⁽²⁾	3,061.6	2,817.2	2,678.9	2,492.5	2,206.9
Supermarkets NZ	236.2	224.5	191.9	190.4	153.9
Petrol	137.7	127.1	117.6	99.5	87.5
Total Supermarkets	3,435.5	3,168.8	2,988.4	2,782.4	2,448.3
BIG W	191.3	178.4	177.0	200.0	200.2
Consumer Electronics ⁽¹⁾	-	-	26.8	31.5	50.8
General Merchandise	191.3	178.4	203.8	231.5	251.0
Hotels	263.7	195.7	183.7	176.7	218.0
Home Improvement ⁽³⁾	(138.9)	(96.7)	-	-	-
Total trading operations	3,751.6	3,446.2	3,375.9	3,190.6	2,917.3
Net property income / (expense)	4.7	5.3	11.8	2.5	(7.2)
Central overheads/unallocated	(103.1)	(105.1)	(111.3)	(111.0)	(94.6)
Total unallocated ⁽⁴⁾	(98.4)	(99.8)	(99.5)	(108.5)	(101.8)
Total continuing operations before significant items ⁽⁵⁾	3,653.2	3,346.4	3,276.4	3,082.1	2,815.5

Discontinued operations ⁽¹⁾

Discontinued operations before significant items ^{(1) (5)}	2.5	30.3	-	-	-
Total Group before significant items ⁽⁵⁾	3,655.7	3,376.7	3,276.4	3,082.1	2,815.5

Significant items ⁽⁵⁾

Significant items ⁽⁵⁾	(48.7)	(420.0)	-	-	-
Total Group	3,607.0	2,956.7	3,276.4	3,082.1	2,815.5

EBIT TO SALES %

Continuing operations before significant items ⁽⁵⁾

Australian Food and Liquor ⁽²⁾	7.65	7.50	7.41	7.19	6.69
Supermarkets NZ	5.14	5.22	4.67	4.61	3.81
Petrol	2.03	1.89	1.95	1.82	1.60
BIG W	4.36	4.27	4.26	4.77	4.69
Consumer Electronics ⁽¹⁾	-	-	1.44	1.77	2.95
Hotels	17.95	16.25	15.93	16.03	19.63
Home Improvement ⁽³⁾	(11.21)	(11.67)	-	-	-
Total continuing operations before significant items ⁽⁵⁾	6.24	6.11	6.05	5.96	5.68

Discontinued operations ⁽¹⁾

Discontinued operations before significant items ^{(1) (5)}	0.39	1.58	-	-	-
Total Group before significant items ⁽⁵⁾	6.18	5.96	6.05	5.96	5.68

Total Group

Total Group	6.10	5.21	6.05	5.96	5.68
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FIVE YEAR SUMMARY continued

PROFIT AND LOSS	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010	2009
Weeks	53	52	52	52	52
PROFIT & LOSS DETAIL (\$m)					
Continuing operations before significant items ⁽⁵⁾					
Sales	58,516.4	54,777.1	54,142.9	51,694.3	49,594.8
Cost of goods sold	(42,754.9)	(40,316.1)	(40,049.7)	(38,300.7)	(36,871.4)
Gross profit	15,761.5	14,461.0	14,093.2	13,393.6	12,723.4
Gross profit margin %	26.94	26.40	26.03	25.91	25.66
Cost of doing business (CODB)	(12,108.3)	(11,114.6)	(10,816.8)	(10,311.5)	(9,907.9)
CODB %	20.70	20.29	19.98	19.95	19.98
Selling, general and admin expenses (excluding, rent, depreciation and amortisation)	(9,378.6)	(8,671.6)	(8,417.7)	(8,035.9)	(7,768.8)
EBITDAR	6,382.9	5,789.4	5,675.5	5,357.7	4,954.6
EBITDAR margin %	10.91	10.57	10.48	10.36	9.99
Rent (including fitout rent)	(1,764.2)	(1,559.5)	(1,541.2)	(1,477.9)	(1,409.7)
EBITDA	4,618.7	4,229.9	4,134.3	3,879.8	3,544.9
EBITDA margin (%)	7.89	7.72	7.64	7.51	7.15
Depreciation and amortisation	(965.5)	(883.5)	(857.9)	(797.7)	(729.4)
EBIT	3,653.2	3,346.4	3,276.4	3,082.1	2,815.5
EBIT margin (%)	6.24	6.11	6.05	5.96	5.68
Net financing cost	(251.1)	(242.9)	(225.3)	(181.5)	(149.9)
Woolworths Notes interest	(46.4)	(39.3)	(36.2)	(30.0)	(39.3)
Profit before tax and significant items ⁽⁵⁾	3,355.7	3,064.2	3,014.9	2,870.6	2,626.3
Taxation	(996.6)	(885.0)	(874.6)	(832.6)	(766.3)
Profit after tax and before significant items ⁽⁵⁾	2,359.1	2,179.2	2,140.3	2,038.0	1,860.0
Discontinued operations ⁽¹⁾					
Profit after tax and before significant items ⁽¹⁾⁽⁵⁾	1.8	21.7	-	-	-
Group net profit after tax before significant items ⁽⁵⁾	2,360.9	2,200.9	2,140.3	2,038.0	1,860.0
Significant items after tax ⁽⁵⁾	(96.3)	(383.7)	-	-	-
Group net profit after tax	2,264.6	1,817.2	2,140.3	2,038.0	1,860.0
Non-controlling interests	(5.2)	(0.5)	(16.3)	(17.2)	(24.3)
Profit attributable to members of Woolworths Limited after tax	2,259.4	1,816.7	2,124.0	2,020.8	1,835.7

FIVE YEAR SUMMARY continued

BALANCE SHEET (\$m)	2013	2012⁽¹⁾	2011⁽¹⁾	2010	2009
Weeks	53	52	52	52	52
Inventory	4,205.4	3,698.3	3,736.5	3,438.8	3,292.6
Accounts Payable	(4,080.0)	(4,013.4)	(4,132.0)	(3,953.3)	(3,855.4)
Net investment in inventory	125.4	(315.1)	(395.5)	(514.5)	(562.8)
Fixed assets and investments	9,564.8	9,846.5	8,830.5	7,802.9	6,822.2
Intangibles	5,784.3	5,282.0	5,236.6	5,071.0	4,933.1
Receivables	985.2	894.4	778.0	672.2	467.2
Other creditors	(3,086.1)	(2,954.7)	(2,646.8)	(2,455.9)	(2,340.4)
Total funds employed⁽⁶⁾	13,373.6	12,753.1	11,802.8	10,575.7	9,319.3
Net tax balances	425.2	423.2	305.7	233.6	201.1
Net assets employed	13,798.8	13,176.3	12,108.5	10,809.3	9,520.4
Cash and borrowings ⁽⁷⁾	(3,602.7)	(3,916.3)	(3,325.3)	(2,828.7)	(2,412.3)
Capital call receivable from non-controlling interest	-	-	93.0	-	-
Other financial assets and liabilities	(895.6)	(833.7)	(1,030.4)	(162.9)	(50.8)
Net assets continuing operations	9,300.5	8,426.3	7,845.8	7,817.7	7,057.3
Net assets discontinued operations⁽¹⁾	-	20.0	-	-	-
Total net assets	9,300.5	8,446.3	7,845.8	7,817.7	7,057.3
Non-controlling interests	272.1	258.1	252.6	247.3	244.8
Shareholders' equity	9,028.4	8,188.2	7,593.2	7,570.4	6,812.5
Total equity	9,300.5	8,446.3	7,845.8	7,817.7	7,057.3
CASH FLOW (\$m)					
Continuing and discontinued operations⁽¹⁾					
EBITDA	4,572.5	3,852.6	4,134.3	3,879.8	3,544.9
Movement in net investment in inventory	(490.6)	(282.6)	(75.9)	(69.5)	(138.4)
Other operating cash flows and other non cash	69.8	614.5	83.8	88.4	244.2
Net interest paid	(454.5)	(369.3)	(309.6)	(249.8)	(244.4)
Tax paid	(977.3)	(941.4)	(841.5)	(896.9)	(802.1)
Operating cash flow	2,719.9	2,873.8	2,991.1	2,752.0	2,604.2
Payments for property, plant, equipment and intangibles	(1,955.3)	(2,141.8)	(2,138.5)	(1,817.7)	(1,678.2)
Proceeds on disposal of property, plant and equipment and subsidiaries	1,008.9	199.5	394.4	55.4	18.7
Other investing cash flows	(255.3)	(138.0)	(433.3)	(189.9)	(146.7)
Cash flow from operations after investing activities	1,518.2	793.5	813.7	799.8	798.0
Movement in gross debt	(527.3)	(468.9)	1,758.3	486.1	160.8
Issue of subsidiary shares to non-controlling interests	230.0	203.0	176.6	79.5	-
Dividends paid	(1,396.7)	(1,317.2)	(1,260.0)	(1,164.6)	(1,012.4)
Dividends paid to non-controlling interests	(20.1)	(15.6)	(13.2)	(16.8)	(29.2)
Buyback of shares	-	-	(738.7)	(294.6)	-
New shares issued	193.7	129.5	105.1	77.5	71.9
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	6.2	1.3	(6.8)	(0.2)	3.0
Net cash flow	4.0	(674.4)	806.2	(33.3)	(7.9)

FIVE YEAR SUMMARY continued

SHAREHOLDER VALUE	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010	2009
Weeks	53	52	52	52	52
ROFE (Pre-tax return on funds employed) (%) ⁽⁸⁾					
Group normal	27.61	24.08	29.28	30.98	31.93
Continuing operations before significant items ⁽¹⁾⁽⁵⁾⁽⁸⁾	27.99	27.75	29.28	30.98	31.93
DU PONT ANALYSIS (before significant items) (%) ⁽⁵⁾					
EBIT to sales	6.18	5.96	6.05	5.96	5.68
Service burden ⁽⁹⁾	91.85	91.60	92.02	93.14	93.28
Tax burden ⁽¹⁰⁾	70.16	71.14	70.99	71.00	70.82
Asset turn ⁽¹¹⁾	2.70	2.67	2.77	2.94	3.06
Financial leverage ⁽¹²⁾	2.55	2.69	2.58	2.44	2.53
Return on equity ⁽¹³⁾	27.37	27.89	28.01	28.10	28.67
EARNINGS PER SHARE					
Ordinary share price closing (\$)	32.81	26.38	27.25	27.40	25.96
Market capitalisation (\$m)	41,018.7	32,498.3	33,149.6	33,733.2	31,905.9
Weighted average shares on issue	1,237.4	1,222.0	1,216.2	1,232.1	1,218.0
Normal basic EPS (cents per share) ⁽¹⁴⁾	182.6	148.7	174.6	164.0	150.7
Normal basic EPS before significant items (cents per share) ⁽⁵⁾⁽¹⁴⁾	190.4	180.1	174.6	164.0	150.7
Normal basic EPS continuing operations before significant items (cents per share) ⁽⁵⁾⁽¹⁴⁾	190.2	178.3	174.6	164.0	150.7
Interim dividend (\$m)	770.6	723.9	691.4	657.2	588.3
Interim dividend (cents per share)	62.0	59.0	57.0	53.0	48.0
Final Dividend (\$m) ⁽¹⁵⁾	887.7	826.9	792.9	766.3	692.0
Final dividend (cents per share)	71.0	67.0	65.0	62.0	56.0
Total dividend (\$m) ⁽¹⁵⁾	1,658.3	1,550.8	1,484.3	1,423.5	1,280.3
Total dividend (cents per share)	133.0	126.0	122.0	115.0	104.0
Payout ratio (%)	73.40	85.36	69.88	70.44	69.74
Payout ratio before significant items (%) ⁽⁵⁾	70.40	70.48	69.88	70.44	69.74
Price/earnings ratio (times)	17.97	17.74	15.60	16.71	17.23
Price/earnings ratio before significant items (times) ⁽⁵⁾	17.23	14.65	15.60	16.71	17.23
Price/cash flow ratio	14.91	11.23	11.08	12.29	12.13
GROWTH RATES (continuing operations before significant items) (% increase) ⁽¹⁾⁽⁵⁾					
Sales	6.83	4.76	4.74	4.23	5.44
Sales per equivalent week	4.81	4.76	4.74	4.23	7.47
EBITDA	9.19	3.72	6.56	9.44	11.51
EBIT	9.17	2.98	6.30	9.47	11.34
Profit before tax	9.51	2.51	5.03	9.30	12.36
Normal basic EPS	6.67	3.06	6.48	8.82	11.73
FINANCIAL STRENGTH (before significant items) ⁽⁵⁾					
Service cover ratio (times) ⁽¹⁶⁾	12.27	11.91	12.53	14.57	14.88
Fixed charges cover (times) ⁽¹⁷⁾	3.0	2.9	3.0	3.1	3.0
Sales to inventory (times) ⁽¹⁸⁾	14.69	14.95	15.09	15.36	15.74
Capital expenditure to EBITDA (%)	42.31	50.13	51.73	46.85	47.34
Operating cash flow per share (\$)	2.20	2.35	2.46	2.23	2.14
Serviced gearing (%) ⁽¹⁹⁾	28.72	33.76	33.83	27.16	25.87
Current assets to current liabilities (%)	90.68	85.75	78.87	71.66	74.97

FIVE YEAR SUMMARY continued

PRODUCTIVITY	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010	2009
STORES (Number)					
Supermarkets					
New South Wales and Australian Capital Territory	271	262	255	248	241
Queensland	209	203	194	189	186
Victoria	221	214	203	200	192
South Australia and Northern Territory	78	78	76	74	72
Western Australia	88	85	83	83	82
Tasmania	30	30	29	29	29
Supermarkets - Australia	897	872	840	823	802
Supermarkets - New Zealand	166	161	156	152	149
Total Supermarkets	1,063	1,033	996	975	951
Thomas Dux	11	11	11	11	3
Freestanding Liquor	339	329	305	281	256
ALH Group Retail Outlets	526	507	488	480	463
Caltex / WOW Petrol	131	132	132	132	133
WOW Petrol - Australia	482	467	449	429	409
WOW Petrol - New Zealand	-	-	-	22	22
Total Supermarket Division	2,552	2,479	2,381	2,330	2,237
General Merchandise					
BIG W	178	172	165	161	156
Dick Smith Electronics	-	-	390	394	349
Tandy	-	-	4	22	87
Total General Merchandise	178	172	559	577	592
Hotels including clubs (ALH Group)	326	294	282	284	280
Danks (Home Improvement Retail)	26	21	19	8	-
Masters	31	15	-	-	-
Total continuing operations	3,113	2,981	3,241	3,199	3,109
Discontinued operations ⁽¹⁾					
Dick Smith Electronics	-	347	-	-	-
Tandy	-	1	-	-	-
TOTAL GROUP	3,113	3,329	3,241	3,199	3,109

FIVE YEAR SUMMARY continued

STORES (Movement) FY13	24 JUNE 2012	OPENED/ACQ	CLOSED	30 JUNE 2013	
Supermarkets					
New South Wales and Australian Capital Territory	262	10	1	271	
Queensland	203	8	2	209	
Victoria	214	9	2	221	
South Australia and Northern Territory	78	3	3	78	
Western Australia	85	4	1	88	
Tasmania	30	-	-	30	
Supermarkets - Australia	872	34	9	897	
Supermarkets - New Zealand	161	8	3	166	
Total Supermarkets	1,033	42	12	1,063	
Thomas Dux	11	-	-	11	
Freestanding Liquor	329	17	7	339	
ALH Group retail outlets	507	37	18	526	
Caltex / WOW Petrol	132	-	1	131	
WOW Petrol - Australia	467	16	1	482	
Total Supermarket Division	2,479	112	39	2,552	
General Merchandise					
BIG W	172	6	-	178	
Total General Merchandise	172	6	-	178	
Hotels (ALH Group)	294	35	3	326	
Danks (Home Improvement Retail)	21	6	1	26	
Masters	15	16	-	31	
Total continuing operations	2,981	175	43	3,113	
Discontinued operations ⁽¹⁾					
Dick Smith Electronics and Tandy (Aust/NZ)	348	2	350	-	
TOTAL GROUP MOVEMENT	3,329	177	393	3,113	
	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010	2009
Weeks	53	52	52	52	52
AREA (sqm)					
Supermarket Division (Australia) ⁽²⁰⁾	2,413,527	2,318,756	2,202,620	2,127,195	2,037,680
Supermarket Division (New Zealand) ⁽²¹⁾	372,373	351,744	333,274	325,256	303,889
General Merchandise Division ⁽²²⁾	1,016,086	1,107,732	1,086,082	1,061,934	1,038,561
SALES PER AVERAGE SQUARE METRE (normalised 52 weeks)					
Supermarket Division (Australia) ⁽²⁰⁾	15,972.9	15,980.2	16,171.8	16,103.1	16,002.5
Supermarket Division (New Zealand) ⁽²¹⁾	14,568.1	15,178.9	15,131.6	15,042.1	15,001.6
General Merchandise Division ⁽²²⁾	4,275.2	5,241.9	5,299.9	5,449.8	5,722.7

FIVE YEAR SUMMARY continued

NOTES TO STATISTICS

1. On 27 September 2012, Woolworths announced its exit from the Consumer Electronics market segment with the sale of its wholesale operations in India and the Dick Smith Electronics business in Australia and New Zealand.
Australia and New Zealand Dick Smith Electronics operations have been reported as a discontinued operation from financial year 2012. India Wholesale operations have been reported as a discontinued operation from financial year 2013. For comparative purposes at full year 2013, with the exception of the balance sheet, financial year 2012 has been adjusted to include India Wholesale as a discontinued operation. Financial year 2011 balances are consistent with the way they were reported at financial year 2011 (that is, do not reflect any restatement of the profit and loss for discontinued operations).
2. Includes the Wholesale division that was reported separately prior to financial year 2010.
3. Prior to financial year 2012, Home Improvement was included in the 'Unallocated' category.
4. Unallocated consists of the group's other operating segments that are not separately reportable (Home Improvement prior to financial year 2012) as well as various support functions including Property and Head office costs.
5. Significant items represent:
 - in 2013, profit of \$9.9m before tax (\$7.9m after tax) on sale of the Consumer Electronics businesses
 - in 2013, the one-off loss of \$32.8m before tax (\$28.5m after tax) on the Shopping Centres Australasia Property Group transaction
 - in 2013, the one-off costs of \$25.8m before tax (\$18.1m after tax) for Victorian transport fleet redundancies
 - in 2013, the one-off costs of \$82.3m before tax (\$57.6m after tax) relating to the US 144A bond redemption
 - in 2012, the \$420.0m before tax (\$383.7m after tax) restructuring provision set aside for the restructure and divestment of Dick Smith Electronics in Australia and New Zealand.Where noted, profit and loss items have been adjusted to reflect these significant items.
6. 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.
7. Cash and Borrowings is gross debt less cash on hand, cash at bank and cash on short term deposit.
8. Return on funds employed (ROFE) is EBIT as a percentage of average (of opening and closing) funds employed for the year. For comparability, the continuing operations ratio excludes Consumer Electronics Australia, New Zealand and India for both financial years 2012 and 2013.
9. Service burden is net operating profit before income tax expressed as a percentage of EBIT.
10. Tax burden is normal profit after income tax attributable to shareholders expressed as a percentage of normal profit before income tax.
11. Asset turn is total sales divided by average (of opening and closing) total assets for the year.
12. Financial leverage is average (of opening and closing) total assets divided by average (of opening and closing) shareholders' equity for the year.
13. Return on equity is profit after income tax attributable to shareholders, divided by average (of opening and closing) shareholders' equity for the year.
14. Normal basic earnings per share (Normal EPS) is profit after tax and servicing Hybrid Notes attributable to shareholders divided by the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard AASB 133 Earnings per Share.
15. The current year figure represents the dividend value given the shares on issue at the date the full year results are released to the market. This figure will change if there are any shares issued between the reporting date and the ex-dividend date.
16. Service cover ratio is EBIT divided by the sum of net financing cost and Hybrid Notes interest.
17. Fixed charges cover is EBITDAR divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income.
18. Sales to inventory is total sales divided by average (of opening and closing) inventory.
19. Serviced gearing is cash and borrowings together with the hedge assets and liabilities related to those borrowings divided by cash and borrowings together with the hedge assets and liabilities related to those borrowings plus total equity.
20. Supermarkets Division excludes Langton's, Cellarmasters, Petrol, Wholesale and ALH Group retail (BWS).
21. New Zealand Supermarkets excludes Gull and franchise outlets. Sales per square metre presented in New Zealand dollars.
22. Includes BIG W, Dick Smith and Tandy. Excludes Woolworths India. 2013 sales per square metre represents BIG W only.

Certain comparative amounts have been reclassified to conform with the current year's presentation to better reflect the economic nature of the assets and liabilities of the group.

