Financial Report 2016
Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss

	NOTE	2016 $M	2015 $M
Continuing Operations			
Revenue from the sale of goods and services	5	**58,085.7**	58,812.0
Other operating revenue	5	**189.8**	189.3
Total operating revenue		**58,275.5**	59,001.3
Cost of sales		**(42,676.7)**	(42,950.9)
Gross profit		**15,598.8**	16,050.4
Other revenue	5	**277.5**	270.1
Branch expenses		**(11,010.7)**	(10,079.2)
Administration expenses		**(3,260.4)**	(2,691.4)
Earnings before interest and tax		**1,605.2**	3,549.9
Financing costs	7	**(245.6)**	(253.3)
Profit before income tax		**1,359.6**	3,296.6
Income tax expense	14	**(519.5)**	(995.8)
Profit for the period from continuing operations		**840.1**	2,300.8
Discontinued Operations			
Loss from discontinued operations, after tax	27	**(3,188.0)**	(163.4)
(Loss)/Profit for the period		**(2,347.9)**	2,137.4
(Loss)/Profit attributable to:			
Equity holders of the parent entity		**(1,234.8)**	2,146.0
Non-controlling interests		**(1,113.1)**	(8.6)
		(2,347.9)	2,137.4
(Loss)/Profit attributable to equity holders of the parent relates to:			
Profit from continuing operations		**803.5**	2,255.4
Loss from discontinued operations		**(2,038.3)**	(109.4)
		(1,234.8)	2,146.0

		CENTS	CENTS
Earnings Per Share (EPS) attributable to equity holders of the parent			
Basic EPS	18	**(97.7)**	170.8
Diluted EPS	18	**(97.7)**	170.3
EPS attributable to equity holders of the parent from continuing operations			
Basic EPS	18	**63.6**	179.5
Diluted EPS	18	**63.6**	179.0

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

Consolidated Statement of Other Comprehensive Income

	2016 $M	2015 $M
(Loss)/Profit for the period	**(2,347.9)**	2,137.4
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Hedging reserve		
Movement in the fair value of cash flow hedges	**3.7**	623.2
Income tax effect	**(3.6)**	(186.6)
Transfer cash flow hedges to the Consolidated Statement of Profit or Loss	**(6.4)**	(575.2)
Income tax effect	**1.9**	172.8
Foreign currency translation reserve (FCTR)		
Movement in translation of foreign operations taken to equity	**207.9**	(119.7)
Income tax effect	**(24.5)**	14.8
Items that will not be reclassified to profit or loss		
Equity instrument reserve		
Movement in the fair value of investments in equity securities	**13.5**	7.1
Retained earnings		
Actuarial (loss)/gains on defined benefit superannuation plans	**(5.6)**	11.3
Income tax effect	**1.7**	(3.4)
Other comprehensive income/(loss) (net of tax)	**188.6**	(55.7)
Total comprehensive income from continuing operations	**1,032.6**	2,244.2
Total comprehensive loss from discontinued operations	**(3,191.9)**	(162.5)
Total comprehensive (loss)/income for the period	**(2,159.3)**	2,081.7
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent entity	**(1,046.2)**	2,090.1
Non-controlling interests	**(1,113.1)**	(8.4)
	(2,159.3)	2,081.7
Total comprehensive income from continuing operations attributable to:		
Equity holders of the parent entity	**996.1**	2,198.8
Non-controlling interests	**36.5**	45.4
	1,032.6	2,244.2

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

Consolidated Statement of Financial Position

	NOTE	2016 $M	2015 $M
Current assets			
Cash and cash equivalents	22	**948.1**	1,333.4
Trade and other receivables	8	**763.9**	885.2
Inventories	9	**4,558.5**	4,872.2
Other financial assets	10	**56.0**	188.5
		6,326.5	7,279.3
Assets held for sale	28	**1,100.5**	381.6
Total current assets		**7,427.0**	7,660.9
Non-current assets			
Trade and other receivables	8	**85.9**	116.7
Other financial assets	10	**638.2**	497.6
Property, plant and equipment	11	**8,262.8**	10,062.1
Intangible assets	12	**5,978.3**	6,244.5
Deferred tax assets	14	**1,110.0**	755.0
Total non-current assets		**16,075.2**	17,675.9
Total assets		**23,502.2**	25,336.8
Current liabilities			
Trade and other payables	15	**6,266.1**	6,181.2
Borrowings	23	**490.7**	1,645.4
Current tax payable		**39.5**	100.9
Other financial liabilities	16	**120.3**	161.2
Provisions	17	**1,873.5**	1,079.9
		8,790.1	9,168.6
Liabilities directly associated with assets held for sale	28	**202.6**	–
Total current liabilities		**8,992.7**	9,168.6
Non-current liabilities			
Borrowings	23	**3,870.9**	3,079.3
Other financial liabilities	16	**179.8**	1,075.1
Provisions	17	**1,382.4**	599.4
Other		**294.5**	282.4
Total non-current liabilities		**5,727.6**	5,036.2
Total liabilities		**14,720.3**	14,204.8
Net assets		**8,781.9**	11,132.0
Equity			
Share capital	20	**5,347.0**	5,064.9
Shares held in trust	20	**(94.8)**	(155.9)
Reserves	21	**93.9**	95.1
Retained earnings		**3,124.5**	5,830.1
Equity attributable to equity holders of the parent entity		**8,470.6**	10,834.2
Non-controlling interests		**311.3**	297.8
Total equity		**8,781.9**	11,132.0

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

Consolidated Statement of Changes in Equity

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

2015	ATTRIBUTABLE TO MEMBERS OF WOOLWORTHS LIMITED						
	ISSUED CAPITAL $M	SHARES HELD IN TRUST $M	RESERVES $M	RETAINED EARNINGS $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 29 June 2014	4,850.1	(218.9)	198.2	5,423.1	10,252.5	272.9	10,525.4
Profit after income tax expense	–	–	–	2,146.0	2,146.0	(8.6)	2,137.4
Other comprehensive income/(loss) (net of tax)	–	–	(63.8)	7.9	(55.9)	0.2	(55.7)
Total comprehensive income (net of tax)	–	–	(63.8)	2,153.9	2,090.1	(8.4)	2,081.7
Dividends paid	–	–	–	(1,753.4)	(1,753.4)	(28.8)	(1,782.2)
Dividends paid – Treasury shares	–	–	–	6.5	6.5	–	6.5
Issue of shares under employee long-term incentive plans	6.5	63.0	(63.5)	–	6.0	–	6.0
Issue of shares under the dividend reinvestment plan	208.3	–	–	–	208.3	–	208.3
Issue of shares to non-controlling interests	–	–	–	–	–	170.0	170.0
Share-based payments expense	–	–	27.2	–	27.2	–	27.2
Reclassification of non-controlling interests for recognition of financial liability	–	–	–	–	–	(111.1)	(111.1)
Transactions with non-controlling interests	–	–	(3.2)	–	(3.2)	3.2	–
Disposal of investment	–	–	–	–	–	–	–
Other	–	–	0.2	–	0.2	–	0.2
Balance at 28 June 2015	5,064.9	(155.9)	95.1	5,830.1	10,834.2	297.8	11,132.0

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

Consolidated Statement of Cash Flows

	NOTE	2016[1] $M	2015[1] $M
Cash Flows from Operating Activities			
Receipts from customers		**65,329.8**	65,865.4
Payments to suppliers and employees		**(61,834.5)**	(61,154.3)
Net financing costs paid		**(289.3)**	(310.3)
Income tax paid		**(848.5)**	(1,055.7)
Net cash provided by operating activities	22	**2,357.5**	3,345.1
Cash Flows from Investing Activities			
Proceeds from the sale of property, plant and equipment and assets held for sale		**722.0**	840.5
Payments for property, plant and equipment – property development		**(473.3)**	(595.7)
Payments for property, plant and equipment (excluding property development)		**(1,465.0)**	(1,535.3)
Payments for intangible assets		**(44.6)**	(41.7)
Proceeds from the sale of subsidiaries and investments		**15.0**	84.9
Payments for the purchase of businesses, net of cash acquired	29	**(22.7)**	(88.7)
Payments for the purchase of investments and contingent consideration		**(1.3)**	(2.5)
Dividends received		**3.2**	4.6
Net cash used in investing activities		**(1,266.7)**	(1,333.9)
Cash Flows from Financing Activities			
Proceeds from the issue of equity securities	20	**–**	6.5
Proceeds from the issue of equity securities in subsidiary to non-controlling interest		**120.0**	170.0
Transactions with non-controlling interests		**(12.1)**	(13.5)
Proceeds from borrowings		**628.5**	–
Repayment of borrowings		**(994.1)**	(205.9)
Dividends paid	19	**(1,184.8)**	(1,538.6)
Dividends paid to non-controlling interests		**(32.4)**	(28.8)
Movements in employee share plan loans		**–**	(0.5)
Net cash used in financing activities		**(1,474.9)**	(1,610.8)
Net (decrease)/ increase in cash and cash equivalents		**(384.1)**	400.4
Effects of exchange rate changes on foreign currency		**6.7**	10.4
Cash and cash equivalents at the beginning of the period		**1,333.4**	922.6
Cash and cash equivalents at the end of the period	22	**956.0**	1,333.4

1 The above Consolidated Statement of Cash Flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 27.

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

Notes to the Consolidated Financial Statements
Basis of Preparation

Woolworths Limited (the 'Company') is a for-profit company which is incorporated and domiciled in Australia. The Financial Report of the Company is for the 52-week period ended 26 June 2016 and comprises the Company and its subsidiaries (together referred to as the 'Group'). The comparative period is for the 52-week period ended 28 June 2015.

The Financial Report was authorised for issue by the Directors on 9 September 2016.

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Australian dollars and amounts have been rounded to the nearest tenth of a million dollars (unless otherwise stated) in accordance with ASIC Class Order 98/100.

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

The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

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

- The comparative financial information in the Consolidated Statement of Profit or Loss and associated Notes and the Consolidated Statement of Comprehensive Income have been restated for discontinued operations that have arisen during the year (refer to Note 27);
- The cash flows relating to the proceeds from borrowings and repayments of borrowings where these borrowings have a maturity period of three months or less have been presented on a net basis as allowed under AASB 107 Statement of Cash Flows;
- Segment disclosures have been restated in line with the Group's reassessment of its reportable segments under the new operating model implemented during the period; and
- Operating lease commitments have been restated to include legally binding lease contracts that existed at 28 June 2015 and commenced subsequent to that date.

1 SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies upon which the Group's financial statements are prepared as a whole. Specific accounting policies are described in their respective Notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in 2016 or later years.

(A) Basis of consolidation

The Consolidated Financial Statements of the Company incorporate the assets, liabilities and results of all subsidiaries as at 26 June 2016. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

(B) Cash and cash equivalents

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

(C) Foreign currency

(i) Functional and Presentation Currency

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Foreign currency continued

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

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

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

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

- Exchange differences on transactions entered to hedge certain foreign currency risks (refer to Note 25); and
- Items noted within paragraph (iii) below.

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

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

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

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

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

(D) Goods and Services Tax (GST)

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

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

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

(E) New and amended standards adopted by the Group

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) which are effective for annual reporting periods beginning on or after 30 June 2015.

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

(i) AASB 9 *Financial Instruments* as amended in 2010 (AASB 9 (2010))

During the prior year, the Group elected to early adopt AASB 9 *Financial Instruments* (AASB 9 (2010)) as amended by AASB 2010-7, AASB 2012-6, AASB 2013-9 and AASB 2014-1.

AASB 9 (2010) contains guidance on hedge accounting that replaces the existing requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 introduces changes to hedge effectiveness and eligibility requirements to align more closely with an entity's risk management framework. There was no material impact on amounts reported in the financial statements as a result of the adoption of the standard. Additional disclosure requirements from this standard are included in Note 25.

(ii) AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

During the prior year, the Group elected to early adopt AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* ahead of the mandatory effective date of 1 January 2016. AASB 2015-2 amends AASB 101 *Presentation of Financial Statements* to provide clarification regarding the disclosure requirements in AASB 101. The Group has applied these amendments in determining relevant disclosures in the preparation of these financial statements.

Notes to the Consolidated Financial Statements: Basis of Preparation

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Issued standards and interpretations not early adopted

The table below lists the standards and amendments to standards that were available for early adoption and were applicable to the Group. The reported results and financial position of the Group are not expected to change on adoption of any of the amendments to current standards listed below as they do not result in any changes to the Group's existing accounting policies.

With respect to the new standards on issue but not yet effective, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014), the Group has commenced an assessment of the impact of these standards on the Group's results, financial position and disclosures. The Group does not intend on adopting these new standards or amendments before their mandatory effective dates. With respect to AASB 16 *Leases*, the Group is yet to assess the full impact of the new standard and has not yet decided when to adopt AASB 16. The application of AASB 16 will have a material effect on the Group's reported assets and liabilities which will impact key financial ratios. In addition, the cost of implementing the standard may be significant.

STANDARD/AMENDMENT TO STANDARDS	EFFECTIVE DATE – ANNUAL REPORTING PERIOD BEGINNING ON OR AFTER:
AASB 1057 *Application of Australian Accounting Standards*	1 January 2016
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	1 January 2016
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	1 January 2016
AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*	1 January 2016
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	1 January 2017
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2018
AASB 15 *Revenue from Contracts with Customers* and the relevant amending standards	1 January 2018
AASB 9 (2014) *Financial Instruments* and the relevant amending standards	1 January 2018
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018
AASB 16 *Leases*	1 January 2019

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

- Notes 11 and 12 – Estimation of useful lives of assets;
- Note 13 – Impairment of non-financial assets;
- Note 16 – Valuation of put options over non-controlling interests;
- Note 17 – Provisions; and
- Note 27 – Discontinued operations including impairments, onerous leases and associated tax balances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements: Basis of Preparation

3 INDIVIDUALLY SIGNIFICANT ITEMS FROM CONTINUING OPERATIONS

2016

Included in the 2016 Consolidated Statement of Profit or Loss are certain significant expenses incurred outside the ordinary course of our trading operations resulting from a Group-wide review of all aspects of the business. In particular, these items relate to:

- Operating model and strategic changes of $154.9 million before tax primarily relating to the impairment of IT and related assets, impairment of supply chain assets and related projects, redundancy costs, and consultancy and other third party costs;
- Store network optimisation and property rationalisation of $344.2 million before tax primarily relating to store asset impairments, onerous leases and store exit costs, and other property related impairments and provisions associated with planned store closures of underperforming and non-strategic stores, as well as the deferral of non-core property development assets; and
- General Merchandise impairment of $459.5 million before tax primarily relating to the impairment of intangible assets, including goodwill in EziBuy following the strategic decision to separate BIGW and EziBuy and the significant deterioration in the trading performance of the business, the write-down of inventory in BIGW relating to product range simplification and consolidation, and redundancy and IT asset impairments.

The above expenses have been included in the Consolidated Statement of Profit or Loss as follows:

2016	COST OF SALES $M	BRANCH EXPENSES $M	ADMINISTRATION EXPENSES $M	IMPACT ON PROFIT BEFORE INCOME TAX $M	INCOME TAX BENEFIT $M	IMPACT ON PROFIT FOR THE PERIOD[1] $M
Operating model and strategic changes	8.9	8.6	137.4	154.9		
Store network optimisation and property rationalisation	–	267.1	77.1	344.2		
General Merchandise impairment	30.6	126.1	302.8	459.5		
Total	**39.5**	**401.8**	**517.3**	**958.6**	**(193.1)**	**765.5**

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

Individually significant items relating to the impairment of Home Improvement assets and store exit costs are separately presented in Note 27 as the Home Improvement business has been classified as a discontinued operation.

2015

Included in the 2015 Consolidated Statement of Profit or Loss are certain significant expenses incurred outside the ordinary course of our trading operations resulting from transformation projects and property portfolio management initiatives. In particular, these items relate to:

- General Merchandise transformation costs of $148.2 million before tax primarily pertaining to inventory and associated expenses of facilitating the alignment of inventory to our customer strategy;
- Business transformation costs of $196.4 million before tax primarily representing resourcing and professional services costs associated with business transformation programs, accelerated depreciation of assets no longer in use, and inventory provisioning in the Australian Food Liquor and Petrol division due to changes in strategy;
- Redundancy costs of $43.0 million before tax primarily associated with restructuring initiatives across corporate-wide support functions, supply chain and non-customer store facing positions; and
- Property losses of $35.6 million before tax primarily associated with certain non-core property assets which are unlikely to be developed within the next five years as a result of a review of Woolworths' property portfolio.

The above expenses have been included in the Consolidated Statement of Profit or Loss as follows:

2015	COST OF SALES $M	BRANCH EXPENSES $M	ADMINISTRATION EXPENSES $M	IMPACT ON PROFIT BEFORE INCOME TAX $M	INCOME TAX BENEFIT $M	IMPACT ON PROFIT FOR THE PERIOD[1] $M
General Merchandise transformation	126.4	21.8	–	148.2		
Business transformation[2]	38.7	12.2	145.5	196.4		
Redundancy	–	2.1	40.9	43.0		
Property portfolio review	–	–	35.6	35.6		
Total	**165.1**	**36.1**	**222.0**	**423.2**	**(117.0)**	**306.2**

1 Comprised of $306.0 million attributable to equity holders of the parent entity and $0.2 million attributable to non-controlling interests.

2 $2.7 million business transformation expenses within administration expenses above previously disclosed as significant items are included in loss from discontinued operations for 2015.

Notes to the Consolidated Financial Statements
Group Performance

4 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS

(A) Operating segment reporting

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Chief Executive Officer in order to allocate resources to the segment and assess its performance. These business units offer different products and services and are managed separately. The Group has reassessed the reportable segments under the new Woolworths operating model implemented during the period. Under the new operating model, the Endeavour Drinks Group was identified as a separate reportable segment (previously included within Australian Food, Liquor and Petrol) and BIGW was identified as a separate reportable segment (previously included within General Merchandise).

The Group's reportable segments are as follows:

- **Australian Food and Petrol** – procurement of food and petroleum products for resale to customers in Australia;
- **New Zealand Supermarkets** – procurement of food and liquor products for resale to customers in New Zealand;
- **Endeavour Drinks Group** – procurement of liquor products for resale to customers in Australia;
- **BIGW** – procurement of discount general merchandise products for resale to customers in Australia; and
- **Hotels** – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming in Australia.

On 18 January 2016, the Company announced that it intended to pursue an orderly prospective exit of the Home Improvement business. Consequently, the Home Improvement business has been classified as a discontinued operation (refer to Note 27) and this segment is no longer presented in the segment disclosures for 2016 and 2015.

The Unallocated group consists of the Group's other operating segments that are not separately reportable as well as various support functions including property and head office costs. The revenue from the sale of goods and services included in the Unallocated group relates to EziBuy and is derived from the procurement of general merchandise products for predominately online resale to customers.

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

Performance is measured based on segment earnings before interest and tax (EBIT) before individually Significant Items (refer to Note 3) which is consistent with the way management monitor and report the performance of these segments.

4 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)

(A) Operating segment reporting continued

2016	AUSTRALIAN FOOD AND PETROL[1] A$M	NEW ZEALAND SUPERMARKETS A$M	ENDEAVOUR DRINKS GROUP A$M	BIGW[2] A$M	HOTELS A$M	UNALLOCATED[3] A$M	CONSOLIDATED FROM CONTINUING OPERATIONS A$M
Revenue from the sale of goods	39,409.8	5,592.2	7,589.3	3,819.7	1,512.2	162.5	58,085.7
Other operating revenue	179.0	10.2	–	0.6	–	–	189.8
Inter-segment revenue	–	–	–	–	–	979.9	979.9
Segment revenue	39,588.8	5,602.4	7,589.3	3,820.3	1,512.2	1,142.4	59,255.4
Eliminations						(979.9)	(979.9)
Unallocated revenue – other[4]						277.5	277.5
Total revenue	39,588.8	5,602.4	7,589.3	3,820.3	1,512.2	440.0	58,553.0
Segment earnings/(loss) before interest, tax and Significant Items	1,759.8	284.4	483.8	(14.9)	208.5	(157.8)	2,563.8
Significant Items							(958.6)
Earnings before interest and tax							1,605.2
Financing costs							(245.6)
Profit before income tax							1,359.6
Income tax expense							(519.5)
Profit for the period from continuing operations							840.1
Depreciation and amortisation	560.7	106.3	74.8	83.1	99.3	98.2	1,022.4
Impairment of non-financial assets[5]	72.3	19.3	–	32.5	23.3	373.9	521.3
Capital expenditure[6]	707.6	195.9	94.1	46.7	141.2	673.5	1,859.0

1 Previously reported as Australian Food, Liquor and Petrol; prior period has been restated to exclude Endeavour Drinks Group which is now a separate reportable segment.
2 Previously reported as General Merchandise; prior period has been restated to exclude EziBuy, which is now included in Unallocated.
3 Revenue from the sale of goods in Unallocated group relates to EziBuy.
4 Unallocated revenue is comprised of rent and other revenue from non-operating activities across the Group.
5 Refer to Note 13 for further detail on the impairment of non-financial assets.
6 Capital expenditure is comprised of property, plant and equipment additions and intangible asset acquisitions.

Notes to the Consolidated Financial Statements: Group Performance

4 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)

(A) Operating segment reporting continued

2015	AUSTRALIAN FOOD AND PETROL[1] A$M	NEW ZEALAND SUPERMARKETS A$M	ENDEAVOUR DRINKS GROUP A$M	BIGW[2] A$M	HOTELS A$M	UNALLOCATED[3] A$M	CONSOLIDATED FROM CONTINUING OPERATIONS A$M
Revenue from the sale of goods	40,512.5	5,467.4	7,251.2	3,928.7	1,475.0	177.2	58,812.0
Other operating revenue	180.9	7.8	–	0.6	–	–	189.3
Inter-segment revenue	–	–	–	–	–	832.6	832.6
Segment revenue	40,693.4	5,475.2	7,251.2	3,929.3	1,475.0	1,009.8	59,833.9
Eliminations						(832.6)	(832.6)
Unallocated revenue – other[4]						270.1	270.1
Total revenue	40,693.4	5,475.2	7,251.2	3,929.3	1,475.0	447.3	59,271.4
Segment earnings before interest, tax and Significant Items	2,970.2	303.2	469.6	111.7	234.5	(116.1)	3,973.1
Significant Items							(423.2)
Earnings before interest and tax							3,549.9
Financing costs							(253.3)
Profit before income tax							3,296.6
Income tax expense							(995.8)
Profit for the period from continuing operations							2,300.8
Depreciation and amortisation before Significant Items	537.5	98.5	72.3	82.1	98.2	86.2	974.8
Significant Items							88.7
Depreciation and amortisation							1,063.5
Capital expenditure[5]	726.0	161.5	151.9	67.2	193.4	640.4	1,940.4

1 Previously reported as Australian Food, Liquor and Petrol; prior period has been restated to exclude Endeavour Drinks Group, which is now a separate reportable segment.
2 Previously reported as General Merchandise; prior period has been restated to exclude EziBuy, which is now included in Unallocated.
3 Revenue from the sale of goods in Unallocated relates to EziBuy.
4 Unallocated revenue is comprised of rent and other revenue from non-operating activities across the Group.
5 Capital expenditure is comprised of property, plant and equipment additions and intangible asset acquisitions.

(B) Geographical information

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

	AUSTRALIA		NEW ZEALAND		CONSOLIDATED FROM CONTINUING OPERATIONS	
	2016 A$M	2015 A$M	2016 A$M	2015 A$M	2016 A$M	2015 A$M
Revenue from the sale of goods	**52,286.6**	53,167.4	**5,799.1**	5,644.6	**58,085.7**	58,812.0
Other operating revenue	**179.6**	181.5	**10.2**	7.8	**189.8**	189.3
Other revenue	**240.5**	232.7	**37.0**	37.4	**277.5**	270.1
Revenue from external customers	**52,706.7**	53,581.6	**5,846.3**	5,689.8	**58,553.0**	59,271.4
Non-current assets	**11,367.2**	13,219.3	**3,131.1**	3,305.9	**14,498.3**	16,525.2

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

5 REVENUE FROM CONTINUING OPERATIONS

	2016 $M	2015 $M
Revenue from the sale of goods and services	**58,085.7**	58,812.0
Other operating revenue	**189.8**	189.3
Other revenue	**277.5**	270.1
	58,553.0	59,271.4

Significant Accounting Policies

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

Sale of goods and services

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

6 EXPENSES FROM CONTINUING OPERATIONS

	2016 $M	2015 $M
Depreciation and amortisation		
Depreciation – property, plant and equipment [1]	**838.2**	888.2
Amortisation – property, plant and equipment	**162.4**	154.1
Amortisation – intangible assets	**21.8**	21.2
	1,022.4	1,063.5
Impairment		
Impairment of property, plant and equipment [2]	**201.3**	–
Impairment of intangible assets [2]	**320.0**	–
	521.3	–
Employee benefits expense		
Remuneration and on-costs	**7,085.4**	6,507.3
Superannuation expense	**563.5**	512.8
Share-based payments expense	**20.8**	26.6
	7,669.7	7,046.7
Net loss on disposal and write-off of property, plant and equipment	**24.0**	44.7
Operating lease rental expense		
Minimum lease payments	**2,005.5**	1,911.0
Contingent rentals	**28.4**	40.3
	2,033.9	1,951.3

1 2015 includes $88.7 million relating to significant items (refer to Note 3).
2 Included in significant items (refer to Note 3 and Note 13).

Notes to the Consolidated Financial Statements: Group Performance

6 EXPENSES FROM CONTINUING OPERATIONS (CONTINUED)

Significant Accounting Policies

Depreciation and amortisation

Refer to Notes 11 and 12 for details on depreciation and amortisation.

Impairment

Refer to Note 13 for details on impairment.

Employee benefits

Refer to Note 17 for details on employee provisions and Note 34 for details on share-based payments and employee superannuation.

Leases

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

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

Fixed rate increases to lease rental payments, excluding contingent or index-based rental increases, are recognised on a straight-line basis over the lease term. An asset or liability arises for the difference between the amount paid and the lease expense brought to account on a straight-line basis.

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

7 FINANCING COSTS FROM CONTINUING OPERATIONS

	2016 $M	2015 $M
Interest expense	**(298.2)**	(336.7)
Less: interest capitalised [1]	**42.3**	56.5
Other [2]	**10.3**	26.9
Total	**(245.6)**	(253.3)

1 Weighted average capitalisation rate on funds borrowed generally was 6.75% (2015: 7.35%).
2 Includes interest income and dividend income.

Significant Accounting Policies

Financing costs

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

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

Notes to the Consolidated Financial Statements
Assets and Liabilities

8 TRADE AND OTHER RECEIVABLES

	2016 $M	2015 $M
Current		
Trade receivables	**135.4**	306.8
Provision for impairment	**(10.6)**	(13.6)
	124.8	293.2
Other receivables	**330.3**	300.1
Provision for impairment	**(21.6)**	(9.3)
	308.7	290.8
Prepayments	**330.4**	301.2
	763.9	885.2
Non-current		
Prepayments	**5.2**	9.9
Other receivables	**80.7**	106.8
	85.9	116.7
Total	**849.8**	1,001.9

Significant Accounting Policies

Trade and other receivables

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

Impairment of trade and other receivables

The Group assesses at the end of each reporting period whether there is objective evidence that the Group's receivables are impaired.

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

9 INVENTORIES

	2016 $M	2015 $M
Inventories	**4,558.5**	4,872.2
	4,558.5	4,872.2

Significant Accounting Policies

Inventories

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

Cost is generally determined on a weighted average basis and includes all purchase-related rebates, settlement discounts and other costs incurred to bring inventory to its present condition and location for sale. Where inventory systems do not provide appropriate item level information, the retail method is adopted to measure cost.

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

Included within inventories is $447.8 million held at net realisable value.

Notes to the Consolidated Financial Statements: Assets and Liabilities

10 OTHER FINANCIAL ASSETS

	2016 $M	2015 $M
Current		
Derivatives	**56.0**	188.5
	56.0	188.5
Non-current		
Derivatives	**529.7**	395.7
Listed equity securities	**77.3**	64.0
Investments in associates	**30.3**	37.2
Other	**0.9**	0.7
	638.2	497.6
Total	**694.2**	686.1

Significant Accounting Policies

Derivatives

Refer to Note 25 for details of derivatives.