CONSOLIDATED INCOME STATEMENT – WOOLWORTHS LIMITED

		2013 53 weeks	2012 52 weeks
	Note	\$m	\$m
Continuing Operations			
Revenue from the sale of goods	2a	58,516.4	54,777.1
Other operating revenue	2a	157.7	138.9
Total revenue from continuing operations		58,674.1	54,916.0
Cost of sales		(42,912.6)	(40,455.0)
Gross profit from continuing operations		15,761.5	14,461.0
Other revenue	2b	247.6	223.5
Branch expenses		(9,799.8)	(8,777.3)
Administration expenses		(2,614.7)	(2,560.8)
Earnings from continuing operations before interest and tax		3,594.6	3,346.4
Financial expense	3	(410.1)	(316.8)
Financial income	3	30.3	34.6
Net financing costs from continuing operations		(379.8)	(282.2)
Profit from continuing operations before income tax expense		3,214.8	3,064.2
Income tax expense relating to continuing operations	5a	(959.9)	(885.0)
Profit from continuing operations after income tax expense		2,254.9	2,179.2
Discontinued Operations			
Profit/ (loss) from discontinued operations	33	9.7	(362.0)
Profit for the period		2,264.6	1,817.2
Profit attributable to:			
Equity holders of Woolworths Limited		2,259.4	1,816.7
Non-controlling interests		5.2	0.5
		2,264.6	1,817.2
Profit attributable to owners of Woolworths Limited relates to:			
Profit from continuing operations		2,249.7	2,178.7
Profit/ (loss) from discontinued operations		9.7	(362.0)
		2,259.4	1,816.7
Earnings Per Share (EPS) from continuing and discontinued operations			
Basic EPS (cents per share)	20	182.6	148.7
Diluted EPS (cents per share)	20	181.8	147.9
Weighted average number of shares used in the calculation of basic EPS (million)	20	1,237.4	1,222.0
Earnings Per Share (EPS) from continuing operations			
Basic EPS (cents per share)	20	181.8	178.3
Diluted EPS (cents per share)	20	181.0	177.4

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

	2013 53 weeks	2012 52 weeks
Note	\$m	\$m
Net profit from continuing operations	2,254.9	2,179.2
Net profit/ (loss) from discontinued operations	9.7	(362.0)
Profit for the period	2,264.6	1,817.2
Other comprehensive income from continuing operations		
Movement in translation of foreign operations taken to equity	197.8	37.8
Movement in the fair value of investments in equity securities	32.9	(16.3)
Movement in the fair value of cash flow hedges	256.4	95.7
Transfer cash flow hedges to the income statement	(231.9)	(175.4)
Actuarial gains/ (losses) on defined benefit plans	12.5	(50.8)
Tax effect of items recognised directly to equity	(36.3)	34.2
Other comprehensive income/ (loss) for the period (net of tax) from continuing operations	231.4	(74.8)
Other comprehensive income from discontinued operations		
Movement in translation of foreign operations taken to equity	0.3	(0.8)
Movement in the fair value of cash flow hedges	0.4	(0.3)
Tax effect of items recognised directly to equity	(0.1)	0.2
Other comprehensive income/ (loss) for the period (net of tax) from discontinued operations	0.6	(0.9)
Total comprehensive income from continuing operations	2,486.3	2,104.4
Total comprehensive income/ (loss) from discontinued operations	10.3	(362.9)
Total comprehensive income for the period	2,496.6	1,741.5
Total comprehensive income from continuing operations attributable to:		
Equity holders of Woolworths Limited	2,481.1	2,103.9
Non-controlling interests	5.2	0.5
Total comprehensive income for the period from continuing operations	2,486.3	2,104.4
Total comprehensive income/ (loss) from discontinued operations attributable to:		
Equity holders of Woolworths Limited	10.3	(362.9)
Total comprehensive income/ (loss) for the period from discontinued operations	10.3	(362.9)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – WOOLWORTHS LIMITED

Income tax on other comprehensive income/ (loss) from continuing operations	Before tax	Tax (expense)/ benefit	Net of tax
	\$m	\$m	\$m
For the period ended 30 June 2013			
Movement in translation of foreign operations taken to equity	197.8	(25.1)	172.7
Movement in the fair value of investments in equity securities	32.9	-	32.9
Movement in the fair value of cash flow hedges	256.4	(76.9)	179.5
Transfer cash flow hedges to the income statement	(231.9)	69.5	(162.4)
Actuarial gains on defined benefit plans	12.5	(3.8)	8.7
Total of items recognised in other comprehensive income	267.7	(36.3)	231.4

Income tax on other comprehensive (loss)/ income from continuing operations	Before tax	Tax (expense)/ benefit	Net of tax
	\$m	\$m	\$m
For the period ended 24 June 2012			
Movement in translation of foreign operations taken to equity	37.8	(4.9)	32.9
Movement in the fair value of investments in equity securities	(16.3)	-	(16.3)
Movement in the fair value of cash flow hedges	95.7	(28.7)	67.0
Transfer cash flow hedges to the income statement	(175.4)	52.6	(122.8)
Actuarial losses on defined benefit plans	(50.8)	15.2	(35.6)
Total of items recognised in other comprehensive income	(109.0)	34.2	(74.8)

Income tax on other comprehensive income/ (loss) from discontinued operations	Before tax	Tax (expense)	Net of tax
	\$m	\$m	\$m
For the period ended 30 June 2013			
Movement in translation of foreign operations taken to equity	0.3	-	0.3
Movement in the fair value of cash flow hedges	0.4	(0.1)	0.3
Total of items recognised in other comprehensive income	0.7	(0.1)	0.6

Income tax on other comprehensive (loss)/ income from discontinued operations	Before tax	Tax benefit	Net of tax
	\$m	\$m	\$m
For the period ended 24 June 2012			
Movement in translation of foreign operations taken to equity	(0.8)	0.1	(0.7)
Movement in the fair value of cash flow hedges	(0.3)	0.1	(0.2)
Total of items recognised in other comprehensive income	(1.1)	0.2	(0.9)

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	2013 \$m	2012 \$m
Current assets			
Cash and cash equivalents		849.2	833.4
Trade and other receivables	8	968.6	869.9
Inventories		4,205.4	3,698.3
Other financial assets	9	54.2	23.8
		6,077.4	5,425.4
Assets classified as held for sale	33	148.7	376.7
Total current assets		6,226.1	5,802.1
Non-current assets			
Trade and other receivables	8	16.6	24.5
Other financial assets	9	358.7	238.8
Property, plant and equipment	10	9,246.1	9,589.0
Intangible assets	11	5,784.3	5,282.0
Deferred tax assets	5d	618.4	644.7
Total non-current assets		16,024.1	15,779.0
Total assets		22,250.2	21,581.1
Current liabilities			
Trade and other payables	12	5,390.3	5,242.2
Borrowings	14	169.4	54.4
Current tax liabilities	5c	193.2	221.5
Other financial liabilities	13	145.9	107.4
Provisions	16	967.2	939.8
		6,866.0	6,565.3
Liabilities directly associated with assets classified as held for sale	33	-	200.9
Total current liabilities		6,866.0	6,766.2
Non-current liabilities			
Borrowings	14	4,282.5	4,695.3
Other financial liabilities	13	992.6	887.2
Provisions	16	549.2	527.3
Other		259.4	258.8
Total non-current liabilities		6,083.7	6,368.6
Total liabilities		12,949.7	13,134.8
Net assets			
		9,300.5	8,446.3
Equity			
Issued capital	17	4,522.7	4,336.6
Shares held in trust	17	(180.5)	(60.7)
Reserves	18	25.1	(243.9)
Retained earnings	19	4,661.1	4,163.4
		9,028.4	8,195.4
Amounts recognised directly in equity relating to assets classified as held for sale	33	-	(7.2)
Equity attributable to the members of Woolworths Limited		9,028.4	8,188.2
Non-controlling interests		272.1	258.1
Total equity		9,300.5	8,446.3

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

	2013 53 weeks \$m	2012 52 weeks \$m
Cash Flows from Operating Activities		
Receipts from customers	63,789.8	61,545.6
Receipts from vendors and tenants	47.0	50.9
Payments to suppliers and employees	(59,685.1)	(57,412.0)
Interest and costs of finance paid	(476.7)	(396.1)
Interest received	22.2	26.8
Income tax paid	(977.3)	(941.4)
Net cash provided by operating activities	2,719.9	2,873.8
Cash Flows from Investing Activities		
Proceeds from the sale of property, plant and equipment	100.3	199.5
Proceeds from the sale of property to the Shopping Centres Australasia Property Group	802.8	-
Payments for property, plant and equipment – property development	(767.4)	(1,165.8)
Advances/ (repayments) of property related receivables	14.8	(1.1)
Payments for property, plant and equipment (excluding property development)	(1,136.0)	(968.7)
Payments for intangible assets	(66.7)	(6.2)
Proceeds from the sale of subsidiaries	105.8	-
Payments for the purchase of businesses	(235.4)	(145.2)
Payments for the purchase of investments	(28.0)	(0.6)
Dividends received	8.1	7.8
Net cash used in investing activities	(1,201.7)	(2,080.3)
Cash Flows from Financing Activities		
Proceeds from the issue of equity securities	188.1	120.9
Proceeds from the issue of equity securities in subsidiary to non-controlling interest	230.0	203.0
Proceeds from external borrowings	5,974.5	12,361.9
Repayment of external borrowings	(6,501.8)	(12,830.8)
Dividends paid	(1,396.7)	(1,317.2)
Dividends paid to non-controlling interests	(20.1)	(15.6)
Repayment of employee share plan loans	5.6	8.6
Net cash used in financing activities	(1,520.4)	(1,469.2)
Net decrease in cash and cash equivalents held	(2.2)	(675.7)
Effects of exchange rate changes on foreign currency held	6.2	1.3
Cash and cash equivalents at the beginning of the period	845.2	1,519.6
Cash and cash equivalents at the end of the period	849.2	845.2
<u>Non-cash financing and investing activities</u>		
In accordance with the Company's Dividend Reinvestment Plan (DRP) 12% (2012: 13%) of the dividend paid was reinvested in the shares of the Company		
Dividends (Note 6)	1,597.5	1,516.8
Issuance of shares under the DRP	(198.6)	(199.6)
Dividends paid on Treasury shares	(2.2)	-
Net cash outflow	1,396.7	1,317.2

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

	2013 53 weeks \$m	2012 52 weeks \$m
Reconciliation of net cash provided by operating activities to profit after income tax expense:		
Profit after income tax expense	2,264.6	1,817.2
Depreciation and amortisation	965.5	895.9
Foreign exchange losses/ (gains)	13.3	(0.8)
Employee benefits expense – share based payments	34.9	39.8
Loss on disposal and write off of property, plant and equipment	9.7	10.2
Borrowing costs capitalised	(77.4)	(90.1)
Amortisation of borrowing costs	6.4	8.1
Consumer Electronics restructuring provision	-	393.1
Profit from sale of subsidiaries	(9.9)	-
Dividends received	(8.1)	(7.8)
Other	(7.5)	5.4
Decrease/ (increase) in deferred tax asset	1.8	(104.7)
(Decrease)/ increase in current tax liability	(17.2)	19.1
Increase in trade and other receivables	(61.8)	(107.3)
Increase in inventories	(550.3)	(297.3)
Increase in trade payables	59.7	14.7
Increase in sundry payables and provisions	96.2	278.3
Net cash provided by operating activities	2,719.9	2,873.8
Acquisition of businesses		
Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses as at the date of acquisition were as follows:		
- property, plant and equipment	29.8	49.8
- inventories	30.6	10.0
- liquor and gaming licences and other intangible assets	158.5	40.1
- cash	3.2	0.3
- receivables	10.9	7.8
- deferred tax (liability)/ asset	(0.9)	0.3
- accounts payable	(20.0)	(4.8)
- provisions	(5.0)	(1.1)
- other liabilities	(7.2)	-
Net assets acquired	199.9	102.4
Minority interest share of acquired business	(7.2)	-
Goodwill on acquisition	45.9	42.1
Fair value of net assets acquired	238.6	144.5
Analysed as follows:		
Consideration		
- cash paid	238.6	144.5
Total consideration	238.6	144.5
Cash paid	238.6	144.5
Add: deferred consideration paid	-	1.0
Less: cash balances acquired	(3.2)	(0.3)
Cash consideration paid	235.4	145.2

Details of acquisitions are shown at Note 30.

CONSOLIDATED CASH FLOW STATEMENT – WOOLWORTHS LIMITED continued

Reconciliation of cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents 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:

	2013	2012
	\$m	\$m
Cash at bank and on hand from continuing operations	849.2	833.4
Cash at bank and on hand from discontinued operations	-	11.8
Balance per consolidated cash flow statement	849.2	845.2

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – WOOLWORTHS LIMITED

For the year ended 30 June 2013

	Issued Capital	Shares Held In Trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Revaluation Reserve	Asset Revaluation Reserve	Instrument Reserve	Retained Profits	Equity Attributable to Members of Woolworths Limited	Non-Controlling Interests	Total Equity
Balance at 25 June 2012	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Profit after income tax expense	4,336.6	(60.7)	(52.8)	(349.0)	246.2	16.4	(111.9)	4,163.4	8,188.2	258.1	8,446.3	
Other comprehensive income for the period (net of tax)	-	-	17.4	173.0	-	-	32.9	2,259.4	2,259.4	5.2	2,264.6	
Total comprehensive income for the period (net of tax)	-	-	17.4	173.0	-	-	32.9	2,268.1	2,491.4	5.2	2,496.6	
Dividends paid	-	-	-	-	-	-	-	(1,597.5)	(1,597.5)	(20.1)	(1,617.6)	
Dividends paid - treasury shares	188.1	-	-	-	-	-	-	2.2	2.2	-	2.2	
Issue of shares as a result of options exercised under employee long term incentive plans	198.6	-	-	-	-	-	-	188.1	188.1	-	188.1	
Issue of shares as a result of the dividend reinvestment plan	-	26.0	-	-	(14.4)	-	-	198.6	198.6	-	198.6	
Issue of shares under the employee share plan and long term incentive plans	-	-	-	-	-	-	-	11.6	11.6	-	11.6	
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	230.0	230.0	230.0	230.0	
Equity settled share based payments expense	-	-	-	-	34.9	-	-	34.9	34.9	-	34.9	
Tax provision impact of share based payments	-	-	(0.2)	8.7	23.9	-	-	23.9	23.9	-	23.9	
Sale of businesses	-	-	-	-	-	-	-	8.5	8.5	-	8.5	
Reclassification of non-controlling interests for recognition of financial liability	(340.3)	-	-	-	-	-	-	(176.1)	(176.1)	-	(197.3)	
In-specie distribution to Woolworths Limited shareholders	145.8	(145.8)	-	-	-	-	-	(516.4)	(516.4)	-	(516.4)	
Shares issued to / (acquired by) the Woolworths Employee Share Trust	(6.1)	-	-	-	-	-	-	1.0	(5.1)	(3.8)	(8.9)	
Balance at 30 June 2013	4,522.7	(180.5)	(35.6)	(167.3)	290.6	16.4	(75.0)	4,661.1	9,028.4	272.1	9,300.5	

For the year ended 24 June 2012

	Issued Capital	Shares Held In Trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Revaluation Reserve	Asset Revaluation Reserve	Instrument Reserve	Retained Profits	Equity Attributable to Members of Woolworths Limited	Non-Controlling Interests	Total Equity
Balance at 27 June 2011	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Profit after income tax expense	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	
Other comprehensive income for the period (net of tax)	-	-	(56.0)	32.2	-	-	(16.3)	1,816.7	1,816.7	0.5	1,817.2	
Total comprehensive income for the period (net of tax)	-	-	(56.0)	32.2	-	-	(16.3)	1,781.1	1,741.0	0.5	1,741.5	
Dividends paid	120.9	-	-	-	-	-	-	(1,516.8)	(1,516.8)	(15.6)	(1,532.4)	
Issue of shares as a result of options exercised under employee long term incentive plans	199.6	-	-	-	-	-	-	120.9	120.9	-	120.9	
Issue of shares as a result of the dividend reinvestment plan	-	29.8	-	-	(14.1)	-	-	199.6	199.6	-	199.6	
Issue of shares under the employee share plan and long term incentive plans	-	-	-	-	-	-	-	15.7	15.7	-	15.7	
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	110.0	110.0	110.0	110.0	
Equity settled share based payments expense	-	-	-	-	39.8	-	-	39.8	39.8	-	39.8	
Tax provision impact of share based payments	-	-	-	-	0.1	-	-	0.1	0.1	-	0.1	
Reclassification of non-controlling interests for recognition of financial liability	34.4	(34.4)	-	-	-	-	-	-	-	(89.1)	(89.1)	
Shares issued to / (acquired by) the Woolworths Employee Share Trust	(6.9)	-	-	-	-	-	-	1.6	(5.3)	(0.3)	(5.6)	
Balance at 24 June 2012	4,336.6	(60.7)	(52.8)	(349.0)	246.2	16.4	(111.9)	4,163.4	8,188.2	258.1	8,446.3	

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 53 weeks ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group"). The comparative period was for the 52 weeks ended 24 June 2012.

The Financial Report was authorised for issue by the Directors on 27 September 2013.

(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. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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

(B) Basis of preparation

The Financial Report is presented in Australian dollars.

The Financial Report has been prepared on the historical cost basis except for available-for-sale financial assets, derivative financial instruments, 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 comparative income statement and statement of comprehensive income has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see note 33).

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 period, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') that are relevant to its operations and effective for annual reporting periods beginning on or after 25 June 2012. These include:

- AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project';
- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'; and
- AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'

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

(B) Basis of preparation continued

In previous financial periods, the Group early adopted AASB 9 *Financial Instruments (December 2009)* including AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9, 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 affected 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 Amendments to Standards were available for early adoption and were applicable to the consolidated entity but have not been applied in these financial statements:

- 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 13 *'Fair Value Measurement'* and AASB 2011-8 *'Amendments to Australian Accounting Standards arising from AASB 13'*. This standard establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The directors anticipate that the application of the new Standard may result in more extensive disclosures in the financial statements. Applies to annual reporting periods beginning on or after 1 January 2013;
- AASB 119 *'Employee Benefits' (2011)* and AASB 2011-10 *'Amendments to Australian Accounting Standards arising from AASB 119' (2011)*. This standard changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The directors anticipate that the application of the new Standard will decrease the defined benefit obligation liability by \$7.9 million. Applies to annual reporting periods beginning on or after 1 January 2013;
- AASB 2011-4 *'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'*. Applies to annual reporting periods beginning on or after 1 July 2013;
- AASB 2011-9 *'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'*. Applies to annual reporting periods beginning on or after 1 July 2012;
- AASB 2012-2 *'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'*. Applies to annual reporting periods beginning on or after 1 January 2013;
- AASB 2012-3 *'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'*. Applies to annual reporting periods beginning on or after 1 January 2014;
- AASB 2012-5 *'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'*. Applies to annual reporting periods beginning on or after 1 January 2013; and
- AASB 2012-10 *'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'*. Applies to annual reporting periods beginning on or after 1 January 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(B) Basis of preparation continued

In August 2011, a package of six Standards on consolidation, joint arrangements, associates and disclosures was issued, including AASB 10, AASB 11, AASB 12, AASB 127 (2011), AASB 128 (2011) and AASB 2011-7. These six Standards are effective for annual reporting periods beginning on or after 1 January 2013. These Standards were available for early adoption and were applicable to the consolidated entity but have not been applied in these financial statements. Key requirements of these six Standards are described below.

- *AASB 10 'Consolidated Financial Statements'*. This standard includes a new definition of control. A review of the current accounting treatment for non wholly owned subsidiaries has been performed. This standard is not expected to have a significant impact on amounts reported in the consolidated financial statements;
- *AASB 11 'Joint Arrangements'*. This standard deals with how a joint arrangement of which two or more parties have joint control should be classified and changes the accounting for jointly controlled entities. This standard is not expected to have a significant impact on amounts reported in the consolidated financial statements;
- *AASB 12 'Disclosure of Interests in Other Entities'*. This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards. The application of this standard will result in more extensive disclosures in the consolidated financial statements;
- *AASB 127 'Separate Financial Statements' (2011)*. This standard is amended by the issuance of AASB 10;
- *AASB 128 'Investments in Associates and Joint Ventures' (2011)*. This standard is amended by the issuance of AASB 10; and
- *AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(B) Basis of preparation continued

The estimates and judgments that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 1(G) and 1(I) - Estimation of useful lives of assets
- Note 10 and 11 - Impairment of tangible and intangible assets
- Note 1(Q) and 16 - Self-insured risks provisions
- Note 1(R) and 26 - Put options over non-controlling interests
- Note 1(P) and 23 - Employee benefits provisions, share based payments and defined benefits obligations

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.

(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 30 June 2013 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 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 forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If 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 financing costs" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(F) Hedging (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

1 SIGNIFICANT ACCOUNTING POLICIES 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:

	2013	2012
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:

	2013	2012
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) Gaming entitlements

Gaming entitlements acquired pursuant to the Victorian Gaming Regulations effective August 2012 are valued at cost. Gaming entitlements are amortised on a straight line basis over the life of the entitlement which is 10 years.

(v) 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)).

(vi) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are valued at cost less accumulated amortisation and accumulated impairment losses. If the assets are considered to have an indefinite useful life, no amortisation is charged. If the assets have a finite useful life, 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

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

Cost includes all purchase related rebates, settlement discounts and other costs incurred to bring inventory to its present 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.

Where inventory systems do not provide appropriate item level information, the retail method technique is adopted in order to measure cost.

(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 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 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.

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.

(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.

(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 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 put options held by non-controlling interests are classified as a financial liability and are measured at fair value. The non-controlling interests continue to have access to voting rights and dividends in the subsidiaries and continue to be attributed a share of profits. Subsequent 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 goods using the card, or when the gift card reaches its expiry date.

(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.

(ii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(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) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

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

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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.

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 related to continuing operations are as follows:

- **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
- **Hotels** – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming
- **Home Improvement** – procurement of home improvement products for resale to customers in Australia

The Unallocated group consists of the Group's other operating segments that are not separately reportable as well as various support functions including property and head office costs.

Discontinued operations represents the Consumer Electronics segment, which is the procurement of electronic products for resale in Australia and New Zealand and a wholesale business in India.

(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 global sourcing office is located in Hong Kong. Until the sale of the consumer electronics businesses in 2012, Woolworths operated stores based in Australia and New Zealand and had a business venture with TATA in India which operated stores under the Croma brand.