Listed equity securities

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

11 PROPERTY, PLANT AND EQUIPMENT

2016	DEVELOPMENT PROPERTIES $M	FREEHOLD LAND, WAREHOUSE, RETAIL AND OTHER PROPERTIES $M	LEASEHOLD IMPROVEMENTS $M	PLANT AND EQUIPMENT $M	TOTAL $M
Cost	**358.3**	**1,435.5**	**3,269.6**	**13,937.0**	**19,000.4**
Less: accumulated depreciation/amortisation	**(1.6)**	**(116.0)**	**(1,474.1)**	**(9,145.9)**	**(10,737.6)**
Carrying amount at end of period	**356.7**	**1,319.5**	**1,795.5**	**4,791.1**	**8,262.8**
Movement:					
Carrying amount at start of period	**927.9**	**2,345.7**	**1,798.0**	**4,990.5**	**10,062.1**
Additions	**343.9**	**69.5**	**241.6**	**1,187.4**	**1,842.4**
Acquisition of businesses	**–**	**1.3**	**–**	**1.9**	**3.2**
Disposals	**(47.3)**	**(44.7)**	**(21.7)**	**(19.0)**	**(132.7)**
Transfer to assets held for sale	**(268.6)**	**(501.0)**	**(7.6)**	**(65.5)**	**(842.7)**
Depreciation/amortisation expense[1]	**(0.5)**	**(48.1)**	**(167.5)**	**(836.7)**	**(1,052.8)**
Impairment expense	**(183.2)**	**(900.6)**	**(55.2)**	**(494.1)**	**(1,633.1)**
Transfers and other	**(419.1)**	**386.9**	**–**	**(5.3)**	**(37.5)**
Effect of movements in foreign exchange rates	**3.6**	**10.5**	**7.9**	**31.9**	**53.9**
Carrying amount at end of period	**356.7**	**1,319.5**	**1,795.5**	**4,791.1**	**8,262.8**

1 Includes $52.2 million relating to discontinued operations (refer to Note 27).

Notes to the Consolidated Financial Statements: Assets and Liabilities

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015	DEVELOPMENT PROPERTIES $M	FREEHOLD LAND, WAREHOUSE, RETAIL AND OTHER PROPERTIES $M	LEASEHOLD IMPROVEMENTS $M	PLANT AND EQUIPMENT $M	TOTAL $M
Cost	929.7	2,501.4	3,166.1	13,718.8	20,316.0
Less: accumulated depreciation/amortisation	(1.8)	(155.7)	(1,368.1)	(8,728.3)	(10,253.9)
Carrying amount at end of period	927.9	2,345.7	1,798.0	4,990.5	10,062.1
Movement:					
Carrying amount at start of period	1,162.0	2,035.9	1,747.3	4,655.5	9,600.7
Additions	484.2	110.7	221.1	1,304.7	2,120.7
Acquisition of businesses	–	12.5	–	4.9	17.4
Disposals	(21.6)	(56.2)	(16.5)	(37.0)	(131.3)
Transfer to assets held for sale	(266.0)	(114.5)	(1.2)	(5.5)	(387.2)
Depreciation/amortisation expense [1,2]	(0.2)	(42.6)	(158.3)	(918.3)	(1,119.4)
Transfers and other	(427.9)	406.5	10.7	5.4	(5.3)
Effect of movements in foreign exchange rates	(2.6)	(6.6)	(5.1)	(19.2)	(33.5)
Carrying amount at end of period	927.9	2,345.7	1,798.0	4,990.5	10,062.1

1 Includes $88.7 million relating to significant items from continuing operations (refer to Note 3).
2 Includes $77.1 million relating to discontinued operations (refer to Note 27).

Significant Accounting Policies

Carrying value

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

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives. Useful lives are reassessed each period. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

The expected useful lives are as follows:

Buildings	25 – 40 years
Plant and equipment	2.5 – 10 years
Leasehold improvements	Up to a maximum of 25 years (retail properties) or 40 years (hotels) [1]

1 Leasehold improvements are amortised over the shorter of the remaining period of the individual leases or the estimated useful life of the improvement to the Group.

Proceeds from sale of assets

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

Impairment

Property, plant and equipment are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 13.

During 2016, the Group recognised impairment of property, plant and equipment of $201.3 million relating to significant items from continuing operations (refer to Note 3) and $1,431.8 million relating to discontinued operations (refer to Note 27). Assets relating to discontinued operations have been transferred to assets held for sale.

Notes to the Consolidated Financial Statements: Assets and Liabilities

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Critical Accounting Estimates

Estimation of useful life of assets

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

Properties

An assessment of the carrying amount of Woolworths freehold properties as at 26 June 2016 was performed. The basis of the assessment was a combination of external market assessments and/or valuations and internal value in use (VIU) assessments. External valuations are obtained every three years. Based on the most recent assessments, an accumulated provision for impairment of $193.3 million (2015: $99.8 million) exists as at 26 June 2016. Refer to Note 13 for detailed assessment of impairment.

12 INTANGIBLE ASSETS

2016	GOODWILL $M	BRAND NAMES $M	LIQUOR AND GAMING LICENCES $M	OTHER $M	TOTAL $M
Cost	**3,731.3**	**285.4**	**2,145.8**	**173.7**	**6,336.2**
Less: accumulated amortisation	**(94.0)**	**(31.5)**	**(135.9)**	**(96.5)**	**(357.9)**
Carrying amount at end of period	**3,637.3**	**253.9**	**2,009.9**	**77.2**	**5,978.3**
Movement:					
Carrying amount at start of period	**3,826.2**	**272.5**	**2,023.6**	**122.2**	**6,244.5**
Acquisition of businesses	**5.7**	**–**	**13.6**	**–**	**19.3**
Other acquisitions	**–**	**–**	**5.8**	**2.9**	**8.7**
Disposals, transfers and other	**4.3**	**–**	**(0.6)**	**–**	**3.7**
Amortisation[1]	**–**	**–**	**(16.9)**	**(6.2)**	**(23.1)**
Impairment	**(350.9)**	**(30.6)**	**(15.6)**	**(42.3)**	**(439.4)**
Effect of movements in foreign exchange rates	**152.0**	**12.0**	**–**	**0.6**	**164.6**
Carrying amount at end of period	**3,637.3**	**253.9**	**2,009.9**	**77.2**	**5,978.3**

1 Includes $1.3 million relating to discontinued operations (refer to Note 27).

2015	GOODWILL $M	BRAND NAMES $M	LIQUOR AND GAMING LICENCES $M	OTHER $M	TOTAL $M
Cost	3,920.2	273.3	2,128.2	169.3	6,491.0
Less: accumulated amortisation	(94.0)	(0.8)	(104.6)	(47.1)	(246.5)
Carrying amount at end of period	3,826.2	272.5	2,023.6	122.2	6,244.5
Movement:					
Carrying amount at start of period	3,882.4	279.1	2,073.1	100.4	6,335.0
Acquisition of businesses	38.5	0.4	18.7	10.8	68.4
Other acquisitions	–	0.1	3.3	17.5	20.9
Disposals, transfers and other	(4.4)	–	(54.7)	(0.3)	(59.4)
Amortisation[1]	–	–	(16.8)	(6.2)	(23.0)
Effect of movements in foreign exchange rates	(90.3)	(7.1)	–	–	(97.4)
Carrying amount at end of period	3,826.2	272.5	2,023.6	122.2	6,244.5

1 Includes $1.8 million relating to discontinued operations (refer to Note 27).

12 INTANGIBLE ASSETS (CONTINUED)

The components of goodwill and indefinite life intangible assets by groups of cash-generating units are as follows:

	GOODWILL		BRAND NAMES		LIQUOR, GAMING LICENCES AND OTHER	
	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M
Australian Food and Petrol	**394.5**	393.6	**0.1**	0.1	**0.2**	0.2
New Zealand Supermarkets	**2,089.7**	1,953.9	**246.8**	236.8	**–**	–
Endeavour Drinks Group	**473.8**	473.3	**7.0**	6.7	**281.9**	280.3
General Merchandise[1]	**–**	246.4	**–**	20.2	**–**	–
Hotels	**679.0**	670.8	**–**	–	**1,689.1**	1,686.8
Home Improvement[2]	**–**	87.9	**–**	8.7	**–**	0.4
Unallocated	**0.3**	0.3	**–**	–	**–**	–
	3,637.3	3,826.2	**253.9**	272.5	**1,971.2**	1,967.7

1 The goodwill and brand names of EziBuy, reported within the 2015 General Merchandise cash generating unit group, were fully impaired in 2016 (refer to Note 13).
2 All indefinite life assets in Home Improvement were fully impaired in 2016.

Significant Accounting Policies

Goodwill

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

Other intangible assets

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

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

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

Impairment

Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 13. During 2016, the Group recognised impairment of intangible assets of $320.0 million relating to significant items from continuing operations (refer to Note 3) and $119.4 million relating to discontinued operations (refer to Note 27).

Critical Accounting Estimates

Estimation of useful life of assets

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

Notes to the Consolidated Financial Statements: Assets and Liabilities

13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The following impairments were recognised during 2016:

2016	CONTINUING OPERATIONS $M	DISCONTINUED OPERATIONS $M	TOTAL $M
Property, plant and equipment	201.3	1,431.8	1,633.1
Assets held for sale	–	46.4	46.4
Intangible assets	320.0	119.4	439.4
Total impairment	521.3	1,597.6	2,118.9

Continuing operations

Impairment of property, plant and equipment, goodwill and intangible assets from continuing operations of $521.3 million is attributable to the outcomes from the Group operating model review, store network optimisation and property rationalisation review and impairment of intangible assets. The impairment recognised includes goodwill in EziBuy following the strategic decision to separate BIGW and EziBuy and the significant deterioration in the trading performance of the business.

Discontinued operations

On 18 January 2016, the Company announced its planned exit from the Home Improvement market. The recoverable amounts of the assets in the Home Improvement business have been re-assessed at the year end reporting period 26 June 2016. Valuations of property assets were determined with regard to the Group's asset disposal strategy and investment yields reflective of the characteristics and location of the individual properties based on management's best estimate of the expected net proceeds to be realised upon an orderly exit of the Home Improvement business. These fair values are classified as Level 3 (refer to Note 25D) within the fair value hierarchy. The resulting impairments of property plant and equipment, assets held for sale and intangible assets of $1,597.6 million are included within 'Loss from discontinued operations'. The carrying amounts of property, plant and equipment after impairment were transferred to 'Assets held for sale'. Refer to Note 27, Note 28 and Note 37 for further details.

Significant Accounting Policies

Impairment of non-financial assets

The carrying amounts of the Group's property, plant and equipment (refer to Note 11), goodwill and intangible assets (refer to Note 12) are reviewed for impairment as follows:

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

Calculation of recoverable amount

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

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

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

13 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Critical accounting estimates

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

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

In assessing FVLCTD, estimated future cash flows are based on the Group's most recent Board approved business plan. Cash flows beyond the approved business plan period are based on estimated long-term growth rates.

For both VIU and FVLCTD models, long-term growth rates are based on past experience, expectations of external market operating conditions, and other assumptions which take account of the specific features of each business unit. Long-term growth rates do not exceed industry growth rates for the business in which the CGU operates. In this regard, the cash flow projections are based on assumptions that would be considered typical for a market participant.

Estimated future cash flows in VIU models are discounted to 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. Pre-tax discount rates used vary depending on the nature of the business and the country of operation.

Estimated future cash flows in FVLCTD models are discounted to present value using a risk adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows.

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

	2016 %	2015 %
Long-term growth rate	0.5 – 2.5	2.5
Pre-tax discount rate	13 – 16.5	13 – 14

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

14 INCOME TAXES

(A) Income tax recognised in the Consolidated Statement of Profit or Loss

	2016 $M	2015 $M
Income tax expense		
Current tax expense	**796.6**	1,003.2
Adjustments recognised in the current year in relation to the current tax of prior years	**1.2**	3.7
Deferred tax relating to the origination and reversal of temporary differences	**(383.4)**	(76.6)
	414.4	930.3
Income tax expense is attributable to:		
Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss)	**519.5**	995.8
Loss from discontinued operations (refer to Note 27)	**(105.1)**	(65.5)
	414.4	930.3

Notes to the Consolidated Financial Statements: Assets and Liabilities

14 INCOME TAXES (CONTINUED)

(B) Reconciliation between tax expense and profit before income tax

	2016 $M	2015 $M
Profit before income tax expense – continuing operations	1,359.6	3,296.6
Loss before income tax expense – discontinued operations (refer to Note 27)	(3,293.1)	(229.0)
(Loss)/Profit before income tax expense	(1,933.5)	3,067.6
Income tax (benefit)/expense using the Australian corporate tax rate of 30%	(580.0)	920.3
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	27.6	28.3
Non-deductible impairment expense	723.6	–
Tax losses no longer able to be carried forward as a deferred tax asset	182.5	–
Unrecognised tax losses from the current year	74.6	–
Impact of differences in offshore tax rates	(4.7)	(11.0)
Exempt dividend income	–	(0.5)
Other	(10.4)	(10.5)
	413.2	926.6
Adjustments relating to prior years	1.2	3.7
Income tax expense	414.4	930.3

(C) Income tax recognised in other comprehensive income

	2016 $M	2015 $M
Current tax		
Cash flow hedges	–	0.3
Transactions charged to foreign currency translation reserve	2.0	0.3
	2.0	0.6
Deferred tax		
Cash flow hedges	1.7	13.5
Transactions charged to foreign currency translation reserve	22.5	(15.1)
Actuarial movements on defined benefit plans	(1.7)	3.4
	22.5	1.8

(D) Deferred tax balances recognised in the Consolidated Statement of Financial Position

2016	OPENING BALANCE $M	CREDITED/ (CHARGED) TO INCOME $M	CREDITED/ (CHARGED) TO OCI $M	ACQUISITIONS $M	TRANSFERS TO ASSETS HELD FOR SALE $M	CLOSING BALANCE $M
Deferred tax assets						
Property, plant and equipment	51.5	72.7	–	–	(0.4)	123.8
Provisions and accruals	556.4	455.7	1.7	–	(9.6)	1,004.2
Cash flow hedges	29.3	–	(1.7)	–	–	27.6
Unrealised foreign exchange differences	(14.1)	0.3	(24.5)	–	–	(38.3)
Tax losses (revenue)	182.5	(182.5)	–	–	–	–
Other	3.7	3.1	–	–	–	6.8
	809.3	349.3	(24.5)	–	(10.0)	1,124.1
Deferred tax liabilities						
Intangible assets	(14.0)	–	–	–	–	(14.0)
Prepayments	(3.8)	(0.1)	–	–	0.3	(3.6)
Other	(36.5)	34.2	2.0	–	3.8	3.5
	(54.3)	34.1	2.0	–	4.1	(14.1)
Net deferred tax asset/(liability)	755.0	383.4	(22.5)	–	(5.9)	1,110.0

14 INCOME TAXES (CONTINUED)

(D) Deferred tax balances recognised in the Consolidated Statement of Financial Position continued

2015	OPENING BALANCE $M	CREDITED/ (CHARGED) TO INCOME $M	CREDITED/ (CHARGED) TO OCI $M	ACQUISITIONS $M	TRANSFERS TO ASSETS HELD FOR SALE $M	CLOSING BALANCE $M
Deferred tax assets						
Property, plant and equipment	79.4	(27.9)	–	–	–	51.5
Provisions and accruals	512.9	45.5	(3.4)	1.4	–	556.4
Cash flow hedges	42.8	–	(13.5)	–	–	29.3
Unrealised foreign exchange differences	(27.2)	(2.6)	15.7	–	–	(14.1)
Tax losses (revenue)	126.3	56.2	–	–	–	182.5
Other	0.4	3.3	–	–	–	3.7
	734.6	74.5	(1.2)	1.4	–	809.3
Deferred tax liabilities						
Intangible assets	(14.0)	–	–	–	–	(14.0)
Prepayments	(2.7)	(1.1)	–	–	–	(3.8)
Other	(36.1)	3.2	(0.6)	(3.0)	–	(36.5)
	(52.8)	2.1	(0.6)	(3.0)	–	(54.3)
Net deferred tax asset/(liability)	681.8	76.6	(1.8)	(1.6)	–	755.0

Significant Accounting Policies

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

Current tax

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

Deferred tax

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

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

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

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

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

Tax consolidation

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

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

14 INCOME TAXES (CONTINUED)

Significant Accounting Policies continued

Tax consolidation continued

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

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

Income tax expense of $89.6 million (2015: $130.7 million) was charged by the Company to subsidiaries during the period through at-call intercompany accounts.