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 standalone 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 standalone 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 standalone basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 PROFIT FROM OPERATIONS – CONTINUING OPERATIONS

	2013	2012
	53 weeks	52 weeks
	\$m	\$m
Profit before income tax expense includes the following items of revenue and expense:		
(a) Operating revenue		
Revenue from the sale of goods	58,516.4	54,777.1
Other operating revenue	157.7	138.9
Revenue from operations	58,674.1	54,916.0
(b) Other revenue		
Rent	47.0	50.8
Other	200.6	172.7
Total other revenue	247.6	223.5
Total revenue (excluding financial income)	58,921.7	55,139.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 PROFIT FROM OPERATIONS – CONTINUING OPERATIONS continued

	2013	2012
	53 weeks	52 weeks
	\$m	\$m
(c) Expenses		
Amounts provided for:		
Self-insured risks (Note 16)	163.6	223.3
Impairment of plant and equipment (Note 10)	-	69.1
Impairment of goodwill (Note 11)	-	70.6
Depreciation:		
Development properties and freehold land, warehouse, retail and other properties	47.3	45.4
Plant and equipment	762.9	713.6
Amortisation:		
Leasehold improvements	138.1	123.4
Gaming licences	15.9	-
Other intangibles	1.3	1.1
Total depreciation and amortisation	965.5	883.5
Employee benefits expense ¹ :		
Post employment benefits	487.8	446.9
Equity-settled share-based payments	34.9	39.8
Other employee benefits	6,478.9	5,928.2
Total employee benefits expense	7,001.6	6,414.9
Net loss on disposal of property, plant and equipment	9.7	8.9
Operating lease rental expenses:		
Minimum lease payments	1,704.5	1,500.5
Contingent rentals	59.7	59.0
Total operating lease rental expenses	1,764.2	1,559.5

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 – CONTINUING OPERATIONS

	2013	2012
	<i>53 weeks</i>	<i>52 weeks</i>
	\$m	\$m
Financial expense		
Interest expense - other parties	(482.0)	(406.6)
Less: interest capitalised ¹	77.4	90.1
Foreign exchange loss	(5.5)	(0.3)
	(410.1)	(316.8)
Financial income		
Dividend income	8.1	7.8
Interest income	22.2	26.8
	30.3	34.6
Net financing costs	(379.8)	(282.2)

1 Weighted average capitalisation rate on funds borrowed generally: 7.93% (2012: 7.40%)

4 AUDITORS' REMUNERATION - CONTINUING AND DISCONTINUED OPERATIONS

	2013	2012
	<i>53 weeks</i>	<i>52 weeks</i>
	\$m	\$m
Auditors of the parent entity – Deloitte Touche Tohmatsu Australia		
Audit or review of the financial report	2.326	2.285
Other non-audit related services ¹	0.541	0.317
Tax compliance services	0.064	0.067
Total auditors remuneration	2.931	2.669
Other auditors²		
Audit or review of the financial report	0.174	0.172
	0.174	0.172
Total auditors' remuneration	3.105	2.841

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

	2013	2012
	53 weeks	52 weeks
	\$m	\$m
(a) Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	965.7	975.2
Adjustments recognised in the current year in relation to the current tax of prior years	6.9	(14.3)
Deferred tax relating to the origination and reversal of temporary differences	(10.5)	(105.0)
Total tax expense	962.1	855.9

Tax expense is attributable to:

Profit from continuing operations	959.9	885.0
Profit from discontinued operations before loss on re-measurement	0.2	7.2
Loss on re-measurement to fair value less costs to sell	-	(36.3)
Profit on sale of subsidiaries	2.0	-
	962.1	855.9

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:

	2013	2012
	53 weeks	52 weeks
	\$m	\$m
Profit before income tax expense – continuing operations	3,214.8	3,064.2
Profit before income tax expense – discontinued operations before loss on re-measurement	2.0	28.9
Loss on re-measurement to fair value less costs to sell	-	(420.0)
Profit on sale of subsidiaries	9.9	-
	3,226.7	2,673.1
Income tax using the domestic corporation tax rate of 30% (2012: 30%)	968.0	801.9
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Non-deductible expenses	19.0	4.5
Non-deductible impairment and restructuring provision	-	88.4
Impact of differences in offshore tax rates	(9.5)	(2.8)
Exempt dividend income	(1.6)	(1.4)
Other	(20.7)	(20.4)
	955.2	870.2
Under/ (over) provided in prior years	6.9	(14.3)
Income tax expense	962.1	855.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 INCOME TAXES continued

	2013 53 weeks \$m	2012 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	-	(0.1)
Transactions charged to remuneration reserve	(23.9)	(0.1)
	(23.9)	(0.2)
Deferred tax		
Cash flow hedges	7.4	(24.0)
Transactions charged to foreign currency translation reserve	24.7	4.9
Actuarial movements on defined benefit plans	3.8	(15.2)
	35.9	(34.3)

(c) Current tax assets and liabilities – continuing operations

The current tax liability for the consolidated entity of \$193.2 million (2012: \$221.5 million) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, Woolworths Limited, as the head entity of the Australian tax consolidated group has assumed the current tax liabilities of the members in the tax consolidated group.

	2013 \$m	2012 \$m
(d) Deferred tax balances – continuing operations		
Deferred tax assets comprise:		
Tax losses – revenue	77.1	26.2
Temporary differences	541.3	618.5
	618.4	644.7

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
2013	\$m	\$m	\$m	\$m	\$m
Gross deferred tax assets					
Property plant and equipment	117.4	(40.3)	-	(0.2)	76.9
Provisions and accruals	492.7	(2.6)	(3.2)	4.2	491.1
Cash flow hedges	22.7	-	(7.4)	-	15.3
Unrealised foreign exchange differences	29.8	2.7	(25.2)	-	7.3
Recognised tax losses	26.2	50.9	-	-	77.1
Other	13.6	(7.2)	(0.1)	-	6.3
	702.4	3.5	(35.9)	4.0	674.0
Gross deferred tax liabilities					
Intangible assets	(14.0)	-	-	-	(14.0)
Prepayments	(3.8)	0.9	-	-	(2.9)
Other	(39.9)	6.1	-	(4.9)	(38.7)
	(57.7)	7.0	-	(4.9)	(55.6)
	644.7	10.5	(35.9)	(0.9)	618.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 INCOME TAXES continued

	Opening Balance	Credited/ (Charged) to income	Credited/ (Charged) to equity	Acquisitions	Transfer to assets held for sale	Closing Balance
2012	\$m	\$m	\$m	\$m	\$m	\$m
Gross deferred tax assets						
Property plant and equipment	93.5	23.8	-	-	0.1	117.4
Provisions and accruals	444.4	41.9	15.2	0.3	(9.1)	492.7
Cash flow hedges	(1.3)	-	24.0	-	-	22.7
Unrealised foreign exchange differences	34.1	0.7	(4.9)	-	(0.1)	29.8
Recognised tax losses	2.7	23.5	-	-	-	26.2
Other	5.9	10.4	(0.1)	-	(2.6)	13.6
	579.3	100.3	34.2	0.3	(11.7)	702.4
Gross deferred tax liabilities						
Intangible assets	(14.0)	-	-	-	-	(14.0)
Prepayments	(3.6)	(0.8)	-	-	0.6	(3.8)
Other	(51.3)	8.7	0.1	-	2.6	(39.9)
	(68.9)	7.9	0.1	-	3.2	(57.7)
	510.4	108.2	34.3	0.3	(8.5)	644.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6 DIVIDENDS

	Cents per share	Total amount \$m	Franked	Date of payment
2013				
Interim 2013 ordinary	62	770.6	100%	26/4/2013
Final 2012 ordinary	67	826.9	100%	12/10/2012
Total	129	1,597.5		

	Cents per share	Total amount \$m	Franked	Date of payment
2012				
Interim 2012 ordinary	59	723.9	100%	27/4/2012
Final 2011 ordinary	65	792.9	100%	14/10/2011
Total	124	1,516.8		

All dividends are fully franked at a 30% rate.

On 28 August 2013, the Board of Directors determined a final dividend in respect of the 2013 year of 71c (2012: 67c) per share 100% franked at a 30% tax rate. The amount that will be paid on 11 October 2013 (2012: 12 October 2012) is expected to be \$887.7 million (2012: \$826.9 million). As the dividend was declared subsequent to 30 June 2013, no provision has been included as at 30 June 2013.

Dividend Reinvestment Plan (DRP)

Under the terms and conditions of the DRP, eligible shareholders may elect to participate in the DRP in respect of all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the DRP that the Directors may specify. There is currently no minimum 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 DRP is 20,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6 DIVIDENDS continued

Franked dividends

	2013 \$m	2012 \$m
The franked portions of the dividends proposed as at 30 June 2013 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ended 29 June 2014.		
Franking credits available for the subsequent financial year 30% (2012: 30%)	1,943.0	1,840.0

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

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

Franking accounts are presented on a tax paid basis.

The franking account balances reported for the consolidated group are inclusive of \$84.5 million (2012: \$49.2 million) attributable to the non-controlling interest holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7 SEGMENT DISCLOSURES

The Group has six reportable segments related to continuing operations, 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 Group's reportable segments are as follows:

- **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
- **Hotels** – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming
- **Home Improvement** – procurement of home improvement products for resale to customers in Australia

The Unallocated group consists of the Group's other operating segments that are not separately reportable as well as various support functions including property and head office costs.

Discontinued operations represents the Consumer Electronics segment, which is the procurement of electronic products for resale in Australia and New Zealand and a wholesale business in India.

There are varying levels of integration between the Australian Food and Liquor and Hotels 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 amounted to greater than 10% of the Group's revenues in the current or prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7 SEGMENT DISCLOSURES continued

Business Segments	Australian Food & Liquor ⁽¹⁾		New Zealand Supermarkets		Petrol		BIG W		Hotels ⁽²⁾		Home Improvement		Unallocated ⁽³⁾		Total Continuing Operations		Discontinued Operations ⁽⁴⁾		Consolidated		
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Segment disclosures	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m	\$A m
Business segments																					
Sales to customers	40,031.2	37,549.2	4,599.7	4,301.8	6,793.9	6,714.2	4,383.4	4,179.6	1,468.9	1,204.0	1,239.3	828.3	-	-	58,516.4	54,777.1	641.6	1,923.0	59,158.0	56,700.1	
Other operating revenue	149.9	132.2	7.8	6.7	-	-	-	-	-	-	-	-	654.1	451.3	157.7	138.9	-	-	157.7	138.9	
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	654.1	451.3	654.1	451.3	0.2	0.4	654.3	451.7	
Segment revenue	40,181.1	37,681.4	4,607.5	4,308.5	6,793.9	6,714.2	4,383.4	4,179.6	1,468.9	1,204.0	1,239.3	828.3	(654.1)	(451.3)	59,328.2	55,367.3	641.8	1,923.4	59,970.0	57,290.7	
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-	(654.1)	(451.3)	(654.1)	(451.3)	(0.2)	(0.4)	(654.3)	(451.7)	
Unallocated revenue ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	-	-	247.6	223.5	247.6	223.5	0.3	0.8	247.9	224.3	
Total revenue	40,181.1	37,681.4	4,607.5	4,308.5	6,793.9	6,714.2	4,383.4	4,179.6	1,468.9	1,204.0	1,239.3	828.3	247.6	223.5	58,921.7	55,139.5	641.9	1,923.8	59,563.6	57,063.3	
Segment earnings before interest and tax	3,061.6	2,817.2	236.2	224.5	137.7	127.1	191.3	178.4	263.7	195.7	(138.9)	(96.7)	(98.4)	(89.8)	3,653.2	3,346.4	2.5	30.3	3,655.7	3,376.7	
Loss on SCA Group property transaction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32.8)	-	-	-	(32.8)	-	
Profit on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.9	-	9.9	-	
Victorian transport fleet redundancy costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25.8)	-	-	-	(25.8)	-	
Loss on remeasurement to fair value less costs to sell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(420.0)	-	(420.0)	
Earnings before interest and tax	3,061.6	2,817.2	236.2	224.5	137.7	127.1	191.3	178.4	263.7	195.7	(138.9)	(96.7)	(98.4)	(89.8)	3,594.6	3,346.4	12.4	(389.7)	3,607.0	2,956.7	
Net financing cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(379.8)	(282.2)	(0.5)	(1.4)	(380.3)	(283.6)	
Profit before income tax expense	3,061.6	2,817.2	236.2	224.5	137.7	127.1	191.3	178.4	263.7	195.7	(138.9)	(96.7)	(98.4)	(89.8)	3,214.8	3,064.2	11.9	(391.1)	3,226.7	2,673.1	
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(959.9)	(885.0)	(2.2)	29.1	(962.1)	(855.9)	
Profit after income tax expense	3,061.6	2,817.2	236.2	224.5	137.7	127.1	191.3	178.4	263.7	195.7	(138.9)	(96.7)	(98.4)	(89.8)	2,254.9	2,179.2	9.7	(362.0)	2,264.6	1,817.2	
Segment depreciation and amortisation	542.0	521.3	86.0	84.8	32.8	32.2	93.5	82.7	98.3	64.9	40.3	17.0	72.6	80.6	965.5	883.5	-	12.4	965.5	885.9	
Capital expenditure ⁽⁶⁾	653.7	497.9	129.2	202.5	60.5	45.1	57.6	88.1	522.1	180.2	418.4	537.1	531.4	797.2	2,372.9	2,348.1	2.6	19.5	2,375.5	2,367.6	

(1) Australian Food & Liquor is comprised of supermarket and liquor stores and wholesale food and liquor in Australia.
(2) Hotels is comprised of on-premise liquor sales, food, accommodation, gaming and venue hire.
(3) Unallocated is comprised of corporate head office and the property division.
(4) Discontinued operations is comprised of Consumer Electronics Australia, New Zealand and India.
(5) Unallocated revenue is comprised of rent and other revenue from operating activities across the group.
(6) Capital expenditure is comprised of 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:

Geographical Segments

	Australia		New Zealand		Total Continuing Operations		Discontinued Operations ⁽¹⁾		Consolidated	
	2013 \$A m	2012 \$A m	2013 \$A m	2012 \$A m	2013 \$A m	2012 \$A m	2013 \$A m	2012 \$A m	2013 \$A m	2012 \$A m
Segment disclosures										
Geographical segments										
Sales to customers	53,916.7	50,475.3	4,599.7	4,301.8	58,516.4	54,777.1	641.6	1,923.0	59,158.0	56,700.1
Other operating revenue	149.9	132.2	7.8	6.7	157.7	138.9	-	-	157.7	138.9
Other revenue	217.4	198.3	30.2	25.2	247.6	223.5	0.3	0.8	247.9	224.3
Revenue from external customers	54,284.0	50,805.8	4,637.7	4,333.7	58,921.7	55,139.5	641.9	1,923.8	59,563.6	57,063.3
Non-current assets ⁽²⁾	12,307.2	12,141.7	2,909.8	2,855.5	15,217.0	14,997.2	-	-	15,217.0	14,997.2

⁽¹⁾ Discontinued operations is comprised of Consumer Electronics Australia, New Zealand and India. In FY12, all assets related to discontinued operations were classified as current.

⁽²⁾ 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

	2013	2012
	\$m	\$m
Current		
Trade receivables	234.2	218.0
Other receivables	464.3	385.3
Prepayments	270.1	266.6
	968.6	869.9
Non-current		
Prepayments	16.1	17.0
Other receivables	0.5	7.5
	16.6	24.5

Trade and other receivables are presented net of impairment allowance. Impairment provision balance as at 30 June 2013 was \$14.8 million (2012: \$13.3 million). All recovery risk has been provided for in the balance sheet.

9 OTHER FINANCIAL ASSETS

	2013	2012
	\$m	\$m
Current		
Fair value derivatives		
Cross currency swaps	14.8	3.3
Forward exchange contracts	39.4	20.5
	54.2	23.8
Non-current		
Fair value derivatives		
Cross currency swaps	188.7	137.1
Listed equity securities at fair value	137.9	98.2
Investment in associates	31.4	2.8
Other	0.7	0.7
	358.7	238.8

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	\$m	\$m
Non-current		
Development properties		
At cost	1,302.3	1,415.9
Less: Accumulated depreciation	(1.6)	(7.5)
	<u>1,300.7</u>	<u>1,408.4</u>
Freehold land, warehouse, retail and other properties		
At cost	2,124.3	2,839.0
Less: Accumulated depreciation	(128.6)	(138.8)
	<u>1,995.7</u>	<u>2,700.2</u>
Leasehold improvements		
At cost	2,729.7	2,270.3
Less: Accumulated amortisation	(1,067.4)	(917.0)
	<u>1,662.3</u>	<u>1,353.3</u>
Plant and equipment		
At cost	11,627.0	10,702.6
Less: Accumulated depreciation	(7,339.6)	(6,575.5)
	<u>4,287.4</u>	<u>4,127.1</u>
Total property, plant and equipment – net book value	<u>9,246.1</u>	<u>9,589.0</u>

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 30 June 2013 was performed. The basis of the assessment was a combination of external market assessments and/or valuations and Woolworths' property group assessments based on value in use. External valuations are obtained every three years. Based on the most recent assessments, an impairment provision for development losses of \$78.9 million (2012: \$117.1 million) is held as at 30 June 2013.

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
2013	\$m	\$m	\$m	\$m	\$m
Carrying amount at start of period	1,408.4	2,700.2	1,353.3	4,127.1	9,589.0
Additions (excluding additions arising from acquisition of businesses)	699.7	99.2	226.7	924.6	1,950.2
Additions arising from acquisition of businesses	-	13.9	0.5	15.4	29.8
Disposals	(437.2)	(882.4)	(4.2)	(72.4)	(1,396.2)
Transfer to assets held for sale	(26.1)	(43.5)	(0.5)	(2.3)	(72.4)
Depreciation/amortisation expense	(2.4)	(44.9)	(138.1)	(762.9)	(948.3)
Transfers and other	(352.3)	146.6	215.9	27.3	37.5
Effect of movements in foreign exchange rates	10.6	6.6	8.7	30.6	56.5
Carrying amount at end of period	1,300.7	1,995.7	1,662.3	4,287.4	9,246.1

	Development properties	Freehold land, warehouse, retail and other properties	Leasehold improvements	Plant and equipment	Total
2012	\$m	\$m	\$m	\$m	\$m
Carrying amount at start of period	1,563.4	1,547.2	1,277.9	4,231.8	8,620.3
Additions (excluding additions arising from acquisition of businesses)	1,051.2	199.2	199.2	774.0	2,223.6
Additions arising from acquisition of businesses	-	44.7	0.3	4.8	49.8
Disposals	(27.9)	(103.4)	(2.2)	(16.5)	(150.0)
Transfer to assets held for sale	(14.4)	(113.9)	-	(77.4)	(205.7)
Depreciation/amortisation expense	(13.2)	(32.3)	(123.4)	(725.9)	(894.8)
Impairment ¹	-	-	-	(69.1)	(69.1)
Transfers and other	(1,153.0)	1,156.0	-	(0.3)	2.7
Effect of movements in foreign exchange rates	2.3	2.7	1.5	5.7	12.2
Carrying amount at end of period	1,408.4	2,700.2	1,353.3	4,127.1	9,589.0

- 1 Plant and equipment of \$69.1 million was impaired during the prior period as a result of the announcement to restructure and divest the Consumer Electronics business. This business was reported as a discontinued operation – see note 33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 PROPERTY, PLANT AND EQUIPMENT continued

Impairment of tangible assets

Tangible assets are tested for impairment annually. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use.

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 tangible asset.

The recoverable amount is determined based on the value in use which is calculated using cash flow projections from the most recent financial budgets approved by management and the Board, the results of which are reviewed by the Board.

The forecasts are extrapolated beyond five years based on estimated long-term growth rates of generally 0%-3%, and do not exceed industry growth rates for the business in which the cash generating unit operates.

The cash flows are discounted to present value using pre-tax discount rates between 13% and 15% (2012: 14% and 16%) 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 for 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

	2013	2012
	\$m	\$m
Goodwill	3,400.9	3,221.8
Brand names	242.9	231.4
Liquor and gaming licences	2,065.8	1,758.1
Other	74.7	70.7
Total	5,784.3	5,282.0

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 intangible assets

	Goodwill	Brand names	Liquor, petrol and gaming licences	Other	Total intangibles
	\$m	\$m	\$m	\$m	\$m
2013					
Carrying amount at start of period	3,221.8	231.4	1,758.1	70.7	5,282.0
Additions arising from acquisition of businesses	45.9	-	153.2	5.3	204.4
Other acquisitions	-	1.5	174.1	-	175.6
Disposals	(0.5)	-	-	-	(0.5)
Other	-	-	(3.7)	-	(3.7)
Amortisation	-	-	(15.9)	(1.3)	(17.2)
Effect of movements in foreign exchange rates	133.7	10.0	-	-	143.7
Carrying amount at end of period	3,400.9	242.9	2,065.8	74.7	5,784.3

	Goodwill	Brand names	Liquor, petrol and gaming licences	Other	Total intangibles
	\$m	\$m	\$m	\$m	\$m
2012					
Carrying amount at start of period	3,227.7	229.4	1,708.1	71.4	5,236.6
Additions arising from acquisition of businesses	42.1	-	40.1	-	82.2
Other acquisitions	-	-	12.0	0.4	12.4
Disposals	(1.5)	-	(2.8)	-	(4.3)
Other	(0.7)	-	0.7	-	-
Amortisation	-	-	-	(1.1)	(1.1)
Impairment	(70.6)	-	-	-	(70.6)
Effect of movements in foreign exchange rates	24.8	2.0	-	-	26.8
Carrying amount at end of period	3,221.8	231.4	1,758.1	70.7	5,282.0

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 of the asset is the higher of its fair value less costs to sell and its value in use.

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 either the fair value less costs to sell or 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 forecasts are extrapolated beyond five years based on estimated long-term growth rates of generally 0%-3%, and do not exceed industry growth rates for the business in which the cash generating unit operates.

The cash flows are discounted to present value using pre-tax discount rates between 13% and 15% (2012: 14% and 16%) 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 for the value in use calculations are those regarding discount rates (which have been estimated as described above), long-term growth rates and expected changes in margins. The assumptions regarding long-term growth rates and 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:

	2013	2012
	\$m	\$m
Australian Food and Liquor	801.7	800.1
New Zealand Supermarkets	1,841.7	1,708.1
Hotels	673.0	639.4
Home Improvement	74.1	63.8
Unallocated	10.4	10.4
	3,400.9	3,221.8

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

Goodwill of \$70.6 million was impaired during the prior period as a result of the announcement to restructure and divest the Consumer Electronics Australia and New Zealand business. This business is reported as a discontinued operation – see note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12 TRADE AND OTHER PAYABLES

	2013	2012
	\$m	\$m
Accounts payable	4,080.0	4,013.4
Accruals	1,200.0	1,111.2
Unearned income	110.3	117.6
	5,390.3	5,242.2

13 OTHER FINANCIAL LIABILITIES

	2013	2012
	\$m	\$m
Current		
Other – Gaming entitlement liability	32.0	-
At fair value		
Fair value derivatives		
Interest rate swaps	96.1	96.3
Cross currency swaps	17.1	8.1
Forward exchange contracts	0.7	3.0
	145.9	107.4
Non current		
Other – Gaming entitlement liability	77.0	-
At fair value		
Other – Put option over non-controlling interest in Hydrox Holdings Pty Ltd ¹	631.2	433.9
Other – Put option over other non-controlling interest ²	11.2	-
Fair value derivatives		
Interest rate swaps	178.0	298.3
Cross currency swaps	95.2	155.0
	992.6	887.2

1 Further information is included in Note 26

2 Relates to a put option granted to the non-controlling interests in a subsidiary of Hydrox Holdings Pty Ltd acquired in the current period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14 BORROWINGS

	2013 \$m	2012 \$m
Current		
Unsecured		
Short term money market loans ¹	102.5	29.7
Bank loans ²	65.6	22.2
Finance leases	1.3	2.5
	169.4	54.4
Non-current		
Unsecured		
Long term securities ³	3,592.9	4,010.5
Unamortised borrowing costs ⁴	(6.9)	(9.1)
Woolworths Notes II ⁵	691.2	688.5
Finance leases	5.3	5.4
	4,282.5	4,695.3
Total	4,451.9	4,749.7

1 Total short term money market loans on an at-call basis of A\$50.0 million and NZ\$62.3 million (A\$52.5 million) by Woolworths and a controlled entity were outstanding at year end (2012: NZ\$37.9 million (A\$29.7 million)).

2 Comprised of:

- A\$15.0 million was drawn by a controlled entity against a committed Revolving Credit Facility (2012: \$ nil);
- NZ\$60.0 million (A\$50.6 million) was drawn by a controlled entity against a committed Revolving Credit facility (2012: NZ\$15.0 million (A\$11.7 million))

Also included in bank loans in 2012 was INR600.0 million (A\$10.5 million) drawn by a controlled entity against a committed Revolving Credit facility.

3 Comprised of:

- US\$500.0 million (A\$539.6 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 (2012: US\$500.0 million (A\$499.1 million))
- US\$352.6 million (A\$380.5 million) of senior notes issued into the US 144A market in the United States in 2005, maturing in November 2015 (2012: US\$425.0 million (A\$424.2 million))
- US\$896.3 million (A\$967.2 million) of senior notes issued into the US 144A market in the United States in 2010, maturing: US\$279.3 million in September 2015 and US\$617.0 million in September 2020 (2012: US\$1,250 million (A\$1,247.8 million))
- US\$661.3 million (A\$713.6 million) of senior notes issued into the US 144A market in the United States in 2011, maturing: US\$223.3 million in April 2016 and US\$438.0 million in April 2021 (2012: US\$850 million (A\$848.5 million))
- \$500.0 million Medium Term Notes issued in March 2011, due to mature in March 2016 (2012: \$500.0 million)
- \$500.0 million Medium Term Notes issued in March 2012, due to mature in March 2019 (2012: \$500.0 million)
- \$0.4 million external borrowings by a controlled entity (2012: \$1.5 million)
- \$4.8 million of unamortised premium on Medium Term Notes (2012: \$5.7 million)
- \$3.6 million of unamortised borrowing costs (2012: \$4.9 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14 BORROWINGS continued

- 4 \$6.9 million unamortised borrowing costs relating to establishment of loan facilities/programs not utilised as at reporting date (2012: \$9.1m)
- 5 \$700.2 million in Woolworths Notes II were issued in November 2011 with a 25 year maturity and a non-call period of five years. This was partially offset by unamortised borrowing costs of \$9.0 million (2012: \$11.7 million)

15 FINANCING ARRANGEMENTS – TOTAL GROUP

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

	2013 \$m	2012 \$m
Total facilities		
Bank overdrafts	30.5	37.6
Bank loan facilities	3,629.2	3,431.6
	3,659.7	3,469.2
Used at balance date		
Bank loan facilities	168.1	51.9
	168.1	51.9
Unused at balance date		
Bank overdrafts	30.5	37.6
Bank loan facilities	3,461.1	3,379.7
	3,491.6	3,417.3

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

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

Total facilities exclude Woolworths Notes II, Bonds and Medium Term Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16 PROVISIONS

	2013	2012
	\$m	\$m
Current		
Employee benefits (Note 23)	765.7	725.7
Self-insured risks ¹	150.0	146.4
Other ²	51.5	67.7
	<u>967.2</u>	<u>939.8</u>
Non-current		
Employee benefits (Note 23)	121.8	111.7
Self-insured risks ¹	414.1	402.6
Other ²	13.3	13.0
	<u>549.2</u>	<u>527.3</u>
Total provisions	<u>1,516.4</u>	<u>1,467.1</u>
Movements in self-insured risk provisions were as follows:		
Balance at start of period	549.0	472.8
Additional provisions recognised	163.6	228.0
Reductions arising from payments/other sacrifices of future economic benefits	(143.8)	(144.1)
Transfers	(5.1)	(4.4)
Transfers to liabilities directly associated with assets classified as held for sale	-	(3.4)
Effect of movements in foreign exchange rates	0.4	0.1
Balance at end of period	<u>564.1</u>	<u>549.0</u>
Current	150.0	146.4
Non-current	414.1	402.6
Movements in other provisions were as follows:		
Balance at start of period	80.7	44.9
Additional provisions recognised	94.8	185.6
Reductions arising from payments	(106.1)	(74.4)
Transfers	(5.2)	1.2
Transfers to liabilities directly associated with assets classified as held for sale	-	(76.6)
Effect of movements in foreign exchange rates	0.6	-
Balance at end of period	<u>64.8</u>	<u>80.7</u>
Current	51.5	67.7
Non-current	13.3	13.0

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

	2013	2012
	\$m	\$m
Issued and paid-up share capital		
1,250,187,910 fully paid ordinary shares (2012: 1,231,930,231)		
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	4,336.6	3,988.6
Issue of shares as a result of options exercised under employee long term incentive plans	188.1	120.9
Issue of shares as a result of the Dividend Reinvestment Plan	198.6	199.6
Adjustment to reflect the final proceeds for shares issued under the Employee Share Plan	(6.1)	(6.9)
Issue of shares to the Woolworths Employee Share Trust	145.8	34.4
In-specie distribution to Woolworths Limited shareholders associated with creation of the SCA Property Group	(340.3)	-
Balance at end of period	4,522.7	4,336.6
Reconciliation of fully paid share capital	<u>No.(m)</u>	<u>No.(m)</u>
Balance at beginning of period	1,231.9	1,216.5
Issue of shares as a result of options exercised under employee long term incentive plans	7.4	6.2
Issue of shares as a result of the Dividend Reinvestment Plan	6.4	7.9
Issue of shares to the Woolworths Employee Share Trust	4.5	1.3
Balance at end of period	1,250.2	1,231.9
Shares held in trust		
Reconciliation of shares held in trust	<u>\$m</u>	<u>\$m</u>
Balance at beginning of period	(60.7)	(56.1)
Issue of shares under the Employee Share Plan and Long Term Incentive Plan	26.0	29.8
Shares acquired by the Woolworths Employee Share Trust	(145.8)	(34.4)
Balance at end of period	(180.5)	(60.7)
Reconciliation of shares held in trust	<u>No.(m)</u>	<u>No.(m)</u>
Balance at beginning of period	2.8	3.3
Issue of shares under the Employee Share Plan and Long Term Incentive Plan	(1.5)	(1.8)
Shares acquired by the Woolworths Employee Share Trust	4.5	1.3
Balance at end of period	5.8	2.8

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17 ISSUED CAPITAL continued

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/ performance rights over shares as at		Expiry date
	30-Jun-13	24-Jun-12	
Options			
2008	-	6,702,250	31-Dec-2012
2009	434,446	4,576,524	31-Dec-2013
2010	3,112,900	3,338,350	31-Dec-2014
Total Options	3,547,346	14,617,124	
Performance Rights			
2009	-	431,719	31-Dec-2013
2010	725,938	777,191	31-Dec-2014
2011	2,319,311	2,462,711	31-Dec-2015
2012	1,367,527	2,320,907	31-Dec-2016
2013	2,531,782	-	31-Dec-2017
Total Performance Rights	6,944,558	5,992,528	
Retention Rights			
2010	-	218,910	31-Dec-2012
2011	-	2,000	23-May-2013
2011	-	8,000	01-Jun-2013
2011	-	302,000	30-Jun-2013
2011	10,000	10,000	01-Feb-2014
2011	8,000	8,000	28-Feb-2014
2011	-	9,000	01-May-2014
2011	58,500	64,500	01-Jun-2014
2012	-	5,000	01-Dec-2012
2012	-	5,000	31-Jan-2013
2012	-	10,000	16-Apr-2013
2012	-	2,500	13-May-2013
2012	15,000	15,000	01-Jul-2013
2012	2,500	2,500	13-Nov-2013
2012	22,000	22,000	23-Nov-2013
2012	10,000	10,000	01-Dec-2013
2012	7,000	7,000	11-Dec-2013
2012	10,000	10,000	31-Dec-2013
2012	5,000	5,000	31-Jan-2014
2012	-	3,000	28-Feb-2014
2012	6,000	6,000	12-Apr-2014
2012	10,000	10,000	16-Apr-2014
2012	15,000	15,000	01-Jul-2014
2012	6,000	6,000	04-Jul-2014
2012	15,000	15,000	01-Dec-2014
2012	45,000	45,000	11-Dec-2014
2012	5,000	5,000	16-Apr-2015
2013	10,000	-	09-Oct-2013
2013	2,000	-	23-Oct-2013
2013	5,000	-	01-Dec-2013
2013	8,330	-	25-Feb-2014
2013	11,200	-	11-Mar-2014
2013	1,000	-	18-Mar-2014
2013	1,500	-	03-Apr-2014
2013	705,500	-	01-Jul-2014
2013	5,000	-	03-Sep-2014
2013	7,000	-	09-Oct-2014
2013	5,000	-	01-Dec-2014
2013	5,000	-	07-Jan-2015
2013	8,330	-	25-Feb-2015
2013	11,200	-	11-Mar-2015
2013	1,000	-	18-Mar-2015
2013	1,500	-	03-Apr-2015
2013	5,000	-	09-Oct-2015
2013	5,000	-	01-Dec-2015
2013	350	-	01-Jan-2016
2013	5,000	-	07-Jan-2016
2013	6,000	-	04-Feb-2016
2013	8,340	-	25-Feb-2016
2013	11,200	-	11-Mar-2016
Total Retention Rights	1,079,450	821,410	
Total Options and Rights	11,571,354	21,431,062	

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

	2013	2012
	\$m	\$m
Hedging reserve	(35.6)	(52.7)
Foreign currency translation reserve	(167.3)	(341.9)
Remuneration reserve	290.6	246.2
Asset revaluation reserve	16.4	16.4
Equity instrument reserve	(79.0)	(111.9)
	<u>25.1</u>	<u>(243.9)</u>

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	2013 \$m	2012 \$m
Hedging reserve		
Balance at start of period	(52.7)	3.2
Transfer to equity directly associated with assets held for sale	-	(0.1)
Gain on cash flow hedges taken to equity	256.4	95.6
Transfer to profit and loss - cash flow hedges	(231.9)	(175.4)
Deferred tax arising on hedges	(7.4)	24.0
Balance at end of period	(35.6)	(52.7)
Foreign currency translation reserve (FCTR)		
Balance at start of period	(341.9)	(381.2)
Transfer to equity directly associated with assets held for sale	1.9	8.4
Net exchange differences on translation of foreign controlled entities	197.8	35.8
Tax arising on movements	(25.1)	(4.9)
Balance at end of period	(167.3)	(341.9)
Remuneration reserve		
Balance at start of period	246.2	220.4
Shares issued by the Woolworths Employee Share Trust	(14.4)	(14.1)
Equity settled share based payments expense	34.9	39.8
Tax arising on movements	23.9	0.1
Balance at end of period	290.6	246.2
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	(111.9)	(95.6)
Revaluation loss/ (gain) during the period	32.9	(16.3)
Balance at end of period	(79.0)	(111.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19 RETAINED EARNINGS

	2013	2012
	\$m	\$m
Retained earnings attributable to the members of Woolworths Limited		
Balance at start of the period	4,163.4	3,897.5
Profit attributable to members of Woolworths Limited	2,259.4	1,816.7
Actuarial gain/ (loss) on defined benefit plans	12.5	(50.8)
Tax effect of actuarial gain/ (loss)	(3.8)	15.2
In-specie distribution to Woolworths Limited shareholders	(176.1)	-
Employee Share Plan dividends and forfeitures	1.0	1.6
Dividends paid or provided (Note 6)	(1,597.5)	(1,516.8)
Dividends paid on Treasury shares	2.2	-
Balance at end of period	4,661.1	4,163.4

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20 EARNINGS PER SHARE

	2013 53 weeks	2012 52 weeks
Basic earnings per share (cents per share) – Continuing operations	181.8	178.3
Basic earnings per share (cents per share) – Discontinued operations	0.8	(29.6)
	182.6	148.7
Diluted earnings per share (cents per share) – Continuing operations	181.0	177.4
Diluted earnings per share (cents per share) – Discontinued operations	0.8	(29.5)
	181.8	147.9

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 – Continuing operations (a)	2,249.7	2,178.7
Earnings – Discontinued operations (a)	9.7	(362.0)
Earnings – Continuing and Discontinued operations (a)	2,259.4	1,816.7
	No. (m)	No. (m)
Weighted average number of ordinary shares ¹ (b)	1,237.4	1,222.0

Diluted earnings per share

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

	\$m	\$m
Earnings – Continuing operations (a)	2,249.7	2,178.7
Earnings – Discontinued operations (a)	9.7	(362.0)
Earnings – Continuing and Discontinued operations (a)	2,259.4	1,816.7
	No. (m)	No. (m)
Weighted average number of shares ¹ and potential ordinary shares (c)	1,243.1	1,228.1

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

	\$m	\$m
Profit attributable to the members of Woolworths Limited	2,259.4	1,816.7
Earnings used in the calculation of basic and diluted earnings per share	2,259.4	1,816.7
Profit/ (loss) from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	9.7	(362.0)
Earnings used in the calculation of basic earnings per share from continuing operations	2,249.7	2,178.7

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

1 Weighted average number of shares has been adjusted to remove treasury shares held by the Custodian Company, which is consolidated under A-IFRS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20 EARNINGS PER SHARE continued

(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	1,237.4	1,222.0
Shares deemed to be issued for no consideration in respect of employee options	5.7	6.1
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	1,243.1	1,228.1

From 1 July 2013 to 20 September 2013, 2,339,899 shares (from 25 June to 18 September 2012: 1,874,904) have been issued as a result of the exercise of options granted under LTIP in July 2007, July 2008 and July 2009 and the maturity of retention rights. No options or performance rights (2012: nil) have been issued during this period.

21 CONTINGENT LIABILITIES – CONTINUING AND DISCONTINUED OPERATIONS

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 \$564.1 million for self-insured risks (2012: \$549.0 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the balance sheet at balance date.

	2013 \$m	2012 \$m
Guarantees		
Bank guarantees ¹	49.4	80.3
Workers' compensation self-insurance guarantees ²	779.5	615.4
Other		
Outstanding letters of credit issued to suppliers	5.5	14.4
Other	6.5	6.5
	840.9	716.6

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 the timing of issuing the guarantees

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22 COMMITMENTS FOR EXPENDITURE – CONTINUING AND DISCONTINUED OPERATIONS

	2013	2012
	\$m	\$m
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than one year	377.7	694.2
Later than one year, not later than two years	2.3	39.5
Later than two years, not later than five years	2.3	84.1
Later than five years	-	-
	382.3	817.8
Operating lease commitments		
Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:		
Not later than one year	1,721.8	1,656.8
Later than one year, not later than five years	6,026.8	5,677.6
Later than five years	11,522.6	9,547.3
	19,271.2	16,881.7
Total commitments for expenditure	19,653.5	17,699.5

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 five 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

	2013	2012
	\$m	\$m
The aggregate employee benefit liability recognised and included in the Financial Statements is as follows:		
Provision for employee benefits		
Current (Note 16)	765.7	725.7
Non-current (Note 16)	121.8	111.7
Accrued liability for defined benefit obligations (included in other non-current liabilities)	102.9	131.7
Accrued salaries and wages (included in trade and other payables)	367.5	306.9
	1,357.9	1,276.0

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

	30 June 13	24 June 12	26 June 11	27 June 10	28 June 09
	\$m	\$m	\$m	\$m	\$m
Defined benefit obligation ¹	(2,625.9)	(2,237.3)	(2,104.3)	(1,837.0)	(1,536.0)
Fair value of assets	2,523.0	2,105.6	2,015.9	1,753.0	1,444.0
Liability for defined benefit obligations	(102.9)	(131.7)	(88.4)	(84.0)	(92.0)
Experience adjustments – liabilities	(199.8)	110.5	43.2	80.0	(310.0)
Experience adjustments – assets	197.7	(130.0)	(37.0)	(82.0)	377.0

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.

	2013	2012
	\$m	\$m
Opening net liability for defined obligations	(131.7)	(88.4)
Contributions by employer	157.7	149.8
Expense recognised in the income statement	(141.4)	(142.3)
Actuarial gains/ (losses) recognised directly in equity (Note 19)	12.5	(50.8)
Closing net liability for defined benefit obligations	(102.9)	(131.7)

Actuarial gains recognised in other comprehensive income during the period were \$12.5 million (2012: losses of \$50.8 million), with cumulative actuarial losses of \$184.2 million (2012: \$196.7 million).

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

	2013	2012
	\$m	\$m
Opening defined benefit obligation	2,237.3	2,104.3
Current service cost	157.4	153.9
Interest cost	135.4	138.2
Actuarial losses/ (gains)	185.6	(79.2)
Employee contributions	89.1	95.1
Benefits paid	(178.9)	(175.0)
Closing defined benefit obligation	2,625.9	2,237.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

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

	2013	2012
	\$m	\$m
Opening fair value of fund assets	2,105.6	2,015.9
Expected return ¹	151.4	149.8
Actuarial gains/ (losses) ¹	198.1	(130.0)
Contributions by employer	157.7	149.8
Employee contributions	89.1	95.1
Benefits paid	(178.9)	(175.0)
Closing fair value of fund assets	2,523.0	2,105.6

1 The actual return on plan assets was a gain of \$349.5 million (2012: gain of \$19.8 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:

	2013	2012
	%	%
Overseas equities	27	27
Australian equities	28	28
Fixed interest securities	18	18
Property	6	6
Alternatives	18	18
Cash	3	3

Expense recognised in the income statement:

	2013	2012
	\$m	\$m
Current service cost	157.4	153.9
Interest cost	135.4	138.2
Expected return on fund assets	(151.4)	(149.8)
	141.4	142.3

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.