15 TRADE AND OTHER PAYABLES

	2016 $M	2015 $M
Trade payables	**4,809.1**	5,040.0
Accruals	**1,278.7**	1,008.9
Unearned income	**178.3**	132.3
Total	**6,266.1**	6,181.2

16 OTHER FINANCIAL LIABILITIES

	2016 $M	2015 $M
Current		
Gaming entitlement liability	**9.0**	34.5
Derivatives	**109.4**	111.8
Other	**1.9**	14.9
	120.3	161.2
Non-current		
Gaming entitlement liability	**–**	8.9
Put option over non-controlling interest in Hydrox Holdings Pty Ltd	**–**	886.5
Derivatives	**148.9**	148.4
Other	**30.9**	31.3
	179.8	1,075.1
Total	**300.1**	1,236.3

Significant Accounting Policies

Derivatives

Refer to Note 25 for details on derivatives.

Put options over non-controlling interests

Put options held by non-controlling interests are measured at fair value or a multiple of future estimated earnings where this is stipulated in the agreement with the non-controlling party.

The non-controlling interests continue to have access to voting rights and dividends and continue to be attributed a share of profits with the exception of Hydrox Holdings Pty Ltd.

16 OTHER FINANCIAL LIABILITIES (CONTINUED)

Critical Accounting Estimates

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

As at 26 June 2016, the Company owned 66.7% of Hydrox with the remaining 33.3% held by WDR Delaware Corporation, a subsidiary of Lowe's Companies, Inc. (together Lowe's). As part of the terms of the Joint Venture Agreement (Agreement) between the parties, Lowe's held a put option, which became exercisable after 20 October 2015. On 16 January 2016, Lowe's issued a notice setting an exercise date for the option triggering a 13-month notice period after which the option could be exercised. From this date the non-controlling interest was no longer entitled to profits or responsible for losses in Hydrox. On 18 January 2016, Woolworths announced that it intended to exercise its call option over Lowe's 33.3% interest in Hydrox. On 16 February 2016, the Company provided Lowe's with a notice of exercise of its call option.

The fair value of the put option in Hydrox has been determined as at the end of the reporting period based on a valuation provided to the Company by the Independent Expert it appointed in accordance with the process outlined in the Agreement. The Group has valued the put option liability as at 26 June 2016 at $nil.

The change in valuation of the put option liability during the period has been recognised directly in equity within general reserves. An alternative accounting policy which the Group has not adopted is that from inception of the put option, changes in the fair value of the put option liability are credited or charged to the Consolidated Statement of Profit or Loss.

Subsequent to balance date, on 24 August 2016, the Company terminated the Agreement with Lowe's, and the associated option contracts arising under the Agreement. Refer to Note 37 Subsequent Events for further information.

17 PROVISIONS

	2016 $M	2015 $M
Current		
Employee benefits	**902.4**	848.2
Self-insured risks	**170.3**	167.4
Restructuring, onerous contracts, store exit costs and other	**800.8**	64.3
	1,873.5	1,079.9
Non-current		
Employee benefits	**165.4**	163.7
Self-insured risks	**439.5**	430.3
Restructuring, onerous contracts, store exit costs and other	**777.5**	5.4
	1,382.4	599.4
Total	**3,255.9**	1,679.3

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

	SELF-INSURED RISKS		RESTRUCTURING, ONEROUS CONTRACTS, STORE EXIT COSTS AND OTHER	
	2016	2015	2016	2015
Movement:				
Balance at start of period	**597.7**	579.7	**69.7**	38.5
Additional provisions recognised	**160.4**	155.6	**1,705.3**	136.3
Reductions arising from payments	**(141.6)**	(133.9)	**(173.9)**	(104.9)
Other	**(7.0)**	(3.6)	**(24.5)**	0.1
Effect of movements in foreign exchange rates	**0.3**	(0.1)	**1.7**	(0.3)
Balance at end of period	**609.8**	597.7	**1,578.3**	69.7
Current	**170.3**	167.4	**800.8**	64.3
Non-current	**439.5**	430.3	**777.5**	5.4

17 PROVISIONS (CONTINUED)

Significant Accounting Policies

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

Employee benefits

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

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

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

Self-insurance

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

Restructuring

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

Onerous contracts and store exit costs

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

Critical Accounting Estimates

Discount Rates

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

Employee Benefits Assumptions

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

Actuarial Assumptions

Self-insurance provisions are determined based on independent actuarial assessments, which consider numbers, amounts and duration of claims, and allow for future inflation and investment returns. Allowance is included for injuries which occurred before the balance sheet date, but where the claim is expected to be notified after the reporting date. The assumptions are reviewed periodically and given the nature of the estimate, reasonably possible changes in assumptions are not considered likely to have a material impact.

Restructuring, onerous contracts and store exit costs

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

The increase in onerous contracts and store exit costs is primarily attributable to the recognition of provisions associated with the Group's planned exit from the Home Improvement market (refer to Note 27) and provisions incurred in respect of the Group-wide review of all aspects of the business as outlined in Note 3.

Notes to the Consolidated Financial Statements
Capital Structure, Financing and Risk Management

18 EARNINGS PER SHARE

	2016	2015
Profit/(loss) for the period used in earnings per share ($m)		
Continuing operations	**803.5**	2,255.4
Discontinued operations	**(2,038.3)**	(109.4)
	(1,234.8)	2,146.0
Weighted average number of shares used in earnings per share (shares, millions)		
Basic earnings per share [1]	**1,263.5**	1,256.6
Diluted earnings per share [1,2]	**1,263.9**	1,260.2
Basic earnings per share (cents per share) [1]		
Continuing operations	**63.6**	179.5
Discontinued operations	**(161.3)**	(8.7)
	(97.7)	170.8
Diluted earnings per share (cents per share) [1,2]		
Continuing operations	**63.6**	179.0
Discontinued operations	**(161.3)**	(8.7)
	(97.7)	170.3

1 Weighted average number of shares has been adjusted to remove Treasury shares held by Woolworths Custodian Pty Ltd (as trustee of various employee trusts).
2 Includes 0.4 million (2015: 3.6 million) shares deemed to be issued for no consideration in respect of employee options and performance rights.

19 DIVIDENDS

2016	CENTS PER SHARE	TOTAL AMOUNT $M	DATE OF PAYMENT
Interim 2016 ordinary	**44**	**559.2**	**08/04/16**
Final 2015 ordinary	**72**	**912.0**	**09/10/15**
	116	**1,471.2**	

2015	CENTS PER SHARE	TOTAL AMOUNT $M	DATE OF PAYMENT
Interim 2015 ordinary	67	846.3	24/04/15
Final 2014 ordinary	72	907.1	10/10/14
	139	1,753.4	

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

On 25 August 2016, the Board of Directors determined a final dividend in respect of the 2016 year of 33 cents (2015: 72 cents) per share fully franked at a 30% tax rate. The amount will be paid on 7 October 2016 (2015: 9 October 2015) and is expected to be $422.0 million (2015: $912.0 million). As the dividend was declared subsequent to 26 June 2016, no provision has been made as at 26 June 2016.

Dividend Reinvestment Plan (DRP)

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

The DRP for the 2016 final dividend will be underwritten up to a maximum of 50%.

In accordance with the DRP rules, the Directors have determined that a 1.5% discount will apply to the 2016 final dividend for shareholders who elect to participate in the DRP. Therefore, shares allocated to shareholders under the DRP for the 2016 final dividend will be allocated at an amount equal to 98.5% of the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on Tuesday 13 September 2016.

During the year, 19% (2015: 12%) of the dividend paid was reinvested in the shares of the Company.

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

19 DIVIDENDS (CONTINUED)

Dividends paid during the year

	2016 $M	2015 $M
Dividends paid	**1,471.2**	1,753.4
Issue of shares under the DRP	**(282.1)**	(208.3)
Dividends paid on Treasury shares	**(4.3)**	(6.5)
Net cash outflow	**1,184.8**	1,538.6

Franking credit balance

	2016 $M	2015 $M
Franking credits available for future financial years (tax paid basis, 30% tax rate)	**2,344.3**	2,305.7

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

(a) Franking credits that will arise from the payment of income tax payable at the end of the period; and

(b) Franking debits that will arise from the payment of dividends provided at the end of the period.

The above franking credit balance excludes $114.1 million (2015: $102.3 million) attributable to non-controlling interests.

20 ISSUED CAPITAL

	2016		2015	
	NUMBER (M)	$M	NUMBER (M)	$M
Share capital				
1,278,758,725 fully paid ordinary shares (2015: 1,266,615,199)				
Movement:				
Balance at start of period	**1,266.6**	**5,064.9**	1,259.8	4,850.1
Issue of shares as a result of share rights and options exercised under employee long-term incentive plans	**–**	**–**	0.3	6.5
Issue of shares as a result of the dividend reinvestment plan	**12.2**	**282.1**	6.5	208.3
Balance at end of period	**1,278.8**	**5,347.0**	1,266.6	5,064.9
Shares held in trust				
Movement:				
Balance at start of period	**5.8**	**(155.9)**	7.8	(218.9)
Issue of shares under employee long-term incentive plans	**(1.7)**	**61.1**	(2.0)	63.0
Balance at end of period	**4.1**	**(94.8)**	5.8	(155.9)

Share capital

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Share options and performance rights

Refer to Note 34 for further details of outstanding options and performance rights. Options and performance rights carry no rights to dividends and no voting rights.

Significant Accounting Policies

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.

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

21 RESERVES

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

	2016 $M	2015 $M
Hedging reserve		
Balance at start of period	**(66.1)**	(100.3)
Movement in the fair value of cash flow hedges	**3.7**	623.2
Transfer cash flow hedges to the Consolidated Statement of Profit or Loss	**(6.4)**	(575.2)
Deferred tax arising on cash flow hedges	**(1.7)**	(13.8)
Balance at the end of the period	**(70.5)**	(66.1)
Foreign currency translation reserve		
Balance at start of period	**(37.2)**	67.7
Movement in translation of foreign operations taken to equity, net of tax	**183.4**	(104.9)
Balance at the end of the period	**146.2**	(37.2)
Remuneration reserve		
Balance at start of period	**266.8**	303.1
Shares issued by the Woolworths Employee Share Trust	**(61.1)**	(63.5)
Equity settled share-based payments expense, net of tax	**20.8**	27.2
Balance at the end of the period	**226.5**	266.8
Asset revaluation reserve		
Balance at start of period	**16.5**	16.4
Transfers	**–**	0.1
Balance at the end of the period	**16.5**	16.5
Equity instrument reserve		
Balance at start of period	**9.3**	(88.7)
Movement in the fair value of investments in equity securities	**13.5**	7.1
Disposal of investment	**–**	90.9
Balance at the end of the period	**22.8**	9.3
General reserve		
Balance at start of period	**(94.2)**	–
Transactions with non-controlling interests	**(153.4)**	(3.2)
Disposals of investments	**–**	(91.0)
Balance at the end of the period	**(247.6)**	(94.2)
Total reserves	**93.9**	95.1

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

21 RESERVES (CONTINUED)

Significant Accounting Policies

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

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the Consolidated Statement of Profit or Loss when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy. Refer to Note 25 for details of hedging.

Foreign currency translation reserve (FCTR)

FCTR comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are also included in the FCTR. Refer to Note 25 for details of hedging.

Remuneration reserve

The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in the Consolidated Statement of Profit or Loss. Refer to Note 34 for details of share-based payments. Shares issued by the Woolworths Employee Share Trust are charged against the reserve.

Asset revaluation reserve

The asset revaluation reserve arose on acquisition of the previously equity accounted investment in MGW Hotels Pty Ltd and relates to the change in fair value of the Group's interest in non-current assets from the date of acquisition of the initial investment to the date control was achieved.

Equity instrument reserve

The equity instrument reserve arises on the revaluation of investments in equity securities. Subsequent to initial recognition, they are measured at fair value with any changes recognised in other comprehensive income. Upon disposal, the cumulative gain or loss recognised in other comprehensive income is transferred within equity. Refer to Note 10 for details of listed equity securities.

General reserve

The general reserve is used to record the cumulative gain or loss recognised in other comprehensive income which is transferred within equity upon disposal of listed equity securities (refer to Note 10). The reserve is also used to record differences which may arise as a result of transactions with non-controlling interests that do not result in loss of control.