	2013 %	2012 %
Discount rate (gross of tax)	3.70	2.90
Discount rate (net of tax)	3.20	2.50
Expected return on fund assets	n/a ¹	7.25
Future salary increases	3.00	3.00

1 Under AASB 119 'Employee Benefits' (2011) which is effective in the 2014 financial year (refer note 1), the expected return on fund assets is no longer required to determine the expense to be recognised in the income statement for the following year. As such this is no longer a principal actuarial assumption

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 2014 financial year are \$155.1 million and \$42.9 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

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 to 2013 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 period of one or more years. 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 30 June 2013)

Year (financial)	2009	2010	2011	2012	2013	Total
Options	434,446	3,112,900	-	-	-	3,547,346
Performance Rights	-	725,938	2,319,311	1,367,527	2,531,782	6,944,558
Retention Performance Rights	-	-	76,500	173,500	829,450	1,079,450

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 2006 through to 2008:
 - 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 2009 through to 2011:
 - 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.
- For offers in 2012:
 - a five year vesting period subject to performance hurdles being met;
 - if the minimum performance hurdles are not met after five years, nothing vests;
 - 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%; 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.
- For offers in 2013:
 - a five year vesting period subject to performance hurdles being met;
 - if the minimum performance hurdles are not met after five years, nothing vests;
 - the 50% EPS component vests progressively upon attaining average annual growth of between 6% and 8%; and
 - the 50% TSR component vests progressively where TSR is between the 51st and 75th percentile of the comparator group.
- For offers in 2012 and 2013 under the Deferred STI plan:
 - a one year performance measure linked to NPAT market guidance;
 - if the NPAT hurdle is met, participants are required to remain employed for a further two years to gain access to the performance rights, or otherwise forfeit the performance rights unless the Board exercises its discretion in accordance with the long term incentive plan rules; and
 - the participants do not receive dividends on unvested equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

The following table summarises movements in outstanding options/ rights for the financial period ended 30 June 2013:

Offer date	Expiry date	Exercise price ¹ \$	No. of options/ rights at 24 June 2012 ²	Options/ rights granted during year	Options/ rights exercised during year	Options/ rights lapsed during year	No. of options/ rights at 30 June 2013	No. of options/ rights exercisable at 30 June 2013
Options								
1-Jul-07	31-Dec-12	\$25.62	6,702,250	-	(5,583,288)	(1,118,962)	-	-
1-Jul-08	31-Dec-13	\$24.61	4,576,524	-	(1,764,535)	(2,377,543)	434,446	434,446
1-Jul-09	31-Dec-14	\$25.59	3,338,350	-	-	(225,450)	3,112,900	-
Rights								
1-Jul-08	31-Dec-13	Nil	431,719	-	-	(431,719)	-	-
1-Jul-09	31-Dec-14	Nil	777,191	-	-	(51,253)	725,938	-
30-Jun-10	31-Dec-12	Nil	218,910	-	(204,000)	(14,910)	-	-
1-Jul-10	31-Dec-15	Nil	2,462,711	-	(667)	(142,733)	2,319,311	-
1-Jan-11	30-Jun-13	Nil	302,000	-	(266,783)	(35,217)	-	-
1-Feb-11	1-Feb-14	Nil	10,000	-	-	-	10,000	-
28-Feb-11	28-Feb-14	Nil	8,000	-	-	-	8,000	-
1-May-11	1-May-14	Nil	9,000	-	-	(9,000)	-	-
23-May-11	23-May-13	Nil	2,000	-	(2,000)	-	-	-
1-Jun-11	1-Jun-13	Nil	8,000	-	(8,000)	-	-	-
1-Jun-11	1-Jun-14	Nil	64,500	-	-	(6,000)	58,500	-
1-Jul-11	1-Jul-13	Nil	15,000	-	-	-	15,000	-
1-Jul-11	1-Jul-14	Nil	15,000	-	-	-	15,000	-
1-Jul-11	31-Dec-16	Nil	2,036,696	-	(21,041)	(910,339)	1,105,316	-
1-Jul-11	31-Dec-16	Nil	284,211	-	(787)	(21,213)	262,211	-
4-Jul-11	4-Jul-14	Nil	6,000	-	-	-	6,000	-
1-Sep-11	31-Dec-13	Nil	10,000	-	-	-	10,000	-
24-Nov-11	23-Nov-13	Nil	22,000	-	-	-	22,000	-
25-Nov-11	1-Dec-12	Nil	5,000	-	(5,000)	-	-	-
25-Nov-11	1-Dec-13	Nil	10,000	-	-	-	10,000	-
25-Nov-11	1-Dec-14	Nil	15,000	-	-	-	15,000	-
12-Dec-11	11-Dec-14	Nil	45,000	-	-	-	45,000	-
12-Dec-11	11-Dec-13	Nil	7,000	-	-	-	7,000	-
29-Feb-12	28-Feb-14	Nil	3,000	-	-	(3,000)	-	-
1-Mar-12	31-Jan-13	Nil	5,000	-	(5,000)	-	-	-
1-Mar-12	31-Jan-14	Nil	5,000	-	-	-	5,000	-
12-Apr-12	12-Apr-14	Nil	6,000	-	-	-	6,000	-
16-Apr-12	16-Apr-13	Nil	10,000	-	(10,000)	-	-	-
16-Apr-12	16-Apr-14	Nil	10,000	-	-	-	10,000	-
16-Apr-12	16-Apr-15	Nil	5,000	-	-	-	5,000	-
14-May-12	13-May-13	Nil	2,500	-	(2,500)	-	-	-
14-May-12	13-Nov-13	Nil	2,500	-	-	-	2,500	-
1-Jul-12	31-Dec-17	Nil	-	2,172,676	-	(71,229)	2,101,447	-
1-Jul-12	31-Dec-17	Nil	-	8,229	-	-	8,229	-
1-Jul-12	31-Dec-17	Nil	-	428,813	-	(16,707)	412,106	-
1-Jul-12	31-Dec-17	Nil	-	10,000	-	-	10,000	-
1-Jul-12	1-Jul-14	Nil	-	31,000	-	(3,000)	28,000	-
1-Jul-12	1-Jul-14	Nil	-	713,000	(6,041)	(29,459)	677,500	-
3-Sep-12	3-Sep-14	Nil	-	5,000	-	-	5,000	-
9-Oct-12	9-Oct-13	Nil	-	10,000	-	-	10,000	-
9-Oct-12	9-Oct-14	Nil	-	7,000	-	-	7,000	-
9-Oct-12	9-Oct-15	Nil	-	5,000	-	-	5,000	-
23-Oct-12	23-Oct-13	Nil	-	2,000	-	-	2,000	-
1-Dec-12	1-Dec-13	Nil	-	5,000	-	-	5,000	-
1-Dec-12	1-Dec-14	Nil	-	5,000	-	-	5,000	-
1-Dec-12	1-Dec-15	Nil	-	5,000	-	-	5,000	-
1-Jan-13	1-Jan-16	Nil	-	350	-	-	350	-
7-Jan-13	7-Jan-15	Nil	-	5,000	-	-	5,000	-
7-Jan-13	7-Jan-16	Nil	-	5,000	-	-	5,000	-
4-Feb-13	4-Feb-16	Nil	-	6,000	-	-	6,000	-
25-Feb-13	25-Feb-14	Nil	-	8,330	-	-	8,330	-
25-Feb-13	25-Feb-15	Nil	-	8,330	-	-	8,330	-
25-Feb-13	25-Feb-16	Nil	-	8,340	-	-	8,340	-
11-Mar-13	11-Mar-14	Nil	-	11,200	-	-	11,200	-
11-Mar-13	11-Mar-15	Nil	-	11,200	-	-	11,200	-
11-Mar-13	11-Mar-16	Nil	-	11,200	-	-	11,200	-
18-Mar-13	18-Mar-14	Nil	-	1,000	-	-	1,000	-
18-Mar-13	18-Mar-15	Nil	-	1,000	-	-	1,000	-
3-Apr-13	3-Apr-14	Nil	-	1,500	-	-	1,500	-
3-Apr-13	3-Apr-15	Nil	-	1,500	-	-	1,500	-
			21,431,062	3,487,668	(7,879,642)	(5,467,734)	11,571,354	434,446

The weighted average share price during the financial period ended 30 June 2013 was \$30.81.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

- 1 As a result of the capital reduction performed during FY13 in connection with the establishment of the SCA Property Group, and in accordance with ASX listing rule 7.22.3, there was an adjustment of the exercise price of existing options issued under our LTI plans, effective 11 December 2012. The option exercise price was reduced by \$0.28782 per option
- 2 During FY13, 83,000 performance rights were issued with an offer date in FY12 and FY11

The following table summarises movements in outstanding options/ rights for the financial period ended 24 June 2012:

Offer date	Expiry date	Exercise price \$	No. of options/ rights at 26 June 2011	Options/ rights granted during year	Options/ rights exercised during year	Options/ rights lapsed during year	No. of options/ rights at 24 June 2012	No. of options/ rights exercisable at 24 June 2012
Options								
1-Jul-06	31-Dec-11	\$19.47	6,199,474	-	(6,143,830)	(55,644)	-	-
1-Jul-07	31-Dec-12	\$25.91	7,259,200	-	-	(556,950)	6,702,250	-
1-Jul-08	31-Dec-13	\$24.90	4,927,250	-	(52,571)	(298,155)	4,576,524	2,254,751
1-Jul-09	31-Dec-14	\$25.88	3,745,300	-	-	(406,950)	3,338,350	-
Rights								
1-Jul-08	31-Dec-13	Nil	927,878	-	(456,128)	(40,031)	431,719	-
2-Feb-09	2-Feb-12	Nil	15,000	-	(15,000)	-	-	-
1-Jul-09	31-Dec-14	Nil	871,061	-	-	(93,870)	777,191	-
1-Nov-09	1-Nov-11	Nil	60,000	-	(60,000)	-	-	-
30-Jun-10	31-Dec-12	Nil	242,000	-	-	(23,090)	218,910	-
1-Jul-10	31-Dec-15	Nil	2,781,191	-	-	(318,480)	2,462,711	-
1-Jan-11	30-Jun-13	Nil	319,000	-	-	(17,000)	302,000	-
1-Feb-11	1-Feb-14	Nil	10,000	-	-	-	10,000	-
1-Jun-11	1-Jun-13	Nil	8,000	-	-	-	8,000	-
1-Jun-11	1-Jun-14	Nil	87,500	-	-	(15,000)	72,500	-
1-Jul-11	31-Dec-16	Nil	-	2,097,820	-	(61,124)	2,036,696	-
1-Jul-11	31-Dec-16	Nil	-	296,761	-	(12,550)	284,211	-
1-Sep-11	31-Dec-13	Nil	-	10,000	-	-	10,000	-
24-Nov-11	23-Nov-13	Nil	-	22,000	-	-	22,000	-
1-Dec-11	1-Dec-12	Nil	-	5,000	-	-	5,000	-
1-Dec-11	1-Dec-13	Nil	-	10,000	-	-	10,000	-
1-Dec-11	1-Dec-14	Nil	-	15,000	-	-	15,000	-
12-Dec-11	11-Dec-14	Nil	-	35,000	-	-	35,000	-
12-Dec-11	11-Dec-13	Nil	-	17,000	-	-	17,000	-
29-Feb-12	28-Feb-14	Nil	-	3,000	-	-	3,000	-
1-Mar-12	31-Jan-13	Nil	-	5,000	-	-	5,000	-
1-Mar-12	31-Jan-14	Nil	-	5,000	-	-	5,000	-
			27,452,854	2,521,581	(6,727,529)	(1,898,844)	21,348,062	2,254,751

The weighted average share price during the financial period ended 24 June 2012 was \$25.51.

The fair value of the services received in return for share options and performance rights granted are measured by reference to the fair value of the share options granted. The fair value of the services is recognised as an expense on a straight line basis over the vesting period and is determined by multiplying the fair value per option by the number of options expected to vest. During the financial period ended 30 June 2013, an expense of \$34.9 million (2012: \$39.8 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 EMPLOYEE BENEFITS continued

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	Weighted average fair value of options			
								EPS	TSR	NPAT	Retention
3-Dec-07	1-Jul-07	\$33.39	\$25.62	18%	3.10%	6.30%	\$8.90	\$9.48	\$8.32	-	-
9-Dec-08	1-Jul-08	\$26.63	\$24.61	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	-	-
27-Nov-09	1-Jul-09	\$27.89	\$25.59	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	-	-
30-Jun-10	30-Jun-10	\$27.02	-	-	3.75%	-	\$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	-	-	3.75%	-	\$23.86	-	-	-	\$23.86
1-Feb-11	1-Feb-11	\$26.66	-	-	3.75%	-	\$23.86	-	-	-	\$23.86
28-Feb-11	28-Feb-11	\$26.88	-	-	3.75%	-	\$29.89	-	-	-	\$29.89
1-May-11	1-May-11	\$26.51	-	-	3.75%	-	\$29.89	-	-	-	\$29.89
23-May-11	23-May-11	\$27.15	-	-	3.75%	-	\$31.72	-	-	-	\$31.72
1-Jun-11	1-Jun-11	\$27.39	-	-	3.75%	-	\$23.86	-	-	-	\$23.86
1-Jun-11	1-Jun-11	\$27.39	-	-	3.75%	-	\$23.86	-	-	-	\$23.86
1-Jul-11	1-Jul-11	\$27.39	-	-	3.75%	-	\$31.72	-	-	-	\$31.72
1-Jul-11	1-Jul-11	\$27.39	-	-	3.75%	-	\$29.89	-	-	-	\$29.89
4-Jul-11	4-Jul-11	\$27.72	-	-	3.75%	-	\$29.89	-	-	-	\$29.89
12-Dec-11	1-Jul-11	\$25.95	-	-	4.20%	-	\$22.39	-	-	\$22.39	-
12-Dec-11	1-Jul-11	\$25.95	-	17%	4.20%	3.40%	\$16.19	\$20.05	\$12.33	-	-
1-Sep-11	1-Sep-11	\$25.50	-	-	4.20%	-	\$21.68	-	-	-	\$21.68
24-Nov-11	24-Nov-11	\$24.56	-	-	4.20%	-	\$22.30	-	-	-	\$22.30
25-Nov-11	25-Nov-11	\$24.23	-	-	4.20%	-	\$22.91	-	-	-	\$22.91
25-Nov-11	25-Nov-11	\$24.23	-	-	4.20%	-	\$21.68	-	-	-	\$21.68
25-Nov-11	25-Nov-11	\$24.23	-	-	4.20%	-	\$20.51	-	-	-	\$20.51
12-Dec-11	12-Dec-11	\$25.95	-	-	4.20%	-	\$21.99	-	-	-	\$21.99
12-Dec-11	12-Dec-11	\$25.95	-	-	4.20%	-	\$21.68	-	-	-	\$21.68
29-Feb-12	29-Feb-12	\$25.31	-	-	4.20%	-	\$21.68	-	-	-	\$21.68
1-Mar-12	1-Mar-12	\$25.30	-	-	4.20%	-	\$22.91	-	-	-	\$22.91
1-Mar-12	1-Mar-12	\$25.30	-	-	4.20%	-	\$21.68	-	-	-	\$21.68
12-Apr-12	12-Apr-12	\$25.59	-	-	4.20%	-	\$21.68	-	-	-	\$21.68
16-Apr-12	16-Apr-12	\$25.75	-	-	4.20%	-	\$31.72	-	-	-	\$31.72
16-Apr-12	16-Apr-12	\$25.75	-	-	4.20%	-	\$31.72	-	-	-	\$31.72
16-Apr-12	16-Apr-12	\$25.75	-	-	4.20%	-	\$29.89	-	-	-	\$29.89
14-May-12	14-May-12	\$26.97	-	-	4.20%	-	\$23.80	-	-	-	\$23.80
14-May-12	14-May-12	\$26.97	-	-	4.20%	-	\$23.80	-	-	-	\$23.80
7-Dec-12	1-Jul-12	\$29.64	-	16%	4.50%	2.70%	\$18.32	\$22.60	\$14.04	-	-
7-Dec-12	1-Jul-12	\$29.64	-	-	4.50%	-	\$25.45	-	-	\$25.45	-
22-Mar-13	1-Jul-12	\$34.03	-	16%	4.50%	3.10%	\$21.20	\$26.41	\$15.99	-	-
22-Mar-13	1-Jul-12	\$34.03	-	-	4.50%	-	\$29.74	-	-	\$29.74	-
1-Jul-12	1-Jul-12	\$26.86	-	-	4.50%	-	\$23.80	-	-	-	\$23.80
1-Jul-12	1-Jul-12	\$26.86	-	-	4.50%	-	\$23.80	-	-	-	\$23.80
3-Sep-12	3-Sep-12	\$30.00	-	-	4.50%	-	\$23.80	-	-	-	\$23.80
9-Oct-12	9-Oct-12	\$29.50	-	-	4.50%	-	\$28.13	-	-	-	\$28.13
9-Oct-12	9-Oct-12	\$29.50	-	-	4.50%	-	\$26.52	-	-	-	\$26.52
9-Oct-12	9-Oct-12	\$29.50	-	-	4.50%	-	\$24.99	-	-	-	\$24.99
23-Oct-12	23-Oct-12	\$29.06	-	-	4.50%	-	\$23.80	-	-	-	\$23.80
1-Dec-12	1-Dec-12	\$29.43	-	-	4.50%	-	\$27.60	-	-	-	\$27.60
1-Dec-12	1-Dec-12	\$29.43	-	-	4.50%	-	\$26.01	-	-	-	\$26.01
1-Dec-12	1-Dec-12	\$29.43	-	-	4.50%	-	\$24.51	-	-	-	\$24.51
1-Jan-13	1-Jan-13	\$29.33	-	-	4.50%	-	\$29.89	-	-	-	\$29.89
7-Jan-13	7-Jan-13	\$29.51	-	-	4.50%	-	\$26.21	-	-	-	\$26.21
7-Jan-13	7-Jan-13	\$29.51	-	-	4.50%	-	\$24.71	-	-	-	\$24.71
4-Feb-13	4-Feb-13	\$31.61	-	-	4.50%	-	\$29.89	-	-	-	\$29.89
25-Feb-13	25-Feb-13	\$34.70	-	-	4.50%	-	\$32.70	-	-	-	\$32.70
25-Feb-13	25-Feb-13	\$34.70	-	-	4.50%	-	\$30.82	-	-	-	\$30.82
25-Feb-13	25-Feb-13	\$34.70	-	-	4.50%	-	\$29.05	-	-	-	\$29.05
11-Mar-13	11-Mar-13	\$35.71	-	-	4.50%	-	\$33.66	-	-	-	\$33.66
11-Mar-13	11-Mar-13	\$35.71	-	-	4.50%	-	\$31.72	-	-	-	\$31.72
11-Mar-13	11-Mar-13	\$35.71	-	-	4.50%	-	\$29.89	-	-	-	\$29.89
18-Mar-13	18-Mar-13	\$34.75	-	-	4.50%	-	\$33.66	-	-	-	\$33.66
18-Mar-13	18-Mar-13	\$34.75	-	-	4.50%	-	\$31.72	-	-	-	\$31.72
3-Apr-13	3-Apr-13	\$34.12	-	-	4.50%	-	\$33.66	-	-	-	\$33.66
3-Apr-13	3-Apr-13	\$34.12	-	-	4.50%	-	\$31.72	-	-	-	\$31.72

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

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.

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. As such, at 30 June 2013, no (2012: 1,365) participating employees held any (2012: 901,348) shares. There was no amount receivable by the consolidated entity in relation to these shares at 30 June 2013 (2012: \$6,551,435). During the 53 week period ended 30 June 2013, no shares were issued (2012: nil).

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

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Balance at the beginning of the period	\$7.27	901,348	\$7.44	2,210,185
Forfeited during the period	\$7.14	(3,680)	\$7.51	(12,260)
Exercised during the period	\$6.13	(897,668)	\$6.41	(1,296,577)
Balance at the end of the period	-	-	\$7.27	901,348
Exercisable at the end of the period	-	-	\$7.27	901,348

The weighted average share price during the period was \$30.81 (2012: \$25.51).

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 53 week period ended 30 June 2013, 1,584 shares (2012: 2,501) 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 53 week period ended 30 June 2013, 364,503 (2012: 554,243) 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 period are set out below.

Remuneration by category

	2013 53 weeks \$	2012 52 weeks \$
Short-term employee benefits	20,175,239	16,557,650
Post-employment benefits	1,033,020	2,424,805
Other long-term benefits	289,022	364,142
Termination payments	-	488,461
Share based payments	4,454,960	1,149,431
	25,952,241	20,984,489

Equity instrument disclosures relating to key management personnel

Details of equity instruments provided as compensation to key management personnel and shares issued on exercise of these instruments, together with the terms and conditions of the instruments, are disclosed in section 2.3.3 and section 4 of the Remuneration Report on pages 65 to 69 and pages 74 to 84.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Shareholdings

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

	Shareholding at 24 June 2012	Shares issued under DRP ¹	Shares received on exercise of options	Shares purchased or (sold) ²	Shareholding at 30 June 2013
	No.	No.	No.	No.	No.
R Waters	14,000	-	-	-	14,000
G O'Brien	40,739	-	65,665	(65,665)	40,739
J Astbury	12,797	-	-	-	12,797
J Broadbent	65,138	-	-	-	65,138
C Cross	2,300	-	-	-	2,300
R Deane	40,000	-	-	-	40,000
J Hrdlicka	1,735	-	-	-	1,735
I Macfarlane	13,200	-	-	1,000	14,200
D Mackay	3,790	-	-	-	3,790
M Ullmer	11,000	-	-	-	11,000
T Pockett	133,000	-	340,500	(340,500)	133,000
B Banducci	-	-	-	-	-
J Coates	12,470	-	54,708	(67,178)	-
S Greentree	49,376	-	30,170	(39,546)	40,000
D Guise	-	-	-	-	-
P Horton	32,886	364	26,250	(41,550)	17,950
T Jegen	-	-	5,000	-	5,000
K Kamp	-	-	-	-	-
P Winn	3,620	-	-	-	3,620
J Strong ³	70,479	-	-	-	-
C Flynn ⁴	704	-	3,166	(3,166)	-
A Hall ⁵	2,165	-	35,990	(26,250)	-

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 Mr Strong retired from the Board of Directors on 22 November 2012. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

4 Ms Flynn ceased to be a key management personnel on 5 October 2012. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

5 Mr Hall resigned effective 5 April 2013. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Shareholdings continued

	Shareholding at 26 June 2011	Shares issued under DRP ¹	Shares received on exercise of options	Shares purchased or (sold) ²	Shareholding at 24 June 2012
	No.	No.	No.	No.	No.
J Strong	70,479	-	-	-	70,479
G O'Brien	27,625	-	50,114	(37,000)	40,739
J Astbury	12,797	-	-	-	12,797
J Broadbent	65,138	-	-	-	65,138
C Cross	-	-	-	2,300	2,300
R Deane	40,000	-	-	-	40,000
J Hrdlicka	1,735	-	-	-	1,735
I Macfarlane	11,000	-	-	2,200	13,200
D Mackay	-	-	-	3,790	3,790
M Ullmer	-	-	-	11,000	11,000
R Waters	8,690	-	-	5,310	14,000
T Pockett	133,000	-	250,000	(250,000)	133,000
B Banducci	-	-	-	-	-
J Coates	30,000	-	47,435	(64,965)	12,470
C Flynn	-	-	6,704	(6,000)	704
S Greentree	68,391	985	18,788	(38,788)	49,376
A Hall	-	-	2,165	-	2,165
P Horton	36,401	285	22,165	(25,965)	32,886
T Jegen	-	-	-	-	-
P Winn	3,620	-	-	-	3,620
M Luscombe ³	423,290	-	-	-	-
L L'Huillier ⁴	30,000	-	-	-	-
G Foran ⁵	86,691	-	2,435	-	-
K Schmidt ⁶	-	-	18,788	(18,788)	-

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 Mr Luscombe retired from the Board of Directors on 30 September 2011. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

4 Mr L'Huillier retired from the Board of Directors on 24 November 2011 but remains on the Board of the ALH Group. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

5 Mr Foran resigned from the Management Board on 23 September 2011. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

6 Ms Schmidt resigned from the Management Board on 9 April 2012. Accordingly, from this date, no further disclosure regarding the movement in interests in shares of Woolworths Limited has been made

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Option and performance right holdings

The table below summarises the movements during the period 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.

2013

	Opening Balance	Performance rights granted as remuneration ¹			Options exercised/ Performance rights matured ^{2,3}		Options Lapsed due to non-vesting ⁴		Options & performance rights holding at 30 Jun 13 ⁵	Options Vested at 30 June 2013			
		No.	No.	\$	No.	\$	No.	%		No.	Total No.	Exercisable No.	Unexercisable No.
G O'Brien	271,494	122,470	2,606,247	(65,665)	(163,314)	(50,351)	47%	277,948	24,901	-	24,901	56,151	
T Pockett	790,974	88,401	1,881,235	(340,500)	(1,956,362)	(169,592)	49%	369,283	20,013	-	20,013	176,263	
B Banducci	3,100	25,817	551,800	-	-	(1,240)	40%	27,677	1,860	-	1,860	1,860	
J Coates	168,384	19,817	421,720	(54,708)	(275,925)	(23,110)	39%	110,383	4,666	-	4,666	35,916	
S Greentree	145,288	19,817	421,720	(30,170)	(101,993)	(26,374)	65%	108,561	4,666	-	4,666	14,041	
D Guise	-	34,817	812,320	-	-	-	-	34,817	-	-	-	-	
P Horton	124,779	19,817	421,720	(26,250)	(56,438)	(18,388)	45%	99,958	13,363	9,740	3,623	22,373	
T Jegen	48,076	38,046	878,450	(5,000)	(144,750)	(3,110)	24%	78,012	4,666	-	4,666	9,666	
K Kamp	-	41,817	1,013,610	-	-	-	-	41,817	-	-	-	-	
P Winn	33,076	19,817	421,720	-	-	(3,110)	40%	49,783	4,666	-	4,666	4,666	
Total	1,585,171	430,636	9,430,542	(522,293)	(2,698,782)	(295,275)		1,198,239	78,801	9,740	69,061	320,936	
<i>Former Key Management Personnel⁶</i>													
A Hall	124,779	19,817	421,720	(35,990)	(144,368)	(18,388)	45%	-	-	-	-	22,373	
C Flynn	28,238	24,391	566,211	(3,166)	(13,930)	(5,562)	53%	-	-	-	-	5,010	
Total	153,017	44,208	987,931	(39,156)	(158,298)	(23,950)		-	-	-	-	27,383	
Total	1,738,188	474,844	10,418,473	(561,449)	(2,857,080)	(319,225)		1,198,239	78,801	9,740	69,061	348,319	

- 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
- The value of options exercised/ performance rights matured 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/ performance rights matured after deducting the price paid to exercise the options. No other options were exercised by key management personnel
- The amount paid per share for all options exercised during the year by the above key management personnel was \$25.91, \$24.90 and \$24.61
- The number options/ performance rights which lapsed as a result of failure to meet performance hurdles
- The number of ordinary shares under option/ performance rights as at 30 June 2013 is equivalent to the option/ performance rights holding at that date
- Key management personnel who ceased employment with the Company or were no longer on the Management Board during the year. Accordingly, from this time, no further disclosure has been made. The following number of options/ performance rights were forfeited on termination: A Hall 90,218

All share options and performance rights issued to key management personnel during the financial period were made in accordance with the provisions of the Long Term Incentive Plan.

The performance rights issued to certain key management personnel had a nil exercise price. They also had an effective date of 1 July 2012, 9 October 2012 and 1 December 2012.

Further details of the terms and conditions of the Long Term Incentive Plan and the performance rights granted during the financial period are contained in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL continued

Option and performance right holdings continued

2012

	Opening Balance	Performance rights granted as remuneration ¹	Options exercised/ Performance rights matured ^{2,3}		Options Lapsed due to non-vesting ⁴		Options & performance rights holding at 24 Jun 12 ⁵	Options Vested at 24 June 2012				
			No.	\$	No.	%		Total	Exercisable	Unexercisable	Vested during the year	
	No.	No.	\$	No.	\$	No.	%	No.	No.	No.	No.	No.
G O'Brien	225,600	96,479	1,819,308	(49,870)	(364,210)	(715)	1%	271,494	34,415	21,915	12,500	73,035
T Pockett	966,685	77,539	1,462,157	(250,000)	(1,447,500)	(3,250)	1%	790,974	184,250	121,750	62,500	371,750
J Coates	198,100	18,076	340,862	(47,435)	(324,980)	(357)	1%	168,384	23,458	10,958	12,500	59,643
A Hall	113,223	14,039	264,733	(2,165)	(57,286)	(318)	2%	124,779	17,240	9,740	7,500	19,405
P Horton	133,223	14,039	264,733	(22,165)	(176,886)	(318)	1%	124,779	17,240	9,740	7,500	34,405
T Jegen	-	48,076	979,862	-	-	-	-	48,076	-	-	-	-
S Greentree	131,556	33,076	675,362	(18,788)	(182,880)	(556)	2%	145,288	20,795	17,045	3,750	35,833
P Winn	-	33,076	670,712	-	-	-	-	33,076	-	-	-	-
B Banducci	-	3,100	69,409	-	-	-	-	3,100	-	-	-	-
C Flynn	32,945	2,100	47,019	(6,704)	(54,508)	(103)	1%	28,238	4,666	3,166	1,500	9,870
Total	1,801,332	339,600	6,594,157	(397,127)	(2,608,250)	(5,617)		1,738,188	302,064	194,314	107,750	603,941
<i>Former Key Management Personnel (6)</i>												
M Luscombe	1,433,369	-	-	-	-	(6,500)	1%	-	-	-	-	-
G Foran	198,100	-	-	(2,435)	(64,430)	(357)	1%	-	-	-	-	-
K Schmidt	146,556	14,039	264,733	(18,788)	(189,930)	(556)	1%	-	-	-	-	-
Total	1,778,025	14,039	264,733	(21,223)	(254,360)	(7,413)		-	-	-	-	-
Total	3,579,357	353,639	6,858,890	(418,350)	(2,862,610)	(13,030)		1,738,188	302,064	194,314	107,750	603,941

- 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
- The value of options exercised and performance rights matured 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/ performance rights were exercised after deducting the price paid to exercise the options. No other options were exercised by key management personnel
- The amount paid per share for all options exercised during the year by the above key management personnel was \$19.47
- The number options/ performance rights which lapsed as a result of failure to meet performance hurdles
- The number of ordinary shares under option/performance rights as at 24 June 2012 is equivalent to the option/performance rights holding at that date
- Key management personnel who ceased employment with the Company during the year. Accordingly, from this time, no further disclosure has been made. The following number of options/ performance rights were forfeited on termination: M Luscombe 230,324, G Foran 126,850 and K Schmidt 116,706

All share options and performance rights issued to key management personnel during the financial period were made in accordance with the provisions of the Long Term Incentive Plan.

The performance rights issued to certain key management personnel had a nil exercise price. They also had an effective date of 1 July 2011, 23 November 2011, 1 December 2011 or 12 December 2011.

Further details of the terms and conditions of the Long Term Incentive Plan and the performance rights granted during the financial period are contained in Note 23.

Loans from Directors or key management personnel

During 2012, several key management personnel applied for and were issued Woolworths Notes II. At 30 June 2013, the number of Woolworths Notes II held were as follows: J Astbury 261 (2012: 261), J Broadbent 2,532 (2012: 2,532), R Deane 3,000 (2012: 3,000), I Macfarlane 700 (2012: 700), R Waters nil (2012: 42), M Ullmer 500 (2012: 500), T Pockett 600 (2012: 600) and P Horton 42 (2012: 42). There was one disposal of Woolworths Notes II by key management personnel during the year, by R Waters of 42 Woolworths Notes II. The key features of the Woolworths Notes II are detailed in note 14.

At 30 June 2013, loans outstanding to key management personnel and their related parties in relation to the Employee Share Plan as detailed in Note 23 were \$ nil (2012: \$ nil).

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 28.

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 \$162.9 million (2012: \$137.7 million) are included in the tax liability of the Company. Pursuant to the Group's Tax Funding Agreement, the Company has charged net tax expense to the group members totalling \$162.9 million (2012: \$137.7 million) through intercompany accounts.

Directors and key management personnel

Disclosures relating to Directors and key management personnel are set out in Note 24 and in the Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS

(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 rate		Foreign Currency		Contract value		Mark to market		Market value	
	2013	2012	2013 FC'M	2012 FC'M	2013 \$A M	2012 \$A M	2013 \$A M	2012 \$A M	2013 \$A M	2012 \$A M
Hedging imports:										
Forward contracts										
Maturing:										
Within 12 months										
Buy US Dollars	1.03	0.99	230.8	205.7	224.4	208.6	25.7	(1.3)	250.1	207.3
Buy US Dollars against NZ Dollars	0.79	0.79	4.7	3.9	4.9	3.9	0.2	-	5.1	3.9
Buy Euro	0.74	0.77	23.2	10.2	31.2	13.3	1.7	(0.4)	32.9	12.9
Sell New Zealand Dollars	1.22	1.27	1.6	0.8	1.4	0.6	(0.0)	-	1.4	0.6
Hedging balance sheet:										
Forward contracts										
Maturing:										
Sell New Zealand Dollars	1.09	1.10	153.0	153.0	140.2	139.0	11.2	19.1	129.0	119.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS continued

At the reporting date, the net amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is \$27.6 million (2012: \$1.7 million unrealised losses). 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.

A portion of the Group's net investment in the New Zealand based subsidiaries are hedged for currency fluctuation under forward foreign exchange contracts. As at the reporting date, the value hedged is NZD153.0 million (2012: NZD153.0 million).

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	
	30-Jun-13	24-Jun-12	30-Jun-13	24-Jun-12	30-Jun-13	24-Jun-12	30-Jun-13	24-Jun-12
	%	%			\$m	\$m	\$m	\$m
Maturing:								
Floating Rates - AUD								
1 to 2 years ^{1,2,3}	BBSW +54.3bp	-	0.787	-	127.1	-	(10.7)	-
2 to 3 years ^{1,2,3}	BBSW +105.7bp	BBSW +54.3bp	0.861	0.787	990.1	127.1	(10.9)	(15.9)
3 to 4 years ^{1,2,3}	BBSW +54.6bp	BBSW +110.9bp	0.787	0.874	381.2	1,401.1	(11.4)	(92.5)
4 to 5 years ^{1,2,3}	-	BBSW +54.6bp	-	0.787	-	381.2	-	(27.8)
5 years + ^{1,2,3}	BBSW +175.2bp	BBSW +176.8bp	0.959	0.963	1,204.2	1,453.4	132.0	95.6
					2,702.6	3,362.8	99.0	(40.6)

- 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 \$7.8 million (2012: \$17.9 million) payable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS 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 bank bill rate 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:

Interest Rate Swaps

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	30-Jun-13 %	24-Jun-12 %	30-Jun-13 \$m	24-Jun-12 \$m	30-Jun-13 \$m	24-Jun-12 \$m
Interest rate swaps						
1 to 2 years	5.80	-	127.1	-	(7.4)	-
2 to 3 years	5.69	5.80	989.5	127.1	(66.5)	(9.1)
3 to 4 years	4.90	5.66	1,081.2	1,401.1	(65.3)	(108.9)
4 to 5 years	-	4.90	-	1,081.2	-	(70.7)
5 years +	5.76	5.75	1,203.4	1,453.4	(145.7)	(212.6)
			3,401.2	4,062.8	(284.9)	(401.3)

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 \$10.8 million (2012: \$6.7 million) payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS continued

Maturity profile of financial instruments

The following tables detail the consolidated entity's exposure to interest rate risk at 30 June 2013 and 24 June 2012:

Consolidated 2013	Fixed interest maturing in:							Non- interest bearing	Total \$m	Effective Interest rate %
	Floating Interest rate \$m	1 year or less \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m	Over 5 years \$m			
Financial assets										
Cash and deposits	520.7	-	-	-	-	-	-	328.5	849.2	2.55%
Receivables	-	-	-	-	-	-	-	699.0	699.0	-
Foreign currency forward contracts	-	-	-	-	-	-	-	39.4	39.4	-
Currency swaps	-	-	-	-	-	-	-	203.5	203.5	-
Equity instruments	-	-	-	-	-	-	-	137.9	137.9	-
Other financial assets	-	-	-	-	-	-	-	32.1	32.1	-
	520.7	-	-	-	-	-	-	1,440.4	1,961.1	-
Financial liabilities										
Accounts payable	-	-	-	-	-	-	-	4,080.0	4,080.0	-
Accruals	-	-	-	-	-	-	-	1,200.0	1,200.0	-
Unearned income	-	-	-	-	-	-	-	110.3	110.3	-
Provisions	-	-	-	-	-	-	-	1,516.4	1,516.4	-
Other bank loans:										
Variable	168.1	-	-	-	-	-	-	(6.9)	161.2	3.34%
Other loans	-	-	-	-	-	-	-	0.4	0.4	-
Finance leases	-	1.3	1.1	1.2	2.6	0.4	-	-	6.6	10.42%
Fixed rate domestic notes	-	-	-	499.3	-	-	493.8	-	993.1	6.48%
Foreign currency forward contracts	-	-	-	-	-	-	-	0.7	0.7	-
Interest rate swaps	(3,401.1)	-	127.1	989.4	1,081.2	-	1,203.4	274.1	274.1	-
Other financial liability ¹	-	32.0	32.0	32.0	13.0	-	-	642.4	751.4	-
USD notes	-	-	107.8	922.5	323.4	-	1,245.7	-	2,599.4	7.02%
Woolworths Notes II	691.2	-	-	-	-	-	-	-	691.2	7.63%
Currency swaps	2,702.6	-	(127.1)	(990.1)	(381.2)	-	(1,204.2)	112.3	112.3	-
	160.8	33.3	140.9	1,454.3	1,039.0	0.4	1,738.7	7,929.7	12,497.1	-
Net financial assets/ (liabilities)	359.9	(33.3)	(140.9)	(1,454.3)	(1,039.0)	(0.4)	(1,738.7)	(6,489.3)	(10,536.0)	-

1 Refer to page 196 for further details in relation to the 'other financial liability'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS continued

Consolidated 2012	Fixed interest maturing in:							Non- interest bearing \$m	Total \$m	Effective Interest rate %
	Floating Interest rate \$m	1 year or less \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m	Over 5 years \$m			
Financial assets										
Cash and deposits	519.3	-	-	-	-	-	-	325.9	845.2	2.78%
Receivables	-	7.2	-	-	-	-	-	609.9	617.1	7.35%
Foreign currency forward contracts	-	-	-	-	-	-	-	20.6	20.6	-
Currency swaps	-	-	-	-	-	-	-	140.4	140.4	-
Equity instruments	-	-	-	-	-	-	-	98.2	98.2	-
Other financial assets	-	-	-	-	-	-	-	3.5	3.5	-
	519.3	7.2	-	-	-	-	-	1,198.5	1,725.0	-
Financial liabilities										
Accounts payable	-	-	-	-	-	-	-	4,160.7	4,160.7	-
Accruals	-	-	-	-	-	-	-	1,144.8	1,144.8	-
Unearned income	-	-	-	-	-	-	-	117.6	117.6	-
Provisions	-	-	-	-	-	-	-	1,480.4	1,480.4	-
Other bank loans:										
Variable	51.9	-	-	-	-	-	-	(9.1)	42.8	4.96%
Other loans	-	-	-	-	-	-	-	1.5	1.5	-
Finance leases	-	2.5	1.5	3.9	-	-	-	-	7.9	7.39%
Fixed rate domestic notes	-	-	-	-	499.0	-	492.8	-	991.8	6.48%
Foreign currency forward contracts	-	-	-	-	-	-	-	3.2	3.2	-
Interest rate swaps	(4,062.8)	-	-	127.1	1,401.1	1,081.2	1,453.4	394.6	394.6	-
Other financial liability ¹	-	-	-	-	-	-	-	433.9	433.9	-
USD notes	-	-	-	99.6	1,222.1	299.0	1,396.5	-	3,017.2	7.02%
Woolworths Notes II	688.5	-	-	-	-	-	-	-	688.5	7.63%
Currency swaps	3,362.8	-	-	(127.1)	(1,401.1)	(381.2)	(1,453.4)	163.1	163.1	-
	40.4	2.5	1.5	103.5	1,721.1	999.0	1,889.3	7,890.7	12,648.0	-
Net financial assets/(liabilities)	478.9	4.7	(1.5)	(103.5)	(1,721.1)	(999.0)	(1,889.3)	(6,692.2)	(10,923.0)	-

1 Refer to page 196 for further details in relation to the 'other financial liability'

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS 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 30-Jun-13		As at 24-Jun-12	
	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
Financial assets/(liabilities):				
Bank loans ¹	(168.1)	(161.2)	(52.2)	(43.1)
Other loans ^{1,2,3}	(4,338.9)	(4,326.2)	(4,762.0)	(4,745.4)
Total	(4,507.0)	(4,487.4)	(4,814.2)	(4,788.5)
Financial assets/(liabilities):				
Forward foreign currency contracts	38.7	38.7	17.4	17.4
Interest rate swaps	(284.9)	(284.9)	(401.3)	(401.3)
Cross currency swaps	99.0	99.0	(40.6)	(40.6)
Total	(147.2)	(147.2)	(424.5)	(424.5)

For financial period ended 30 June 2013, the carrying amount of financial assets/liabilities is based on the principal outstanding adjusted for:

- 1 Interest accruals on outstanding debt (total of \$35.5 million)
- 2 Unamortised borrowing costs (total of \$19.6 million)
- 3 Effect of revaluation of USD borrowings (total of \$105.6 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS 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); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2013			
	\$m Level 1	\$m Level 2	\$m Level 3	\$m Total
Derivative financial assets:				
Forward foreign currency contracts	-	39.4	-	39.4
Cross currency swaps	-	203.5	-	203.5
Other financial assets:				
Listed equity securities	137.9	-	-	137.9
Total	137.9	242.9	-	380.8
Derivative financial liabilities:				
Forward foreign currency contracts	-	(0.7)	-	(0.7)
Interest rate swaps	-	(274.1)	-	(274.1)
Cross currency swaps	-	(112.3)	-	(112.3)
Other financial liabilities:				
Other financial liability	(109.0)	-	(642.4)	(751.4)
Total	(109.0)	(387.1)	(642.4)	(1,138.5)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS continued

	As at 24 June 2012			
	\$m Level 1	\$m Level 2	\$m Level 3	\$m Total
Derivative financial assets:				
Forward foreign currency contracts	-	20.6	-	20.6
Cross currency swaps	-	140.4	-	140.4
Other financial assets:				
Listed equity securities	98.2	-	-	98.2
Total	98.2	161.0	-	259.2
Derivative financial liabilities:				
Forward foreign currency contracts	-	(3.2)	-	(3.2)
Interest rate swaps	-	(394.6)	-	(394.6)
Cross currency swaps	-	(163.1)	-	(163.1)
Other financial liabilities:				
Other financial liability	-	-	(433.9)	(433.9)
Total	-	(560.9)	(433.9)	(994.8)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 FINANCIAL INSTRUMENTS – CONTINUING AND DISCONTINUED OPERATIONS continued

Reconciliation of level 3 fair value measurements of financial liabilities

	2013 \$m	2012 \$m
Opening balance	(433.9)	(344.8)
Issue of equity in subsidiary to non-controlling interest and loss attributable to non-controlling interest	(197.3)	(89.1)
Put option granted to non-controlling interests	(11.2)	-
Closing balance	<u>(642.4)</u>	<u>(433.9)</u>

Other financial liabilities includes put options held by non-controlling interests which have been recorded as a non-current other financial liability as required by Australian Accounting Standards.

Lowe's put option

Woolworths Limited owns 66.7% of Hydrox Holdings Pty Ltd (Hydrox) with the remaining 33.3% held by Lowe's. As part of the terms of the Agreement between the parties which was entered in the 2010 financial year, Lowe's holds a put option, which originally could be exercised after the fourth anniversary of the Agreement (ie after 20 October 2013). In 2013, Lowe's agreed to amend the Agreement such that the option cannot be exercised for five years (i.e. after 20 October 2014). If exercised, this option requires Woolworths to acquire Lowe's non-controlling interest shareholding of 33.3% in Hydrox at an amount which is representative of Fair Market Value.

The Fair Market Value of the equity in Hydrox was determined based on a discounted cash flow ("DCF") methodology using the board approved five year cash flow forecasts. Cash flows beyond the five year period were extrapolated using estimated growth rates, which are based on the Group's estimates taking into consideration past historical performance as well as expected long-term operating conditions. Growth rates do not exceed the long-term average growth rate for the industry. The forecast cash flows over the explicit forecast period and terminal value were discounted to present value using a post-tax discount rate in the range of 10.5% to 11.5%. Discount rates are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs. Other assumptions are determined with reference to external sources of information and use consistent and conservative estimates for such variables such as terminal cash flow multiples.