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

22 NET CASH PROVIDED BY OPERATING ACTIVITIES

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

	2016 $M	2015 $M
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	**948.1**	1,333.4
Cash and cash equivalents (included within assets held for sale)	**7.9**	–
	956.0	1,333.4

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

	2016 $M	2015 $M
(Loss)/Profit after income tax expense	**(2,347.9)**	2,137.4
Adjustments for:		
Depreciation and amortisation	**1,075.9**	1,142.4
Impairment of non-financial assets	**2,118.9**	–
Share-based payments expense	**20.8**	27.2
Net loss on disposal and write-off of property, plant and equipment	**17.2**	48.7
Interest capitalised	**(42.3)**	(56.5)
Dividends received	**(3.2)**	(4.6)
Other	**(3.3)**	7.3
Changes in:		
Increase in deferred tax assets	**(362.3)**	(92.6)
Decrease in income tax payable	**(59.5)**	(58.8)
Decrease/(increase) in trade and other receivables	**29.1**	(28.0)
Decrease/(increase) in inventories	**204.1**	(161.0)
(Decrease)/increase in trade payables	**(171.8)**	406.8
Increase/(decrease) in sundry payables	**225.9**	(136.1)
Increase in provisions [1]	**1,655.9**	112.9
Net cash provided by operating activities	**2,357.5**	3,345.1

1 Includes restructuring, onerous contracts and store exit costs.

23 BORROWINGS

	2016 $M	2015 $M
Current, unsecured		
Short-term money market loans	**45.6**	10.0
Bank loans	**37.4**	23.8
Short-term securities	**407.3**	1,609.9
Finance leases	**0.4**	1.7
	490.7	1,645.4
Non-current, unsecured		
Bank loans	**853.2**	–
Long-term securities	**2,331.4**	2,384.6
Woolworths Notes II	**699.1**	696.5
Unamortised borrowing costs	**(15.7)**	(4.7)
Finance leases	**2.9**	2.9
	3,870.9	3,079.3
Total	**4,361.6**	4,724.7

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

23 BORROWINGS (CONTINUED)

Composition of borrowings

	2016		2015		
	CARRYING VALUE (NET OF UNAMORTISED BORROWING COSTS) A$M	INSTRUMENT CURRENCY (IF NOT AUD) M	CARRYING VALUE (NET OF UNAMORTISED BORROWING COSTS) A$M	INSTRUMENT CURRENCY (IF NOT AUD) M	MATURITY
Short-term money market loans					
Short-term loan, on call[1]	**45.6**	**NZ$47.8**	10.0	–	At call
Bank loans (current)					
Committed Revolving Credit Facility[1]	**34.7**	**CNY168.8**	22.4	–	At call
Other	**2.7**	**–**	1.4	–	At call
	37.4		23.8		
Short term securities					
US Senior Notes (private placement)	**407.3**	**US$300.0**	–	–	Apr 2017
US senior Notes (US 144A market)	**–**	**–**	362.5	US$279.3	Sep 2015
US senior Notes (US 144A market)	**–**	**–**	457.7	US$352.6	Nov 2015
US senior Notes (US 144A market)	**–**	**–**	289.8	US$223.3	Apr 2016
Medium Term Notes	**–**	**–**	499.9	–	Mar 2016
	407.3		1,609.9		
Bank loans (non-current)					
Syndicated Bank Loan	**300.0**	**–**	–	–	Oct 2019
Syndicated Bank Loan	**100.0**	**–**	–	–	Apr 2019
Syndicated Bank Loan	**100.0**	**–**	–	–	Oct 2021
Syndicated Bank Loan	**353.2**	**US$260.0**	–	–	Oct 2021
	853.2		–		
Long term securities					
US senior Notes (US 144A market)	**837.9**	**US$617.0**	800.6	US$617.0	Sep 2020
US senior Notes (US 144A market)	**594.9**	**US$438.0**	568.6	US$438.0	Apr 2021
US senior Notes (private placement)	**135.8**	**US$100.0**	129.7	US$100.0	Apr 2020
US senior Notes (private placement)	**–**	**–**	389.3	US$300.0	Apr 2017
Medium Term Notes	**497.1**	**–**	496.0	–	Mar 2019
European Medium Term Notes	**265.3**	**JPY20,000**	–	–	Nov 2020
Other	**0.4**	**–**	0.4	–	–
	2,331.4		2,384.6		
Woolworths Notes II					
Woolworths Notes II	**699.1**	**–**	696.5	–	Nov 2036

1 Drawn by a controlled entity.

Significant Accounting Policies

Borrowings

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

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

24 FINANCING ARRANGEMENTS

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

2016	BANK OVERDRAFTS $M	BANK LOAN FACILITIES $M	TOTAL $M
Used at reporting date	**2.8**	**935.7**	**938.5**
Unused at reporting date	**39.7**	**3,500.1**	**3,539.8**
	42.5	**4,435.8**	**4,478.3**

2015	BANK OVERDRAFTS $M	BANK LOAN FACILITIES $M	TOTAL $M
Used at reporting date	–	33.8	33.8
Unused at reporting date	41.7	2,293.1	2,334.8
	41.7	2,326.9	2,368.6

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

The above facilities are subject to certain financial covenants and undertakings. No covenants have been breached during the period. Total facilities exclude Woolworths Notes II, Senior Notes and Medium Term Notes.

25 FINANCIAL RISK MANAGEMENT

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

- Market risk (refer to Note 25(A));
- Liquidity risk (refer to Note 25(B)); and
- Credit risk (refer to Note 25(C)).

These risks affect the fair value measurements applied by the Group, which is discussed in Note 25(D).

The Group adheres to a set of policies approved by the Board of Directors, which provide written principles on liquidity risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments for hedging purposes. The Treasury function reports on its compliance with the policy on a monthly basis to the Board of Directors and such compliance is reviewed periodically by its internal auditors.

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

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

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Significant Accounting Policies

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. Subsequently, at each reporting date, the gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Statement of Profit or Loss, unless they qualify for hedge accounting as outlined in AASB 9 *Financial Instruments* (2013). The Group has cash flow hedge relationships as follows.

Cash flow hedge

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

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

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

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

When a hedging instrument expires or is sold, terminated or exercised, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss accumulated in equity is reclassified immediately into the Consolidated Statement of Profit or Loss.

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

(A) Market risk

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

(i) Foreign currency risk

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

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

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

Forward exchange contracts and foreign currency options

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

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Market risk continued

At the reporting date, details of significant outstanding forward exchange contracts stated in Australian dollar equivalents for the Group are:

	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		MARK TO MARKET ASSETS (REFER TO NOTE 10)		MARK TO MARKET LIABILITIES (REFER TO NOTE 16)	
MATURING	2016	2015	2016 M	2015 M	2016 A$M	2015 A$M	2016 A$M	2015 A$M	2016 A$M	2015 A$M
Hedging imports:										
Within 12 months										
Buy US Dollars	**0.72**	0.78	**741.8**	726.8	**1,035.1**	934.0	**0.1**	19.2	**(24.2)**	(2.8)
Buy US Dollars against NZ Dollars	**0.67**	0.74	**58.1**	29.8	**83.2**	36.2	**–**	2.7	**(3.8)**	–
Buy US Dollars against Chinese Yuan	**6.54**	–	**1.4**	–	**1.9**	–	**–**	–	**–**	–
Buy Euro	**0.66**	0.68	**130.6**	103.5	**197.9**	152.9	**0.6**	0.1	**(0.9)**	(1.1)
Buy Euro against NZ Dollars	**0.60**	–	**1.6**	–	**2.5**	–	**–**	–	**(0.1)**	–
Buy Euro against Chinese Yuan	**7.30**	–	**0.9**	–	**1.3**	–	**–**		**–**	–
Buy/(sell) NZ Dollars	**1.09**	1.08	**2.2**	(3.2)	**1.8**	(3.4)	**0.4**	0.6	**(0.2)**	–
Buy British Pounds	**0.46**	–	**2.6**	–	**5.6**	–	**–**	–	**(0.8)**	–
Within one to three years										
Buy Euro	**0.65**	0.66	**6.1**	72.2	**9.3**	109.5	**0.1**	0.1	**–**	(0.7)
Total					**1,338.6**	1,229.2	**1.2**	22.7	**(30.0)**	(4.6)

At the reporting date, the net amount of unrealised losses under forward foreign exchange contracts hedging anticipated purchases of inventory and equipment is $28.8 million (2015: $18.1 million unrealised gains). The hedge relationships are all assessed as highly effective with insignificant hedge ineffectiveness and the balance of $28.8 million has been recognised in the hedging reserve (2015: $18.1 million).

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

Cross currency swap agreements

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

As at the reporting date, cross currency swaps have a net unrealised gain of $573.7 million (2015: $542.0 million unrealised gain).

These cross currency swaps (combined with interest rate swaps hedging the related interest rate exposure – refer to part (ii)) are designated as cash flow hedges, in a 100% hedge relationship with the underlying debt. The unrealised gain of $147.7 million attributable to the interest rate component of the cross currency swaps has been recognised in the hedging reserve (2015: $122.4 million gain), with insignificant hedge ineffectiveness.

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Market risk continued

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

	AVERAGE INTEREST RATE		AVERAGE EXCHANGE RATE		CONTRACT VALUE		FAIR VALUE ASSET (REFER TO NOTE 10)		FAIR VALUE LIABILITY (REFER TO NOTE 16)	
MATURING	2016 %	2015 %	2016	2015	2016 A$M	2015 A$M	2016 A$M	2015 A$M	2016 A$M	2015 A$M
Floating rates – AUD										
Within 12 months [1]	**BBSW +54.6bp**	BBSW +105.7bp	**0.787**	0.861	**381.2**	990.1	**41.6**	148.5	**–**	(19.5)
One to two years [1]	**–**	BBSW +54.6bp	**–**	0.787	**–**	381.2	**–**	37.8	**–**	–
Two to five years [1]	**BBSW +175.2bp**	BBSW +69.0bp	**0.959**	0.787	**1,204.2**	127.1	**509.4**	22.1	**–**	–
Five years + [1]	**BBSW +210.3bp**	BBSW +187.7bp	**0.732**	0.979	**355.4**	1,077.1	**0.3**	368.0	**(5.6)**	–
Floating rates – AUD/JPY										
Two to five years [1]	**BBSW +201.5bp**	–	**87.51**	–	**228.5**	–	**45.2**	–	**(6.7)**	–
					2,169.3	2,575.5	**596.5**	576.4	**(12.3)**	(19.5)

1 These fair value calculations include interest accruals of $10.5 million (2015: $14.9 million).

Sensitivity

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

(ii) Interest rate risk

The Group has exposure to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and through the use of interest rate swap contracts.

Hedging activities are evaluated regularly with regard to Board approved policy, which requires a cash flow at risk approach in assessing residual interest rate exposure. The Group manages risk and reports compliance based upon whether a 1% change in interest rates will cause a reduction in earnings (profit after tax) greater than the maximum acceptable levels.

Interest rate swap contracts

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

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE ASSET (REFER TO NOTE 10)		FAIR VALUE LIABILITY (REFER TO NOTE 16)	
MATURING	2016 %	2015 %	2016 A$M	2015 A$M	2016 A$M	2015 A$M	2016 A$M	2015 A$M
Less than one year	**4.90**	5.69	**1,081.2**	989.5	**–**	–	**(23.3)**	(18.7)
One to two years	**–**	4.90	**–**	1,081.2	**–**	–	**–**	(50.5)
Two to five years	**5.24**	5.90	**1,431.9**	127.1	**–**	–	**(202.6)**	(18.8)
Five years +	**–**	5.75	**–**	1,076.3	**–**	–	**–**	(160.5)
			2,513.1	3,274.1	**–**	–	**(225.9)**	(248.5)

The fair value of interest rate swaps has a net unrealised loss of $225.9 million (2015: $248.5 million unrealised loss). These fair value calculations include interest accruals as recorded in trade and other payables of $8.4 million (2015: $12.4 million).
All interest rate swaps have been designated as cash flow hedges based on a 100% hedge relationship against the identified exposure, with insignificant hedge ineffectiveness and the balance of $217.5 million has been recognised in the hedging reserve (2015: $236.1 million).

Sensitivity analysis

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

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Market risk continued

Cash Flow Hedge Reserve

The table below details the movements in the cash flow hedge reserve during the year:

	2016 $M	2015 $M
Balance at beginning of year	**(66.1)**	(100.3)
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges:		
Cross currency and interest rate swaps	**50.3**	583.6
Forward currency contracts	**(28.8)**	18.1
Income tax related to gains/losses recognised in other comprehensive income	**(9.0)**	(181.1)
	12.5	420.6
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss:		
Cross currency and interest rate swaps	**(6.4)**	(571.9)
Forward currency contracts	**–**	(3.3)
Income tax related to amounts reclassified to profit or loss	**1.9**	172.8
	(4.5)	(402.4)
Transferred to initial carrying amount of hedged item:		
Forward currency contracts	**(17.8)**	21.5
Income tax related to amounts transferred to initial carrying amount of hedged item	**5.4**	(5.5)
	(12.4)	16.0
Balance at end of year	**(70.5)**	(66.1)

Maturity profile of financial instruments

The following tables detail the Group's exposure to interest rate risk at 26 June 2016 and 28 June 2015:

2016	FLOATING INTEREST RATE $M	FIXED INTEREST MATURING IN: 1 YEAR OR LESS $M	1 TO 2 YEARS $M	2 TO 5 YEARS $M	OVER 5 YEARS $M	NON-INTEREST BEARING $M	TOTAL $M	AVERAGE EFFECTIVE INTEREST RATE %
Financial assets								
Cash and cash equivalents	587.3	–	–	–	–	360.8	948.1	1.44
Trade and other receivables	–	1.2	0.7	2.1	7.2	503.0	514.2	6.04
Other financial assets	–	–	–	–	–	694.2	694.2	–
	587.3	1.2	0.7	2.1	7.2	1,558.0	2,156.5	–
Financial liabilities								
Trade and other payables [2]	–	–	–	–	–	(6,087.8)	(6,087.8)	–
Provisions	–	–	–	–	–	(3,255.9)	(3,255.9)	–
Borrowings	(1,619.4)	(407.8)	(500.0)	(1,834.0)	–	(0.4)	(4,361.6)	6.26
Other financial liabilities	343.7	(710.8)	(30.9)	0.8	355.4	(258.3)	(300.1)	–
	(1,275.7)	(1,118.6)	(530.9)	(1,833.2)	355.4	(9,602.4)	(14,005.4)	–
Net financial assets/(liabilities)	(688.4)	(1,117.4)	(530.2)	(1,831.1)	362.6	(8,044.4)	(11,848.9)	–

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

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Market risk continued

2015	FLOATING INTEREST RATE $M	FIXED INTEREST MATURING IN: 1 YEAR OR LESS $M	1 TO 2 YEARS $M	2 TO 5 YEARS $M	OVER 5 YEARS $M	NON-INTEREST BEARING $M	TOTAL $M	AVERAGE EFFECTIVE INTEREST RATE %
Financial assets								
Cash and cash equivalents	985.5	–	–	–	–	347.9	1,333.4	1.70%
Trade and other receivables	–	0.3	1.0	3.4	74.2	611.9	690.8	7.20%
Other financial assets	–	–	–	–	–	686.1	686.1	–
	985.5	0.3	1.0	3.4	74.2	1,645.9	2,710.3	–
Financial liabilities								
Trade and other payables [1]	–	–	–	–	–	(6,181.2)	(6,181.2)	–
Provisions	–	–	–	–	–	(1,679.3)	(1,679.3)	–
Borrowings	(730.3)	(1,611.5)	(391.7)	(626.2)	(1,369.3)	4.3	(4,724.7)	7.01%
Other financial liabilities	698.6	(48.9)	(740.2)	–	0.8	(1,146.6)	(1,236.3)	–
	(31.7)	(1,660.4)	(1,131.9)	(626.2)	(1,368.5)	(9,002.8)	(13,821.5)	–
Net financial assets/(liabilities)	953.8	(1,660.1)	(1,130.9)	(622.8)	(1,294.3)	(7,356.9)	(11,111.2)	–

1 Offset against the accounts payable balance are amounts owing from vendors of $909.7 million. Gross accounts payable prior to offsetting this balance is $5,949.7 million.

(iii) Equity price risk

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

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

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk arises through the possibility that sales may be reduced due to adverse factors, unusually large amounts may fall due for payment, or existing maturing debt is unable to be refinanced.

The Group has established an appropriate liquidity risk management framework for short, medium and long-term funding liquidity management requirements, which has been approved by the Board of Directors.

The Group maintains a liquidity reserve in the form of undrawn bilateral standby facilities of at least $500 million with unexpired tenures of at least 12 months at all times. Additionally, to minimise refinancing and re-pricing risk, there are limitations placed upon amounts which may expire in a 12-month period and amounts which may be from a single funding source. Included in Note 24 is a summary of undrawn facilities that the Group has at its disposal to draw upon if required.

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

2016	MATURITY ANALYSIS OF FINANCIAL LIABILITIES				
	1 YEAR OR LESS $M	1 TO 2 YEARS $M	2 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M
Non-derivative liabilities					
Borrowings [1]	(1,109.6)	(147.9)	(2,282.9)	(1,626.3)	(5,166.7)
Other financial liabilities [2]	(11.0)	(30.8)	–	–	(41.8)
Trade and other payables [3]	(6,087.8)	–	–	–	(6,087.8)
	(7,208.4)	(178.7)	(2,282.9)	(1,626.3)	(11,296.3)
Derivative liabilities					
Foreign exchange contracts pay	(1,345.2)	(9.1)	(0.2)	–	(1,354.5)
Foreign exchange contracts receive	1,310.6	8.9	0.2	–	1,319.7
Net foreign exchange contracts	(34.6)	(0.2)	–	–	(34.8)
Cross currency swaps pay floating	(461.4)	(69.1)	(1,611.9)	(361.9)	(2,504.3)
Cross currency swaps receive fixed	480.6	78.4	1,642.5	359.1	2,560.6
Net receive cross currency swaps	19.2	9.3	30.6	(2.8)	56.3
Net pay interest rate swaps [4]	(68.1)	(46.2)	(116.2)	–	(230.5)
	(83.5)	(37.1)	(85.6)	(2.8)	(209.0)
Total financial liabilities	(7,291.9)	(215.8)	(2,368.5)	(1,629.1)	(11,505.3)

1 Borrowings with a maturity of one year or less includes $500 million of syndicated borrowings which are expected to be repaid in advance of the contractual maturity (refer to Note 23).
2 The put options over non-controlling interests have not been included as there is no contractual maturity. During 2016 the put option over non-controlling interest in Hydrox was exercised. Refer to Note 16 for details.
3 Includes liabilities held for sale (refer to Note 28).
4 Interest rate swaps are net settled.

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) Liquidity risk continued

2015	MATURITY ANALYSIS OF FINANCIAL LIABILITIES 1 YEAR OR LESS $M	1 TO 2 YEARS $M	2 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M
Non-derivative liabilities					
Borrowings[1]	(1,741.9)	(536.3)	(995.2)	(2,437.7)	(5,711.1)
Other financial liabilities[2]	(38.1)	(29.6)	–	–	(67.7)
Trade and other payables[1]	(6,048.9)	–	–	–	(6,048.9)
	(7,828.9)	(565.9)	(995.2)	(2,437.7)	(11,827.7)
Derivative liabilities					
Foreign exchange contracts pay	(1,133.2)	(100.2)	(9.3)	–	(1,242.7)
Foreign exchange contracts receive	1,143.3	96.1	8.8	–	1,248.2
Net foreign exchange contracts	10.1	(4.1)	(0.5)	–	5.5
Cross currency swaps pay floating	(1,064.5)	(438.4)	(268.2)	(1,099.8)	(2,870.9)
Cross currency swaps receive fixed	1,101.5	466.2	321.9	1,119.0	3,008.6
Net receive cross currency swaps	37.0	27.8	53.7	19.2	137.7
Net pay interest rate swaps[3]	(92.2)	(65.6)	(130.7)	(21.8)	(310.3)
	(45.1)	(41.9)	(77.5)	(2.6)	(167.1)
Total financial liabilities	(7,874.0)	(607.8)	(1,072.7)	(2,440.3)	(11,994.8)

1 Includes liabilities held for sale (refer to Note 28).
2 The put options over non-controlling interests have not been included as there is no contractual maturity. During 2016 the put option over non-controlling interest in Hydrox was exercised. Refer to Note 16 for details.
3 Interest rate swaps are net settled.

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

(C) Credit risk

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

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

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

The recognised financial assets of the Group include amounts receivable arising from unrealised gains on derivative financial instruments. For derivatives which are deliverable, credit risk may also arise from the potential failure of the counterparties to meet their obligations under the respective contracts at maturity.

As at the reporting date, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2015: Nil). Other than amounts provided for impairment of receivables in Note 8, no financial assets were impaired or past due.

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined. They are grouped into levels 1 to 3 based on the degree to which the fair value measurement inputs are observable.

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

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	NOTE	FAIR VALUE AS AT 2016 $M	FAIR VALUE AS AT 2015 $M	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Listed equity securities	10	**Assets 77.3**	Assets 64.0	Level 1	Quoted last sale prices in an active market	n/a	n/a
Forward exchange contracts	10 16	**Assets 1.2** **Liabilities 30.0**	Assets 22.7 Liabilities 4.6	Level 2	Discounted cash flow – Future cash flows are estimated based on market forward exchange rates as at the end of the reporting period and the contract forward rate, discounted by the observable yield curves of the respective currency	n/a	n/a
Interest rate and cross currency swaps	10 16	**Assets 584.5** **Liabilities 228.3**	Assets 561.5 Liabilities 255.6	Level 2	Discounted cash flow – Future cash flows are estimated based on market forward rates[1] as at the end of the reporting period and the contract rates, discounted at a rate that reflects the credit risk of the various respective counterparties	n/a	n/a
Put options over non-controlling interests	16	**Liabilities –**	Liabilities 898.2	Level 3	Discounted cash flow and merger market basis – Refer to Note 16 for a description of the valuation technique and key inputs	Free cash flow forecasts over the valuation period	The higher the free cash flow forecasts, the higher the fair value
						Discount rate	The higher the discount rate, the lower the fair value
Contingent consideration payable	16	**Liabilities 21.8**	Liabilities 20.4	Level 3	Discounted cash flow – Future cash flows are estimated based on the adjusted cash flows of the acquired business	Probability-adjusted cash flows of the acquired business	The higher the probability adjusted cash flows, the higher the contingent consideration payable
						Discount rate	The higher the discount rate, the lower the contingent consideration payable

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

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

Notes to the Consolidated Financial Statements:
Capital Structure, Financing and Risk Management

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) Fair value measurement of financial instruments continued

Reconciliation of Level 3 fair value measurements

	2016 $M	2015 $M
Movement:		
Balance at start of period	**(918.6)**	(800.6)
Change in fair value of put options over non-controlling interests	**886.1**	(111.1)
Acquisition of non-controlling interest	**12.1**	13.5
Contingent consideration payable arising from acquisition of business	**–**	(18.4)
Foreign exchange losses recognised in other comprehensive income	**(1.4)**	(2.0)
Balance at end of period	**(21.8)**	(918.6)

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

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

(E) Capital management

The Company manages its capital structure with the objective of enhancing long-term shareholder value through optimising its weighted average cost of capital while retaining flexibility to pursue growth and undertake capital management initiatives. Woolworths is committed to a solid investment grade rating and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, accelerating working capital initiatives and adjusting its growth capital expenditure and property leasing profile.

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

Upcoming refinancing

Woolworths has approximately AUD 381 million equivalent of US144A debt maturing in the second half of FY17. This refinancing requirement has been pre-arranged by additional bank facilities totalling $2.0 billion with tenors of three and five and a half years, established in April 2016. This was partially utilised to repay other debt which matured during FY16.

The five year non-call period for the AUD 700 million Woolworths Notes II ends on 24 November 2016. Pursuant to a replacement capital covenant, the Notes may be refinanced by a hybrid containing similar characteristics (50% S&P equity credit) or a combination of debt and equity in equal proportions.

Guarantee facility

In August 2014, Woolworths finalised a A$400 million Bank Guarantee facility underpinned by the international surety market. This facility is available on a committed basis for three years and is for the purpose of Woolworths meeting its WorkCover obligations as a 'self-insurer' by issuing bank guarantees in favour of Australian WorkCover authorities. The facility is currently fully drawn and an equivalent amount of existing bank supported guarantees has been cancelled.

26 COMMITMENTS FOR EXPENDITURE

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

	2016 $M	2015 $M
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, payable:		
Not later than one year	**497.4**	547.5
Later than one year, not later than two years	**43.1**	2.5
Later than two years, not later than five years	**7.1**	–
	547.6	550.0
Operating lease commitments		
Future minimum rentals under non-cancellable operating leases, payable:		
Not later than one year	**2,073.1**	1,978.9
Later than one year, not later than five years	**7,468.0**	7,126.5
Later than five years	**15,188.5**	14,317.8
	24,729.6	23,423.2
Total commitments for expenditure	**25,277.2**	23,973.2

Operating lease commitments for onerous lease contracts recognised in the Consolidated Statement of Financial Position are also disclosed in the operating lease commitment table above. Refer to Note 17 for onerous lease contract liabilities recognised in the Consolidated Statement of Financial Position.

The commitments set out above do not include contingent turnover rentals, which are charged on many of the retail premises leased by the Group. These rentals are calculated as a percentage of the turnover of the store occupying the premises, with the percentage and turnover threshold at which the additional rentals commence varying with each lease agreement.

The Group leases retail premises and warehousing facilities which are generally for periods up to 40 years. The operating lease commitments include leases for the Norwest office and distribution centres. Generally the lease agreements are for initial terms of between five and 25 years and most include multiple renewal options for additional five to 10 year terms. Under most leases, the Group is responsible for property taxes, insurance, maintenance and expenses related to the leased properties. However, many of the more recent lease agreements have been negotiated on a gross or semi-gross basis, which eliminates or significantly reduces the lessee's exposure to operational charges associated with the properties.

Notes to the Consolidated Financial Statements
Group Structure

27 DISCONTINUED OPERATIONS

On 18 January 2016, the Company announced that it intended to exercise its call option over the 33.3% interest in Hydrox Holdings Pty Ltd following Lowe's notice to exercise its put option under the Joint Venture Agreement and that the Company intended to pursue an orderly prospective exit of the Home Improvement business. As a result, the Home Improvement business has been reported as a discontinued operation.

The results of the Home Improvement business have been separately disclosed and the comparative financial information in the Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income has been restated to present the Home Improvement business as a discontinued operation. The full year results and cash flows from the Home Improvement business are as follows:

	2016 $M	2015 $M
Revenue from the sale of goods	**2,100.2**	1,867.1
Expenses	**(2,319.0)**	(2,094.5)
Impairment of Home Improvement assets and store exit costs	**(3,055.1)**	–
Loss before interest and income tax	**(3,273.9)**	(227.4)
Net financing costs	**(19.2)**	(1.5)
Loss before income tax	**(3,293.1)**	(228.9)
Income tax benefit	**105.1**	65.5
Loss for the period from discontinued operations	**(3,188.0)**	(163.4)
Cash flows from Discontinued Operations		
Net cash outflow from operating activities	**(364.5)**	(219.4)
Net cash outflow from investing activities	**(98.1)**	(319.7)
Net cash inflow from financing activities	**172.1**	166.4
	(290.5)	(372.7)

Impairment of Home Improvement assets and store exit costs

As a result of the Group's planned exit from the Home Improvement market, the recoverable amount of assets and recognition and measurement of liabilities of the Home Improvement business were assessed as at the end of the half year reporting period (3 January 2016) based on management's best estimate of the expected net proceeds to be realised or payments to be incurred upon an orderly exit of the Home Improvement business. These estimates have been reassessed as at the end of the current reporting period as shown in the table below.

	OPENING AT 3 JANUARY 2016 $M	RE-ASSESSMENT $M	CLOSING AT 26 JUNE 2016 $M
Impairment of property, plant and equipment [1]	(1,464.3)	(13.9)	**(1,478.2)**
Impairment of inventories	(547.1)	357.4	**(189.7)**
Onerous lease expense, store and other exit costs [2]	(1,238.1)	(149.1)	**(1,387.2)**
Impairment of Home Improvement assets and store exit costs, before income tax	(3,249.5)	194.4	**(3,055.1)**
Income tax benefit	235.9	(169.0)	**66.9**
Impairment of Home Improvement assets and store exit costs, net of tax	(3,013.6)	25.4	**(2,988.2)**
Loss attributable to equity holders of the parent entity	(1,898.5)	25.4	**(1,873.1)**
Loss attributable to non-controlling interests at 16 January 2016 [3]	(1,115.1)	–	**(1,115.1)**

1 Impairment of property, plant and equipment is comprised of $1,431.8 million transferred from property, plant and equipment (refer to Note 13) and an additional $46.4 million recognised directly in assets held for sale.
2 Onerous lease expense, store and other exit costs includes $119.4 million relating to impairment of intangible assets.
3 On 16 January 2016, Lowe's issued a notice setting an exercise date for the option triggering a 13-month notice period after which the option can be exercised. From this date, the non-controlling interest is no longer entitled to profits or responsible for losses in Hydrox Holdings Pty Ltd. Subsequent to balance date, on 24 August 2016 the Company terminated the Hydrox Joint Venture Agreement with Lowe's. Refer to Note 37 Subsequent Events for further information.

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

27 DISCONTINUED OPERATIONS (CONTINUED)

Impairment of property, plant and equipment

Impairment of property, plant and equipment primarily relates to impairments of properties, store assets and distribution centres pertaining to the Home Improvement business. Refer to Note 13 for details.

Impairment of inventories

Impairment of inventories relates to the write-down of Home Improvement inventory to net realisable value. Management has assessed the value of inventory that is likely to be sold below cost using judgement based on the likely recovery rates in an orderly exit scenario and has recognised a provision for impairment for this amount.

Onerous lease expense, store and other exit costs

The Group has recognised a provision for store closures, onerous leases and other exit costs based on the present value of management's best estimate of the expenditure required to settle the present obligation. The provision for store closures and onerous leases is based on the lower of the estimated unavoidable costs of meeting all leases and other obligations under the stores and associated contracts; and management's best estimate of the compensation expected to be payable to landlords and other third parties as a result of early termination of contracts.