Other put option

This relates to a put option granted to the non-controlling interests in a subsidiary of Hydrox Holdings Pty Ltd acquired in the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT – CONTINUING AND DISCONTINUED OPERATIONS

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:

Consolidated and Woolworths Limited 2013 Exposure by Financial Instrument \$m						
Counterparty S&P Credit Rating	Money Market Deposits	Forward Exchange Contracts	Interest Rate Swaps	Cross Currency Swaps	Total Exposure	
AA - or above	-	33.4	23.7	63.5	120.6	
A	-	10.3	(1.4)	206.7	215.6	

Consolidated and Woolworths Limited 2012 Exposure by Financial Instrument \$m						
Counterparty S&P Credit Rating	Money Market Deposits	Forward Exchange Contracts	Interest Rate Swaps	Cross Currency Swaps	Total Exposure	
AA - or above	34.0	32.4	41.2	63.5	171.1	
A	-	3.9	4.3	272.7	280.9	

All of the above exposures are on an unsecured basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT – CONTINUING AND DISCONTINUED OPERATIONS 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 30 June 2013, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2012: 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	Woolworths Limited Group As at 30 June 2013 (\$m)					Woolworths Limited Group As at 24 June 2012 (\$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
<i>Non derivative liabilities</i>										
Bank loans	(168.3)	-	-	(0.4)	(168.7)	(52.2)	-	-	(1.5)	(53.7)
Finance leases	(1.2)	(1.1)	(4.2)	-	(6.5)	(2.5)	(1.5)	(3.9)	-	(7.9)
Domestic Notes	(63.8)	(63.8)	(623.8)	(530.0)	(1,281.4)	(63.8)	(63.8)	(657.5)	(560.0)	(1,345.1)
USD Notes	(112.5)	(239.6)	(1,592.6)	(1,347.1)	(3,291.8)	(126.5)	(126.5)	(2,215.1)	(1,674.3)	(4,142.4)
Woolworths Notes II	(42.4)	(42.4)	(127.1)	(1,480.8)	(1,692.7)	(47.1)	(47.1)	(141.2)	(1,614.7)	(1,850.1)
Other financial liabilities ¹ - Gaming entitlement	(36.8)	(82.7)	-	-	(119.5)	-	-	-	-	-
Accounts payable	(4,080.0)	-	-	-	(4,080.0)	(4,160.7)	-	-	-	(4,160.7)
Accruals	(1,200.0)	-	-	-	(1,200.0)	(1,144.8)	-	-	-	(1,144.8)
Total Non Derivative Liabilities	(5,705.0)	(429.6)	(2,347.7)	(3,358.3)	(11,840.6)	(5,597.6)	(238.9)	(3,017.7)	(3,850.5)	(12,704.7)
<i>Derivative liabilities</i>										
Foreign exchange contracts pay	(410.6)	-	-	-	(410.6)	(367.5)	-	-	-	(367.5)
Foreign exchange contracts rec	448.0	-	-	-	448.0	382.8	-	-	-	382.8
Net foreign exchange contracts	37.4	-	-	-	37.4	15.3	-	-	-	15.3
Interest rate swaps pay fixed	(186.4)	(185.6)	(329.4)	(173.4)	(874.8)	(223.7)	(242.6)	(521.9)	(294.2)	(1,282.4)
Interest rate swaps rec floating	96.8	95.9	168.3	84.0	445.0	150.1	160.9	347.1	183.3	841.4
Net pay interest rate swaps ²	(89.6)	(89.7)	(161.1)	(89.4)	(429.8)	(73.6)	(81.7)	(174.8)	(110.9)	(441.0)
Cross currency swaps pay floating	(111.5)	(237.7)	(1,583.1)	(1,340.7)	(3,273.0)	(170.0)	(186.7)	(2,302.8)	(1,726.3)	(4,385.8)
Cross currency swaps rec fixed	112.4	239.4	1,588.6	1,347.0	3,287.4	126.5	126.5	2,215.1	1,674.3	4,142.4
Net pay cross currency swaps	0.9	1.7	5.5	6.3	14.4	(43.5)	(60.2)	(87.7)	(52.0)	(243.4)
Total derivative liabilities	(51.3)	(88.0)	(155.6)	(83.1)	(378.0)	(101.8)	(141.9)	(262.5)	(162.9)	(669.1)
Total financial liabilities	(5,756.3)	(517.6)	(2,503.3)	(3,441.4)	(12,218.6)	(5,699.4)	(380.8)	(3,280.2)	(4,013.4)	(13,373.8)

1 The put options over non-controlling interests have not been included as there is no contractual maturity

2 Interest rate swaps are net settled

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT – CONTINUING AND DISCONTINUED OPERATIONS 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:

	2013		2012	
	Profit \$m ¹	Equity \$m ²	Profit \$m ¹	Equity \$m ²
After Tax Impact of 1% Increase in Yield Curve	(1.3)	9.4	(0.2)	17.4
After Tax Impact of 1% Decrease in Yield Curve	1.3	(9.4)	0.2	(17.8)

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 – CONTINUING AND DISCONTINUED OPERATIONS 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 (2012: Nil).

The following table illustrates the effect on profit and equity as at 30 June 2013 and 24 June 2012 if the currency prices were to move by the changes identified below:

Currency Pair	Sensitivity Assumptions ¹		After Tax Impact on Profit				Impact on Equity			
			Consolidated Entity				Consolidated Entity			
			2013		2012		2013 \$m		2012 \$m	
AUD/USD	11.93%	13.65%	0.00	0.00	0.00	0.00	(14.96)	19.01	(14.78)	19.45
AUD/EUR	11.04%	10.93%	(0.40)	0.50	(0.70)	0.87	(1.74)	2.17	(0.09)	0.11
AUD/NZD	6.83%	7.49%	0.09	(0.10)	0.00	0.00	(0.05)	0.06	0.04	(0.05)
AUD/THB	10.00%	n/a	0.07	(0.08)	0.00	0.00	0.00	0.00	0.00	0.00
NZD/USD	12.80%	14.10%	0.00	0.00	0.00	0.00	(0.29)	0.37	(0.21)	0.28

1 Based on 1 year implied market volatility at balance date. Where this data is not available a notional 10% sensitivity has been used

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 – CONTINUING AND DISCONTINUED OPERATIONS continued

iv Capital Management

Objectives

Woolworths manages its capital structure with the objective of enhancing long term 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 long standing strong investment grade credit ratings from Standard & Poor's and Moody's.

Capital management

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, more than \$14 billion has been returned to shareholders through dividends (including the final dividend for the 2013 financial year), on-market and off-market share buy backs and the in-specie distribution on the divestment of the SCA Property Group.

There was no share buy back activity in the 2013 financial year and none is anticipated in the 2014 financial year.

The payment of the April 2013 and October 2013 dividends, as well as the in-specie distribution associated with the SCA Property Group, will return more than \$2.2 billion (including the capital and dividend components of the in-specie distribution) and \$0.8 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately \$1.6 billion of franking credits available for future distribution.

Debt financing

Debt financing policy

Woolworths has a long term debt financing policy, which involves:

- A bias towards longer term debt to match longer term assets;
- Minimising re-financing risks by staggering debt maturities and using diversified sources of debt; and
- Fully hedging interest rate and foreign currency exposure to provide certainty around funding costs (with the exception of working capital funding)

The Board considers the benefits of certainty in liquidity and funding costs to outweigh potential benefits of increased exposure to financial markets. This may result in weighted average funding costs at any point in time being higher or lower than current spot funding rates.

This policy proved very successful during the recent global financial crisis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27 FINANCIAL RISK MANAGEMENT – CONTINUING AND DISCONTINUED OPERATIONS continued

iv Capital Management continued

Debt financing continued

US 144A bond redemption

In June 2013, Woolworths conducted a tender process whereby the company redeemed a total of US\$614.8 million of its outstanding US144A bonds prior to their original maturity dates, which range between November 2015 and April 2021.

The bond buy back was funded primarily with proceeds from the sale of properties to the SCA Property Group and proceeds from the sale of the Consumer Electronics businesses.

A one-off cost of \$82.3 million before tax (\$57.6 million after tax) was incurred, representing a premium paid on the bonds to redeem them early and termination of associated derivatives. This one-off cost will be more than offset by future net interest savings in both nominal and present value terms due to a reduction in the weighted average cost of Woolworths' remaining debt. Future gross interest expense savings attributable to the redeemed bonds total \$207 million, which would have been partially offset by interest income had the above mentioned proceeds been placed on deposit.

Upcoming maturities

There are no maturities of debt in the immediate term. At the end of FY13, Woolworths has \$3.5 billion in undrawn bank loan facilities.

Property sales program

Woolworths has a history of developing marketplace style retail centres through its property development arm. In recent times, Woolworths increased its involvement in the development of sites using its own balance sheet due to the significant decline in third party property development since the global financial crisis. This resulted in Woolworths' ownership of a larger (than historical) portfolio of retail centres which has allowed us to continue to invest in our new store pipeline.

Woolworths is generally not a long term holder of property assets and will continue its strategy of divesting property assets as appropriate market opportunities arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 SUBSIDIARIES

Name of Entity	Note	Country of Incorporation	Beneficial Holding	
			30 June 2013	24 June 2012
Woolworths Limited				
A.C.N. 001 259 301 Pty Limited	1	Australia	100	100
Advantage Supermarkets Pty Ltd	1	Australia	100	100
Advantage Supermarkets WA Pty Ltd	1	Australia	100	100
ALH Group Pty Ltd	2	Australia	75	75
Albion Charles Hotel (BMG) Pty Ltd		Australia	100	100
ALH Group Property Holdings Pty Ltd		Australia	100	100
Australian Leisure and Hospitality Group Pty Limited		Australia	100	100
ALH Group (No. 1) Pty Ltd		Australia	100	100
Balaclava Hotel (BMG) Pty Ltd		Australia	100	100
Chelsea Heights Hotel (BMG) Pty Ltd		Australia	100	100
Cherry Hill Tavern (BMG) Pty Ltd		Australia	100	100
Club Management (BMG) Pty Ltd		Australia	100	100
Courthouse Brunswick Hotel (BMG) Pty Ltd		Australia	100	100
Courthouse Hotel Footscray (BMG) Pty Ltd		Australia	100	100
Croxtton Park Hotel (BMG) Pty Ltd		Australia	100	100
Daisey's Club Hotel (BMG) Pty Ltd		Australia	100	100
Excelsior Hotel (BMG) Pty Ltd		Australia	100	100
First and Last Hotel (BMG) Pty Ltd		Australia	100	100
Glengala Hotel (BMG) Pty Ltd		Australia	100	100
Lyndhurst Club Hotel (BMG) Pty Ltd		Australia	100	100
Management (BMG) Pty Ltd		Australia	100	100
Manningham Hotel (BMG) Pty Ltd		Australia	100	100
MGW Hotels Pty Ltd		Australia	100	100
Aceridge Pty Limited		Australia	100	100
Chatswood Hills Tavern Pty. Ltd.		Australia	100	100
Dapara Pty Ltd		Australia	100	100
Stadform Developments Pty. Limited		Australia	100	100
Fenbridge Pty. Ltd.		Australia	100	100
Kawana Waters Tavern No. 3 Pty Ltd		Australia	100	100
Kawana Waters Tavern No. 1 Pty Ltd		Australia	100	100
Kawana Waters Tavern No. 2 Pty Ltd		Australia	100	100
Vicpoint Pty Ltd		Australia	100	100
Milanos Hotel (BMG) Pty Ltd		Australia	100	100
Monash Hotel (BMG) Pty Ltd		Australia	100	100
Moreland Hotel (BMG) Pty Ltd		Australia	100	100
Nu Hotel (BMG) Pty Ltd		Australia	100	100
Oakleigh Junction Hotel (BMG) Pty Ltd		Australia	100	100
Palace Hotel Hawthorn (BMG) Pty Ltd		Australia	100	100
Powel Hotel Footscray (BMG) Pty Ltd		Australia	100	100
Preston Hotel (BMG) Pty Ltd		Australia	100	100
Queensbridge Hotel (BMG) Pty Ltd		Australia	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 SUBSIDIARIES continued

Name of Entity	Note	Country of Incorporation	Beneficial Holding	
			30 June 2013	24 June 2012
Racecourse Hotel (BMG) Pty Ltd		Australia	100	100
Shoppingtown Hotel (BMG) Pty Ltd		Australia	100	100
Taverner Hotel Group Pty. Ltd.		Australia	100	100
Amprok Pty. Ltd.		Australia	100	100
Auspubs Pty Ltd		Australia	100	100
Cooling Zephyr Pty Ltd		Australia	100	100
The Common Link Pty Ltd		Australia	100	100
E. G. Functions Pty. Ltd.		Australia	100	100
Elizabeth Tavern Pty. Ltd.		Australia	100	100
FG Joint Venture Pty Ltd		Australia	100	100
Fountain Jade Pty. Ltd.		Australia	100	100
Hadwick Pty Ltd		Australia	100	100
Markessa Pty. Ltd.		Australia	100	100
Playford Tavern Pty Ltd		Australia	100	100
Seaford Hotel Pty. Limited		Australia	100	100
The Second P Pty Ltd		Australia	100	100
Kilrand Hotels (Hallam) Pty. Ltd.		Australia	100	100
Ashwick (Vic.) No.88 Pty. Ltd.		Australia	100	100
Warm Autumn Pty. Ltd.		Australia	100	100
Werribee Plaza Tavern Pty. Ltd.		Australia	100	100
Waltzing Matilda Hotel (BMG) Pty Ltd		Australia	100	100
Whealers Hill Hotel (BMG) Pty Ltd		Australia	100	100
Andmist Pty. Limited	1	Australia	100	100
Australian Independent Retailers Pty Ltd		Australia	49	49
Australian Liquor and Grocery Wholesalers Pty Ltd	1	Australia	100	100
Australian Safeway Stores Pty. Ltd.	1	Australia	100	100
Barjok Pty Ltd	1	Australia	100	100
Bergam Pty Limited		Australia	75	75
Calvartan Pty. Limited	1	Australia	100	100
Cenijade Pty. Limited	1	Australia	100	100
Charmtex Pty Ltd	1	Australia	100	100
DB Deals Online Pty Limited		Australia	100	100
Dick Smith Electronics Limited	3	United Kingdom	-	100
DSE Holdings Pty Limited	1,4	Australia	-	100
Dick Smith (Wholesale) Pty Ltd	1,4	Australia	-	100
Dick Smith Management Pty Ltd	1,4	Australia	-	100
Dick Smith Electronics Franchising Pty Ltd	1,4	Australia	-	100
Dick Smith Electronics Pty Limited	1,4	Australia	-	100
Dick Smith Electronics Staff Superannuation Fund Pty Limited	1,4	Australia	-	100
DSE (NZ) Limited	4	New Zealand	-	100
InterTAN Australia Pty Ltd	1,4	Australia	-	100
DSE Investments, Inc.		USA	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 SUBSIDIARIES continued

Name of Entity	Note	Country of Incorporation	Beneficial Holding	
			30 June 2013	24 June 2012
Fabcot Pty Ltd	1	Australia	100	100
Fabsky Pty Ltd		Australia	100	100
Kiaora Lands Pty Limited	1	Australia	100	100
Gembond Pty. Limited	1	Australia	100	100
GreenGrocer.com.au Pty Ltd	1	Australia	100	100
Grocery Wholesalers Pty Ltd	1	Australia	100	100
HP Distribution Pty Limited		Australia	100	100
Hydrogen Nominees Pty Ltd	1	Australia	100	100
Hydrox Holdings Pty Ltd	5	Australia	67	67
Masters Home Improvement Australia Pty Ltd		Australia	100	100
Masters Installation Pty Limited		Australia	100	100
Hydrox Nominees Pty Ltd		Australia	100	100
Carboxy Pty Ltd		Australia	100	100
Danks Holdings Pty Limited		Australia	100	100
Danks Events Pty Ltd		Australia	100	100
Home Hardware Australasia Pty. Ltd.		Australia	100	100
Homestead Hardware Australasia Pty Ltd		Australia	100	100
Thrifty-Link Hardware Pty. Ltd.		Australia	100	100
John Danks and Son Proprietary Limited		Australia	100	100
Australian Hardware Distributors Pty. Limited		Australia	100	100
Hammer Hardware Stores Pty Ltd		Australia	100	100
HTH Stores Pty Limited		Australia	100	100
Hardings Hardware Pty. Ltd.	6	Australia	60	-
Masters Home Improvement New Zealand Limited		New Zealand	100	100
Jack Butler & Staff Pty. Ltd.	1	Australia	100	100
Josona Pty Ltd	1	Australia	100	100
Kennedy Corporation Holdings Pty Limited	1	Australia	100	100
Kennedy Corporation Pty Limited	1	Australia	100	100
Cellarmaster Wines Pty Limited	1	Australia	100	100
Dorrien Estate Winery Pty Ltd	1	Australia	100	100
Nexday Pty. Limited	1	Australia	100	100
Wine IQ Holdings Pty Ltd	1	Australia	100	100
Langton's Brokerage Pty Ltd	1	Australia	100	100
Cellar Force Pty Ltd	1	Australia	100	100
Wine Ark Cellar Club Pty Ltd	1	Australia	100	100
V I Packaging Pty Ltd	1	Australia	100	100
Vinpac International Pty. Limited	1	Australia	100	100
Winemarket Pty Ltd	1	Australia	100	100
Zimi Wines Pty Ltd	1	Australia	100	100
Langtons Pty Ltd	1	Australia	100	100
Leasehold Investments Pty Ltd	1	Australia	100	100
Mac's Liquor Stores Pty Limited	1	Australia	100	100
Nalos Pty Ltd	1	Australia	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 SUBSIDIARIES continued

Name of Entity	Note	Country of Incorporation	Beneficial Holding	
			30 June 2013	24 June 2012
Oxygen Nominees Pty Ltd	1	Australia	100	100
Philip Leong Stores Pty Limited	1	Australia	100	100
Pinnacle Liquor Group Pty Limited	1,7	Australia	100	-
Pinnacle Wines Pty Limited	1,7	Australia	100	-
Progressive Enterprises Holdings Limited	1	Australia	100	100
Drumstar Pty Ltd	1	Australia	100	100
PEH (NZ IP) Pty Ltd	1	Australia	100	100
Queensland Property Investments Pty Ltd	1	Australia	100	100
Retail FM Pty Ltd	1,8	Australia	100	-
Austral Refrigeration (Suzhou) Co., Ltd.	9	China	100	-
Shopping Centres Australasia Property Group RE Limited	1,10	Australia	-	100
Shopping Centres Australasia Property Holdings Pty Ltd	10	Australia	-	100
Shopping Centres Australasia Property Operations Pty Ltd	10	Australia	-	100
Shopping Centres Australasia Property Group Trustee NZ Limited	10	Australia	-	100
Universal Wholesalers Pty Limited	1	Australia	100	100
Vincentia Nominees Pty Ltd	1	Australia	100	100
Votraint No. 1622 Pty Limited	1	Australia	100	100
Woolies Liquor Stores Pty. Ltd.	1	Australia	100	100
Woolstar Pty. Limited	1	Australia	100	100
Woolworths (International) Pty Limited	1	Australia	100	100
Woolworths (HK) Sales Limited		Hong Kong	100	100
Woolworths (HK) Procurement Limited		Hong Kong	100	100
Woolworths India Private Limited		India	100	100
Woolworths Wholesale (India) Private Limited	11	India	-	100
Woolworths New Zealand Group Limited		New Zealand	100	100
BWS (2008) Limited		New Zealand	100	100
Progressive Enterprises Limited		New Zealand	100	100
Caledonian Leasing Limited		New Zealand	100	100
Countdown Foodmarkets Limited		New Zealand	100	100
Foodtown Supermarkets Limited		New Zealand	100	100
Fresh Zone Limited		New Zealand	100	100
General Distributors Limited		New Zealand	100	100
S R Brands Limited		New Zealand	100	100
Kennedy Corporation Holdings NZ Limited		New Zealand	100	100
Kennedy Corporation NZ Limited		New Zealand	100	100
Vinpac International NZ Limited		New Zealand	100	100
New Zealand Wine Cellars Limited		New Zealand	100	100
Supervalu / Freshchoice Limited		New Zealand	100	100
The Supplychain Limited		New Zealand	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 SUBSIDIARIES continued

Name of Entity	Note	Country of Incorporation	Beneficial Holding	
			30 June 2013	24 June 2012
Wholesale Services Limited		New Zealand	100	100
Wholesale Distributors Limited		New Zealand	100	100
Woolworths (New Zealand) Limited		New Zealand	100	100
Woolworths (Project Finance) Pty. Limited	1	Australia	100	100
Woolworths (Publishing) Pty Ltd	1	Australia	100	100
Woolworths (Q'land) Pty Limited	1	Australia	100	100
Woolworths (R & D) Pty Limited	1	Australia	100	100
Woolworths (South Australia) Pty Limited	1	Australia	100	100
Woolworths (Victoria) Pty Limited	1	Australia	100	100
Statewide Independent Wholesalers Limited		Australia	60	60
Woolworths (W.A.) Pty Limited	1	Australia	100	100
Woolworths Australian Communities Foundation Pty Limited	1	Australia	100	100
Woolworths Custodian Pty Ltd	1	Australia	100	100
Woolworths Executive Superannuation Scheme Pty Limited	1	Australia	100	100
Woolworths Group Superannuation Scheme Pty Ltd	1	Australia	100	100
Woolworths Insurance Pte Limited		Singapore	100	100
Woolworths Management Pty Ltd	1	Australia	100	100
Woolworths Meat Co. Pty Ltd	12	Australia	50	-
Woolworths Property Double Bay Pty Limited	1	Australia	100	100
Woolworths Properties Pty Limited	1	Australia	100	100
Dentra Pty. Limited	1	Australia	100	100
Weetah Pty. Limited	1	Australia	100	100
QFD Pty. Limited	1	Australia	100	100
Woolworths Townsville Nominee Pty Ltd	1	Australia	100	100
Woolworths Trust Management Pty Limited	1	Australia	100	100
Woolworths Trustee No. 2 Pty Limited	1	Australia	100	100

Notes:

- 1 Pursuant to ASIC Class Order 98/1418 the wholly-owned subsidiaries are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgment of financial reports. Refer note 29 for further details
- 2 ALH Group Pty Ltd is the head company of the ALH consolidated group. Under ASIC class order 98/1418 its subsidiaries are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgment of financial reports. ALH Group Pty Ltd is the head entity within the ALH tax consolidated group
- 3 Dick Smith Electronics Limited changed its name to BDBCO Limited on 6 November 2012 and was dissolved on 11 June 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 SUBSIDIARIES continued

- 4 DSE Holdings Pty Limited and its subsidiaries were sold pursuant to a share sale agreement between the holding entity and Anchorage DS Pty Ltd dated 26 September 2012. The sale of the group was completed on 26 November 2012. In relation to DSE Holdings Pty Limited and its Australian subsidiaries, a certificate relating to the notice of disposal to a party to the Deed of Cross Guarantee dated 26 November 2012 was lodged with ASIC
- 5 Hydrox Holdings Pty Ltd is the head company of the Hydrox group. Under ASIC class order 98/1418 its subsidiaries are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports.
Hydrox Holdings Pty Ltd is the head entity within the Hydrox tax consolidated group
- 6 60% of Hardings Hardware Pty. Ltd. was acquired on 8 March 2013
- 7 Pinnacle Liquor Group Pty Limited and Pinnacle Wines Pty Limited were incorporated on 13 August 2012. They joined the Deed of Cross Guarantee by way of an assumption deed made on 26 June 2013
- 8 Snowflake FM Pty Limited was incorporated on 9 August 2012. It changed its name to Retail FM Pty Ltd on 28 September 2012. It joined the Deed of Cross Guarantee by way of an assumption deed made on 29 November 2012
- 9 Austral Refrigeration (Suzhou) Co., Ltd was acquired on 25 January 2013
- 10 The Shopping Centres Australasia Property Group (SCA Property Group) was distributed in specie to shareholders of Woolworths Limited as part of the capital reduction. The SCA Property Group comprised of Shopping Centres Australasia Property Group RE Limited (which changed its name from Petra Custodian Limited on 2 October 2012), Shopping Centres Australasia Property Holdings Pty Ltd, Shopping Centres Australasia Property Operations Pty Ltd and Shopping Centres Australasia Property Group Trustee NZ Limited. A revocation deed for the Deed of Cross Guarantee for Shopping Centres Australasia Property Group RE Limited was made on 1 November 2012. The SCA Property Group left the Woolworths Group effective 11 December 2012
- 11 The sale of Woolworths Wholesale (India) Private Limited to Infiniti Retail Limited was completed on 15 October 2012
- 12 Woolworths Meat Co. Pty Ltd was incorporated on 12 December 2012 and was wholly owned. On 10 January 2013 ownership changed to 50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418, the wholly-owned subsidiaries identified with a '1' in note 28 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.

A consolidated income statement and consolidated balance sheet for the closed group representing the Company and the subsidiaries which are party to the Deed as at 30 June 2013 is set out below.

INCOME STATEMENT

	2013 53 weeks \$m	2012 52 weeks \$m
Revenue from the sale of goods	47,785.6	46,183.0
Other operating revenue	149.9	132.1
Total revenue from operations	47,935.5	46,315.1
Cost of sales	(35,222.5)	(34,180.7)
Gross profit	12,713.0	12,134.4
Other revenue	165.1	175.6
Branch expenses	(7,636.9)	(7,523.6)
Administration expenses	(2,206.0)	(2,245.0)
Earnings before interest and tax	3,035.2	2,541.4
Financial expense	(427.4)	(345.2)
Financial income	519.1	350.5
Net financing cost	91.7	5.3
Net profit before income tax expense	3,126.9	2,546.7
Income tax expense	(884.8)	(795.4)
Profit after income tax expense	2,242.1	1,751.3
Retained earnings		
Balance at start of period	3,386.3	3,185.8
Profit attributable to members	2,242.1	1,751.3
Dividends paid or provided (Note 6)	(1,597.5)	(1,516.8)
Dividends paid on Treasury shares	2.2	-
In-specie distribution to Woolworths Limited shareholders	(176.1)	-
Actuarial gain/(loss) recognised direct to equity	12.5	(50.8)
Other	(2.8)	16.8
Balance at end of period	3,866.7	3,386.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 DEED OF CROSS GUARANTEE continued

BALANCE SHEET

As at	2013 \$m	2012 \$m
Current assets		
Cash	583.5	584.0
Trade and other receivables	1,965.5	1,760.0
Inventories	3,230.8	3,022.1
Other financial assets	53.0	23.7
	5,832.8	5,389.8
Assets classified as held for sale	76.2	88.0
Total current assets	5,909.0	5,477.8
Non-current assets		
Trade and other receivables	3,319.1	3,250.4
Other financial assets	3,481.1	2,957.1
Property, plant and equipment	5,524.0	6,235.5
Intangibles	953.4	946.4
Deferred tax assets	469.9	541.3
Total non-current assets	13,747.5	13,930.7
Total assets	19,656.5	19,408.5
Current liabilities		
Trade and other payables	4,691.9	4,528.0
Borrowings	154.4	44.0
Other financial liabilities	114.0	107.5
Current tax liabilities	130.0	196.6
Provisions	824.1	819.1
Total current liabilities	5,914.4	5,695.2
Non-current liabilities		
Borrowings	4,282.1	4,693.8
Other financial liabilities	273.2	453.3
Provisions	518.7	498.9
Other	211.0	228.1
Total non-current liabilities	5,285.0	5,874.1
Total liabilities	11,199.4	11,569.3
Net assets	8,457.1	7,839.2
Equity		
Issued capital	4,522.7	4,336.6
Shares held in trust	(180.5)	(60.7)
Reserves	248.2	177.0
Retained earnings	3,866.7	3,386.3
Equity attributable to the members	8,457.1	7,839.2
Non-controlling interest	-	-
Total equity	8,457.1	7,839.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30 BUSINESS ACQUISITIONS

In July 2012, ALH Group Pty Ltd (ALH), a 75% owned subsidiary of Woolworths Limited, commenced the staged acquisition of businesses from the Laundry Hotel Group, Waugh Hotel Group, DeAngelis Hotel Group and Bayfield Hotel Group (Laundry acquisition). During the year, 29 hotels and 10 retail liquor outlets have been acquired for consideration of \$186.3 million.

Over the course of the year, Woolworths Limited also acquired various other hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise, with the exception of Hardings Hardware Pty. Ltd. which was for 60% of the enterprise. Total consideration was \$238.6 million (inclusive of the Laundry acquisition). Net assets acquired comprised liquor and gaming licences and other intangible assets (\$158.5 million); inventories (\$30.6 million); property, plant and equipment (\$29.8 million), accounts payable (\$20.0 million) and other working capital balances (\$1.0 million). There was \$7.2 million of minority interest share of the acquired business. Goodwill on acquisition was \$45.9 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams. Acquisition costs totalling \$14.9 million were recognised in the income statement.

Entity / business acquired 2013	Principal activity	Date of acquisition	Proportion of ownership acquired	Cost of acquisition \$m
○ Laundry acquisition	Hotels	Various	100%	186.3
○ Miscellaneous businesses	Supermarkets, Home Improvement, Hotels and Liquor Retail	Various	60% ¹ / 100%	52.3
Total				238.6

1 Hardings Hardware Pty. Ltd.

Further details in respect of the above acquisitions (represented primarily by the Laundry acquisition) are included in the consolidated cash flow statement, Note 10 and Note 11.

In 2012, the Group acquired the Compass Hotel Group, various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was \$144.5 million comprising plant and equipment (\$49.8 million); liquor and gaming licences (\$40.1 million) and other working capital balances (\$12.5 million), with goodwill on acquisition of \$42.1 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 \$5.3 million were recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30 BUSINESS ACQUISITIONS continued

Entity / business acquired 2012	Principal activity	Date of acquisition	Proportion of ownership acquired	Cost of acquisition \$m
○ Compass Hotel group	Hotels	28 November 2011	100%	88.4
○ Miscellaneous businesses	Supermarkets, Home Improvement and Liquor Retail	various	100%	56.1
Total				144.5

The provisional accounting in respect of the businesses acquired during the 2012 financial year was finalised during the 2013 financial year.

31 SUBSEQUENT EVENTS

On 30 August 2013, Woolworths New Zealand Group Limited, a 100% owned subsidiary of Woolworths Limited completed the acquisition of New Zealand-based direct retailer EziBuy Holdings Limited (EziBuy). EziBuy is a leading direct-to-customer retailer of apparel and homewares in Australia and New Zealand operating primarily via an online platform, catalogues and contact centres. Purchase consideration was NZ\$350 million.

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	2013	2012
	\$m	\$m
Assets		
Current assets	5,400.6	4,817.9
Non-current assets	15,836.3	16,289.2
Total assets	21,236.9	21,107.1
Liabilities		
Current liabilities	9,728.8	9,151.7
Non-current liabilities	5,264.8	5,853.2
Total Liabilities	14,993.6	15,004.9
Equity		
Issued capital	4,522.7	4,336.6
Shares held in trust	(180.5)	(60.7)
Reserves		
Hedging reserve	(36.2)	(52.8)
Remuneration reserve	290.6	246.2
Equity investment reserve	(7.6)	(15.2)
Retained earnings	1,654.3	1,648.1
Total equity	6,243.3	6,102.2
Statement of Comprehensive Income		
	2013	2012
	53 weeks	52 weeks
	\$m	\$m
Profit for the period	1,767.8	1,741.0
Other comprehensive (loss)/income	32.9	(86.4)
Total comprehensive income for the period	1,800.7	1,654.6

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32 PARENT ENTITY INFORMATION continued

(a) Guarantees entered into by the parent entity

	2013 \$m	2012 \$m
Guarantees		
Bank guarantees ¹	13.2	19.6
Workers' compensation self-insurance guarantees ²	779.5	615.4
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group	611.3	745.4
	1,404.0	1,380.4

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 the timing of 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 and 29.

(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.

	2013 \$m	2012 \$m
Contingent liabilities		
Outstanding letters of credit issued to suppliers	5.5	14.4
Other	6.5	6.5
	12.0	20.9

(c) Capital commitments of the parent entity for the acquisition of property, plant and equipment

	2013 \$m	2012 \$m
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than one year	232.3	222.3
	232.3	222.3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

33 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In January 2012, Woolworths Limited announced its intention to restructure its Consumer Electronics Australia and New Zealand business, with a view to divesting this business. Subsequent to this, as part of the broader Woolworths Group strategy, it was determined that Woolworths would exit the Consumer Electronics market segment and thus its Consumer Electronics wholesale business in India would be divested.

On 27 September 2012, the Group announced the sale of its wholesale operations in India to Infiniti Retail Limited (Infiniti) and the sale of Dick Smith Australia and New Zealand to Anchorage Capital Partners (Anchorage).

The sale of the shares in Woolworths Wholesale (India) Private Limited to Infiniti took effect from 15 October 2012 and the sale of Dick Smith Holdings Pty Limited and its subsidiaries to Anchorage took effect from 26 November 2012.

As announced in July 2013, Woolworths Limited agreed to release Anchorage from its obligation to provide agreed benefits to Woolworths from any upside resulting from the future sale of Dick Smith by Anchorage. In return, Woolworths is entitled to receive payments totalling \$74.0 million (\$50.0 million received in June 2013 and a further \$24.0 million receivable in 12 monthly instalments commencing July 2013). This additional consideration has been recorded as income in the 2013 financial year.

The full year results and cash flows from discontinued operations (the Consumer Electronics business in Australia, New Zealand and India) are as follows:

	2013	2012
	53 weeks	52 weeks
	\$m	\$m
Profit/ (loss) from Discontinued Operations		
Revenue	641.6	1,923.0
Other revenue	0.3	0.8
Total revenue	641.9	1,923.8
Expenses	(639.9)	(1,894.9)
Profit before income tax	2.0	28.9
Attributable income tax expense	(0.2)	(7.2)
Profit after tax before loss on re-measurement	1.8	21.7
Loss on re-measurement to fair value less costs to sell ¹	-	(420.0)
Attributable income tax expense	-	36.3
Profit/ (loss) from discontinued operations	1.8	(362.0)
Profit on sale of subsidiaries before income tax	9.9	-
Attributable income tax expense	(2.0)	-
Profit on sale of subsidiaries after income tax	7.9	-
Profit/ (loss) for the period from discontinued operations	9.7	(362.0)
Cash Flows from Discontinued Operations		
Net cash (outflow)/ inflow from operating activities	(113.7)	83.4
Net cash inflow/ (outflow) from investing activities	103.3	(24.5)
Net cash inflows from financing activities	10.3	3.7
Net cash (outflow)/ inflow	(0.1)	62.6

1 Loss on re-measurement to fair value less costs to sell represents an impairment loss and restructuring provisions related to goodwill, inventory, property, plant and equipment and certain lease exit costs for the Dick Smith Australian and New Zealand businesses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

33 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

Details of the sale of the subsidiaries are as follows:

	2013
	\$m
Consideration received or receivable:	
Cash	126.3
Proceeds receivable ¹	24.0
Total disposal consideration	150.3
Carrying amount of net assets sold	131.9
Reserves transferred to profit and loss	8.5
Profit on sale before income tax	9.9
Attributable income tax expense	(2.0)
Profit on sale after income tax	7.9

1 Amounts to be received during the 2014 financial year

The combined carrying amounts of assets and liabilities as at the date of sale were as follows:

	2013
	\$m
Cash and cash equivalents	20.5
Trade and other receivables	34.2
Inventories	245.9
Property, plant and equipment	50.9
Deferred tax asset	4.5
Total assets	356.0
Trade and other payables	(184.7)
Interest bearing liabilities	(20.7)
Provisions	(12.9)
Other liabilities	(5.8)
Total liabilities	(224.1)
Net assets	131.9
Reserves transferred to profit and loss on sale of businesses	8.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

33 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

The major classes of assets and liabilities at the end of the reporting period (reported as a disposal group) together with other assets held for sale are as follows:

	2013 \$m	2012 ¹ \$m
Assets classified as held for sale		
Disposal group held for sale (discontinued operation)		
Cash	-	11.8
Trade and other receivables	-	10.8
Inventories	-	149.3
Deferred tax assets	-	5.3
Property, plant and equipment	-	43.6
Other financial assets	-	0.1
Total disposal group held for sale (discontinued operations)	-	220.9
Other assets held for sale – property, plant and equipment		
Property, plant and equipment	148.7	155.8
Total other assets held for sale – property, plant and equipment	148.7	155.8
Total assets classified as held for sale	148.7	376.7
Liabilities directly associated with assets classified as held for sale		
Disposal group held for sale (discontinued operation)		
Trade and other payables	-	180.9
Provisions	-	13.4
Other financial liabilities	-	0.2
Other liabilities	-	6.4
Total liabilities directly associated with assets classified as held for sale	-	200.9
Total amounts recognised directly in equity associated with assets classified as held for sale	-	(7.2)

1 The disposal group assets and liabilities held for sale at 24 June 2012 represent the Dick Smith Australian and New Zealand businesses

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 and 29 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



Ralph Waters

Chairman



Grant O'Brien

Managing Director and Chief Executive Officer

27 September 2013



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 consolidated balance sheet as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the 53 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 year's end or from time to time during the financial period as set out on pages 117 to 218.

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 gives a true and fair view and 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 consolidated 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 company'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 company'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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

INDEPENDENT AUDITOR'S REPORT continued

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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:

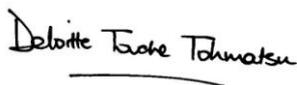
- (a) the financial report of Woolworths Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

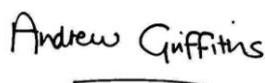
We have audited the Remuneration Report included in pages 52 to 84 of the directors' report for the period ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Woolworths Limited for the period ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



A V Griffiths

Partner

Chartered Accountants

Sydney, 27 September 2013

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 September 2013.

Number of shareholders

There were 423,534 shareholders, holding 1,251,112,504 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	272,116	105,691,457	600
1,001 – 5,000	132,857	273,519,264	2,019
5,001 – 10,000	12,592	88,448,397	106
10,001 – 100,000	5,820	113,162,806	83
100,001 – and over	149	670,290,580	2
Total	423,534	1,251,112,504	2,810

(b) There were 4,065 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	207,059,411	16.55
2 JP Morgan Nominees Australia Limited	143,242,525	11.45
3 National Nominees Limited	120,787,766	9.65
4 Citicorp Nominees Pty Limited	47,007,562	3.76
5 BNP Paribas Noms Pty Ltd <DRP>	30,348,464	2.43
6 JP Morgan Nominees Australia Limited <Cash Income A/C>	17,241,214	1.38
7 Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	10,629,238	0.85
8 AMP Life Limited	8,520,650	0.68
9 Australian Foundation Investment Company Limited	6,213,729	0.50
10 UBS Wealth Management Australia Nominees Pty Ltd	4,461,172	0.36
11 Woolworths Custodian Pty Ltd <Share Trust Account>	4,412,650	0.35
12 Argo Investments Limited	4,133,026	0.33
13 HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	4,074,263	0.33
14 RBC Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	3,252,132	0.26
15 Navigator Australia Ltd <MLC Investment Sett A/C>	2,926,259	0.23
16 Questor Financial Services Limited <TPS RF A/C>	2,763,210	0.22
17 Milton Corporation Limited	2,686,973	0.21
18 BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,326,029	0.19
19 Nulis Nominees (Australia) Limited < Navigator Mast Plan Sett A/C>	2,147,641	0.17
20 RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,975,870	0.16

SHAREHOLDER INFORMATION continued

Substantial shareholders

As at 20 September 2013, there were no substantial shareholders in the Company that had provided substantial shareholding notices.

Unquoted equity securities

As at 20 September 2013, there were 6,908,994 options and performance rights granted over unissued ordinary shares in the Company to employees.

Annual General Meeting

The Annual General Meeting of Woolworths Limited will be held on Tuesday, 26 November 2013 at 11am (Sydney time) at The Concourse, 409 Victoria Avenue, Chatswood NSW 2057. 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 71 cents per share will be paid on 11 October 2013 to shareholders entitled to receive dividends and registered on 13 September 2013 (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.

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.

SHAREHOLDER INFORMATION continued

Stock Exchange listings

Woolworths Limited ordinary shares are listed on the Australian Securities Exchange (ASX) under code: WOW. Woolworths Notes II are listed on the ASX under code: WOWHC. Woolworths Notes I were listed on the ASX under code: WOWHB.

American Depository Receipts

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

History of dividends paid

Date of dividend	Type	Cents per share	Franking Rate	DRP Price
30 November 1993	Final	6 cents	39%	\$2.95
29 April 1994	Interim	6 cents	39%	\$2.89
30 November 1994	Final	6 cents	39%+33%	\$2.60
28 April 1995	Interim	6 cents	33%	\$2.72
17 November 1995	Final	8 cents	39%+33%	\$2.90
26 April 1996	Interim	7 cents	33%	\$2.87
12 November 1996	Final	8 cents	36%	\$2.58
24 April 1997	Interim	7 cents	36%	\$3.22
15 October 1997	Final	9 cents	36%	\$3.94
24 April 1998	Interim	8 cents	36%	\$5.35
9 October 1998	Final	9 cents	36%	\$5.18
30 April 1999	Interim	8 cents	36%	\$4.83
5 October 1999	Final	10 cents	36%	\$5.19
28 April 2000	Interim	10 cents	36%	\$4.92
5 October 2000	Final	13 cents	34%	\$6.61
27 April 2001	Interim	12 cents	34%	\$7.99
5 October 2001	Final	15 cents	30%	\$10.98
30 April 2002	Interim	15 cents	30%	\$12.23
8 October 2002	Final	18 cents	30%	\$11.78
30 April 2003	Interim	18 cents	30%	\$11.71
3 October 2003	Final	21 cents	30%	\$11.37
30 April 2004	Interim	21 cents	30%	\$11.49
8 October 2004	Final	24 cents	30%	\$13.16
29 April 2005	Interim	24 cents	30%	\$15.50
7 October 2005	Final	27 cents	30%	\$15.77
28 April 2006	Interim	28 cents	30%	\$18.26
06 October 2006	Final	31 cents	30%	\$19.73
27 April 2007	Interim	35 cents	30%	\$27.05
05 October 2007	Final	39 cents	30%	\$29.82
24 April 2008	Interim	44 cents	30%	\$30.08
3 October 2008	Final	48 cents	30%	\$27.79
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
14 October 2011	Final	65 cents	30%	\$24.79
27 April 2012	Interim	59 cents	30%	\$25.61
12 October 2012	Final	67 cents	30%	\$28.88
26 April 2013	Interim	62 cents	30%	\$34.02

SHAREHOLDERS' CALENDAR

2013

October

11 Payment date for final dividend
Announcement of first quarter sales results

November

26 Annual General Meeting Sydney

2014

January/February

Announcement of second quarter sales results
Half year results announcement

March

Record Date for interim dividend

April

Payment of interim dividend
Announcement of third quarter sales results

July

Announcement of fourth quarter sales results

August

Preliminary full year results and final dividend announcement

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

COMPANY DIRECTORY

Woolworths Limited

Registered office

1 Woolworths Way
Bella Vista NSW 2153
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Web: www.woolworthslimited.com.au

Progressive Enterprises Limited

80 Favona Road
Mangere 2024 Auckland New Zealand
Tel: +64 (9) 275 2788
Fax: +64 (9) 275 3074
Web: www.progressive.co.nz

Company Secretary

Peter Horton

Share Registrar

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

Auditor

Deloitte Touche Tohmatsu
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Sydney NSW 2000
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