Income tax benefit

Income tax benefit primarily represents the deferred tax asset recognised by the Woolworths Group with respect to the expected deductibility of certain costs associated with the exit of the Home Improvement business. The income tax benefit has been partially reduced by the reversal of a deferred tax asset primarily in relation to carry forward losses attributable to Hydrox Holdings Pty Ltd which has been derecognised due to the likelihood that these losses will never be recovered.

Significant Accounting Policies

Discontinued operations

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

Critical Accounting Estimates

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

Notes to the Consolidated Financial Statements: Group Structure

28 ASSETS HELD FOR SALE

Following the announcement of the exit from the Home Improvement business (refer to Note 27), management have committed to a plan to pursue an orderly prospective exit from the Home Improvement business. In addition, the Group has a number of property assets that it plans to sell. Accordingly, assets and liabilities relating to Home Timber and Hardware Group, property, plant and equipment relating to Masters and other Group properties held for sale are included in the following table.

	2016 $M	2015 $M
Property, plant and equipment	**769.5**	381.6
Other assets	**331.0**	–
Total assets classified as held for sale	**1,100.5**	381.6

	2016 $M	2015 $M
Total liabilities directly associated with assets held for sale	**202.6**	–

Significant Accounting Policies

Non-current assets held for sale

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

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

29 BUSINESS ACQUISITIONS

During the year, the Group acquired 100% of various miscellaneous businesses in the supermarkets, hotels and liquor industries. The total consideration for these acquisitions is $23.4 million (2015: $109.6 million) of which $22.7 million was paid in cash, net of cash acquired (2015: $88.7 million).

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

30 SUBSIDIARIES

(A) Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418, the following table lists the wholly-owned subsidiaries of the Company who are relieved from the *Corporations Act 2001* (Cth) 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.

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

Woolworths has a further 126 subsidiaries not listed above which are not party to the Deed of Cross Guarantee. Of the total subsidiaries outside of the Deed, 118 subsidiaries are wholly owned. Refer to (B) in this Note for further details of the non-wholly owned subsidiaries that have material non-controlling interests.

Notes to the Consolidated Financial Statements: Group Structure

30 SUBSIDIARIES (CONTINUED)

(A) Deed of cross guarantee continued

A statement of profit or loss and retained earnings and statement of financial position for the entities which are party to the Deed at the reporting date are as follows:

Statement of profit or loss and retained earnings

	2016 $M	2015 $M
Revenue from the sale of goods and services	**47,939.9**	48,458.4
Other operating revenue	**180.0**	181.5
Total revenue	**48,119.9**	48,639.9
Cost of sales	**(35,902.6)**	(35,870.4)
Gross profit	**12,217.3**	12,769.5
Other revenue	**207.4**	208.0
Branch expenses	**(8,608.5)**	(7,800.7)
Administration expenses	**(5,513.3)**	(2,389.5)
(Loss)/Earnings before interest and tax	**(1,697.1)**	2,787.3
Financing income	**292.7**	15.9
(Loss)/Profit before income tax	**(1,404.4)**	2,803.2
Income tax expense	**(128.9)**	(820.3)
(Loss)/Profit for the period	**(1,533.3)**	1,982.9
Retained earnings		
Balance at start of period	**4,897.0**	4,653.1
(Loss)/Profit attributable to members	**(1,533.3)**	1,982.9
Dividends paid (refer to Note 19)	**(1,471.2)**	(1,753.4)
Dividends paid on Treasury shares	**4.3**	6.5
Actuarial (losses)/gains on defined benefit superannuation plans	**(5.6)**	11.3
Tax effect of actuarial (losses)/gains	**1.7**	(3.4)
Balance at end of period	**1,892.9**	4,897.0

30 SUBSIDIARIES (CONTINUED)

(A) Deed of cross guarantee continued

Statement of financial position

	2016 $M	2015 $M
Current assets		
Cash and cash equivalents	**703.8**	1,017.1
Trade and other receivables	**1,460.1**	1,322.2
Inventories	**3,423.5**	3,439.8
Current tax assets	**13.8**	–
Other financial assets	**56.0**	185.0
	5,657.2	5,964.1
Assets held for sale	**169.1**	232.5
Total current assets	**5,826.3**	6,196.6
Non-current assets		
Trade and other receivables	**3,040.2**	3,589.2
Other financial assets	**2,806.0**	4,456.3
Property, plant and equipment	**6,240.7**	6,160.3
Intangible assets	**988.6**	985.7
Deferred tax assets	**933.3**	471.6
Total non-current assets	**14,008.8**	15,663.1
Total assets	**19,835.1**	21,859.7
Current liabilities		
Trade and other payables	**5,042.2**	5,150.2
Borrowings	**456.0**	1,611.2
Other financial liabilities	**979.7**	125.1
Current tax payable	**–**	40.0
Provisions	**1,141.5**	902.2
Total current liabilities	**7,619.4**	7,828.7
Non-current liabilities		
Borrowings	**3,870.5**	3,078.9
Other financial liabilities	**157.9**	169.7
Provisions	**656.0**	569.1
Other	**201.3**	200.8
Total non-current liabilities	**4,885.7**	4,018.5
Total liabilities	**12,505.1**	11,847.2
Net assets	**7,330.0**	10,012.5
Equity		
Issued capital	**5,347.0**	5,064.9
Shares held in trust	**(94.8)**	(155.9)
Retained earnings	**1,892.9**	4,897.0
Reserves	**184.9**	206.5
Total equity	**7,330.0**	10,012.5

Notes to the Consolidated Financial Statements: Group Structure

30 SUBSIDIARIES (CONTINUED)

(B) Details of non-wholly owned subsidiaries that have material non-controlling interests

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS 2016 %	2015 %	PROFIT/(LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS 2016 $M	2015 $M	ACCUMULATED NON-CONTROLLING INTERESTS 2016 $M	2015 $M	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS 2016 $M	2015 $M
ALH Group Pty Ltd	Australia	**25**	25	**30.7**	39.7	**288.1**	286.2	**28.8**	27.5
Hydrox Holdings Pty Ltd[1]	Australia	**33**	33	**(1,149.7)**	(54.0)	**–**	–	**–**	0.7
Individually immaterial subsidiaries				**5.9**	5.7	**23.2**	11.6	**3.6**	0.6
				(1,113.1)	(8.6)	**311.3**	297.8	**32.4**	28.8

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

	ALH GROUP PTY LTD 2016 $M	2015 $M	HYDROX HOLDINGS PTY LTD[1] 2016 $M	2015 $M
Current assets	**414.0**	384.6	**–**	1,068.0
Non-current assets	**3,875.8**	3,842.4	**–**	2,125.6
Current liabilities	**(1,890.5)**	(1,839.1)	**–**	(509.7)
Non-current liabilities	**(1,239.8)**	(1,246.3)	**–**	(23.9)
Revenue	**4,105.9**	3,950.2	**–**	1,874.1
Profit after tax	**122.8**	158.8	**–**	(163.4)
Total comprehensive income	**122.8**	158.8	**–**	(162.5)
Net cash inflow/(outflow)	**2.7**	(0.8)	**–**	(8.8)

1 On 16 January 2016, Lowe's issued a notice setting an exercise date for the option triggering a 13-month notice period after which the option can be exercised. From this date, the non-controlling interest in Hydrox Holdings Pty Ltd is no longer material to the Group. Subsequent to balance date, on 24 August 2016 the Company terminated the Hydrox Joint Venture Agreement with Lowe's. Refer to Note 37 Subsequent Events for further information.

31 PARENT ENTITY INFORMATION

Financial information for the parent entity is as follows:

	2016 $M	2015 $M
Assets		
Current assets	**5,096.2**	5,532.2
Non-current assets	**13,666.3**	17,944.8
Total assets	**18,762.5**	23,477.0
Liabilities		
Current liabilities	**9,991.8**	12,396.8
Non-current liabilities	**4,872.0**	4,028.5
Total liabilities	**14,863.8**	16,425.3
Equity		
Issued capital	**5,347.0**	5,064.9
Shares held in trust	**(94.8)**	(155.9)
Reserves		
Hedging reserve	**(63.1)**	(69.1)
Remuneration reserve	**226.5**	266.8
Equity instrument reserve	**23.9**	10.3
Profit reserve	**463.5**	1,934.7
Loss reserve	**(2,004.3)**	–
Total equity	**3,898.7**	7,051.7

31 PARENT ENTITY INFORMATION (CONTINUED)

	2016 $M	2015 $M
(Loss)/Profit for the period	**(2,004.3)**	1,747.4
Other comprehensive income/(loss)	**15.7**	68.1
Total comprehensive (loss)/income for the period	**(1,988.6)**	1,815.5

Guarantees

Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned Group (refer to Note 30) and agreements held by other subsidiaries are $1,517.1 million (2015: $2,207.1 million).

Other guarantees held by the parent entity are the same as those held by the Group as disclosed in Note 33.

Capital commitments for the acquisition of property, plant and equipment

	2016 $M	2015 $M
Payable not later than one year	**293.2**	141.3
Later than one year, not later than two years	**43.0**	–
Later than two years, not later than five years	**7.0**	–
	343.2	141.3

Significant Accounting Policies

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

32 RELATED PARTIES

Transactions within the Group

During the financial period and previous financial periods, Woolworths Limited advanced loans to, received and repaid loans from, and provided treasury, accounting, legal, taxation and administrative services to other entities within the Group.

Entities within the Group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

Directors and key management personnel

Disclosures relating to Directors and key management personnel are set out in Note 35 and in the Remuneration Report.

Notes to the Consolidated Financial Statements
Other

33 CONTINGENT LIABILITIES

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

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

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

No provision has been made in the financial statements in respect of these contingencies, however there is a provision of $609.8 million for self-insured risks (2015: $597.7 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

34 EMPLOYEE BENEFITS

(A) Share-based payments – Woolworths Long-Term Incentive Plan

Equity settled share-based payments form part of the remuneration of certain employees of the Group. At the 2004 Annual General Meeting, shareholders approved the introduction of the Woolworths Long-Term Incentive Plan (LTI plan). Sub-plans within the LTI plan are as follows:

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

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

LTI Plan

The Performance Rights Sub-Plan has been used to make offers of LTI plan which have the following features:

- A maximum exercise period of five and a half years;
- Upon exercise, each performance right entitles the holder to one ordinary fully paid Woolworths Limited share; and
- Participants do not receive dividends on unvested equity.

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

SUMMARY OF LTI PLAN PERFORMANCE MEASURES

		EPS		RELATIVE TSR	
GRANT YEAR	VESTING PERIOD (YEARS)	WEIGHTING	HURDLE/RANGE	WEIGHTING	HURDLE/RANGE
FY13 – FY14 [1]	5	50%	6% – 8%	50%	51st – 75th percentile
FY15 [1]	3	50%	6% – 8%	50%	51st – 75th percentile
FY16 [2]	3	33.33%	np [3]	66.67%	51st – 75th percentile

1 EPS component vests progressively upon attaining average annual growth of 6% with the full 50% vesting at an average annual growth of 8%. The Total Shareholder Return (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 or exceeds the 75th percentile of the comparator group. There is no retest if either performance measure is not met.

2 EPS component vests progressively, upon attaining certain hurdles, to a maximum weighting of 33.33%. The TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group up to the full 66.67% vesting where TSR equals or exceeds the 75th percentile of the comparator group. There is no retest if either performance measure is not met.

3 Not published (np) as the Company no longer provides market guidance and the EPS targets are commercially sensitive. The FY16 LTI plan targets and performance will be published at the time of vesting.

34 EMPLOYEE BENEFITS (CONTINUED)

(A) Share-based payments – Woolworths Long-Term Incentive Plan continued

Deferred Short-Term Incentive (Deferred STI)

The Performance Rights Sub-Plan has been used from FY12 to make offers of Deferred STI which has the following features:

- For the FY12 to FY15 Deferred STI plans, a one year performance measure linked to net profit after tax (NPAT) market guidance and for the FY16 Deferred STI plan, a one year performance measure linked to Group EBIT; and
- If the performance 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.

Attraction and retention rights

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

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

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

Performance rights by grant date

The following table summarises movements in outstanding rights for the financial period ended 26 June 2016:

FINANCIAL YEAR	EFFECTIVE DATE	EXPIRY DATE	NO. OF RIGHTS AT 28 JUNE 2015	RIGHTS GRANTED DURING YEAR	RIGHTS EXERCISED DURING YEAR	RIGHTS LAPSED AND FORFEITED DURING YEAR	NO. OF RIGHTS AT 26 JUNE 2016
Performance Rights (LTI plan and Deferred STI)							
FY12	01/07/11	31/12/16	**149,389**	**–**	**–**	**(12,300)**	**137,089**
FY13	01/07/12	31/12/17	**1,916,295**	**–**	**(1,631,419)**	**(93,363)**	**191,513**
FY14	01/07/13	31/12/18	**1,401,834**	**–**	**(36,389)**	**(257,776)**	**1,107,669**
FY15	01/07/14	31/12/19	**2,337,550**	**–**	**–**	**(1,653,211)**	**684,339**
FY16	01/07/15	31/12/20	**–**	**2,114,280**	**–**	**(159,976)**	**1,954,304**
Performance Rights (attraction and retention)							
FY13	01/07/12 to 03/04/13	01/07/14 to 11/03/16	**35,890**	**–**	**(35,890)**	**–**	**–**
FY14	01/07/13 to 20/06/14	01/07/14 to 02/10/18	**166,850**	**–**	**(105,400)**	**(21,400)**	**40,050**
FY15	01/07/14 to 01/06/15	02/09/14 to 07/04/18	**179,490**	**–**	**(87,936)**	**(14,201)**	**77,353**
FY16	01/07/15 to 20/06/16	01/07/16 to 01/10/18	**–**	**811,052**	**(2,016)**	**(15,795)**	**793,241**
			6,187,298	**2,925,332**	**(1,899,050)**	**(2,228,022)**	**4,985,558**

The weighted average share price during the financial period ended 26 June 2016 was $24.10.

Notes to the Consolidated Financial Statements: Other

34 EMPLOYEE BENEFITS (CONTINUED)

(A) Share-based payments – Woolworths Long-Term Incentive Plan continued

Movements in options/performance rights during the financial period ended 28 June 2015 are as follows:

FINANCIAL YEAR	EFFECTIVE DATE	EXPIRY DATE	NO. OF OPTIONS/ RIGHTS AT 29 JUNE 2014	OPTIONS/ RIGHTS GRANTED DURING YEAR	OPTIONS/ RIGHTS EXERCISED DURING YEAR	OPTIONS/ RIGHTS LAPSED AND FORFEITED DURING YEAR	NO. OF OPTIONS/ RIGHTS AT 28 JUNE 2015
Options							
FY10	01/07/09	31/12/14	292,865	–	(253,023)	(39,842)	–
Performance Rights (LTI plan and Deferred STI)							
FY11	01/07/10	31/12/15	1,083,695	–	–	(1,083,695)	–
FY12	01/07/11	31/12/16	1,266,438	–	(1,011,515)	(105,534)	149,389
FY13	01/07/12	31/12/17	2,328,268	–	(80,643)	(331,330)	1,916,295
FY14	01/07/13	31/12/18	2,076,452	–	(7,234)	(667,384)	1,401,834
FY15	01/07/14	31/12/19	–	2,537,514	–	(199,964)	2,337,550
Performance Rights (attraction and retention)							
FY12	01/07/11 to 14/05/12	01/07/13 to 16/04/15	55,000	–	(55,000)	–	–
FY13	01/07/12 to 03/04/13	01/07/14 to 11/03/16	737,420	–	(692,930)	(8,600)	35,890
FY14	01/07/13 to 20/06/14	01/07/14 to 02/10/18	286,243	–	(101,843)	(17,550)	166,850
FY15	01/07/14 to 01/06/15	02/09/14 to 07/04/18	–	185,050	(4,130)	(1,430)	179,490
			8,126,381	2,722,564	(2,206,318)	(2,455,329)	6,187,298

The weighted average share price during the financial period ended 28 June 2015 was $31.96.

The contractual exercise period of the instruments set out in the previous tables is used as an input into the model to determine the fair value of options and performance rights. Other inputs in relation to these instruments are:

GRANT DATE[1]	EFFECTIVE DATE	SHARE PRICE AT GRANT DATE	EXPECTED VOLATILITY[2]	DIVIDEND YIELD	RISK FREE INTEREST RATE	WEIGHTED AVERAGE FV	FAIR VALUE EPS	FAIR VALUE TSR	FAIR VALUE NPAT/EBIT
12/12/11	01/07/11	$25.95	–	4.20%	–	$22.39	–	–	$22.39
12/12/11	01/07/11	$25.95	17%	4.20%	3.40%	$16.19	$20.05	$12.33	–
07/12/12	01/07/12	$29.64	16%	4.50%	2.70%	$18.32	$22.60	$14.04	–
07/12/12	01/07/12	$29.64	–	4.50%	–	$25.45	–	–	$25.45
22/03/13	01/07/12	$34.03	16%	4.50%	3.10%	$21.20	$26.41	$15.99	–
22/03/13	01/07/12	$34.03	–	4.50%	–	$29.74	–	–	$29.74
13/12/13	01/07/13	$32.65	16%	4.10%	3.40%	$19.51	$25.56	$13.46	–
13/12/13	01/07/13	$32.65	–	4.10%	–	$28.46	–	–	$28.46
29/04/14	01/07/13	$38.04	16%	4.10%	3.20%	$24.74	$30.39	$19.08	–
29/04/14	01/07/13	$38.04	–	4.10%	–	$33.84	–	–	$33.84
17/10/14	01/07/14	$34.76	16%	4.10%	2.50%	$21.51	$29.78	$13.24	–
17/10/14	01/07/14	$34.76	–	4.10%	–	$29.78	–	–	$29.78
27/11/14	01/07/14	$31.75	16%	4.10%	2.50%	$18.66	$27.37	$9.94	–
19/06/15	01/07/14	$27.30	20%	5.10%	1.90%	$12.50	$23.53	$1.46	–
20/11/15	01/07/15	$23.71	25%	5.10%	2.10%	$12.89	$19.66	$9.51	–
20/11/15	01/07/15	$23.71	–	5.10%	–	$19.66	–	–	$19.66

1 Grant date represents the offer acceptance date.
2 The expected volatility is based on the historical implied volatility calculated based on the weighted average remaining life of the performance rights adjusted for any expected changes to future volatility due to publicly available information.

34 EMPLOYEE BENEFITS (CONTINUED)

(A) Share-based payments – Woolworths Long-Term Incentive Plan continued

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 period, 1,496 shares (2015: 1,735) were purchased under the EMSP. No additional expense is recognised in relation to these shares as they are acquired out of salary sacrificed remuneration.

Employee Share Purchase Plan (SPP)

The SPP was launched in June 2008 and provides permanent full-time and part-time employees who are Australian tax residents and are aged 18 years or over, with the opportunity to purchase shares from pre-tax income via salary sacrifice. Woolworths Limited pays the associated brokerage costs. During the year, 612,919 (2015: 520,066) shares were purchased on behalf of participating employees.

The total shares purchased during the year was 614,415 (2015: 521,801) at an average price per share of $22.85 (2015: $30.28).

Significant Accounting Policies

Share-based payments

The grant date fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period, with a corresponding increase in equity.

The fair value of instruments with market-based performance conditions (e.g. TSR) is calculated at the date of grant using the Monte Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per instrument.

The fair value of instruments with non-market-based performance conditions (e.g. EPS and NPAT/EBIT) and service conditions and retention rights is calculated using the Black-Scholes option pricing model.

The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of instruments that vest except where forfeiture is due to failure to achieve market-based performance conditions.

(B) Retirement plans

Defined benefit plans

The Company sponsors a defined benefit plan, the Woolworths Group Superannuation Plan (WGSP *or* the Plan) that provides superannuation benefits for employees upon retirement. The defined benefit plan is closed to new members. The assets of the WGSP are held in a sub-plan within AMP SignatureSuper that is legally separated from the Group. The WGSP invests entirely in pooled unit trust products where prices are quoted on a daily basis.

The WGSP consists of members with defined benefit entitlements and defined contribution (accumulation) benefits. The Plan also pays allocated pensions to a small number of pensioners. The following disclosures relate only to the Company's obligation in respect of defined benefit entitlements.

The Group contributes to the WGSP at rates as set out in the Trust Deed and Rules and the Participation Deed between the Company and AMP Superannuation Limited. Members contribute to the WGSP at rates dependent upon their membership category. The Plan provides lump sum defined benefits that are defined by salary and period of membership.

An actuarial valuation was carried out in the current year by Mr Nicholas Wilkinson, FIAA, Willis Towers Watson (2015: Mr John Burnett, FIAA, Towers Watson). The principal actuarial assumptions used for the purpose of the valuation are as follows:

	2016 %	2015 %
Discount rate	**3.30**	4.40
Expected rate of salary increase	**3.00**	3.00
Rate of price inflation	**2.50**	2.50

The average duration of the defined benefit obligation at the end of the reporting period is 7.7 years (2015: 7.7 years) which relates wholly to active participants.

Notes to the Consolidated Financial Statements: Other

34 EMPLOYEE BENEFITS (CONTINUED)

(B) Retirement plans continued

Total defined benefit costs are as follows:

	2016 $M	2015 $M
Current service cost	**11.5**	13.6
Net interest/(income) on net defined benefit liability	**2.6**	2.3
Remeasurement effects recognised in other comprehensive income	**5.6**	(11.3)
Total defined benefit cost	**19.7**	4.6

The amount included in the Consolidated Statement of Financial Position in respect of the defined benefit plan is as follows:

	2016 $M	2015 $M
Defined benefit obligation	**(467.2)**	(508.8)
Fair value of plan assets	**405.6**	440.9
Closing net liability for defined benefit obligations	**(61.6)**	(67.9)

Movements in the present value of the net liability for defined benefit obligations are as follows:

	2016 $M	2015 $M
Movement:		
Net liability for defined benefit obligations at start of period	**(67.9)**	(73.9)
Current service cost	**(11.5)**	(13.6)
Interest cost	**(21.2)**	(18.5)
Interest income[1]	**18.6**	16.2
Return on plan assets greater than discount rate[1]	**(8.8)**	31.5
Actuarial loss due to experience	**8.5**	(19.7)
Actuarial loss due to assumption changes	**(5.3)**	(0.5)
Employer contributions	**26.0**	10.6
Net liability for defined benefit obligations at end of period	**(61.6)**	(67.9)

1 The actual return on plan assets was $9.8 million (2015: $47.7 million).

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and expected rate of salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease by $4.9 million (increase by $8.0 million); and
- If the rate of salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $6.6 million (decrease by $4.3 million).

Company contributions are agreed between the Plan Trustees and Company, following advice from the Plan Actuary at least every year. The expected Group and employee contributions to the WGSP in respect of the regular accrual of benefits for members with defined benefit entitlements for the 2017 financial year are $8.7 million and $3.7 million respectively.

Defined contribution plans

The majority of employees in Australia and New Zealand are part of a defined contribution superannuation scheme and receive fixed contributions from the Group in accordance with the rules of the WGSP and/or any statutory obligations.

34 EMPLOYEE BENEFITS (CONTINUED)

(B) Retirement plans continued

Significant Accounting Policies

Defined benefit plan

The net defined benefit obligation recognised in the Consolidated Statement of Financial Position represents the deficit or surplus in the Group's defined benefit plans which is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The calculation of the defined benefit obligation is performed at the end of each annual reporting period by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised in the period in which they occur, directly in other comprehensive income and will not be reclassified to profit or loss.

The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate at the beginning of the period to the net defined benefit liability, taking into account any changes during the period as a result of contributions and benefit payments. Net interest expense (income), service cost and other expenses related to defined benefit plans are recognised in the Consolidated Statement of Profit or Loss.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements: Other

35 KEY MANAGEMENT PERSONNEL

The total remuneration for key management personnel of the Group is as follows:

	2016 $	2015 $
Short-term employee benefits	**8,735,255**	8,135,863
Post employment benefits	**790,785**	752,359
Other long-term benefits	**271,420**	135,456
Share-based payments	**977,793**	358,786
	10,775,253	9,382,464

Equity instrument disclosures relating to key management personnel

Details of equity instruments provided as compensation to key management personnel and shares issued on exercise of these instruments, together with the terms and conditions of the instruments, are disclosed in Section 5.1 of the Remuneration Report.

36 AUDITORS' REMUNERATION

The auditors' remuneration for the Group is as follows:

	2016 $'000	2015 $'000
Auditors of the parent entity – Deloitte Touche Tohmatsu Australia		
Audit or review of the financial report	**2,748**	2,518
Regulatory and compliance related services	**239**	13
Other non-audit related services [1]	**173**	687
Tax compliance services	**113**	85
	3,273	3,303
Other auditors [2]		
Audit or review of the financial report	**218**	172
Other non-audit related services [1]	**44**	525
Tax compliance services	**160**	101
	422	798
Total auditors' remuneration	**3,695**	4,101

1 Other non-audit related services comprise assistance on various accounting matters, assurance services in relation to debt raisings, regulatory reviews, financial due diligence and other sundry services.
2 Other auditors are international associates of Deloitte Touche Tohmatsu Australia.

37 SUBSEQUENT EVENTS

Home Improvement

On 24 August 2016, the Company and/or entities in the Hydrox Group entered into a series of arrangements related to the Company's exit from the Home Improvement business:

- The sale by Hydrox Brands Pty Ltd of 100% of the shares in Danks Holdings Pty Limited, the holding company for the Home Timber and Hardware Group (HTH) to Metcash for a headline purchase price of $165 million (subject to adjustment in accordance with the sale agreement) with a requirement for the Company to also take assignment of three residual leases of HTH;
- The appointment by Masters Home Improvement Australia Pty Limited (Masters) of GA Australia Pty Ltd (GA Australia) as exclusive agent to manage the sell-down of Masters inventory. Under the terms of the appointment, GA Australia has provided a guarantee for the recovery of a guaranteed percentage of the cost value of Masters inventory, which is subject to certain adjustments and is estimated to deliver gross proceeds of approximately $500 million; and
- The Company has granted an exclusive call option over its 66.7% shareholding in Hydrox Holdings Pty Ltd (Hydrox) to Home Investment Consortium Company Pty Ltd as trustee for the Home Investment Consortium Trust (Home Consortium), whereby Home Consortium has proposed to purchase Masters properties through the acquisition of 100% of the shares in Hydrox, subject to Lowe's consent. The transaction would include 40 Masters freehold trading sites, 21 Masters freehold development sites and 21 Masters leasehold sites with Woolworths proposing to acquire three Masters freehold sites and take assignment of 12 Masters leases.

The Company also announced that Masters will cease trading at all stores on or before 11 December 2016.

In addition, on 24 August 2016, the Company terminated the Joint Venture Agreement with Lowe's Companies, Inc. and WDR Delaware Corporation (together Lowe's), and the associated option contracts arising under the Joint Venture Agreement. This termination right arose as a result of a breach by Lowe's of obligations under the option valuation mechanism in the Joint Venture Agreement. Lowe's has disputed the validity of the Company's termination in proceedings commenced in the Federal Court of Australia. Lowe's and the Company are also party to a confidential private arbitration in relation to a range of matters arising from their joint venture including the option valuation mechanism.

As of the date of this Financial Report, Lowe's owns 33.3% and Woolworths owns 66.7% of Hydrox. Consistent with the basis of the Company's $nil valuation of the terminated Lowe's put option (as described in Note 16), no allowance or provision has been made in this Financial Report for shareholder payments that may occur following completion of the above transactions and exit from the Home Improvement business.

The carrying value of HTH's assets and liabilities, and the Masters inventory, in the Financial Report materially reflect the transacted HTH sale value and estimated valuation outcomes from the sell down of Masters inventory by GA Australia.

The financial impact of the transaction with Home Consortium has not been reflected in this Financial Report on the basis that Home Consortium has an unexercised call option to purchase the Company's shares in Hydrox, and the transaction outcomes at the date of this Financial Report remain unconcluded.

Woolworths Notes

Subsequent to balance date, Woolworths has announced its intention to replace Woolworths Notes II (the Notes). The Notes may be redeemed on or after 24 November 2016 when the five year non-call period for the Notes ends. The Notes have been classified in the Consolidated Statement of Financial Position as a non-current liability on the basis of their maturity date of 2036 (refer to Note 23).

At the date of this report, other than the matters noted above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth).

At the date of this declaration, the Company is within the class of companies affected by ASIC 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 30 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001* (Cth).
On behalf of the Directors.

Gordon Cairns
Chairman

Brad Banducci
Managing Director and Chief Executive Officer

9 September 2016

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia
DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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 statement of Financial Position as at 26 June 2016, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the financial year 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 year as set out on pages 56 to 115.

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 the basis of preparation, 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.

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 26 June 2016 and of its performance for the financial year 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 the basis of preparation.

Independent Auditor's Report

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 53 of the Directors' report for the financial year ended 26 June 2016. 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 financial year ended 26 June 2016, complies with section 300A of the Corporations Act 2001.

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner
Chartered Accountants

Sydney, 9 September 2016